

Third Party Evaluation 2009
The Ministry of Foreign Affairs of Japan

Country Assistance Evaluation of Ethiopia

- Summary -

March 2010

Preface

This report is a summary of the “Country Assistance Evaluation of Ethiopia” undertaken by the External Advisory Meeting on ODA Evaluation, requested by the International Cooperation Bureau of the Ministry of Foreign Affairs (MOFA) of Japan.

Since its commencement in 1954, Japan’s Official Development Assistance (ODA) has contributed to the development of partner countries, and finding solutions to international issues which vary with the times. Recently, there have been increased domestic and international calls for more effective and efficient implementation of ODA. MOFA, as a coordinating ministry for ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives: to support management of implementation of ODA; and to ensure its accountability.

This report is intended to evaluate Japan’s ODA policy to Ethiopia in terms of its relevance, effectiveness and implementation processes, which will provide lessons learned and recommendations for reviewing the ODA policy to Ethiopia, including the revision of the CAP for Ethiopia planned in FY2010, as well as implementing more effective and efficient aid activities. Furthermore, in order to fulfill its accountability, the evaluation results have been opened to the public. In addition, by providing feedback on the results of the evaluation to the Ethiopian government and other donors, the Country Assistance Evaluation of Ethiopia serves as a reference for Ethiopia’s future development and helps publicize Japan’s ODA.

The External Advisory Meeting on ODA Evaluation was formed as an advisory body of the Director-General of the International Cooperation Bureau of MOFA to improve objectivity in ODA evaluation. The advisory Meeting is commissioned to design and conduct evaluations of ODA and to feedback the results of each evaluation with recommendations and lessons learned as reference to the International Cooperation Bureau of the MOFA. Prof. Izumi Ohno, a member of the meeting, was in charge of this evaluation.

Prof. Makoto Nishi, Research Fellow at the Center for Southeast Asian Studies, Kyoto University, being an advisor for the study, made enormous contribution to this report. Likewise, MOFA, the Japan International Cooperation Agency (JICA), and the ODA Taskforces as well as the government and institutions in Ethiopia also made invaluable contribution. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study. The ODA Evaluation Division of the International Cooperation Bureau of MOFA was in charge of coordination of all the parties involved. All other supportive works, including information collection, analysis, and report preparation was provided by Mitsubishi UFJ Research & Consulting Co., Ltd. under the commission of MOFA.

Finally, we wish to add that the opinions expressed in this report do not reflect the views or positions of the Government of Japan or any other institutions.

March 2010

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Country Assistance Evaluation of Ethiopia Executive Summary

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Outline of Evaluation

1. Evaluation Results

(1) Relevance of Policies

Japan's assistance to Ethiopia is consistent with Japan's higher-level policies and with the development policy and strategy laid down by the Government of Ethiopia. The Government of Japan set the "establishment of food security" as its basic goal in response to the threat of famine that hit Ethiopia at that time and to the action plan that the G-8 Summit adopted in 2004. This was appropriate and had the intended diplomatic appeal. However, it is regrettable that although the final draft was prepared in FY2006, its approval by the government took so much time that, unfortunately, it was not made public until June 2008. Japan's assistance is appropriate and complementary to the support being provided by other donors in so far as it strives to enhance the administrative capacities of the federal and local governments through implementation of specific projects.

(2) Effectiveness of Results

The main indicators of development objectives in Japan's priority areas for assistance (agriculture/ rural development, water resources, socio-economic infrastructure, education, and health) appear overall to be moving toward improvement. Thus, Japan's assistance is by and large producing meaningful results. The Ethiopian side is highly appreciative of the strengths of Japan's assistance (i.e., infrastructure development that draws on Japan's technical expertise, detailed support provided at the field/on the ground, coordination between grant assistance and technical cooperation, the high quality of its support, and the assuredness of its implementation). On the other hand, the Ethiopian government is only halfway towards achieving its goal on food security which the Government of Ethiopia considers to be its top priority and which Japan sets as a basic objective of its aid to Ethiopia. In order to produce concrete

results, the need for a development strategy that takes into consideration the linkages among vulnerable regions, potential regions, and the private sector is greater than ever. Japan also needs to adopt an aid strategy that takes into account of the linkages and synergies among various policies.

(3) Appropriateness of Process

Considering the fact that the development assistance environment in Ethiopia has undergone major changes when the existing Country Assistance Program (CAP) was officially announced, it is clear that measures should have been taken to streamline and expedite its approval process. As far as individual projects are concerned, the process of project preparation and implementation was generally appropriate. In July 2009, annual policy dialogue with the Government of Ethiopia was held for the seventh time. There has been close coordination and communication with the Ethiopian side, including discussions at the working level and dialogue concerning individual projects. However, there were calls for the streamlining of the ODA implementation process, as well as calls for greater flexibility in the provision of grant aid at the time of implementation. Regarding field-based initiatives, in addition to the ODA Task Force, regular meetings have been held among the embassy and JICA staff, and private sector firms, serving as a forum to share information and exchange views. Hence, it is noteworthy that the ODA Task Force endeavors to design action policies, taking into account the views of private-sector firms expressed at the field-level. As for donor coordination, although Japan does not provide budget support or cooperation to pooled funds, the ODA Task Force members participate in donor meetings. However, several donors indicated that, at the policy level, Japan's visibility is rather low. In terms of individual projects, there are examples of "good practices" among Japan's assistance in collaboration with assistance from international organizations.

2. Main Recommendations

(1) Reconsider the objectives and priority areas of assistance in light of the changes that are taking place in Ethiopia's development aid environment.

Given the changes that are taking place in the developmental needs of the Government of Ethiopia, the objectives and priority areas of assistance to be included in the next CAP for Ethiopia in FY2010 should be reconsidered (e.g., adding "sustainable economic growth" to the current objective of "establishing food security")

(2) Adopt an approach that enhances the impact of Japan's ODA

- a. In the area of agriculture/ rural development, endeavors to enhance the synergies among various projects are important.
- b. In order to scale up/ spread out the "models" that have been established with the technical cooperation provided, facilitate coordination with financial cooperation, and with different levels of assistance, from policy-level to grassroots level support.
- c. Consider the possibility of participating in budget support with combined efforts to assist in formulating a development program for the entire Region and *Woredas* (districts), and strengthening of technical cooperation for public financial management.
- d. In order to enhance the effectiveness of projects, strengthen cooperation and increase exchange of opinions with NGOs by taking advantage of the experiences

gained from the Grant Assistance for Grassroots and Human Security Projects.

- e. In order to reduce the exogenous risks to individual projects, constantly enhance the involvement in policy level issues in the field.

(3) Formulate an aid strategy that builds on Japan's knowledge and experience and to strengthen its ability to send clear messages concerning its assistance.

