
ETHIOPIA

INTRODUCTION

ETHIOPIA is one of the fastest growing economies in Africa and has managed to overcome the global economic crisis and the consequent macroeconomic challenges that hit the country in 2008. However, Ethiopia is still a low-income country with a gross national income (GNI) of USD 330 per capita (2009) which has grown at an average rate of 8% per annum since 2005 (WDI, 2011). It has a population of 82.8 million.

Net official development assistance (ODA) to Ethiopia in 2009 totalled USD 3.8 billion (OECD, 2011), while ODA recorded at country level amounted to USD 2.3 billion in 2009/10. Since 2005, net ODA has averaged 14% of GNI (WDI, 2011). The top five donors contributed 67% of Ethiopia's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. As Ethiopia is a major recipient of aid, issues of aid effectiveness are particularly relevant for the country. Of the 13 indicators for which there are targets in the 2011 Survey, five have been met, overall progress has been uneven.

There has been no improvement in aligning aid flows to national development strategies since 2007, but managing for results has improved, with a B score being allocated. The three indicators on harmonisation were not met in 2010, and displayed varying trends. In 2010, 86% of scheduled disbursements to Ethiopia were recorded by the government which exhibits an improvement from 2007. The indicator on joint missions experienced a setback in 2010 in comparison with the 2008 Survey, and there were setbacks for the remaining indicators on joint country analytical work and use of common arrangements or procedures for the same period. Significant progress was made on a number of alignment indicators, including co-ordinated technical co-operation, use of public financial management systems and untied aid, which were all substantially above target. ■

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	B	B	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.5	4.0	3.5	4.0
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	74%	62%	48%	87%
4	Strengthen capacity by co-ordinated support	27%	67%	86%	50%
5a	Use of country PFM systems	45%	47%	69%	63%
5b	Use of country procurement systems	43%	41%	55%	No Target
6	Strengthen capacity by avoiding parallel PIUs	103	56	49	34
7	Aid is more predictable	96%	73%	86%	98%
8	Aid is untied	66%	76%	86%	More than 66%
9	Use of common arrangements or procedures	53%	66%	61%	66%
10a	Joint missions	27%	29%	25%	40%
10b	Joint country analytic work	50%	70%	52%	66%
11	Results-oriented frameworks	C	C	B	'B' or 'A'
12	Mutual accountability	Y	Y	Y	Y

ABOUT THE SURVEY

THIS CHAPTER ASSESSES PROGRESS against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 23 donors and 87% of Ethiopia's core ODA. Ethiopia took part in previous surveys in 2006 and 2008. The 2011 Survey contributed to instigate the dialogue between government and donors on the aid effectiveness process which had declined in the last two years following the failure to agree on the Addis Ababa Joint Declaration on Harmonization. ■

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	<p>Challenge:</p> <ul style="list-style-type: none"> Enhance national capacity for implementation, scaling up financial resources and their predictability 	<p>Priority actions:</p> <ul style="list-style-type: none"> Continue capacity building support to strengthen national systems; Enhance the dialogue between government, donors and other stakeholders to scale up financial resources and improve predictability
Alignment	<p>Challenges:</p> <ul style="list-style-type: none"> Donor preference for using World Bank and UN procurement systems for international competitive bidding to minimise the risk of delays. Donor procedural rules discourage the use of country systems and tend to raise concerns about the quality of the public financial management systems and human resource problem. Delays in donor disbursements and lack of information on multi-year disbursement make aid predictability difficult though recently the Aid Management Platform has been operational which is expected to facilitate information sharing and improve aid predictability. 	<p>Priority action:</p> <ul style="list-style-type: none"> Donors to support national procurement institutions in capacity building and standardising bidding documents; in parallel to ongoing reforms, set targets on the use of national procurement systems. Constructive dialogue between donors and government about their concerns and agreement upon an action plan focusing on selected critical issues. Donors to improve their internal procedures and respect the timeline for disbursement, providing multi-year disbursement information as required by the government.
Harmonisation	<p>Challenge:</p> <ul style="list-style-type: none"> Increasing the use of common arrangements and joint activities among donors to meet set targets. 	<p>Priority actions:</p> <ul style="list-style-type: none"> Donors to set and implement targets to increase the proportion of their support through common arrangement mechanisms using simplified procedures and reporting requirements; Donors need to harmonise their reporting formats for individual projects at least at sector level so as to reduce transaction costs for the implementing partners; Donors need to further involve the government in jointly-planned analytical work to improve government capacity, and the extent to which the results of this work are utilised.
Managing for results	<p>Achievement:</p> <ul style="list-style-type: none"> A results-oriented framework is in place 	<p>Lesson:</p> <ul style="list-style-type: none"> The policy matrix details the annual targets against indicators
Mutual accountability	<p>Challenge:</p> <ul style="list-style-type: none"> Absence of timely reporting and clear mapping of what donors are financing 	<p>Priority action:</p> <ul style="list-style-type: none"> Development of a performance assessment framework to monitor national development results and to assess the implementation of commitments on aid effectiveness

