

# Ethiopia: A Plan for Accelerated and Sustained Development to End Poverty (PASDEP)

## Comments from the Development Assistance Group February 3, 2006

The Development Assistance Group (DAG) commends the Government for the production of a well written Poverty Reduction Strategy, i.e. the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). The PASDEP clearly outlines the overall strategic priorities and policies of the Government for the next five years. Indeed, it is an expansion of the SDPRP and allows new thinking in many sectors. The DAG also notes that most areas outlined in the 'DAG Note on Policy Content' submitted to the Government in May 2005 have been taken into account and elaborated further in the PASDEP.

The DAG acknowledges the constructive comments submitted separately by the World Bank, IMF the African Development Bank, private sector and civil society.

Detailed comments and practical suggestions were prepared by each DAG Technical Working Group (TWGs). These extensive comments are presented as annexes to this note. These comments form the basis for reference and ongoing dialogue with sectoral ministries.

The main comments and common elements are presented in the text below. The text will then be followed by a summary of the technical reviews.

### A. General Comments

#### Sector policies and strategies

The DAG commends the Government for clearly outlining the main policies for the next five years in the PASDEP. However, the document gives little guidance on how these objectives are meant to be reached. Indeed, it is difficult to see the translation from strategies to implementation. The DAG recognises that the main focus of a PRS should be on the policy level whereas detailed strategies and actions plans are better elaborated in sector documents. However, it is noted that sector strategies do not exist in all sectors covered in the PASDEP i.e. food security. Hence the **DAG looks forward to comprehensive consultations with all relevant stakeholders in order to participate in the development of sector specific strategies** and action plans to reach the objectives outlined in PASDEP.

Moreover, there are other sectors where sector strategies do exist and the PASDEP would benefit from specific reference to them, such as Justice Sector Reform and PSCAP. In these instances, making explicit reference to the relevant sector reform strategies would enhance the PASDEP by establishing clear links between the overall policies and planned actions.

As mentioned, it is recognised that more elaborated action plans are developed in the various sector strategies. Nevertheless, there is a need to **ensure full compatibility between the overarching PASDEP and the more detailed sector strategies**. The links between priorities, budget and the matrix need to be strengthened so that the government's plans become clearer.

The DAG appreciates the work of Government to outline the financial implications of the policies specified in PASDEP. However, the draft financing plans would be enhanced if an alternative scenario was presented based on the assumption that sufficient funds are not available to implement the full strategies. A thorough discussion around Government priorities for each sector in case of a scenario that either the domestic economy will not generate predicted revenue or sufficient external funds are not provided would significantly improve the financial analysis of

PASDEP. More specifically, for most sectors, **the financing plans need to be revisited and improved**. Indeed, the financing plans should not only describe how much is expected for each sector and what it will be spent on but also on what basis the calculations were made. Such financial information would enable all development partners to assess more thoroughly the budget and projections, Medium-term Expenditure Financial Framework being the main instrument for this.

The Poverty Analysis for example could be strengthened further by exploring the causes of poverty and linking these with the proposed actions of how to break out of the poverty cycle. Moreover, the PASDEP document would also gain from a thorough **problem analysis of the SDPRP implementation**. What were the obstacles and bottlenecks experienced during the SDPRP and how can they be addressed and improved in order to ensure more efficient implementation and greater achievement of outcomes and objectives described in the PASDEP.

### **Mainstreaming and crosscutting issues**

The PASDEP rightly describes poverty as a multi-dimensional phenomenon. Strategies to fight poverty are also multi-dimensional and thus **linkages between various sectors** are necessary. However, these links between sectors are not sufficiently elaborated in the document. **The sectoral chapter would be significantly strengthened if these links were reflected and described in the PASDEP.**

The DAG welcomes the Government's intention to mainstream issues such as gender, HIV/Aids, environment and governance. However, the mainstreaming is not adequately reflected and integrated in the Chapter IV: Sectoral Policies, Programs and Targets for Accelerated Development to End Poverty. Each sector ought to have a discussion on how each of these issues interlink and affect the sector. The section on education, for example, has adequately integrated the gender dimension; furthermore, the section makes useful links between HIV/Aids and education in Ethiopia. In our view, the education section could be a useful example for other sectors.

The informal sector plays a very important part in the Ethiopian economy and society at large. However, it is not sufficiently taken into account in PASDEP. Civil Society and communities in general, play an important part in many sectors. In order to paint a realistic picture which reflects the reality, the existence of the informal sector and its impact have to be included in the analysis as well in the strategies.

### **Capacity Building**

Most TWGs have expressed concerns about the institutional capacity to implement the strategies proposed. Most recognize that the PASDEP fails to address clearly the reasons for the weak capacity and the implications for the implementation of the PASDEP.

### **Millennium Development Goals**

The DAG would welcome **closer links to MDG indicators**, which are limited in number, clear and measurable. There is a need to **streamline the narrative part of the PASDEP with the Matrix to ensure that it reflects and corresponds more closely to the policies outlined in the text**. More specifically, targets of some indicators appear rather ambitious. In line with this, it would be useful to explain clearly the basis of the indicator and targets as it would facilitate the understanding if the indicator/target is realistic. Furthermore, for some of the indicators there is no means of systematically collecting data to verify them, which makes them less useful.

