

Annex C. Field visit to Ethiopia

As part of the peer review of Ireland, a team of reviewers from Australia and Slovenia and members of the OECD Secretariat visited Ethiopia in October 2019. They met the team of the Irish embassy in Ethiopia, the Irish ambassador to Tanzania, representatives of national authorities, bilateral and multilateral partners, Ethiopian and Irish civil society organisations, the private sector, and researchers.

Development in Ethiopia

Impressive progress and daunting challenges

Political reform has created momentum to reduce Ethiopia's extreme fragility. The 2018 OECD *States of Fragility* report categorised Ethiopia as extremely fragile (OECD, 2018^[1]). The country faces severe fragility with regard to political and societal challenges in particular. This relates to factors such as the unchecked power of the government and the ruling party, large-scale internal displacement resulting from local conflicts, and persistent gender inequality. When Prime Minister Abiy Ahmed Ali took office in 2018, he put forward an ambitious reform agenda on which he has started to deliver. He received the 2019 Nobel Peace Prize for his efforts in achieving a peace agreement with Eritrea. At home, Abiy has committed to free and fair elections in 2020, for which donors have pledged support. Allowing political parties to work, fighting government corruption, revising the very restrictive civil society organisation (CSO) legislation and other measures have opened space for political debate and civil engagement. However, the situation in Ethiopia remains very volatile, as illustrated by political protests, ongoing violence and massive displacement.

Strong growth and decreasing poverty are successes, but challenges loom large. While still a low-income country, Ethiopia has achieved significant growth rates and gross national income per capita (Atlas method) has increased from USD 550 in 2014 to USD 790 in 2018 (World Bank, 2019^[2]). Ethiopia is a least developed country and ranks 173rd in the 2018 Human Development Index (UNDP, 2019^[3]). Absolute poverty dropped from 33.5% in 2010 to 30.5% in 2015 (USD 1.9 per day 2011 purchasing power parity), and living standards improved. Foreign direct investment (FDI) declined by 18% from 2017 to 2018, to USD 3.3 billion, but the country is still the biggest recipient of FDI in East Africa and accounts for more than one third of all FDI reaching the sub-region (UNCTAD, 2019^[4]). At the same time, the share of tax revenue in Ethiopia's gross domestic product remains among the lowest in Africa (World Bank, 2019^[2]).

The International Monetary Fund warns of a high risk of debt distress and recommends restraint on non-concessional loans while protecting pro-poor spending programmes (International Monetary Fund, 2018^[5]). Agriculture remains by far the dominant economic sector, employing 80% of the population, and this makes Ethiopia highly vulnerable to natural hazards such as drought that climate change is expected to exacerbate. Population growth is still very high. The population of an estimated 109 million in 2018 is anticipated to grow to more than 205 million by 2050, putting pressure on services and job markets (UN, 2019^[61]).

Ethiopia aims to become a lower middle-income country by 2025 by focusing on economic growth as well as pro-poor policies. Consistent with the overall aim to reduce poverty, the country's second Growth and Transformation Plan 2016-2020 sets a target of average annual growth of 11% through greater productivity and competitiveness (Ethiopia National Planning Commission, 2015^[6]). The government intends to advance critical reforms in this area while also seeking support from donors, which are organised in the Development Assistance Group (DAG). Public service reform, investment in human development, and women and youth empowerment are other priorities under the Growth and Transformation Plan. The social protection, flagship programme, Productive Safety Net Programme, illustrates the government's pro-poor approach.