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1

Do countries have operational development strategies?

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

Ethiopia achieved a B for indicator 1, as it did in 2007. In 2010, Ethiopia transitioned from the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) to the Growth and Transformation Plan (GTP) for 2010-15. The government's vision for development has solidified over successive national development strategies (NDS) to create a consistent and coherent approach. The GTP is now underpinned by a long-term vision document known as Agricultural Development Led Industrialisation (ADLI). According to the World Bank's assessment, there is linkage between the NDS and sector strategies as well as use of the NDS by policy makers as a reference point to inform their planning and resource allocation decisions. The NDS has prioritised targets (although the mechanism to achieve them is not fully developed) and it also integrates the Millennium Development Goals (MDGs) and cross-cutting themes. The NDS is well costed and linked to the budget through a medium-term fiscal framework (MTFF) which provides forecasts of the revenue, budget expenditure and allocations at the federal level over a three-year period, while prioritising pro-poor sectors. Sector strategies are reflected, broadly, in the budget although a medium-term expenditure framework (MTEF) was only introduced in 2011. There is performance orientation in the budget process although the mechanism through which this is achieved is unclear.

The GTP aims to sustain high growth rates, reduce poverty and meet the MDGs. It also places the country on the path to becoming a middle-income country by 2025. The ADLI is Ethiopia's overall and long-term development strategy with a focus on developing agriculture as an engine for growth. The development of the NDS has benefited from extensive consultation at all levels with various stakeholders including, but not limited to, civil society, opposition political parties, donors and the private sector.

While donors recognise that the NDS has a clear vision for sustainable development as well as clear objectives, targets and indicators, the strategy is considered by many to be highly ambitious. Donors have raised questions as to the inter-dependence of objectives, underscoring their hesitation in relation to the proposed growth scenarios. Current challenges relate to: enhancing national capacity and leadership in implementation; scaling up financial resources and their predictability; strengthening donor-government co-ordination and co-operation; strengthening monitoring and evaluation and increasing the contribution of stakeholders such as civil society and private sector in the implementation of the development strategy. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

In terms of alignment, Ethiopia has made some improvements in comparison with its performance in 2007. Of the seven indicators with applicable targets, three were met and four remained unmet. The indicators for which targets were achieved reflect that there has been a wider use of country systems among donors, a strengthening of co-ordinated technical co-operation, and an increase in untied aid. On the other hand, indicators on the number of parallel PIUs, the proportion of predictable aid, the reliability of PFM systems and the alignment of aid to national priorities have failed to meet targets, with the latter two exhibiting setbacks since 2007.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

In the 2011 Survey, Ethiopia received a rating of 3.5 for its public financial management (PFM) systems, down from 4.0 in 2007, and short of the 2010 target. The Ethiopian government disagrees with this rating pointing out that recognised improvements described below should have led it to score more highly than in 2007. Most partners also consider this rating contradictory to PEFA findings.

In recent years the government has been implementing a wide range of PFM reforms under the Expenditure Management and Control Programme and the Decentralisation Support Activity. According to a 2010 Public Expenditure and Fiduciary Assessment (PEFA), reform efforts have resulted in PFM improvements with regards to comprehensiveness; transparency; budget credibility; policy-based budgeting; control systems; and revenue administration of PFM systems. The PEFA assessment also identified remaining challenges regarding the inclusiveness of total donor funds, the quality and timeliness of reports, as well as staff turnover at sub-national level. The government considers that the implementation of PFM reforms is already bearing fruits although capacity issues at sub-national level need to be further addressed to sustain gains to date. In order to facilitate capacity development in these areas, donors have provided support, for example, through the Protection of Basic Services Programme. This includes external and internal auditing, treasury management, budgeting and the strengthening of internal controls – through accounting reform and the computerisation of the government PFM system.