### **Matrix and Monitoring & Evaluation Issues**

The DAG recognizes the significant work put into the Policy Matrix and congratulates the Government for the result. Nevertheless, the **Matrix requires further refinement** and the DAG looks forward to further dialogue with government and other relevant stakeholders on the indicators and targets. Dialogue would also be useful to **develop a comprehensive monitoring and evaluation plan for the period covered by the PASDEP.**

The DAG recognizes that monitoring and evaluation of the PASDEP is a large task especially with such a large number of indicators. In order not to overstretch the institutions involved in such a task, the DAG would welcome a further **decrease in the number of indicators** as previously agreed with Government. Due to the size of the work to monitor all the indicators in the Matrix there is a need to pool resources and share the burden of the work with other relevant stakeholders who have experience in this field. Therefore the DAG is interested in facilitating the work as well as **welcoming civil society and private sector to participate in this task**. Many civil society organizations have developed various mechanisms for monitoring work in the field which could be utilized in this process.

## **B. Sector Comments**

**In this section, the DAG presents a summary of the technical review for each theme, sector and cross-cutting themes.**

### **Growth Strategy**

As pointed by the World Bank in their comments to you, the growth strategy reflects a strong resolve to mobilize resources and implement policies to achieve higher growth on a sustained basis, arguing persuasively that this is needed to break out of the current poverty trap, and that a big push is thus necessary. The new directions on economic and structural policies and reforms aim to support increased dynamism, while keeping ADLI as a core part of the growth strategy.

While the innovations outlined in the growth strategy are welcome, the PASDEP could be enriched by a fuller integration of recent thinking and discussions on food security and agriculture in Ethiopia. We have proposed that strengthening the growth strategy will require adopting a “two-legged” approach that would both:

- (a) consolidate and deepen an essentially balanced, broad-based and inclusive growth strategy (by complementing ADLI with a balanced approach to urban and rural, agriculture and non-agriculture sectors); and
- (b) adopt a more selective approach to speed up growth, allowing for identification and support for dynamic new activities, based on private and public sector discoveries, innovations, and partnerships.

The second leg implies that growth corridors, area-based specialization, regional strategies and differentiation, value chains and coordination, as well as experimental learning and scaling up can all be considered as components of the renewed growth agenda in Ethiopia. In particular, three themes could be further developed in support of the growth strategy:

- **Regional specificities and growth corridors.**
- **Stronger urban agenda**
- **Infrastructure scale-up.**

The DAG encourages the Government to review the appropriateness and value of this approach for the PASDEP, which would also require addressing the issues of risk management, good governance and institutions, the appropriate macroeconomic framework, and aid management.

More generally, the respective roles of the State and private economic agents could be more clearly articulated. In particular, we would suggest that the PASDEP could clarify:

- **The role of the private sector and cooperatives in output and input markets for rural growth.**
- **Opportunities for greater involvement of the private sector in delivery of public services**, for instance, in agriculture and in the health sectors.

### **Poverty Profile**

DAG commends the achievements outlined in PASDEP, especially as they relate to improvements in nutrition, access to water and sanitation and literacy, and acknowledges the effort to provide much of the indicators in a gender disaggregated manner.

While a range of information is provided, based on the WMS and the PPA, it is notable that **key poverty data is still missing**, as the HICE analysis is still incomplete. The DAG encourages MOFED and CSA to finalise the analysis and reflect them in the revised PASDEP document, because the information is essential to determine the success in reducing poverty under SDPRP and to set realistic targets for the next five years. The DAG would welcome the opportunity to review the findings of HICE before the document is finalized. Any additional support the DAG can provide to make this possible will be speedily considered.

The thrust of the sectoral interventions, as set out in the strategic framework in Chapters 4 and 5, appears to address many of the specific concerns of the communities, as outlined in the PPA findings. However, to underscore its commitment to enhanced community participation, Government may wish to reflect better how it will tap into community efforts for both the delivery of services as well as to continue to track progress in poverty reduction on an ongoing basis.

It is noted that in regards to poverty related indicators, there is almost one to one convergence between the suggested outputs and indicators of the DAG and those submitted by Government. This is welcome. However, the DAG encourages MOFED to **ensure that the findings of the WMS and measures to address still outstanding matters** – e.g. the overwhelming use of unclean water - **are appropriately addressed in the finalized PASDEP Matrix.**

### **Agriculture**

The overall thrust of the PASDEP is accepted. The document presents a logical and consistent formulation of the strategy. It reflects new thinking with respect to greater emphasis on growth, market orientation, private sector involvement and diversification of the agricultural sector, especially in terms of the roles of agriculture, the rural non farm sector, and urban sectors.

We would **welcome an intensified dialogue on how to achieve the objectives outlined in PASDEP.** This dialogue should centre on programs in the crucial areas of rural growth. These could encompass agricultural marketing, rural services, finance, sustainable land management, land tenure, rural finance and economic diversification, and the role of the private sector (not just cooperatives) in achieving these. The dialogue should include regional structures and the entry points to respond to geographic variations.

Apart from these concerns on implementation, we suggest that further attention be given to **sharpening the strategic focus of the programme, and clarifying concepts** (such as 'agricultural growth', 'rural development', 'raising income', or 'commercialization) which are used indiscriminately. **Finalising the matrix of goals, activities and outcomes is needed**, as the matrix is still focussed on implementation by Government services and hence does not reflect the new strategic choices made in the PASDEP document. It remains unclear how different actors and stakeholders will become involved in order to bring about structural change and lasting institutional improvements.

### **Private Sector Development**

The DAG recognises the progress made under SDPRP towards creating an enabling environment for private sector development and trade. Efforts have been commendable in the improvements in the streamlining of business registration, modernizing the tax regime, customs reform and investment in economic infrastructure.

The PASDEP continues and helps to consolidate the reform processes started to this end, and the **DAG recommends continuing support for the private sector as the engine of economic**

**growth and job creation, and that private sector development be dealt with as a cross-cutting theme.**

The key institutions that enable smaller firms to grow, and therefore growth to be pro-poor, are low barriers to entry (true in many sectors, but not in others), efficient capital markets, contractual and property rights upheld by well-functioning judiciaries, a fair playing field, and tolerable levels of risk (political stability, macro-stability).