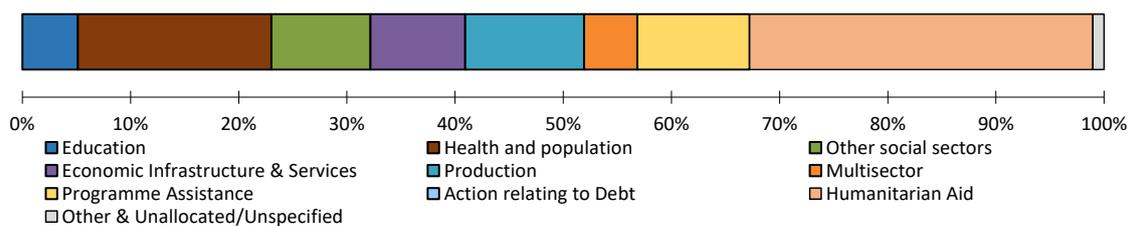
Figure C.1. Aid at a glance, Ethiopia

Receipts	2015	2016	2017
Net ODA (USD million)	3 235	4 074	4 117
Bilateral share (gross ODA)	57%	50%	53%
Net ODA / GNI	5.0%	5.6%	5.1%
Other Official Flows (USD million)	226	156	786
Net Private flows (USD million)	656	705	352
Total net receipts (USD million)	4 118	4 934	5 255

For reference	2015	2016	2017
Population (million)	99.9	102.4	105.0
GNI per capita (Atlas USD)	600	660	740

Top Ten Donors of gross ODA (2016-17 average)		(USD m)
1	International Development Association	1 154
2	United States	954
3	United Kingdom	437
4	EU Institutions	279
5	African Development Fund	209
6	Global Fund	170
7	Germany	148
8	Canada	90
9	Netherlands	78
10	Global Alliance for Vaccines and Immunization	74

Bilateral ODA by Sector (2016-17)



Source: OECD (2020^[7]), Aid at a glance (webpage), <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm>.

Towards a comprehensive Irish development effort

Development co-operation is at the centre of Ireland's engagement with Ethiopia

Since the opening of the Irish Embassy in Ethiopia in 1994, development co-operation has continued to be the defining feature of Irish-Ethiopian relations. Ethiopia is Ireland's largest aid recipient, receiving an average USD 41 million per year from 2014-17. This represents 12% of total Irish allocated ODA over this period. Officials from Ireland have made numerous high-level visits to Ethiopia over the past few years through which Ireland has aimed to expand the scope of relations including by signing a double taxation agreement and initiating private sector initiatives. However, trade between the countries is minimal, with exports to Ethiopia amounting to USD 38 million and imports from Ethiopia of USD 5 million in 2017 (World Integrated Trade Solution, 2019^[8]). A handful of Irish companies operate in Ethiopia, and a few citizens from each country live in the other. The Irish Ambassador in Addis Ababa is also accredited to regional organisations,¹ South Sudan and Djibouti. While Ireland will reflect all these aspects in its forthcoming whole-of-mission strategy, the primary focus will continue to be its development co-operation.

Ireland's foreign policy priorities are reflected in its political engagement in Ethiopia. For many years and in a challenging political context, Ireland has been exercising leadership in promoting civic space, mobilising the donor community and engaging with the government. Ireland also remains a strong advocate for gender equality and against gender-based violence. Ireland intends to strengthen the focus on gender equality under the new country strategy, whereby greater donor leadership could add value in a challenging environment. Ireland's principled political engagement on internal displacement has helped to drive acknowledgement of the challenge and garner support for a response. The government and partners appreciated Ireland's efforts to promote a humanitarian-development nexus through social protection.

Policy coherence is not part of monitoring or dialogue. Where Ireland's policies relate to collective global action, they can indirectly affect Ethiopia's development. While Ireland will miss its greenhouse gas emission targets and only in 2019 adopted a more ambitious plan for climate action, Ethiopia is significantly exposed to risks of climate change, takes adaptive action and undertook a massive tree planting project to help to mitigate emissions. Ethiopia also hosts a large number of refugees. The Irish Embassy in Ethiopia does not report back to Dublin on potential challenges to policy coherence, although Ethiopia has not raised any such issues with Ireland as either an individual state or as member state of the European Union (EU). Nevertheless, adding this dimension to political dialogue could enhance Ireland's voice in discussions at both global and country level.