INDICATOR 2
Building reliable
country systems

INDICATOR 2a
How reliable are
country public financial
management systems?

INDICATOR 2b

How reliable are country procurement systems?

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

Ethiopia was not assessed for its procurement systems and no target is applicable for this indicator. However, the government has identified procurement reform as a priority and, with donor support, a number of reforms and capacity development initiatives have been initiated. These include enacting a new public procurement and property administration proclamation and directives; preparation of public procurement manual and training module; preparation of several types of standard bidding documents; establishing an independent regulatory agency for public procurement and property administration; establishing a board for reviewing complaints raised by bidders on public procurement entities; establishing a public entity for providing services for public bodies in procuring high value strategic goods and services. At a regional level, the regional governments have also issued /adopted procurement proclamations and directives.

With respect to procurement capacity building, a five-year capacity development strategic plan was developed, and during the past few years thousands of federal and regional procurement employees were trained on various procurement and property components and country system as an ongoing capacity building effort. In the said capacity development strategy, there is also a plan to establish an Ethiopian Institute of Public Procurement & Asset Management (EIPAM). However, due to challenges in the procurement system, some donors prefer to use the UN procurement systems for International Competitive Bidding (ICB) as a safeguard measure to minimise the risk of delays mainly due to the low capacity of local public procurement entities.

INDICATOR 3

Aligning aid flows on national priorities

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes. The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

In 2010, 48% of Ethiopia's aid was accurately estimated on budget. This leaves the 2010 target of 85% unmet and constitutes a significant setback from previous surveys. For the average donor, only 32% of aid was accurately recorded on budget, while most donors report that actual disbursements are greater than government estimates. Donors with the largest discrepancies include Canada, the Global Fund, United States and the World Bank. Notably, the United States and the World Bank – Ethiopia's largest donors – recorded only 1% and 44% (respectively) of disbursed aid as registered in government's estimates.

Discrepancies between estimates and disbursements are partly due to the following factors: that the government tends to only record donor disbursements for which it is directly accountable; lengthy internal procedures for approval and implementation of initiatives among donors; governance conditionalities attached to

funding which may cause changes to predicted disbursements; and differences in programming and budget cycles between government and most donors.

The government is taking stronger leadership in promoting the alignment of development assistance with national priorities through the development of national medium-term plans and sector policies. In addition, with the establishment of a high level forum, several sectoral working groups and national programs aim to discuss the implementation of sector strategies and government priorities.

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%) c = a / b	c = b / a	
African Dev. Bank	97	153	89%		62%		63%		0
Austria	3	0	--		26%			0%	0
Belgium	--	--	--		9%		--		0
Canada	9	64	2%		72%		14%		43
EU Institutions	205	151	99%		85%			73%	64
Finland	8	17	37%		49%		51%		7
France	3	36	81%		3%		7%		0
GAVI Alliance	38	17	--		--			46%	0
Germany	50	23	38%		45%			46%	0
Global Fund	76	305	--		55%		25%		0
Greece	0	1	--		--		0%		0
IFAD	11	16	--		56%		71%		0
Ireland	32	34	28%		49%		96%		0
Italy	9	38		0%	22%		23%		3
Japan	3	47	0%		19%		7%		22
Korea	2	0	--		0%			0%	0
Netherlands	7	0	--		82%			0%	41
Norway	2	7	40%		--		34%		5
Spain	0	9	--		--		0%		0
Sweden	8	0	59%		72%			0%	6
United Kingdom	138	188	50%		73%		73%		184
United Nations	91	148		90%	62%		61%		0
United States	4	380	15%		2%		1%		0
World Bank	481	1 097	87%		93%		44%		0
Average donor ratio			48%		47%		32%		
Total	1 277	2 651	74%		62%		48%		374

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010.

TABLE 3:
Are government budget estimates comprehensive and realistic?