The **fundamental issue of governance needs to be strengthened in PASDEP**. Any attempt to increase private investment must confront more decisively and clearly demonstrate that: (i) Institutions that protect the property and contractual rights of the private sector are above politics; and (ii) Private firms are treated equally in Ethiopia irrespective of ownership - including party-affiliated or state-owned firms.

The DAG notes that PASDEP introduces a two-pronged strategy to speed up growth in the rural sector: (i) Modernization of peasant agriculture; and (ii) Introduction of commercial agriculture. Both of these need strong participation from the private sector and therefore a holistic strategy. Such a view may contain at least three thrusts: Modernization/commercializing peasant agriculture and catalyzing commercial agriculture. The agenda requires strengthening the current thin linkages between urban and rural private sectors through removal of regulatory and tax obstacles and strengthening markets and mechanisms for investment and injection of know-how/technology.

The process of **public-private dialogue needs to be strengthened** through a stronger commitment to joint strategies and implementation plans, and by creating space for the private sector to lead the formulation of sector strategies and action plans. The DAG recommends that benchmarks for sustained improvements in the overall business/investment climate should include a more detailed articulation of implementation measures and a more specific timeframe for meeting the targets. In parallel, continued emphasis is to be put on further strengthening the monitoring and evaluation system.

## **Infrastructure**

### *Water and Sanitation*

The PASDEP has identified the key constraints for improving the Water Supply and Sanitation (WSS) sector performance and indicated what needs to be done to address them. It has shown great improvement in identifying the critical sector issues that need to be addressed. The document further recognizes the need to broaden the partnership base by including stakeholders such as NGOs and commercializing/self financing of the urban systems. Specifically, PASDEP gives due recognition to the sanitation and hygiene promotion and outlines in very broad terms what the plans and targets are for the way forward. Furthermore, it also recognizes sanitation as an important element of intervention for preventive health and poverty reduction.

However, there are areas that still need elaboration and further clarification. It is felt that the PASDEP needs to discuss in detail **how water resource is to be managed in coordination with other sub-sectors such as irrigation**. There is also a need for more coherent reference to the key planned interventions both in the Water and Sanitation sector and Health sector to reduce the risk of hygiene and sanitation interventions falling in between the two. It is worth emphasizing that there is strong need to **define clear roles and responsibilities for follow-up**, especially for sanitation planning and implementation. The subsidy schemes considered for provision of latrines in rural areas would need to be rectified by the Ministry of Health, which has a major stake in the way sanitation provision is handled. The responsibility for urban sanitation is also an area where the **responsible institutions need to be clearly stated**.

It would be welcomed for PASDEP to look at integrated water resources development aspect with due consideration of environmental sustainability as well where such multi dimensional issues are discussed with all relevant line ministries such as Agriculture and Rural Development, Mines and

Energy and Environment Protection Authority. Due to the multidisciplinary and multi-sectoral nature of **hygiene and sanitation interventions**, it is important that the government establishes a **strong coordination mechanism and a platform for continued structured stakeholder and policy dialogue**. It is also important that not only construction of new facilities but also the maintenance of dysfunctional schemes should be given adequate consideration.

The Water Supply and Sanitation component is guided by the existing **Water Resources Management policy and strategy**, which needs to be **revisited and implemented by taking into account decentralization** that has significant bearing on the physical planning and financial allocation at regional and woreda levels. The PASDEP recognizes that the program is expensive, but it **does not have a financing plan**. Potential ways to bring down the unit costs need to be explored.

### *Energy*

The massive untapped energy potential of the country is rightly recognised in PASDEP and the major problems faced by the sector are highlighted in detail. The Government's attempt to expand the power generation and transmission capacity as well as rapid electrification of rural towns deserves congratulation.

PASDEP shows the intention of more than tripling the generating capacity by 2010. This reflects the proposed massive over-expansion of the system, when compared to more balanced demand projections and the financial/economic dynamics of the sector. While the attention given to increase in power generation and in transmission system is encouraging, it is also important to see its feasibility in terms of whether or not the tariff level is sufficient to enable the utility to properly finance, maintain and operate the expanded system on a sustainable basis, as well as the realistic assessment of macroeconomic scenarios. In this regard, the **updated Master Expansion Plan**, which will provide the basis for discussing and delineating a sound expansion plan **would be very useful**. In general, the DAG believes that a **more modest expansion of the power sector would seem appropriate**.

The DAG is also concerned about the **rural electrification program**, which appears very ambitious. The **extent and pace of this expansion** as outlined in PASDEP needs to be **revisited taking into consideration the macro-economic situation and economic viability**.

It is also recommended that Government assess the tariffs to bring them more in line with sectoral costs. It is the DAG's belief that the more time passes without a tariff increase, the more severe the problem becomes, and the larger would be the need for and magnitude of tariff adjustments -- which in turn can become more difficult to implement.

PASDEP needs to focus more on improving the quality of service of the utility. While implementing organisational reforms within EEPCO aimed at improving quality is welcome, the aspect of improving quality of service merits greater attention.

The DAG also believes that the PASDEP could benefit from greater discussion of other sources of energy, like biomass. In Ethiopia, biomass represents the most important source of energy for households. This is particularly important in Ethiopia given the limited forest resources.