Enhance the impact of Japan's assistance and strengthen its visibility by linking policies to the initiatives on the field through policy dialogues.

(4) Improve the process of policy formulation and implementation of aid.

- a. Expedite the aid policy formulation process.
- b. Establish a mechanism for steadily enabling processes ranging from submission of project requests to project approval.

(5) Improve Japan's grant aid system.

Consider improving Japan's general grant aid system to leverage Japan's technical strengths (e.g., setting unit price and securing contingency funds).

(6) Strategically utilize assistance provided by international organizations.

- a. Scale up Japan's field-based practical ODA through the effective utilization of international organizations.
- b. Extend assistance through effective utilization of international organizations in areas that cannot be reached with bilateral assistance (especially assistance to remote regions).
- c. In order to effectively provide assistance to infrastructure and industrial development, consider the possibility of extending loans over the medium- to long-term through partnerships with the African Development Bank and the World Bank.

(Note: The opinions expressed in this summary do not necessarily reflect the views and positions of the Government of Japan or any other institutions.)

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Chapter 1: Purpose and Principles of the Evaluation

1-1 Background and Purpose

The purpose of this evaluation is to present an overall assessment of Japan's ODA policy for Ethiopia in light of the significance of its assistance to Ethiopia and thereby identify the development needs of Ethiopia, which have been changing in recent years. This evaluation also intends to ascertain the lessons learned and submit recommendations that will contribute to policy formulation, including the revision of the Country Assistance Program (CAP) to Ethiopia scheduled in FY 2010, and contribute to a more effective and efficient implementation of Japan's assistance to Ethiopia. At the same time, by widely publicizing the evaluation results, it intends to fulfill accountability to the people and simultaneously feedback the results to the Government of Ethiopia and other donors, thereby providing the Government of Ethiopia with reference for its future development and helping the Government of Japan to better publicize its ODA.

Ethiopia is a large country with a population of 80.71 million (World Bank, 2009), the second largest in Sub-Saharan Africa. In recent years, it has by and large maintained a growth rate of 6% or higher, and especially in the past few years, its growth rate has exceeded 10%. The reasons for this are recognized that, for five consecutive years, Ethiopia was blessed with sufficient rainfall, enabling agricultural products, such as coffee and ornamental flowers, to grow at a steady rate. Other factors that contributed to Ethiopia's growth include the fact that the international price of coffee—the country's major export—rose steadily, tourism and other service industries grew, and investments from China, India, and other emerging countries increased.

Ethiopia, however, is still beset with serious problems, such as periodic draught accompanied by outbreaks of famine and domestically displaced people. At USD 280 (World Bank, 2008), Ethiopia's gross national income (GNI) per capita is still among the lowest in the world. Thus, the Ethiopian economy has two dimensions. Additionally, since 2008, as a result of climate instability and the global financial crisis, signs of decline have begun to appear in Ethiopia's ability to sustain its economic growth. Indeed, the International Monetary Fund (IMF) has predicted that Ethiopia's gross domestic product (GDP) would grow by 6.5%, which is considerably lower than the 11.6% it recorded the year before. Up to now, the current administration of Prime Minister Meles Zenawi has been making efforts to address the country's development challenges such as poverty reduction while promoting economic reforms, including democratization and structural adjustment policies. Thus, in light of the objectives of "poverty reduction" and "human security" set in the new ODA Charter, it is of extreme significance that such initiatives be supported by Japan's ODA.

From the perspective of Japan's foreign policy, it is important that Japan provides assistance to Ethiopia for the following reasons: a) the African Union (AU) is headquartered in the Ethiopian capital of Addis Ababa; and b) because the country is located in the hinterland of the Horn of Africa, the political and economic stability of Ethiopia is important for the safety of West Asia and North Africa.

In light of such significance of Japan's assistance to Ethiopia, in the existing CAP for Ethiopia that was made public in June 2008, Japan formulated a policy that sets "establishing food security" as its basic objective over the medium term. Toward this end, Japan set two top priority areas (agriculture/rural development, and water resources) and three priority areas (socio-economic infrastructure, education, and health), and adopted a policy of providing assistance to Ethiopia by focusing its resources on these areas and related sectors. Furthermore, in addition to aid projects that combine food assistance and assistance to poor farmers, Japan provides assistance to people which the region is unable to protect, by utilizing the Trust Fund for Human Security through international organizations, and Grant Assistance for Grassroots and Human Security Projects. As of FY2007, Japan has provided Ethiopia a total of approximately USD 770 million in grant aid and technical cooperation (approx. USD 58 million in FY2006, which puts Japan fifth among bilateral donors).¹ Recently, the decision to provide assistance towards "growth acceleration" was announced at the Fourth Tokyo International Conference on African Development (TICAD IV). Additionally, in response to a request made by Prime Minister Meles, whose interest lies in East Asia's development experience, Japan has commenced providing assistance to Ethiopia in the areas of industrial development (which, under the existing Country Assistance Program, is regarded as a long-term challenge).

Although less than two years have passed since the existing CAP for Ethiopia was made public, it is both highly significant and necessary to make an assessment of Japan's ODA at this point, and thereby make an overall evaluation of the CAP and Japan's aid policy for Ethiopia from the following reasons.

1. In addition to the current priority pillars of Japan's assistance to Ethiopia that sets an objective of "establishing food security," the Government of Ethiopia attaches importance to industrial development, growth promotion, and so forth. At the same time, the Japanese Government announced its policy of supporting "growth acceleration" for Africa at the TICAD IV. Consequently, combined with the perspectives of how such TICAD IV policy would be implemented so that it is in line with Ethiopia's developmental needs, it is important to draw implications for the direction of Japan's CAP for Ethiopia, planned to be revised in FY2010.
2. Ethiopia's Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which is the Ethiopian version of the Poverty Reduction Strategy Paper (PRSP), corresponds to the third five-year development plan covering the period of 2005/2006–2009/2010. At present, work to revise the PASDEP for the next five years (2010/2011–2015/2016) is underway within the Ethiopian Government. In light of the government's medium-term vision and development needs, it is also necessary for Japan to provide assistance that is in line with the next PASDEP. Thus, it would serve as useful contribution to the planned work of revising the Country Assistance Program to draw lessons and recommendations that facilitate Japan's future aid policy formulation (as well as the effective and efficient implementation of its aid—including the perspectives of the Ethiopian government's

¹ *Overseas Development Assistance (ODA) Data Book by Country 2008*, (the Ministry of Foreign Affairs)

emphasis on ownership, its implementation structure, and capacity) the actual results of Japan's donor coordination and partnership in the field, and the consistency with and complementarity to the assistance provided by other donors.