INDICATOR 7
Providing more predictable aid

The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

TABLE 4:
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
			(for reference)		(for reference)		(%) c = a / b	(%) c = b / a		(%) e = d / b	(%) e = b / d
African Dev. Bank	181	105	99%		40%		67%	58%	156		68%
Austria	4	5	--		86%		67%		5	100%	
Belgium	--	--	--		1%		--		--	--	
Canada	30	72		98%	95%		42%		74		98%
EU Institutions	242	213	48%		94%		88%		159	75%	
Finland	8	20	96%		22%		39%		17	85%	
France	3	12		87%	25%		29%		9	75%	
GAVI Alliance	0	19	--		--		0%		17	92%	
Germany	52	65	53%		68%		80%		65		99%
Global Fund	223	256	--		78%		87%		244	95%	
Greece	0	1	--		--		0%		1		96%
IFAD	3	24	--		99%		13%		16	65%	
Ireland	25	28	84%		96%		91%		28	100%	
Italy	8	46		38%	47%		18%		15	34%	
Japan	31	47	56%			60%	66%		47	100%	
Korea	6	4	--		0%		66%		10		40%
Netherlands	0	54		59%		60%	0%		0	0%	
Norway	7	6	43%		56%		91%		4	57%	
Spain	32	24	--		--		75%		22	93%	
Sweden	11	0	92%		82%		0%		0	--	
United Kingdom	199	313		99%		72%	64%		341		92%
United Nations	194	244		6%	78%		79%		178	73%	
United States	102	437		6%	18%		23%		406	93%	
World Bank	761	465		99%	87%		61%		963		48%
Average donor ratio				67%	60%		49%				76%
Total	2 121	2 457		96%	73%		86%		2 777		88%

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

In 2010, 86% of scheduled disbursements to Ethiopia were recorded by the government. This rate exhibits an improvement from 2007 but is still lower than 2005 figures, and as such Ethiopia has not met the 2010 target for this indicator. It should also be noted that average predictability of aid by each donor is only 49%, significantly lower than average rates for previous years. Among large donors, Ireland, the EU Institutions and the Global Fund showed the greatest level of alignment, with approximately 90% of scheduled aid recorded on the government budget. The United States, Canada and the United Kingdom score lowest among large donors.

Discrepancies in the proportion of predictable aid can partly be attributed to delays among donors in giving disbursement certification, a lack of delegated decision making among donor country offices, the introduction of additional conditions during disbursements, uncertainty about disbursement, and problems in aligning disbursements with the country's budget cycle.

Aid predictability could be improved through a number of measures such as: multi-annual commitments by donors; increases in in-year predictability through improved synchronisation of disbursements to the Ethiopian fiscal year and budget cycle; reduction of the off-budget proportion of aid; improved government

capacity to implement, monitor and report on the utilisation of development assistance; and increased use of sector budget support where possible. Currently, the government is rolling out the Aid Management Platform for donors and, among other things, this serves to capture data on disbursements more effectively.

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

INDICATOR 4

Co-ordinating support to strengthen capacity

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)
	a	b			c = a / b
African Dev. Bank	62	71	100%	7%	86%
Austria	1	2	--	75%	84%
Belgium	--	--	--	0%	--
Canada	7	16	3%	63%	42%
EU Institutions	7	10	22%	61%	73%
Finland	0	5	69%	100%	11%
France	3	4	0%	11%	80%
GAVI Alliance	0	0	--	--	--
Germany	28	28	84%	92%	100%
Global Fund	0	0	--	--	--
Greece	2	2	--	--	100%
IFAD	0	0	--	--	--
Ireland	0	0	--	95%	0%
Italy	2	6	13%	93%	32%
Japan	21	23	100%	100%	92%
Korea	2	2	--	100%	97%
Netherlands	0	3	35%	30%	14%
Norway	1	1	0%	0%	100%
Spain	0	1	--	--	62%
Sweden	0	2	89%	33%	0%
United Kingdom	5	7	14%	36%	79%
United Nations	30	34	0%	97%	88%
United States	213	232	2%	47%	92%
World Bank	0	0	75%	100%	70%
Total	387	448	27%	67%	86%

TABLE 5:

How much technical co-operation is co-ordinated with country programmes?

The 2010 data reveals that among the total technical assistance provided by 23 donors during 2010, 86% was co-ordinated. This is a highly significant improvement since 2007, and Ethiopia has thus met the 2010 target, although the government considers that some donors may have over-reported the amount of coordinated technical cooperation. Almost all large donors in Ethiopia co-ordinate a significant portion of their technical co-operation; Germany, the United States and Japan score particularly well with over 90% of their co-operation being co-ordinated.