Ireland's policies, strategies and ODA allocation

The new mission strategy is an opportunity for Ireland to deliver on the priorities of A Better World

The new mission strategy is an opportunity for Ireland to focus its efforts. The previous 2015-18 strategy, now extended to 2019, matched up Ethiopian challenges and Irish priorities well as it focused on work in agriculture, social protection, health, nutrition and civil society. However, Ireland's development assistance to Ethiopia corresponds to only 1% of official development assistance (ODA) to Ethiopia in 2017.² In the same year, Ireland is the 18th largest of all donors in Ethiopia recorded in OECD development co-operation statistics. Even in its concentration sectors, Irish ODA represents only about 2% of total donor disbursements in the country. Partners thus felt there was potential for a deepened, rather than a broadened, Irish engagement. In addition, the growth of Ireland's portfolio in terms of output areas and number of partnerships in Ethiopia put the Embassy's capacities under strain. In response, the Embassy

intends to sharpen the focus of its programme under the new country strategy. Initial planning under the next country strategy foresees a static budget, which could be increased after a mid-term review as Ireland plans to increase ODA. In order to preserve quality and focus over time, such plans would need to anticipate where Ireland could increase spending and the staffing capacity this would require.

Policy guidance from headquarters could make a significant difference in translating the priorities of *A Better World* in Ethiopia. The Embassy invests heavily in internal reflections for the development of its new country strategy (as elaborated further in this section). Anticipated choices indicate continuity in areas of previous focus, social protection and civil society space, and continuing climate change as a cross-cutting issue. *A Better World* pushed the Embassy to develop new priorities focusing on gender equality and strengthening governance in public institutions. More policy guidance from the DFAT headquarters in Ireland could help the Embassy to ensure a programme that is focused on Irish policy priorities while responding to shifting expectations and opportunities in Ethiopia. For instance, a specific focus on furthest behind first will raise challenging questions of targeting, approach and trade-offs in terms of time horizon, results and risks. The Department of Foreign Affairs and Trade (DFAT) has indicated that Ireland would like to concentrate on areas where its four policy priorities intersect.³ Such a focus could allow Ireland to use its limited human resources to maximum effect by deepening expertise in clearly identified areas.

The preparation of mission strategies now involves the identification of a broad theory of change, within which Ireland's added value is taken into account and a number of outcomes and associated results are identified. Sectors and programmes in which Ireland has been previously engaged play a significant role in the decision-making process, and the five-year budget plans for mission strategies reflect historic levels of allocations as well as the embassy's absorption capacity. However, missions are now in the position to make more strategic choices around engaging in new sectors or changing the way they are engaging in current sectors. In the past, previous mission strategies were more prescriptive and could reference specific partners, limiting adaptability during the strategy period.

Programmes financed by headquarters are not part of the Ethiopia country strategy. These include both programmes financed by DFAT, notably its Humanitarian Unit and the Civil Society and Development Education Unit, and by other departments, such as the technical co-operation provided by the Health Service Executive. The Embassy in Ethiopia is aware of these programmes and there is consultation between DFAT in Dublin and Ireland's embassies on planned interventions. The new country strategy could identify ways to better reflect all Irish bilateral and multilateral contributions, including those from other departments.

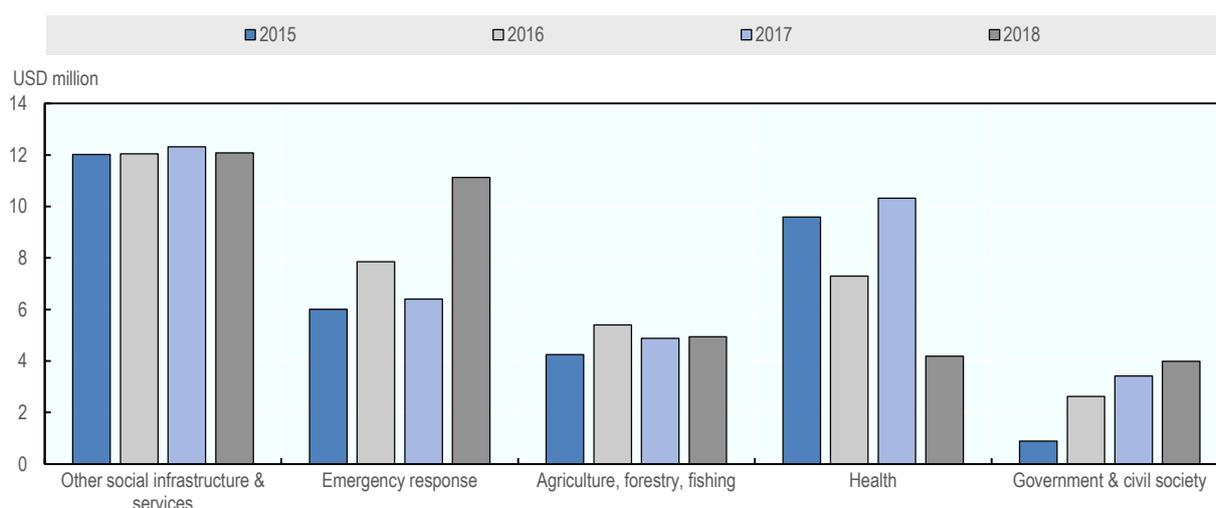
Ireland's private sector engagement in Ethiopia could provide useful lessons for focusing its efforts in other partner countries and globally. The ambitious Ethiopian economic reform agenda coupled with a challenging local business environment provide for great opportunities but also risks for private sector engagement through development co-operation. While many larger players are active in Ethiopia, private sector counterparts appreciate the advice, advocacy and matchmaking efforts of the Embassy of Ireland, which often add greater value than Ireland's limited financial engagement.⁴ This can be particularly effective when done in concert with other donors, including those that provide significant financial support to help to improve Ethiopia's business environment. Ireland's private sector engagement in Ethiopia can also contribute insights on how private sector activities can help to improve the lives of marginalised populations, especially in the agri-food and IT sector. As Ireland is developing its new strategy for its private sector engagement on a global scale, it could ultimately draw on the experience it gains from such engagement in Ethiopia.