1-2 Scope and Time Frame

This evaluation has targeted Japan's aid policy to Ethiopia since FY2004. The last evaluation of the CAP to Ethiopia was conducted in FY2004, covering the period from FY1995 to FY2003. Therefore, this evaluation targeted the periods after that. The evaluation was conducted based on the bilateral assistance Japan provided and the assistance it provided through international organizations during this period in terms of: 1) relevancy of aid policies, 2) effectiveness of results, and 3) appropriateness of process. Specifically, this evaluation targeted the projects implemented in FY2004 and those initiated since 2004, when the Exchange of Notes (E/N) were concluded with the Government of Ethiopia. When the actual results were evaluated for each priority area or sector, analysis was conducted for projects that were on-going in FY2004. As referred to above, although a little less than two years have passed since the current CAP to Ethiopia was announced, the ODA Task Force and the Government of Ethiopia regarded it as Japan's aid policy even before the CAP was announced, and the CAP for Ethiopia was actually utilized as a guide for implementing aid. As such, the Program was targeted in this evaluation. Furthermore, with regard to the periods before the formulation of the said Program, evaluation and analysis were conducted using documents related with the policy dialogue² held between the Government of Japan, the ODA Task Force, and the Government of Ethiopia.

1-3 Methodology and Framework

This evaluation represents a comprehensive assessment of Japan's assistance to Ethiopia from the perspectives of the "relevance of policies", "effectiveness of results", and "appropriateness of process", and is based on the ODA Evaluation Guidelines set by the Ministry of Foreign Affairs (MOFA). It also intends to provide recommendations to the formulation of Japan's next CAP to Ethiopia. The criteria applied for this evaluation are shown in the next page.

Baseline indicators used in the evaluation were sourced from the Agricultural Development Led Industrialization (ADLI), Sustainable Development Poverty Reduction Program (SDPRP [2002/2003–2004/2005]), PASDEP [2005/2006–2009/2010], and the Millennium Development Goals (MDGs). The evaluation and analysis were conducted on the basis of these documents and materials while examining the availability of evaluation indicators, baseline figures, numerical targets and other data pertaining to five areas of assistance the two top priority areas (agriculture/rural development and

² In 1997 and 2001, economic cooperation policy dialogues were held, with participants from the Ministry of Foreign Affairs and the JICA head office. Since 2003, when the authority was transferred to the field, the policy dialogues have become field-based (centering on the ODA Task Force) (Source: the FY2004 Country Assistance Evaluation to Ethiopia).

water resources) and the three priority areas (socioeconomic infrastructure, education, and health).

Evaluation Criteria Applied

Criteria	Description
Relevance of policies	Verification of the consistency of Japan's aid policy to Ethiopia with the developmental needs of the country, Japan's higher-level policies, and international development priorities and trends, its relevancy with other donors, and Japan's comparative advantages
Effectiveness of results	Verification of the effectiveness in achieving goals and priority challenges formulated in respect to Japan's aid activities to Ethiopia
Appropriateness of process	Verification of the appropriateness and efficiency of aid implementations and their processes as a means of ensuring the validity of ODA policy goals and effective results from Japan's aid to Ethiopia

The analysis of the “relevance of policies” was conducted to verify the followings: 1) Japan's higher-level policies, i.e. the new ODA Charter and the new ODA Mid-Term Policy, as well as Japan's aid policy for Africa especially as indicated at TICAD IV held in May 2008; 2) consistency with Japan's aid policy to Ethiopia with the development needs of Ethiopia [ADLI, Ethiopian version of PRSP (SDPRP, PASDEP) etc.], the sector development plans of Japan's priority assistance sector); 3) consistency with priorities and trends in the international aid arena (consistency with the MDGs, the Paris Declaration, and relations with regional cooperation being undertaken in Africa, such as the New Partnership for Africa's Development [NEPAD]); and 4) harmonization with the assistance being furnished by other donors (i.e. aid coordination and links between Japan and other donors and the extent to which Japan's assistance complements the aid policies and assistance of other donors). In light of analysis of the changes that have occurred in the development aid environment since 2004, the evaluation further examined the future direction of Japan's aid policy to Ethiopia with a view to providing inputs to the next CAP for Ethiopia.

The analysis of the “effectiveness of results” was conducted to verify the followings: 1) overall characteristics and trends in Japan's assistance to Ethiopia; 2) the region of progress on assistance being provided in top priority areas (agriculture/rural development and water resources) and priority areas (socio-economic infrastructure, education, and health); 3) the contribution being made by Japan's assistance; and 4) the extent to which goals have been achieved in each of the top priority and priority areas . With regard to 4), in evaluating the extent to which goals were achieved in light of “establishing food security”, the analysis was conducted for each of the top priority and priority areas, based on the progress made in the formulation and implementation (inputs) of programs (individual projects), the extent to which output objectives have

been achieved and the prospects of their being achieved (outputs), and the extent to which outcome goals have been achieved and the prospects of their being achieved (outcome). While it was difficult to verify causal relationship quantitatively, the effectiveness of aid was assessed qualitatively and to a maximum extent quantitatively. Furthermore, the direction of Japan's future assistance policy to Ethiopia was examined, in light of how to facilitate the implementation of TICAD IV commitment

The analysis of "appropriateness of process" was conducted to verify whether and to what extent the assistance provided by Japan has adopted the appropriate and effective processes to ensure the validity of ODA policy goals and the effectiveness of the results produced. The analysis also included the framework for donor coordination in Ethiopia. Specifically, it examined the following: 1) the appropriateness of the aid policy formulation process adopted for Ethiopia (e.g., the institutional framework and process of formulating the current CAP); 2) the appropriateness of the aid policy implementation process adopted for Ethiopia (i.e., how policy dialogue and sector-, area-, and-issue-based discussions were held to identify the development needs of Ethiopia, what functions the ODA Task Force served in the identification of development needs and the implementation of assistance, and so forth); 3) the appropriateness of donor coordination and collaboration with international aid organizations, other donors, local governments and NGOs, etc., (i.e., whether or not proper discussions were held and proper measures were implemented to facilitate aid coordination with other donor countries and organizations and the links with local governments and NGOs); 4) efforts for facilitating "public-private partnerships"; and 5) the publicity and proper understanding of Japan's assistance among those related personnel and donors in Ethiopia.

This evaluation study was initiated in June 2009 and completed in March 2010, according to the schedule shown below. The photos from the field surveys are attached.