### *Roads*

Overall, the document is well presented with clear vision and objective. It has summarized the developments with regard to the activities underway to better understand the impacts of road investment on poverty reduction, and the overall policies and institutional reforms of the road sector. PASDEP puts emphasis on what needs to be done, and it has identified the key issues for the sector. It has also laid out the RSDP's objectives of sustaining the policy and institutional reforms as well as the restoration and expansion of the road network to provide a sustainable level of essential road infrastructure to the rural population. The physical plan presented is consistent with the MDG assessment needs for the sector.

Although it is also encouraging to note that the targets set are consistent with MDG targets the programme appears very ambitious. As indicated in the document, the **total cost of the program is substantially higher than the expenditure of the RSDP I & II** over the seven and half year period. It is believed that realisation of such target necessitates **assessing and further developing the existing implementation capacity of the road agencies and the domestic construction industry** (both financially and institutionally). There are already indications of an overstretched construction market. This coupled with the drastic increases in the price of oil over the last year is thought to make road construction in Ethiopia very expensive and there is a need for further reviewing the rationale of the program's strategy taking into account the increased size and scope of program, with options to address the drastic increases in road construction costs.

The DAG also believes while the emphasis on construction of the road infrastructure is important, the provision of infrastructure needs to be augmented with strategies to address the maintenance gap created as a result of expansion in all types of roads.

In order for the full benefits of transport to be realised the DAG recommends emphasis be given to ensuring effective delivery of transport services. In view of the large amount of rural and community roads planned to be constructed through ERTTP, it is important that adequate emphasis be given to the means of transport. The PASDEP states that there is limited access to **transport services**, but it needs to **elaborate on the possible causes for the limited access and formulate strategies to address the situation**. Emphasis should also be given to **enhancing the coordination between regions in the formulation of network plans**, as network planning should be an interactive process between the regions and the federal level within the framework of national development strategy.

#### *Telecommunications*

As reported in the PASDEP, there has been considerable investment and progress in the area of telecommunications in Ethiopia over the course of SDPRP I, and plans for this phase of PASDEP are ambitious.

Studies concur that the extension of ICT services are one of the most important, if not the most important, basis for economic growth in today's world. In particular, models demonstrate that the extension of mobile telephone access is a prime mover in GDP growth in African countries.

In Ethiopia the government has invested a great deal in developing the telecommunications backbone. What is unclear is how the business plan will be developed and implemented to get a reasonable return on this investment, while supporting universal service as inclusive as possible to the poor and rural populations. In particular the role of the private sector is supposed to be encouraged, but to date the regulatory and pricing environment has been too restrictive to allow much private sector involvement.

The treatment of the telecoms/ICT/postal services sector in PASDEP could be significantly strengthened by outlining the liberalization plans over the long run, the soundness of the investment and financing plans, and the role of postal services in terms of delivery of information and government services. High on the agenda should be the development of ICT applications (e.g. access to information and knowledge), to reap the benefits of the very rapid expansion of the network, with broad-band connectivity all the way to rural areas. The IT highway is a public good, and PASDEP could contain plans to ensure that it will be upgraded over time to keep up with new technologies

As an indicator of progress, there is a need to measure the opening to the private sector, including via entry of a second mobile operator alongside ETC, which is not addressed in PASDEP.

#### **Health and Population**

The DAG commends the Government for the close links between the PASDEP and the existing HSDP III. Both documents rightly focus on poverty-related health problems and strategies such as the Health Services Extension Program (HSEP) which is the main health sector mechanism to reduce poverty. Moreover, the PASDEP gives a great emphasis to the high population growth in Ethiopia and its impact on poverty, health, education, agriculture and environment.

Nevertheless, the challenge remains to **put in place a rigorous and practical action plan for family planning and reproductive health program**. The PASDEP could be enhanced by **integrating the issue of population growth into the various sector programs**.

Although it is good that the health budget in the PASDEP is based on three scenarios, it is of concern that all of them are based on assessment of needs and not what could be available to the sector. Instead it is recommended that the **Medium-term Expenditure Financial Framework be the source of information** for planners regarding what the economy can afford in terms of financing national programs including HSDP. It is also recommended that the **health and HIV/AIDS budgets are separated** as the incorporation of the two budgets may affect the health sector by inflating its budget. Another reason for separating the two budgets is because significant funds are being allocated from global initiatives to HIV/AIDS specifically and not to health programmes in general.

### **Education**

PASDEP reflects much of ESDP3. It rightly recognises the strong link between improving education levels, reducing poverty and increasing growth. It also gives high priority to expanding primary education, focuses on girls' education, pastoralist groups and special needs populations, and emphasises improving quality of services, responding to the HIV/AIDS challenge and the need for low cost school construction.

However, more concrete, funding strategies are required for achieving some of these key PASDEP goals. Specifically, the DAG would welcome **more clarity on how the improvement of service quality; the strengthening of ABE programmes; the promotion of, and linkages with, the private sector and civil society will be operationalised**. Importantly, cost-sharing requires careful explanation in terms of which costs will be shared between government and communities/poor families, and how. PASDEP strategies for post-primary education should also be rooted in an analysis of demand for vocational education and higher education, and linked to the development of other sectors such as private sector and growth.

PASDEP could usefully focus **more on Adult Basic Education as a key element** (as in ESDP3) in poverty reduction and **be more explicit about the role of literacy**. Rather than concentrating on school feeding specifically, PASDEP could more appropriately focus on the development of broader demand-side interventions in education, highlighting issues such as sustainability and the risk of creating dependency.

The main issue requiring resolution between PASDEP and ESDP3, however, is that **PASDEP allocates substantially less financing for education than assumed by ESDP3** (difference of over Birr9.5bn). If PASDEP is approved as is, ESDP3 becomes unaffordable and should be reprioritised urgently. ESDP3 targets, which are those currently in PASDEP, will also need to be reviewed and adjusted. Donor partners will welcome the opportunity to discuss with Government reconciling this issue as a matter of priority.