It is not yet clear how Ireland's regional engagement, which is very limited in scale, will add value. Through its diplomatic mission in Ethiopia, Ireland has started to co-operate with regional institutions; the Embassy in Tanzania also includes countries of secondary accreditation in its mission strategy, in line with Ireland's ambition to increase its global footprint. Since 2018, Ireland deployed a policy officer to Addis

Ababa as deputy representative to the AU, to liaise with the African Union and the Inter-Governmental Authority on Development. This provides Ireland with access to institutions and intelligence that can inform decision making. However, in this initial phase, co-operation programmes with these institutions are very small.⁵ If Ireland chooses to pursue a dedicated regional engagement, it would benefit from defining what its contribution to regional development could be, how a regional approach would complement and link with its bilateral engagement, and which resources it needs to mobilise for this.

Figure C.2. Ireland's ODA to Ethiopia by sector

Commitments, millions USD, 2017 constant prices



Source: Based on data from (OECD, 2019^[9]), *Creditor Reporting System* (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1> (accessed January 2020).

StatLink  <https://doi.org/10.1787/888934121259>

Organisation and management

Empowered embassy staff are an asset to Ireland's engagement

Ireland's embassies have clear and sufficient authority. Embassies are responsible for designing country strategies, which are then approved by DFAT senior management. Like units in DFAT headquarters in Ireland, these have authority to make commitments and disbursements for projects with a value of up to EUR 1.5 million per year, unless risks or relevance require approval at a higher level. In practice, most financial engagements fall within this limit and only larger contributions to multi-donor programmes exceed the ceiling, although this might change if the aid budget grows substantially. Embassies thus have a significant level of autonomy regarding programmatic decisions. DFAT headquarters is responsible for decisions on the creation of posts, while embassies manage recruitment. This sometimes delays the replacement of existing positions.

Collaboration between DFAT headquarters and missions generally works well. DFAT headquarters systematically consults embassies on the development of policies and guidance. Despite capacity constraints, the headquarters also manages to give approval or provide advice in a timely and substantive manner. DFAT headquarters representatives also participated in workshops for the design of the new Ethiopia country strategy. Additionally, a new e-submission system makes the work stream for submissions to management more transparent for embassies.