(1)	Domestic Survey I	June 2009–September 2009 1 st review meeting (June 30, 2009) 2 nd review meeting (September 16, 2009)	Setting up a framework for the evaluation, collection and analysis of data, preparation of questionnaires, and interviews with relevant staff from the Japanese organizations and resource persons concerned
(2)	Field Survey	October 10–24, 2009	Interviews with relevant staff from the Japanese aid organizations, the Government of Ethiopia, and various donor countries, aid organizations, and NGOs working in Ethiopia
(3)	Domestic Survey II	October 2009–March 2010 3 rd review meeting (November 12, 2009) 4 th review meeting (February 24, 2010)	Analysis of materials collected during the field survey, consolidation of information, and preparation of reports

Chapter 2: Conclusions and Recommendations

2-1 Evaluation Results

2-1-1 Relevance of Policies

The current Country Assistance Program (CAP) for Ethiopia is considered to be generally consistent with Japan's higher-level policies (i.e., the new ODA Charter and Human Security [new Mid-Term Policy]) and with the development needs of Ethiopia at the time the CAP was formulated (Sustainable Development Poverty Reduction Program [SDPRP], human security, response to food crises, etc.). Setting "establishment of food security" as the basic goal was appropriate and had the intended diplomatic appeal, for this action was taken in concert with a food crisis that hit Ethiopia at that time and the G8 Summit Action Plan of 2004. However, although the final draft of the current CAP was submitted in FY2006, unfortunately, it took so long to be approved by the Japanese government that the CAP was not made public until June 2008. Many European and American donors and international aid organizations adopt governance assistance as one of their priority areas and participate in budget support type assistance. In contrast, since Japan strives to enhance administrative capacities of federal and local governments through the implementation of concrete projects, its assistance is complementary and harmonious to the assistance being provided by other donors. Case in point: the Project on Strengthening Technology Development, Verification, Transfer and Adaptation Through Farmers Research Group (FRGs), based in an agricultural experiment station in the Region of Oromia, helps farmers increase productivity by providing technology that effectively meets their needs. Since the project is implemented in tandem with the World Bank project that covers the whole country, it is well-positioned to widely spread out its on-the-ground, practical accomplishments.

In addition to the aforementioned project, Japan's assistance in the field of agriculture is centered on technical cooperation in irrigation projects, implying that most of Japan's assistance supports productivity enhancement in the areas with high potentiality. The only project that directly targets socio-economically vulnerable areas where food security needs to be established is the Project for Strengthening Infectious Disease Prevention, Control and Response in the Region of Amhara, which began in FY2007. Thus, it can be said that Japan has so far assisted in "establishing food security," based on its broad interpretation.

In the future, Japan will need to adapt to changes in Ethiopia's development needs. In FY2010, the Country Assistance Program to Ethiopia is scheduled to be revised, and it is important to take this opportunity to come up with an aid policy in line with their latest development needs. The only way Ethiopia can hope to break away from its

dependence on emergency food relief and reduce poverty is to sustain rapid and broad economic growth. Reflecting this sense of urgency, in the next five-year development plan, the Plan for Accelerated and Sustained Development to End Poverty (PASDEPII), the Government of Ethiopia aims to achieve accelerated and sustained economic growth by focusing on agriculture and promoting its linkage with other sectors, for example, by strengthening agricultural growth and agriculture-industrial linkages. In response to these changes in Ethiopia's development needs, and given the direction of "accelerated growth" that TICAD IV has announced and Prime Minister Meles' interest in the development experience of East Asia, Japan commenced providing industrial support to Ethiopia from 2009—although it is not regarded as a priority area in the current CAP for Ethiopia. Since the Ethiopian government has also shown interest in countermeasures for dealing with urban problems and problems related to climate change, in the future, it is important for Japan to formulate aid policies while taking into consideration such changes in the development aid environment.

2-1-2 Effectiveness of Results

Progress towards achieving development goals and their status in the five priority areas (agriculture/rural development, water resources, socio-economic infrastructure, education, and health) of Japan's assistance to Ethiopia can be summarized as follows. Through the assistance provided in these priority areas, Japan's ODA has been contributing to the establishment of food security, which is its basic goal in Ethiopia. Given the difficulties of verifying quantitatively causal relationship between development achievement and Japan's ODA, the effectiveness of the aid results is assessed in qualitative terms. In this regard, it is important to point out that: there are many factors besides donor assistance that affect the achievement of development goals in the respective areas/sectors; and numerous donors, including Japan, are providing assistance to various areas.

Agriculture/ rural development
<p>As a nationwide trend, improvements can be observed in agricultural productivity and production volume. As for the distribution of agricultural products and food access, nutritional conditions seem to be moving toward improvement, and dependence on food aid appears to be on a downward trend. However, some 7.57 million people, or about 10% of the whole population, are said to be facing chronic food shortage, and improvement in food access is urgent, particularly in the areas with high vulnerability. Food security thus remains the most critical issue in Ethiopia. Building on the strengths of its assistance, Japan has been centering its aid on productivity enhancement, including irrigation projects and research on appropriate agricultural technology, with experts directly providing concrete assistance on the ground by harnessing Japan's strengths. Japan has recently begun providing assistance to facilitate improvement of agricultural product distribution, such as making the distribution system more efficient and increasing its added value.</p>

Water resources

The percentage of people with access to safe water is rising, and improvements are observed in indicators of water and water supply found in the Millennium Development Goals (MDGs). Japan's assistance is centered on human resource development in the field of water resources achieved through the construction of facilities (construction of deep wells in several regions leveraging Japan's technological strengths, etc.), equipment provision through grant aid, and technical cooperation. For the latter, the Ethiopian Government has built the training center (i.e., Ethiopian Water Technology Center: [EWTEC]), while Japan has provided the "soft" assistance, such as the management of vocational training courses targeting local government engineers engaged in the water supply projects, instructors for vocational training schools, and engineers from the private sector and from non-governmental organizations (NGOs).

Socio-economic infrastructure

The road network is steadily expanding, but the region of road development and improvement in Ethiopia continues to be low, when compared with the situation in neighboring African countries. Socio-economic infrastructure development continues to be an area with a strong need for assistance. Japan has thus upgraded roads and built bridges through grant assistance (both along National Road No.3) and supported capacity development through technical cooperation (operation and maintenance of roads and bridges, etc.). National Road No. 3, which connects Addis Ababa, the capital, to the grain belt in the north western part of the Region of Amhara, is a major arterial road utilized to transport imported oil from Sudan. The construction of Hedase (Abay) Bridge has been highly recognized as a good example of assistance that draws upon Japan's technological strengths even in Ethiopia's rough landscape.

Education

Primary school attendance rates are showing significant improvement as well as indicators in the Millennium Development Goals (MDGs): primary school enrollment rate, primary school completion rate, and the literacy rate are showing progress. The challenge today is to improve the quality of basic education, including secondary education. Japan has been providing technical cooperation for participatory school construction, and enhancement of school management etc, centering on primary education in the Region of Oromia. In addition, Japan has been extending project assistance in various Ethiopian regions (including those in remote areas) through the Grant Assistance for Grassroots and Human Security Projects (e.g., expansion and construction of primary and secondary schools and vocational training schools, equipment provision, etc.). The Ethiopian side has expressed strong expectations in regard to improving the quality of science and math education (especially the training of teachers) that Japan is planning for.