### **Gender**

The DAG commends the Government on recognising gender equality as central to the PASDEP. The DAG welcomes the intent to address gender issues with inclusion of: gender disaggregated data; a pillar on gender; and a section on the National Action Plan on Gender Equality (NAP-GE).

However, the DAG is concerned with the lack of gender mainstreaming through the PASDEP including the **weak integration between the sectoral policies and the NAP-GE**. A robust

gender mainstreaming approach would include a discussion on the causes of the gender gap in each sector, a description of the consequences of this gap, and suggestions for interventions. It would also identify the entity responsible for implementing the solutions. In our view, it is crucial that the Women Affairs Ministry lead the launch of the NAP-GE and work closely with MoFED and sectoral Ministries to undertake the mainstreaming of gender into sectoral strategies (i.e. linking section 5.1 to chapter 4)

In terms of the *Poverty Profile*, the WMS provides a thorough basis for assessing poverty trends in the country, including differences between men and women. The DAG recommends that **gender disaggregated data be enhanced further** through the PASDEP. In particular, the indicator on income poverty should be disaggregated by sex. Furthermore, gender dimensions should also be reflected as one of the poverty traps (page 3).

Gender issues vary across urban, rural, as well as pastoralist communities, thus requiring different analysis and strategy to address them. Surveys and instruments such as the PPA provide the basis for the development of policies which should aim to address these differences and remove barriers that specifically affect women negatively.

Given the PASDEP's focus on growth, the DAG suggests that **further analysis and discussion is required on the crucial linkages between gender equality, growth and sustainable development** for a) attaining the MDGs; b) attaining the PASDEP's growth targets; c) reducing poverty; d) increasing agricultural productivity and strategic exports; and e) reducing Ethiopia's very high fertility and maternal mortality rate.

#### **HIV/Aids**

The DAG commends the Government for the increased attention that is given to HIV/AIDS in the PASDEP document and the attempts to mainstream HIV/AIDS in e.g. the education sector. However, DAG would like to recommend that **HIV/AIDS as a crosscutting issue is mainstreamed** throughout the document and that **linkage to other sectors be highlighted as important entry points to address the many challenges related to HIV/AIDS**. The DAG is open to assist the Government in this process.

The DAG acknowledges the results achieved during the implementation of SDPRP, but would like to recommend that the PASDEP section on HIV/AIDS has less emphasis to the activities achieved to date and more emphasis to the activities planned for 2006-10. Furthermore, the DAG would like to recommend that linkages to programmes like the Global Fund, PEPFAR and EMSAP II be highlighted to illustrate how the activities outlined in the narrative would be funded.

The DAG would also like to propose that **appropriate attention is given to policies and institutional relationships** (MoH, HAPCO, donors and other stakeholders) to clarify how the Government is planning to engage different stakeholders in the response to the HIV/AIDS epidemic.

#### **Environment**

It is encouraging to note that new policies and regulations are going to be formulated under the urban agenda covering improvement of air quality, solid waste and wastewater management, hazardous and chemical waste management. It is also commendable that the issue of mainstreaming environment and sustainability was noted in the document. However, there are also other equally important issues that PASDEP should address.

Among other important points, there is need for **addressing institutional strengthening for long-term environmental management**; for balancing the current urban bias (solid waste and wastewater management, air pollution, hazardous and chemical waste management) in the PASDEP; for consistently addressing sustainable land management strategies in various parts of the document; to ensure more strategic linkage to core poverty generating factors, like poor land

management; for more integration of environment strategies with other core areas of PASDEP; and greater involvement of other sectors to ensure environmental sustainability

Overall, the identified strategies in the environment component are focused on urban challenges, which only partially address key problems facing the rural population. The PASDEP is focusing mostly on EPA's mandate, which has resulted in a highly regulation driven policy plans, with relatively limited partnerships and cooperation aspects (including sectoral ministries, private sector, and civil society) that are at the forefront of implementation. Other important issues such as **consumption of fuel wood and charcoal, land degradation under the increasing population pressure, watershed management, climate change and biodiversity should be strategically addressed in the PASDEP**. Policy requirements for addressing sustainable land management should also be included in the PASDEP, as land degradation is a major factor contributing extensively to poverty in Ethiopia. Sustainable Land Management should be addressed in depth in the PASDEP document, including strategy, implementation and linkages to overall poverty reduction.

Moreover, since **environment is a crosscutting issue** like HIV/AIDS and gender, it should also be **incorporated in the other themes of PASDEP**. Commitment of the sector ministries and agencies to integrate environment into their planning and implementation processes is highly recommended. It would also be important if the environment component is brought closer to other components in the PASDEP and illustrate clearly, how the selected environmental strategies contribute to ensuring sustainable development and growth in other key sectors in order to ensure smooth implementation and compliance with planned actions. To ensure effective mainstreaming, the document should incorporate actions such as enhancement of capacities of line ministries and their respective environment units, regional environment bodies to ensure environment sustainability of development initiatives, and to identify and implement environment related investments that directly contribute towards delivering sector policies.

In order to achieve actual planned impact in the long run, the importance of proper implementation plan with clearly defined responsibilities cannot be overemphasized. Institutional capacity development requirements for improved implementation should also be addressed.

### **Governance**

The PASDEP draft makes welcome references to important issues such as justice sector reforms, protection of human rights (in matrix), improved access to information and the creation of a National Justice Information Centre.

However, the new emphasis on governance by both Government and donors means that there are a number of areas which could be strengthened further. Overall, more emphasis should be placed on developing an integrated strategy for some areas of the sectors over the full lifespan of PASDEP, rather than having a number of relatively stand-alone programmes.