The primary challenge identified by the government in strengthening capacity development for co-ordinating technical assistance is the tendency for donors to provide fragmented, ad-hoc, supply-driven support which is not in line with the country's capacity building strategy. In addition, some capacity building efforts are considered expensive and do not necessarily develop the country's existing capacity in a sustainable way. On the part of donors, the major challenges in strengthening capacity and improving the provision of technical co-operation include the high staff turnover in public institutions, as well as the relatively low salary of public servants and the resultant low staff retention.

The government continues to emphasise capacity building, which is one of the main pillars of the NDS. Donors have made extensive use of multi-donor programs to co-ordinate their support, such as the Protection of Basic Services Programme, the Public Sector Capacity Building Programme, and the Productive Safety Net Programme (PSNP). Donors are expected to continue supporting the government in a more cost effective, efficient, co-ordinated and sustainable way through multi-donor programs, sectoral and technical working groups. Challenges in strengthening co-ordinated capacity development include fragmented, ad hoc, supply-driven support, and a high staff turnover in public institutions.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to Indicator 2 on the quality of Public Financial Management (PFM) and procurement systems.

INDICATOR 5 Using country systems

TABLE 6:
How much aid for the
government sector uses
country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management						Procurement			
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) avg(b,c,d)/a	Proc. systems (USD m) e	2005 (for reference)	2007 (for reference)	2010 (%) e/a
African Dev. Bank	156	64	64	46	33%	26%	37%	64	64%	26%	41%
Austria	5	0	2	2	--	0%	21%	5	--	53%	100%
Belgium	--	--	--	--	--	93%	--	--	--	93%	--
Canada	74	19	19	19	84%	100%	25%	19	84%	20%	25%
EU Institutions	159	146	146	146	10%	71%	92%	146	10%	62%	92%
Finland	17	5	5	5	31%	24%	28%	11	93%	37%	64%
France	9	1	1	1	45%	38%	16%	1	42%	38%	16%
GAVI Alliance	17	0	0	0	--	--	0%	0	--	--	0%
Germany	65	29	29	29	40%	21%	45%	10	40%	69%	16%
Global Fund	244	0	244	244	67%	0%	67%	231	0%	72%	95%
Greece	1	0	0	0	--	--	0%	0	--	--	0%
IFAD	16	16	16	16	--	100%	100%	16	--	100%	100%
Ireland	28	18	28	6	100%	99%	62%	28	100%	100%	100%
Italy	15	13	0	9	--	15%	47%	3	--	62%	22%
Japan	47	7	7	7	16%	6%	14%	7	16%	6%	14%
Korea	10	0	0	0	--	0%	0%	0	--	0%	0%
Netherlands	0	0	0	0	25%	100%	--	0	15%	47%	--
Norway	4	4	4	4	0%	100%	100%	4	80%	100%	100%
Spain	22	22	22	22	--	--	100%	22	--	--	100%
Sweden	0	0	0	0	43%	48%	--	0	36%	5%	--
United Kingdom	341	335	335	335	103%	66%	98%	337	100%	79%	99%
United Nations	178	129	149	89	0%	18%	69%	16	11%	22%	9%
United States	406	0	18	18	4%	4%	3%	18	0%	4%	4%
World Bank	963	963	963	963	45%	67%	100%	589	35%	24%	61%
Total	2 777	1 770	2 050	1 958	45%	47%	69%	1 526	43%	41%	55%

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to Indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on Indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on Indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

In 2010, 69% of aid channeled to Ethiopia's public sector used the country's public financial management systems, meeting and surpassing the target of 63%. Some of Ethiopia's largest donors, the World Bank, the United Kingdom and the EU Institutions channel over 90% of their aid through country systems. The United States, Japan and France score lower, with the United States the lowest at 3%.

Despite a series of reforms, donor use of country systems has increased slowly, which is due in part to a lack of donor commitment to streamline their procedures, including their specific reporting, planning, and auditing requirements. Challenges in increasing the use of country systems also relate to government capacity, particularly in the lower tiers of government. This is due primarily to high staff turnover, as well as concerns about quality and timeliness of financial reporting. There is a need for both government and donors to discuss their concerns more clearly and agree on an action plan focusing on selected critical issues. In addition, donors need to build more flexible requirements to apply during the period in which government systems are still undergoing improvement. A mutual accountability framework should be developed to monitor and evaluate progress towards the agreed action plan.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