Health

Progress has been made towards achieving the goals set forth in the MDGs for child mortality rates and for the region of health of pregnant and parturient women. HIV/AIDS infection rates are on the decline, and access to treatment is improving; but more need to be done. Japan has been providing assistance centering on nutrition improvement and countermeasures for infectious diseases through technical cooperation and grant aid, as well as through international organizations. Nutrition improvement is a good practice case where Japan has been providing assistance in close coordination with international organizations (the World Bank and the United Nations International Children's Emergency Fund [UNICEF]) from the project preparation stage.

As mentioned above, significant progress has been made on various fronts, but Ethiopia is still only halfway toward achieving food security, the top priority area of the Government of Ethiopia and the basic objective of the Government of Japan. While safety net programs have been implemented in the vulnerable areas to narrow the demand-supply gap in food and improve the region of chronic food shortage, (Productive Safety Net Program [PSNP]), the existing survey shows that it is very difficult for beneficiaries to "graduate" from such programs in the short and medium term.

To achieve tangible results, it is necessary to come up with development strategies that facilitate linkages among the vulnerable areas, high-potential areas, and the private sector. The private sector will contribute to income growth in the highly vulnerable areas by creating employment opportunities in cities and generating non-agricultural income. Furthermore, by providing producer goods and services, the private sector will be able to help rural areas with high potential to increase productivity and promote commercial farming. In such areas, productivity can be increased only when efforts are made in an integrated manner to promote agricultural research and extension, provide producer goods support, construct value chains, and develop the private sector. Therefore, it is essential that assistance take into account of synergies among these factors. In order to achieve food security in the vulnerable areas, it is important to combine policies, such as increasing food production, securing purchasing power through PSNP and Household Assets Building, restoring agricultural productivity through the management of basin resources, and expanding opportunities to earn non-agricultural income by providing high-quality education. For its part, Japan needs to prepare aid strategies that take account of these linkages.

The Government of Ethiopia expressed gratitude for Japan's priority area assistance. In addition, it acknowledged that Japan's comparative advantage lies in its track record of establishing model cases, infrastructure development built on its technical expertise, science and math education, and in the future, agro-industry. The Ethiopian Government expects Japan to provide more focused assistance based on its comparative advantages. The government also highly commended Japan's on-the-ground and detailed assistance, the linkage between grant assistance and technical cooperation, as well as the quality and reliability of assistance that Japan provides. Nevertheless, while there are good examples in the agriculture and health sectors to scale up model cases in cooperation with international organizations, generally speaking, it is still a challenge to spread out the assistance model that Japan

has established on a local basis to the areas extending from the target areas to the regions and even to the entire country. Moreover, even in establishing food security, there is still plenty of room to improve approaches by directing attention to, for example, linkages between irrigation projects that Japan has supported over the years and other agricultural projects and synergies among various assistance areas.

2-1-3 Appropriateness of Processes

The process for formulating the current CAP for Ethiopia is by and large appropriate. However, three years and eight months elapsed from the time the program was first formulated to the time it was officially announced (in June 2008). In light of the fact that by the time of its announcement, the development aid environment in Ethiopia had significantly changed, it is important to think that steps should have been taken to shorten the duration of program formulation. The process of project formulation and implementation was appropriate. In July 2009, field-based annual policy dialogue was held for the seventh time, and there has been close cooperation and communication with the Ethiopian side, including quarterly working-level dialogues and project-specific consultations. The Ethiopian Government highly commended Japan's assistance, saying that its projects are implemented with care in close consultation with the recipient country. However, from the Ethiopian side, there were calls for streamlining the aid implementation process, as well as calls for changes in specifications, greater unit price flexibility in the implementation of grant aid, and enhancing Japan's aid predictability. In addition, the Ethiopian Government pointed out that the implementation of a water supply project has been delayed, since no bidder appeared. There was no bidder because of the current earned value base contract, and the per-unit cost of the project set at the level that would not be enough to absorb the rise in material costs. In addition, the tendency of the unit cost reduction of the project to contract made the situation more difficult. The failure of the project to attract any bidder suggests that this problem cannot be solved at the field basis, suggesting challenges faced with the grant aid system.

Regarding field-based initiatives, in addition to the ODA Task Force, a sectional meeting of Commerce and Industry in Japanese Community was created as a forum to share information and exchange views with Japan's private-sector firms. Hence, it is noteworthy that the ODA Task Force maintains its position in which action policies are to be hammered out from the field taking into account the views of private-sector firms. Additionally, from the perspective of establishing food security, it is commendable that efforts are being made to activate information sharing and mutual learning by, among other things, holding agricultural study group activities with JICA experts and Japanese officials from international organizations and NGOs—in the most important of the five priority areas that Japan provides its assistance in the realm of agriculture—At the same time, in order to generate synergies in the future, it will be important to go beyond study group discussion and to create a mechanism where interested parties will be able to gather at the working level for each areas (or by selecting a common theme that covers a wide range of areas) and discuss aid policies and coordination with other donors in depth.

On the question of Japan's participation in donor meetings and donor coordination, several donors expressed the view that by providing diversity of perspectives, Japan's

assistance is having a positive impact on the donor community. They also praised Japan's aid approach as realistic and practical. However, several donors indicated that at the policy level, Japan's visibility was rather low, and called on Japan to participate more actively in policy dialogue at the donor meetings. A number of officials from the Government of Ethiopia expressed hope that Japan would participate in budget support. In this connection, it is noteworthy that Japan is playing an active role, as evidenced by the fact that, among other things, it chaired a committee (on sustainable economic development) at an ambassador-level meeting. Emerging donors such as China, India and other non-donor meeting member nations are also participating in ambassador-level meetings. In addition, industrial policy dialogue launched in 2009 has become a forum for government leaders, including Prime Minister Meles, to exchange views and provide advice regarding the direction that Ethiopia's development should take in the future, based on the development experience of East Asia. Thus, it should prove useful to utilize this kind of framework to increase the policy impact of Japan's aid.

2-2 Recommendations for Japan's Future Aid Policy to Ethiopia

Based on the results of the above evaluation, and mindful of the feedback on the revision of the CAP that will be made in the future, we make the following recommendations:

1. Reconsider the objectives and priority areas of assistance in light of the changes that are taking place in Ethiopia's development aid environment.