Specifically, explicit reference should be made to **preparations for the 2006 Woreda elections** (demonstrating political development of local government, not simply establishment of local administrations through decentralisation of local government); ensuring a fully independent NEB (currently not mentioned); lesson learning from the 2005 elections; and modalities for political parties' financing. PASDEP should also reflect recent discussions about **developing strategic, long term support for Parliament**. Regarding Justice Sector Reform (JSRP), the 2003-2005 **Baseline Study Report recommendations should be made more central to PASDEP**, and Reform of Courts' modern case management system should be integrated with prosecution, police, prisons, and economic governance-related institutions such as Customs in order to form an all-inclusive JSRP. Further, the important link between PSCAP and its work to help deliver some of the JSRP goals is important in this context.

The **Human Rights Commissioner and Ombudsman** require more focus in terms of institutional framework and **greater federal budget allocations**, while resolving to develop a National Human Rights Plan, and establishing regional HRCs, would demonstrate excellent

Government commitment to this crucial area. Developing a positive environment for access to information and a free media also requires enhancing in PASEDEP.

Several other major omissions from PASDEP include direct discussion of the critical role of civil society (noted in the PASDEP matrix but not text) and the legislative and dialogue environment that would support it (some of which is covered in the MOCB's CSO Capacity Building Programme). Second, **internal conflict management is absent** – an essential part of governance. In covering it, enhancing the accountability of the security sector could also be included.

Considerable work is also required in **refining matrix indicators further** (we have some suggestions) and ensuring that M&E, particularly in governance areas not supported by the public institutions matrix or specific programmes such as that on District Level Decentralisation, is strengthened. Finally, we would like to discuss further options for defining and monitoring separating Party from State.

### **Capacity Building**

The PASDEP demonstrates a clear commitment towards making further progress on key aspects of the Government's institutional reform initiatives. In particular, it is encouraging to see a detailed description of plans and intentions to deepen and consolidate the various components of the public sector reform and capacity building programs. While the Government should be commended for its commitment to make further progress on this, there are several important issues that the PASDEP need to address in terms of policy and implementation.

A major technical concern of the civil service reform is that it consists wholly of a series of organisational development initiatives. While these are of themselves worthwhile and welcome (reforming archaic business processes, improving strategic planning, introducing performance management and reforming human resource management etc), they do not collectively constitute reform of the wider institutional structure, both formal and informal, which determines the role and functioning of the civil service and individual civil servants. It would be appropriate for PASDEP to **articulate the political will and commitment to create a neutral, loyal and professional civil servant**. We think the Government believes that it will not be possible to transform the civil service into one that is "effective, efficient, accountable and transparent", unless there is a **clear policy and strategy to separate the role of the state from that of the party**. This is critical to take forward Government's commitment to the process of democratisation and accountability. We suggest that the civil service reform program would effectively communicate and act on this issues during the PASDEP implementation period.

Given the Government's vision on decentralisation as an instrument for empowering the grassroots to initiate and shape their development, the **PASDEP does not sufficiently cover Government's strategy and plans to address local governance and empowerment** including transparency, responsiveness and accountability of local authorities and service providers.

The PASDEP noted Government efforts and plan to improve revenue performance through strengthening revenue collection, and the administration of VAT. However it does not sufficiently provide policy direction and how the Government intends to integrate and manage the reform more strategically to broaden the tax base for sustainable growth and poverty reduction. Another aspect that PASDEP has not highlighted, which is critical for the political dimension, is the 'fiscal contract' - the link between tax payers and state on which genuine accountability depends. The PASDEP needs to address this challenge by identifying improvements in the taxation of business that can promote better investment climates necessary for pro-poor economic growth, while building a politically sustainable 'fiscal contract'.

With regards to ICT, the PASDEP (in the Public Institutions Performance Matrix) contains a number of actions and indicators. However, the text of the PASDEP does not reflect the ongoing initiative and Government's plan to promote ICT for modernising public sector management functions.

The DAG is aware that the ongoing public sector reform and capacity building plans, and consultation with key stakeholders was the basis in drawing up the capacity building component of PASDEP. It also reiterates capacity building, governance and decentralisation as a priority for effective implementation of PASDEP objectives and targets. We recognise that significant challenges are still to be faced. We propose further review and iteration is carried out to address the policy and implementation bottlenecks to accelerate reform, and also ensure consistency between PASDEP text and matrix through developing a well-defined milestones, outcomes and impact indicators.

### **Monitoring and Evaluation (M&E)**

The DAG commends the Government for progress made in implementation of the M&E Action Plan as reflected in the CSA/MoFED proposal supported by the DAG including undertaking the HICES, WMS, and PPA; strengthening CSA capacity; enhancing information management including the launch of the excellent CSA website; improving CSA survey questionnaires through consultations with stakeholders; and, some limited progress in engagement with civil society notably in the inclusion of the PANE in the APR process. The DAG commends the Government for its efforts to engage CSOs in policy dialogue and reviews and encourages the Government's efforts to engage with a broader set of stakeholders in the M&E process at all levels. The CRC would be a good entry point for dialogue around the impact of SDPRP and PASDEP.

The timely implementation of surveys and analysis like the HICES, WMS, MDGs Needs Assessment and PPA are very important to inform strategies and policy decisions. The DAG intends to continue supporting initiatives outlined in the M&E Action Plan. The PPA can be a useful vehicle for fruitful collaboration with CSOs who have experience in participatory approaches and of local realities. In this respect, a focused stakeholder discussion of the PPA findings would be an excellent start.