In 2010, 55% of aid channeled to the government sector made use of the country's procurement systems, an increase in relation to previous years. No target was set for this indicator in 2010. However, the government notes that this figure is inflated and that it is likely to be much lower given that in the Ethiopian context most of the procurement follows internal bidding. Ethiopia's largest donors, namely the United Kingdom, Global Fund and the EU Institutions, channel over 90% of their aid through country procurement systems, while the United States and United Nations score substantially lower (both below 10%). Challenges to a greater use of procurement systems are similar to those outlined in relation to indicator 5a regarding the use of PFM systems.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

INDICATOR 5a
Use of country public
financial management
systems

INDICATOR 5b
Use of country
procurement systems

INDICATOR 6
Avoiding parallel
implementation
structures

TABLE 7:
How many PIUs are parallel to country structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
African Dev. Bank	1	0	0
Austria	--	2	1
Belgium	--	1	--
Canada	6	0	4
EU Institutions	1	1	1
Finland	1	1	4
France	4	2	2
GAVI Alliance	--	--	0
Germany	4	2	2
Global Fund	0	0	0
Greece	--	--	0
IFAD	--	0	0
Ireland	0	0	0
Italy	8	7	2
Japan	0	0	0
Korea	--	0	3
Netherlands	0	1	0
Norway	0	0	0
Spain	--	--	0
Sweden	1	0	0
United Kingdom	0	0	0
United Nations	0	1	0
United States	62	38	30
World Bank	15	0	0
Total	103	56	49

Ethiopia has managed to reduce the number of parallel PIUs from 56 in 2007 to 49 in 2010, though this remains somewhat short of the 2010 target of 34 parallel PIUs. Some donors that continue to use parallel PIUs due to the unwillingness to change their procedures, and also a lack of flexibility to accommodate new approaches.

The increasing use of multi-donor programme modalities and government systems as aid delivery mechanisms, as well as increasing co-ordination through the technical and sector working groups, are expected to lead to a significant reduction in the number of parallel PIUs.

INDICATOR 8 Untying aid

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

In 2010, 86% of aid to Ethiopia was untied, exceeding the 2010 target of making progress above the 66% baseline. Canada made the greatest progress by increasing untied aid from only 11% in 2005 to 100% in 2010, while the United States and Italy score relatively lower than other donors at 71% and 65% respectively.

Most of the components of aid are currently untied, with the biggest proportion of tied aid stemming from components of technical assistance. However, there are still some donors, including multilateral institutions, which require the procurement of goods and services from their own companies or countries. ■

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	2.5	2.5	100%	100%	100%
Austria	5.1	5.1	93%	98%	100%
Belgium	3.2	3.2	100%	100%	100%
Canada	24.3	24.3	11%	91%	100%
Denmark	12.4	12.4	100%	100%	100%
Finland	4.1	4.0	100%	100%	96%
France	67.4	67.4	79%	97%	100%
Germany	23.6	23.6	70%	99%	100%
Greece	0.4	0.4	100%	69%	90%
Ireland	49.1	49.1	100%	100%	100%
Italy	18.3	11.9	23%	25%	65%
Japan	79.5	79.5	100%	100%	100%
Korea	0.1	0.1	--	0%	100%
Luxembourg	1.6	1.6	100%	100%	100%
Netherlands	93.6	92.9	71%	94%	99%
New Zealand	0.4	0.4	20%	100%	100%
Norway	33.5	33.5	99%	100%	100%
Portugal	0.0	0.0	--	--	--
Spain	70.0	65.0	84%	65%	93%
Sweden	41.9	41.9	100%	100%	100%
Switzerland	3.2	3.2	100%	100%	100%
United Kingdom	541.0	541.0	100%	100%	100%
United States	921.2	649.6	74%	61%	71%
Total	1 997	1 713	66%	76%	86%

Source: OECD Creditor Reporting System.

TABLE 8:
How much bilateral aid is untied?