(1) Given the changes that are taking place in the development needs of the Government of Ethiopia, the objectives and priority areas of assistance to be included in the next CAP to Ethiopia in FY2010 should be reconsidered.

Since 2006, when the draft of the current CAP was prepared, Ethiopia's development aid environment has undergone major changes. In the PASDEP, the Government of Ethiopia has set forth that it would attach importance to accelerating and achieving sustainable development, through industrial development, while keeping in mind the need to increase urban employment and promote exports. Accordingly, it is clear that the priority areas of the current CAP do not effectively meet the development needs of Ethiopia any longer. The same policy direction is expected to be maintained in the PASDEP II, which is being revised by the government. Consequently, it is recommended that in addition to the current basic objective of "establishing food security," Japan should adopt "sustainable economic growth" as another, new pillar of its assistance. In particular, while industrial development is regarded as a long-term goal in the current CAP, Japan has already commenced providing assistance in this area in response to the request made by the Government of Ethiopia. In light of increasing needs in this area on the Ethiopian side, it is suggested that industrial development be included in the priority areas of assistance. Responding to these two pillars of Japan's assistance to Ethiopia, it is suggested that agriculture/rural development and industrial development be specified as priority areas, by effectively combining the assistance to infrastructure development, education, health, and water resources to ensure synergies among them. (In particular, the assistance to agriculture/rural development requires an approach that takes into account linkages among various priority areas more than

before.) At the same time, a more focused approach to targeting projects and areas for Japan's assistance from the perspective of "selection and concentration" should be sought. Specifically, Japan's ODA should specialize in the areas in which Japan can leverage its technical expertise and comparative advantage (bridge construction, science and math education) and those areas that attach high value on partnerships with international organizations and other donors with financial resources (e.g., nutritional improvement). Moreover, expectations are high that, in the future, project formulation will be undertaken with attention given to the complementarity and synergies between agriculture and industry. With regard to the measures for the promotion of agriculture and related industries, it is believed that there is a possibility of cooperation via public-private partnership, including provision of assistance to private sector development, including local industries.

2. Adopt an approach that enhances the impact of Japan's ODA.

(1) Adopt an approach that would increase synergies among projects in agriculture/rural development.

In agriculture/rural development, the formulation of development strategies should be mindful of three areas: rural areas with high vulnerability, rural areas with high potential, and the private sector. Accordingly, in the agricultural sector, Japan should focus its assistance on further strengthening the perspective of rural development with combining other areas of assistance, and adopting a comprehensive approach, ranging from provision of assistance at the policy level to the grassroots level. For example, the process, ranging from agricultural research and extension, assistance of producer goods to development of the private sector through value chain development, is a series of steps designed to increase agricultural productivity. Thus, a consistent and comprehensive approach is essential. Enhancing linkage effects and synergy effects among projects requires the combination of cooperation in specific areas and regions. For example, it is hoped that assistance will be provided in cooperation with and in relation to other areas centering on economic infrastructure (roads, irrigation, etc.), taking so called "growth corridors" approach. Additionally, by dispatching experts to get involved in comprehensive efforts at region and *woreda* (district) levels, such as preparation of local and regional development plans, and by providing technical cooperation strategically, it will be possible for Japan to make intellectual contribution and participation in various discussions at the policy levels more effectively.

(2) In order to scale up/spread out the "model" that have been established with technical cooperation, facilitate coordination with financial cooperation and with different levels of assistance, from the policy-level to grassroots-level support.

One of the key challenges faced by Japan's assistance is to scale-up or spread out a "model" established with technical cooperation vertically and horizontally. This calls for partnerships with other donors that have larger financial resources, use of non-project grant aid counterpart funds, and strategic assignment of policy advisers and Japan Overseas Cooperation Volunteers. Regarding the on-going efforts in producing model

cases in agriculture/rural development, education, irrigation and other areas,³ in the future it will be necessary to develop this approach into area-wide assistance extending from the target areas to the Regions and eventually, covering the entire country. It will be also necessary to facilitate this approach, with strong attention to providing feedback to policymakers. The multi-level approaches adopted by the German Agency for Technical Cooperation (GTZ) and the example of linkages with financial cooperation (Germany's Reconstruction Loan Corporation [KfW], etc.) serve as useful references. Additionally, it may be advisable to include in a contract with experts undertaking initiatives that would create synergies among various areas and approaches highlighting the linkages with other donors.

(3) Consider the possibility of participating in budget support with combined efforts to assist in formulating a development program for the entire Region and *Woredas* (districts), and strengthening technical cooperation for budget management.

Japan does not provide financial assistance to the Protection of Basic Service Program (PBS), the Productive Safety Net Program (PSNP), or pool funds. However, Japanese officials and practitioners in the field are aware of the importance of making financial contribution to PBS and PSNP, in light of ensuring operation and maintenance of projects supported by Japan's assistance and the need to scale up the projects, as well as participating in the major means for donor coordination (including intellectual cooperation). Given the need to reduce transaction costs by improving the predictability of the flow of donor funds, the Government of Ethiopia has also called for Japan's participation in budget support. In light of these perspectives, it is believed Japan's participation in PBS etc. is significant. On the other hand, it is also necessary to recognize that participation in PBS etc. alone will not spread out the models or facilitate intellectual cooperation, given the fact that there are few examples of vertical and horizontal expansion of "models" that have been established through existing projects. Therefore, it is important to combine participation in PBS with the multi-level approach described in (2) above. For example, by providing technical cooperation to strengthen development planning capacity, and budget formulation and execution capacity at a region-wide level (including the *woreda* level) it will enable to prioritize budget and public investment, and gather information for assistance provided by other donors and thereby make it easier for Japan to develop the environment to effectively advance both on-going and new projects.

(4) In order to enhance the effectiveness of projects, strengthen cooperation and increase exchange of opinions with NGOs by taking advantage of the experiences gained from the Grant Assistance for Grassroots and Human Security Projects

Among the NGOs Japan provides assistance to through Grant Assistance for Grassroots and Human Security, there are those that work closely with specific communities and provide comprehensive assistance over a long period of time, and there are NGOs that provide assistance to strengthen farmers' associations or

³ Approach taken by the Project on Strengthening Technology Development, Verification, Transfer and Adaptation Through Farmers Research Group (FRGs) and the Community-Based Basic Education Improvement Project (ManaBu), etc.

assistance that links markets, including value chains, to agricultural communities. These activities complement assistance to agriculture/rural development that Japan attaches importance to. It is important to provide long-term assistance to NGOs that is producing good results. Additionally, a forum to periodically exchanging opinions with NGOs should be made available, thereby providing opportunities to learn from each other's experiences.

(5) In order to reduce the external risks to individual projects, constantly enhance the involvement in policy issues in the field.