The DAG recommends that the **PASDEP include a graphic outline of the M&E processes and the sequence of the planned activities e.g. an overview of the timing of surveys** (such as WMS, HICES, DHS, HAPCO), sectoral reviews and assessments (such as PPA and PANE's Citizen Report Card-CRC), MDG Reports. This outline would illustrate how they would fit in the overall action plan to monitor progress and performance of the PASDEP and the MDGs.

The DAG suggests that the Government consider **using the APR as an opportunity to report and reflect on results as well as solutions to challenges faced during implementation**. An expanded APR would be informed by sector reviews and missions and provide an opportunity not only for an annual consultation and overview of the progress made on the targets set out in the PASDEP as the medium-term framework and the MDGs as the long-term framework but also as **a review of the operational plans for each sector for the following year**.

Despite efforts over the past months, there are still too many indicators. An ideal scenario would be a matrix with prioritised sets of indicators that would fit on a single card. The cost and availability of usable data need to be considered.

### **Macroeconomic Framework**

The PASDEP recognizes the significant innovation of formulating macroeconomic and financing scenarios for five years, and transposing these into the rolling 3-year MEFF, all based on the comprehensive MDGs NA work conducted over the last year. Especially welcome is the acknowledgement that adjustments and further prioritisation might be needed, depending on evolving economic conditions and financing constraints.

However, the DAG believes that the discussion of macroeconomic policies would benefit from fuller elaboration of the development strategy. Moreover, in order to fulfil the growth rate projected in PASDEP for the coming five years, it is essential to open up sectors to market forces and genuinely strengthen the role of the private sector in delivering public services. In addition, a

timeline and sequencing of envisaged reforms and liberalization would be useful. Similarly the PASDEP should address more clearly the financial sector strategy being pursued, and its implications for monetary policy. The strategy as outlined in 1998 does not allow for truly market determined interest and exchange rates in its earlier stages, and the limitations this presents to monetary policy implementation should be indicated.

One specific concern is that each of the PASDEP scenarios has a 7 percent growth rate for agriculture, which is very high. Even countries that experienced very rapid growth in agriculture, for instance in Asia, were only able to sustain annual growth rates of agriculture of a maximum of 5% over a decade. In a country like Ethiopia, where it is unrealistic to assume normal and evenly distributed rainfall and at the same time the agriculture production remains highly dependent on natural rainfall, the projection of a 7 percent growth rate for agriculture seems unrealistic. Since the targets for overall economic growth and poverty reduction are critically dependent on the assumptions for agricultural growth, it would be useful to strengthen the justification for these projections.

**Furthermore, details are needed to provide a full assessment of the macroeconomic framework.** These include: the balance of payments including private capital flows; monetary projections; and off-budget fiscal activities, including the public enterprises. (It would be useful to include a table drawn from the Needs Assessment that summarizes total costs by year and clearly identifies the off-budget items).

Indeed, the DAG recommends that the framework be enriched by focusing on the following issues:

- **Adopting a well developed base - case scenario as the point of reference for PASDEP.**
- **Outline the specifics underlying the scenarios.**
- **Reconcile spending plans.** There is a need to translate the scenario-specific expenditure and financing plans into specific MEFF plans on year-by-year basis, building on the existing distinction between capital and recurrent expenditure.

We would welcome the opportunity to assist Government in further refinement of these issues.

**Detailed comments from the DAG TWG regarding sectoral and cross-cutting policies and programmes**

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## Annex 1

## Agriculture

### General observations

The Technical Working Group on Rural Economic Development and Food Security (TWG RED & FS) **welcomes the overall thrust of the new poverty reduction strategy PASDEP**. The document is well written with a logical and consistent formulation of the strategy. It reflects new thinking with respect to greater emphasis on growth, market orientation, private sector involvement and diversification of the agricultural sector. These are themes that many stakeholders have promoted under SDPRP. PASDEP recognises that rapid and productivity-driven rural growth remains critical to achieving overall growth targets, but compared to SDPRP, it is more balanced in terms of the roles of agriculture, the rural non farm sector, and urban sectors.

The PASDEP points the way in terms of overall priorities and shifts in policies. However, it **provides little guidance on implementation**—the ‘how to’ of accelerating rural growth and reducing vulnerability is yet to be worked out. The matrix looks like a continuation of SDPRP. It is still focused on implementation by Government services and hence does not reflect the new strategic choices made in the PASDEP document. It remains unclear how different actors and stakeholders will become involved in order to bring about structural change and lasting institutional improvements.

We would welcome an **intensified dialogue** on **how** to achieve the objectives outlined in PASDEP. This dialogue should center on programs in crucial areas of rural growth. These areas could encompass agricultural marketing, rural services, sustainable land management, land tenure, rural finance and economic diversification. The dialogue should include regional structures to respond to geographic variations spelled out in PASDEP.

Apart from these concerns on implementation, we suggest that further attention be given to **sharpening the strategic focus of the programme, clarifying concepts and finalising the matrix of goals, activities and outcomes**.

### Specific comments

1. Concentration and focus: Finding the right entry point for the strategic focus has proven difficult. PASDEP rightly acknowledges the need to differentiate its strategy according to geographic circumstances. However, different systems of classifications are being proposed. The document refers to: rural and urban areas; to food secure and food insecure areas (which at times can be found in the same woreda); to a typology according to agro-ecological characteristics and variable rainfall patterns. In other cases the PASDEP adheres to administrative boundaries and/or units (for instance woredas, and at a lower level, kebele).

Either way, PASDEP should suggest one overriding principle of stratifying actions and programmes geographically. Otherwise, interpretations of what the strategy entails will be too broad, undermining the overall thrust and effectiveness of programmes. PASDEP should spell out criteria which are to be unanimously adopted for further operationalising plans at lower levels.