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (e.g. a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

INDICATOR 9
Using common arrangements

TABLE 9:
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
	African Dev. Bank	0	46				
Austria	0	6	6	7	--	0%	83%
Belgium	--	--	--	--	--	45%	--
Canada	0	73	73	93	61%	76%	79%
EU Institutions	0	114	114	162	31%	82%	70%
Finland	0	5	5	26	33%	25%	18%
France	0	0	0	10	0%	0%	0%
GAVI Alliance	0	0	0	17	--	--	0%
Germany	0	52	52	65	16%	21%	79%
Global Fund	0	257	257	257	100%	100%	100%
Greece	0	0	0	2	--	--	17%
IFAD	0	0	0	16	--	100%	0%
Ireland	0	28	28	34	22%	67%	82%
Italy	0	2	2	17	14%	25%	11%
Japan	0	47	47	68	0%	91%	68%
Korea	0	0	0	10	--	0%	0%
Netherlands	0	40	40	61	68%	17%	65%
Norway	0	1	1	30	0%	2%	4%
Spain	0	19	19	42	--	--	45%
Sweden	0	6	6	29	55%	78%	21%
United Kingdom	0	337	337	357	101%	87%	95%
United Nations	0	81	81	210	100%	53%	39%
United States	0	446	446	596	25%	99%	75%
World Bank	0	409	409	963	59%	58%	42%
Total	0	1 968	1 968	3 228	53%	66%	61%

The proportion of aid disbursed through programme-based approaches (PBAs) decreased from 66% in 2007 to 61% in 2010. This constitutes a setback for 2010 and Ethiopia has therefore not met the target of 66%. Nonetheless the use of common arrangements continues to be an important aspect of development assistance in Ethiopia. Among major donors, the Global Fund and the United Kingdom made the greatest use of PBAs, while the World Bank and United Nations registered considerably lower figures.

Donors make extensive use of multi-donor trust funds in Ethiopia. Some of the most notable programme-based interventions include the Gender Equality Joint Programme, the Public Sector Capacity Building Programme, the General Education Quality Improvement Programme, and the Agricultural Growth Programme (AGP).

The challenge that arises when donors implement PBAs with divergent priorities and institutional procedures is that this makes it increasingly difficult to ensure effective management. In turn, lengthy preparatory work reduces the timeliness of support to the country. The government insists that the existing PBA programmes are efficient and effective and more should be implemented.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007 (for reference)	2010* (%) c = a / b
African Dev. Bank	4	13	15%	12%	31%
Austria	0	3	--	0%	0%
Belgium	--	--	--	33%	--
Canada	4	8	62%	0%	50%
EU Institutions	5	5	67%	64%	100%
Finland	4	4	17%	38%	100%
France	0	10	0%	40%	0%
GAVI Alliance	2	3	--	--	67%
Germany	3	5	67%	22%	60%
Global Fund	3	11	25%	0%	27%
Greece	0	0	--	--	--
IFAD	4	10	--	100%	40%
Ireland	0	0	25%	40%	--
Italy	3	16	33%	67%	19%
Japan	0	11	0%	0%	0%
Korea	0	5	--	0%	0%
Netherlands	5	5	55%	50%	100%
Norway	3	8	100%	0%	38%
Spain	0	1	--	--	0%
Sweden	1	2	22%	--	50%
United Kingdom	1	9	85%	100%	11%
United Nations	17	39	100%	53%	44%
United States	2	2	50%	100%	100%
World Bank	19	40	36%	15%	48%
Total	52	210	27%	29%	25%

TABLE 10:
How many donor missions are co-ordinated?

* The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 35% is applied.

The 2011 Survey reported that only 25% of 210 donor missions to Ethiopia were conducted jointly, a setback from the rate of 29% in 2007. This falls considerably below the 2010 target of 40%.

The increasing number of multi-donor programmes has contributed to raising the proportion of joint missions, and will likely continue to do so. Partnerships in the health sector, rural economic development and food security development have improved donor mission co-ordination. However, a significant number of donors still follow a project-based approach and organise stand-alone missions, which both overburdens the implementing partners and increases transaction costs.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

In the 2011 Survey, 52% of 153 analytical works were co-ordinated – this is a significant setback from 70% in 2007, and falls short of meeting the 2010 target of 66%. Among the largest donors, the United Nations and Canada co-ordinate a relatively high proportion of their analytical work (over 70%).

The implementation of programme-based approaches has contributed to an increase in the level of joint analytical work. The United Nations has contributed significantly to producing joint analytical work, not only with other UN agencies, but also with bilateral donors and the government.