There are many issues that are difficult for the Japanese side to directly control. These include: the problem of changes in counterparts due to organizational change caused by radical administrative reform; various problems associated with the federal system and decentralization; and the problem of high attrition rates. Still, it is necessary to undertake project formation and implementation by consciously taking into account these external conditions. In providing assistance, steps should be taken to avoid or reduce risks while giving attention to these exogenous conditions, and for this, it is important to be involved at the policy level and to collect information constantly through coordination with other donors.

3. Formulate an aid strategy that builds on Japan's knowledge and experience and to strengthen its ability to send clear messages concerning its assistance

(1) Enhance the impact of Japan's assistance and strengthen its visibility by linking policies to the initiatives on the field through policy dialogue

Compared to other donors, Japan's visibility is not necessarily high as far as the aid amount it provides. However, through the creation of and strengthening of intellectual partnerships with Ethiopia—a country that has keen interest in Japan's experience as an East Asian country—it is possible to strengthen Japan's visibility other than the amount of assistance. The industrial policy dialogue launched in 2009 has become a forum to discuss development strategies with government leaders, including Prime Minister Meles, to exchange views and provide advice regarding the direction that Ethiopia's development should take in the future based on the East Asian experiences. Effective utilization of this new tool should lead to the mobilization and dissemination of knowledge Japan possesses, thereby strengthening alignment with its assistance to the other areas. In light of the latest understanding of Ethiopia's development strategies through policy dialogue, by linking the project sites to policy, and making reference to the policy formation and programmed aid approach, it will be possible to enhance the impact of Japan's assistance described above. Additionally, since the African Union (AU) is headquartered in the Ethiopian capital of Addis Ababa, it is important to consider the possibility of strengthening the dissemination efforts of Japan's assistance by utilizing the AU.

4. Improve the process of policy formulation and implementation of aid

(1) Expedite the aid policy formulation process.

With regard to aid policy formulation and its processes, given the lessons drawn from the formulation of the current CAP, there is a need to expedite the formulation of the next Assistance Program, which is planned to be revised in FY2010. The formulation process of the current CAP was delayed presumably because of various external factors, including the restructuring of Japan's ODA system, carried out in 2006. However, when it comes time to revise the CAP, it is important to constantly monitor the timing of revisions and their processes among relevant parties, with MOFA assuming the central role. MOFA has already adopted measures to expedite the implementation of the CAP.⁴ However, the process of deliberation and approval will need to be closely monitored. Moreover, to be able to respond to changes in Ethiopia's development needs, even after the CAP is formulated, it will be necessary to allow the ODA Task Force to take the lead in conducting an interim review, so that the priority areas and sectors can be revised in a flexible manner in accordance with the expected changes.

(2) Establish a mechanism for steadily enabling processes, ranging from submission of project requests to project approval

As several Ethiopian government agencies have indicated, regarding aid policy implementation and its process, it is necessary to reduce the time required for the period from project preparation to project commitment. On this point, since the establishment of the new JICA, it has become easier to conduct project preparation studies. In addition, it is suggested that the MOFA and JICA receive requests throughout the year, making it possible to accept requests from Ethiopia at any one given point in time. It is important to create a mechanism that will enable project approval at any time. Moreover, as a way of strengthening field functions to facilitate project approval, it is important to lay out the framework for the ODA Task Force to discuss the entire sector and the policy for donor coordination. Furthermore, by utilizing the knowledge and know-how cultivated in the private sector to help Ethiopia's development, and to promote public-private partnership, it is necessary to come up with a scheme to expedite the approval process. For example, in order to promote coffee imports from Ethiopia, JETRO has actually created guidelines for strengthening Ethiopia's quality and safety control and held seminars and workshops for farmers in an expeditious way. At the same time, since JETRO's budget for cooperation is small, it might be useful to consider providing assistance through JETRO in cases where it is necessary to respond quickly by sharing roles, and in cases requiring a longer time span, cooperation could be provided by taking advantage of JICA's technical expertise.

⁴ According to the MOFA, from 2009, the term "approval" used in the Liaison Council of the Ministries and Agencies Concerned with Official Development Assistance was changed to "report", and as a result, it became unnecessary to wait for the Liaison Council to be held, resulting in a reduction of at least several months. On another front, given that the way the ODA is administered has come under review under the supervision of the Minister, the very way Country Assessment Program is being administered is now being reexamined within the MOFA. Thus, there is a possibility that the formulation process may be significantly revised in the future.

5. Improve Japan's grant aid system.

- (1) Consider improving Japan's general grant aid system to leverage Japan's technical strengths

The Ethiopian side has pointed out that there is a lack of flexibility at the implementation stage of grant assistance. As a way of dealing with external factors, such as the impact of the rise in equipment procurement costs, due to rising prices and other factors, a point was made that cost estimation should take into account of contingency. In addition, as a series of cases where bidding process failed suggests that, in order to leverage Japan's technical strengths, there is a limit as to how much more the per-unit cost can be cut. It is necessary to set the unit price by taking into consideration such factors as project specifications, project life, and technology transfer, and to secure a sufficient amount for contingency. In this regard, since the issue at hand cannot be tackled at the field, it has to be examined thoroughly by the MOFA and JICA in Tokyo. Additionally, when grant assistance is given, for example, for water supply and deep wells in mountainous areas, based on the recipient country's needs, it is necessary to decide whether to provide assistance that attaches importance to Japan's technical expertise and quality even if the unit price may be higher (general grant assistance), or to provide assistance that emphasize reasonable price and quantity (Community Development Grant or Grant Assistance for Grassroots and Human Security).

6. Strategically utilize assistance provided by international organizations

- (1) Scale up Japan's field-based practical ODA through effective utilization of international organizations.

As discussed above, Japan does not provide funding to budget support. However, at the individual project level, by strategically utilizing international organizations, it is believed that Japan will be capable of strengthening its assistance by leveraging its features and comparative advantage. Japan has already produced good results with this approach, so it should continue to use it. For example, in the project to strengthen the support system for farmers, Japan has contributed to raising agricultural productivity by creating a model of practical assistance provided at the field level, based on Japan's strength, and by scaling-up its assistance in cooperation with the World Bank. In the Project for Improving Maternal and Child Nutrition Status, from the project formation stage, close donor coordination has taken place by having contact communications among JICA, the World Bank, and UNICEF staff to share information and knowledge. Under the framework of the Ethiopian Nutrition Program, whose implementation is supported by the World Bank and UNICEF, JICA carefully provides assistance targeting specific *Woredas* (districts), in accordance with its field-based approach. The lessons learned and issues drawn from the implementation processes are fed back to UNICEF, and efforts are being made to improve and spread the benefits of this program. The World Bank's Nutrition Project makes good use of the Japan Policy and Human Resources Development Fund (PHRD), which the Japanese Government contributes to the World Bank to support the project formation. It is believed that in the future, JICA will be able to cooperate complementarily with international organizations, especially in the

areas of addressing the problems of lack of monitoring and the technical problems, by taking advantages of its field-based, practical assistance.