Local staff are critical to the implementation of Ireland's bilateral co-operation. In Ethiopia, the head of development and two deputies are filled by Irish personnel posted to Ethiopia. The 11 sector and programme leads are locally hired staff. Local staff manage grants, inform political dialogue, bring technical expertise and local knowledge, and hold institutional memory. They are empowered to represent Ireland in policy discussions, and partners value their quality engagement. Ireland invests in their skills development so local staff can profit from training opportunities (including abroad) identified through the annual performance management review. As opportunities for career progression within the Irish Embassy are limited, some staff have chosen to pursue their careers elsewhere. However, retention of staff is strongly aided by the overall satisfaction of personnel with working conditions. Within the Embassy, local staff are highly valued and integrated. Their contracts apply the more beneficial clauses of either Irish or Ethiopian law. The Embassy compensates overtime work, salaries are increased regularly and DFAT headquarters has approved additional human resources to address a growing workload. The Embassy solicited and reflected comments by local staff in the staff manual, which is available in Amharic. A service desk at HQ for local staff exists, but local staff representatives are not consulted by HQ on human resources policies.

The Embassy's efforts on risk management are strong and it is committed to learning

The Embassy plays an important role in risk management. Staff systematically work to ensure that financial, operational and other risks are appropriately assessed and that safeguards are in place. Management and staff regularly discuss and update the risk register. The Embassy takes a range of mitigating measures where necessary, ranging from capacity building to adjusting intervention approaches or suspending payments. As the system strongly relies on the assessment and diligence of individual staff, forthcoming guidance on safeguarding could provide them the assurance that they have fulfilled all necessary minimum standards of risk management. A timely update of the country corruption profile will be important to inform the country strategy. It will also be an opportunity to discuss how the Embassy can institutionalise work on anti-corruption, including through training on anti-corruption awareness. Guidance on the handling of cases of suspected fraud could also be useful, in particular to clarify what constitutes a suspected case of fraud, notably in relation to audit findings.

The Embassy shows a strong commitment to learning but cannot fully seize opportunities for documenting and sharing lessons. In the design of its new mission strategy, the Embassy has invested significantly in internal reflection, drawing on the evaluation of the previous country strategy, external analysis and contributions from Embassy staff across all services. Grant managers encourage programme adaptations in response to monitoring findings and, on occasion, share their technical expertise with other Irish missions. However, the Embassy does not document knowledge in a way that could contribute to broader institutional learning, due to systemic constraints. The e-grant management system that is currently piloted would be an opportunity to enable the capturing of knowledge locally and ensuring it is accessible both at headquarters and other missions. Together with further investments in information technology infrastructure, this system could also facilitate data management.

Partnerships, results and accountability

Ireland is a much-appreciated partner to the Ethiopian government, donors and CSOs

Ireland is an active and energetic donor, taking a proactive role in political dialogue and donor co-ordination. As a key member of the DAG, Ireland is seen as a driver of open, informed dialogue that puts the interests of Ethiopia first. It is also regarded as an honest broker among development partners and with the Ethiopian government and other stakeholders. Ireland is actively involved, as member of the DAG Executive Committee, co-chair of both the Humanitarian Resilience Donor Group and the Donor Working Group of the Productive Safety Net Programme and lead in the Civil Society Support Programme.

Ireland smartly uses these opportunities to act as strategic influencer despite its limited financial weight. As EU donor co-ordination does not offer the same opportunities of member state leadership, Ireland finds itself in a competitive environment in Ethiopia, where 20 other EU member states are active. Continuing to focus on a limited set of priorities that link to its own portfolio, partnering with like-minded donors, and strategically engaging Irish and local CSOs are likely Ireland's best avenues to add value within the overall contributions of EU donors.

In its partnership with the Ethiopian government, Ireland delivers high-quality development co-operation with some scope for improvement. Ireland aligns to national priorities, provides aid on budget, and uses country public financial management systems where possible and appropriate. It is transparent, providing timely, comprehensive and reliable information through the Ethiopian Aid Management Platform. While it ensures good annual predictability, Ireland could improve provision of forward-looking expenditure plans to the Ethiopian government, building on the five-year budget planning that underpins the country strategy. The Irish Embassy holds regular dialogue with line ministries at sectoral and programmatic level to inform decision making and establish mutual accountability. In contrast, Ireland had not yet involved the government in early-stage strategic discussions on the next country strategy, also due to evolving policy shifts on both sides. In the same vein, only two of five priorities and/or outputs of the 2014-19 country strategy were jointly agreed with Ethiopia (OECD/UNDP, 2019^[10]). Ethiopia was informed about progress in implementing the strategy but was not part of joint evaluations. Late consultation with the government risks that the best match may not be found between Ireland's offer and Ethiopia's development priorities.