INDICATOR 10b
Joint country analytic work

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work * (units) a	Total donor analytic work (units) b	2005* (for reference)	2007 (for reference)	2010* (%) c = a / b
African Dev. Bank	2	4	0%	--	50%
Austria	0	0	--	--	--
Belgium	--	--	--	--	--
Canada	24	34	75%	--	71%
EU Institutions	2	2	100%	100%	100%
Finland	3	3	--	63%	100%
France	0	0	--	67%	--
GAVI Alliance	0	0	--	--	--
Germany	4	9	100%	--	44%
Global Fund	3	3	--	0%	100%
Greece	0	0	--	--	--
IFAD	1	1	--	100%	100%
Ireland	6	6	--	--	100%
Italy	2	8	--	57%	25%
Japan	0	2	50%	0%	0%
Korea	1	1	--	0%	100%
Netherlands	0	0	100%	0%	--
Norway	0	1	50%	100%	0%
Spain	0	1	--	--	0%
Sweden	0	1	--	--	0%
United Kingdom	8	13	75%	80%	62%
United Nations	44	57	100%	88%	77%
United States	5	5	--	100%	100%
World Bank	2	2	38%	0%	100%
Total	80	153	50%	70%	52%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

From the government's perspective, the most important issue regarding analytical work relates to the extent to which this has improved the government's analytical capacity. Evidence indicates that donors need to work more towards involving the government constructively in conducting analytical work in order to improve government capacity. In addition, better sector policy dialogue should considerably increase joint country analytical work.

In terms of division of labour the main challenges include a lack of common strategy amongst donors, and a lack of appetite from key donors to move forward for structural reasons. However, the EU is addressing the issue and developing an EU joint strategy with its member states and Norway which would also be open to like-minded donors. Stakeholders note concerns that a division of labour could lead to compromises in government leadership and ownership in the prioritisation of aid among sectors, and also that unexpected outcomes could lead to a loss of some donors' interest in the division of labour which in turn could ultimately lead to reduced aid flows. Thus, division of labour should fully take into account the importance of government playing a key role in defining and assigning the division of labour among donors and ensuring that the exercise does not result in the reduction of aid flows.

Nonetheless, a sense of division of labour already exists within the Development Assistance Group (DAG) structure, in that dialogue is organised between the government and *de facto* lead donors (co chairs of the DAG, and of sector and technical working groups) as well as other active donors. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. The World Bank awarded Ethiopia a B for its results-based management practices, an improvement from 2007. The national development strategy (NDS) has a monitoring and evaluation (M&E) framework designed to track progress against achieving the targets and goals of the NDS. The institutional responsibilities and the co-ordination structure of the framework are well developed and annual progress reports track NDS implementation in a unified way. The data collection in support of the NDS is comprehensive and draws on a variety of resources. The country is working to improve the quality of data through capacity development. There is also a good level of stakeholder access to information. Policy makers and line ministries use the outputs of the M&E framework (*i.e.* reports) and the framework tracks input and output indicators identified by the NDS.

Under the current NDS the M&E system is built on the existing Welfare Monitoring System. Data for M&E is collected by the Central Statistical Agency through survey, census and analyses conducted by the Ministry of Finance and Economic Development. The establishment of a national statistical system aims to improve the quality of data required for M&E. In relation to sectoral socio-economic development targets, a policy matrix presents a list of actions or policy measures and annual quantitative targets for the M&E of the achievements/drawbacks during the programme period. The matrix sets the basis for a transparent process through which the government, donors and other stakeholders can undertake a shared appraisal of results, which then forms a basis for the preparation of Annual Progress Reviews. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Ethiopia has not met the 2010 target for mutual accountability. Mutual accountability in Ethiopia is challenged by the absence of specific country-level aid effectiveness targets for both the country and donors, and the absence of assessment towards these targets undertaken by both the country and its donors.

INDICATOR 11

Do countries have results-oriented frameworks?

INDICATOR 12

Mutual accountability

Ethiopia does not have a performance assessment framework, in part because no direct budget support is provided. Nonetheless, there is a national process whereby annual progress is reviewed. This involves all stakeholders, including donors, CSOs and others. Currently, discussions are taking place with donors regarding the possibility of developing a framework and action plan to assess the implementation of commitments on aid effectiveness. Efforts are being made to develop an aid effectiveness action plan, which will enable the establishment of common indicators on aid effectiveness progress. In order to develop a new aid effectiveness action plan, the government and donors are revitalising the Aid Effectiveness Taskforce. Nonetheless, there is a need to find adequate forums to involve additional tiers of government (apart from the federal government) in discussions on aid effectiveness. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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