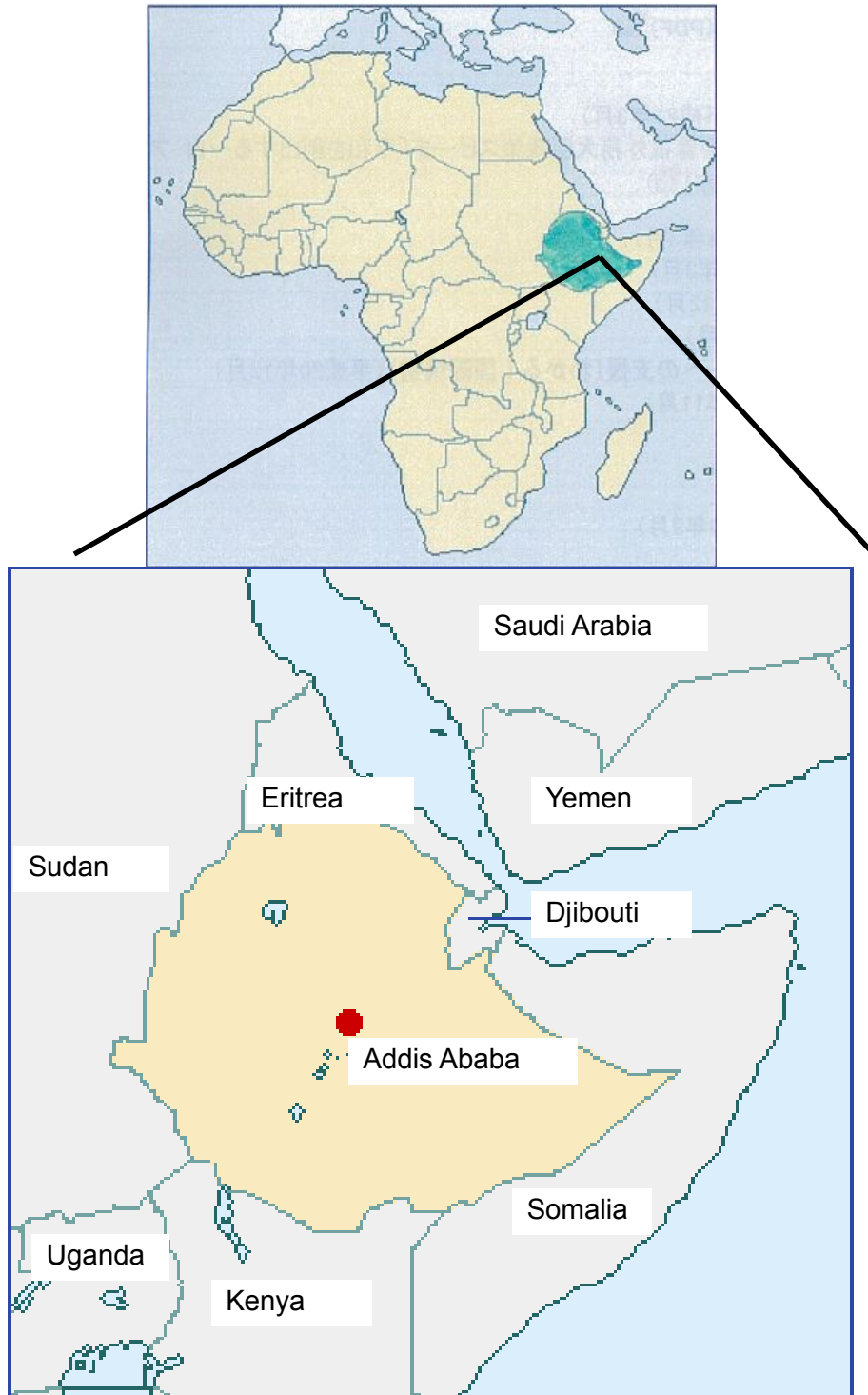
- (2) Extend assistance through the effective utilization of international organizations in areas that cannot be reached with bilateral assistance.

Utilization of international organizations for assistance to remote regions, such as Afar and Somali, should also be considered. In response to this need, Japan is making complementary (or pre-emptive) field-level efforts through its Grant Assistance for Grassroots and Human Security Projects, in areas and sectors that cannot be reached under other schemes. That said, it is significant to consider measures that strategically utilize international organizations. The food assistance that Japan provides through financing to the United Nations World Food Programme (WFP) is a good case in point. The WFP offers two advantages: it enables Japan to secure a means to expedite assistance provision; and it enables Japan to provide assistance to areas that cannot be reached with bilateral assistance.

- (3) In order to effectively provide assistance to infrastructure and industrial development, consider the possibility of extending loans over the medium- to long-term through partnerships with the African Development Bank (AfDB) and the World Bank.

Japan does not extend yen loan assistance to Ethiopia. However, since Ethiopia has commenced efforts to develop its industry, it is conceivable that, under the aforementioned “sustainable economic growth”, and in collaboration with the AfDB, under the Enhanced Private Sector Assistance for Africa (EPSA), created to develop Africa’s private sector, Japan may consider a possibility of providing non-sovereign loans as a strategy to go forward. Additionally, in order to overcome the enormous gap that exists in developing major infrastructures, namely, roads, railroads, and hydraulic power generation, the Government of Ethiopia has indicated that it hopes to be able to obtain yen loans. Ethiopia favors yen loans because they are less restrictive than grant assistance in terms of aid amount, and can be scaled up more easily. In order to meet the country’s development needs, yen loan assistance through co-financing with the AfDB over the medium- to long-term are worth considering. At the same time, in order to increase Ethiopia’s debt sustainability, Japan should continue to support Ethiopia’s goal of sustainable and accelerated economic growth. At present, in Ethiopia, there is no co-financing arrangement with the World Bank similar to EPSA. However, it may be useful for Ethiopia to strengthen its strategic cooperation with the World Bank from the project formation stage by, for example, having Japan prepare and implement feasibility surveys (or master plans) with a view of developing infrastructure by mobilizing the World Bank’s financial resources.

Map and Photos



Source: the Ministry of Foreign Affairs

Abay Bridge (Hedase Bridge)



The Project for Supporting Women's Group Through Biofarm System in Addis Ababa,



A project receiving "Grant Assistance for Grassroots and Human Security"

A group leader explaining the project to the mission



A farm site developed with the "Grant Assistance for Grassroots and Human Security"

Women beneficiaries