Ireland is widely appreciated as a committed and reliable development partner in Ethiopia, in particular among CSOs. It provides focused support, often channelled through multi-donor pooled funds, that gives implementing partners the flexibility in their programming to adapt to changing contexts. Ireland engages in multi-annual agreements with a range of partners in Ethiopia. In some cases, year-by-year disbursements impede predictability and planning. By providing funding in areas where needs are greatest, Ireland is considered an indispensable partner for CSOs. Dialogue and learning opportunities between the Embassy and Irish and local CSOs abound. More formalised dialogue could make information sharing between the Embassy and CSO partners more efficient.

More policy guidance from DFAT headquarters on selecting channels and modalities could inform decision making at mission level. In line with its support of national ownership, the Embassy has expressed a commitment to partner with the Ethiopian government where possible and Irish assistance in Ethiopia already is implemented mainly through the channel of the public sector. At the same time, Ireland values its partnerships with both CSOs and multilaterals, and seeks to engage more strongly with the private sector. The Embassy has not had guidance from DFAT headquarters in the preparation of the new country strategy regarding the matching of Ireland's objectives and possible channels. When it selects partners within a specific channel, Ireland proceeds by direct awards of its project-level grants. It sometimes explores a range of suitable partners, in particular for new initiatives, there is requirement to document if alternative partners were considered, and if not, why not. This might have drawbacks in terms of lower value for money if partners feel that funding is likely regardless of value added or strong performance.

Ireland has been able to significantly adapt to changes in the overall context and aid programmes

A good understanding of the domestic context informs Ireland's actions and good responsiveness. Ireland stands out as a quick responder to changing political and humanitarian contexts, for example by reacting swiftly to recent climate and conflict shocks in 2016 and 2018. For the design of its new country strategy, the Embassy complemented its political intelligence with a meta-analysis on poverty, vulnerability and inequality and drew on existing analysis by other donors. It also conducted political economy analyses

for its civil society and social protection engagement and shared these with other donors. In an effort to accompany political reform, it is supporting the next elections and is the first donor to have entered a new partnership with the Ethiopian parliament. Basing Embassy staff in Ethiopian regions gives Ireland a good understanding of local realities. This is particularly important in a context where regional governments are assuming increasing responsibility. Ireland also promotes innovative approaches. It has supported pilots on e-payments and nutrition-sensitive social protection that generated evidence to inform discussions with the Ethiopian government and donors for potential scale-up.

Ireland regularly monitors results and uses them to adapt its programme design and implementation. Grant managers assess progress reports, make regular monitoring visits, document their findings and discuss with implementing partners how to adjust course. Although sometimes asked by HQ colleagues, the Embassy is not expected to and does not have the capacity to monitor implementation of HQ financed programmes. Specific staff capacity could help to ensure the quality of monitoring frameworks on aspects such as ambition, data availability and alignment with Ethiopian frameworks and could also provide advice on the design of locally commissioned evaluations. The update of Ethiopia's development strategy presents an opportunity for the Embassy, with headquarters support, to align the new country strategy results framework to both Ethiopia's own performance monitoring and its own forthcoming accountability and results framework under *A Better World*.

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Notes

¹ The Embassy also covers the African Union, the Inter-Governmental Authority on Development and the UN Economic Commission for Africa.

² Figures from 2017 (OECD, 2019^[9]). In this sense, Ethiopia is representative of most of Ireland's priority countries in that it is a large ODA recipient with numerous active donors.

³ This would prioritise gender equality, strengthening of governance, reduction of humanitarian need and climate change.

⁴ Irish private sector partnerships in Ethiopia include the electronic payment system, including to social safety net beneficiaries, provided by the Irish company M-Birr; Irish Aid partially financed the start-up phase and the European Investment Bank invested significantly in M-Birr. Another partnership involves AfricaJuice, a Dutch-Irish enterprise that produces and exports tropical fruit juices from Ethiopia and employs over 2 000 people. In addition, Moyee Coffee sources coffee in Ethiopia.

⁵ Ireland's support to the African Union amounts to EUR 300 000. As a comparison, donor support to the organisation totals to about 1 000 times this amount per year.