2. Sequencing: In the absence of clearcut implementation strategies, concern exists as to the proposed phasing of activities. Which programme elements will have priority in the short run, which will be taken up after two to three years? The lack of detail on the investment program obscures the priorities.
3. Growth rates and risk: The growth rates are already very optimistic but the issue of drought has not been addressed. From past experience we know that growth rates are heavily influenced by weather conditions. This issue is not addressed in PASDEP.
4. Improving past performance: As stated above, the matrix much resembles action programs of SDPRP. Yet growth rates under SDPRP have not been satisfactory. This indicates the need for a shift in actions and programs to improve performance. PASDEP acknowledges this and has made necessary strategic changes but does not give indications on how this should happen.
5. Decentralisation: We welcome the geographic focus in PASDEP. Nevertheless it remains unclear as to how decentralised structures will become involved in planning and implementation of programs in their respective regions and woredas. Experience to-date shows that there has been limited intent to devolve power. Decision-making remains a critical issue.
6. Output and input markets: PASDEP through the participatory poverty assessment recognizes that input markets do not effectively serve rural households. However, it appears to place most emphasis on correcting these problems through strengthening cooperatives. A vibrant private wholesale and retail market are also needed to widely distribute quality inputs in a timely manner, while providing other services such as technical advice. PASDEP needs to be more specific on how to develop competitive markets, based on both cooperatives and the private sector. Provisions should be in place (i.e. policies, strategies and programs) to develop supply chains of agricultural inputs, such as fertilisers and improved seeds, at all levels: import, wholesale and retail. In addition, policy and strategy provisions should be in place to separate technology transfer and input distribution at the retail level.
7. Rural finance is a critical issue. Nevertheless the document remains vague in which direction the current system will be developed. PASDEP needs to provide alternatives to the current approach, including scaling up of micro-finance institutions and stimulation of cash based agricultural

input supplies. Rural co-operatives are legitimate organisations but arguably, they cannot be the driving force in the further development of a rural finance system. Fair competition between specialised co-operatives and Micro finance institutions is a prerequisite to boost efficiency of services.

8. Agricultural commercialisation and improving pro-poor subsistence farming? PASDEP, on the one hand, fosters commercialisation; on the other hand it wants to contribute to welfare improvement by assisting pro-poor subsistence farming through achieving higher yields of basic food grains. Can these approaches go hand in hand, even in the same geographical areas, or does a strategic trade-off need to be made? For example the safety net is still poorly linked to productive programs which aim for structural reforms (like the Food Security program). Further thought needs to be given to achieve greater efficiency.
9. Natural resources: PASDEP recognizes the need to mainstream environment and natural resource management into development, but it does not propose specific and/or appropriate interventions to achieve this goal. Instead, it focuses almost solely on the regulatory aspects of environmental conservation that are the responsibility of EPA, but with little attention to the institutional and investment needs for sound natural resources management, including scaling up watershed management, forest conservation and reforestation, soil conservation, and protection of water resources and wildlife (mostly under MoARD, BoARD's and Woreda Councils). Voluntary resettlement has a critical bearing on environmental degradation. Yet under the resettlement component there is no mention of the environmental impact, rather the focus is on opening up large tracks of unutilised land with little regard to sustainability.
10. Concepts: The document indiscriminately uses concepts such as '*agricultural growth*', '*rural development*', '*raising income*' or '*commercialisation*' as if all of these were an expression of the same unified single goal. This is clearly not the case. Is this intermingling use of concepts merely coincidental or does the adoption of a broad palette of terminologies reveal uncertainty about underlying premises and strategic focus? How does PASDEP see the interlinkage with regular supportive activities of rural development in areas where the safety net programme is active? Will the latter be immersed in regular programming (if so, how by whom, at what level?) or treated as a separate add-on programme item that will be endorsed when and where necessary?

### **The Matrix**

The suggested matrix laying out outcomes, outputs and activities related to PASDEP does not reflect the focus on growth and increased commercialisation

suggested in the overall strategy of the PASDEP. Rather, it appears to be a continuation of SDPRP.

### **Outcomes**

Whereas the focus of SDPRP was on increased agricultural production, one of the strengths of PASDEP is that it expands the Government's thinking on the rural development agenda to include decreased variability in production, diversification of rural incomes and increased private sector investment in agriculture and rural businesses. However, the key outcome proposed in the matrix is "increased rural incomes and agricultural production" – the same as previously used under SDPRP. This does not capture the increased emphasis on decreasing the variability in rural incomes, diversification of income sources (including wage employment resulting from increased private sector investment). It is therefore suggested that the matrix include two distinct outcomes for rural economic development:

- increased rural incomes as measured by off farm (non-agricultural and wage) incomes,
- increased and less variable agricultural production as measured by annual change in agricultural value added (GDP) – the latter reflecting both a reduced dependence on rain fed agriculture and diversification in agricultural income

We note that no targets have been set for outcome indicators and that it is assumed that (i) there will be normal and evenly distributed rainfall and (ii) that the existing data collection system is capable of generating the required information. Yet it is not realistic to assume normal and evenly distributed rainfall in Ethiopia. Instead, targets should be developed in such a manner as to reflect the potential impact of variable rainfall and that the impact declines over time as per the objective of decreasing variability in agricultural production. Regarding the second assumption, if there are no data sources to enable annual reporting on an indicator, the indicator should be revisited.

### **Outputs**

The matrix appropriately identifies "improved effectiveness and responsiveness of the research and extension systems" as one output of PASDEP. However, the indicators proposed measure expansion in the system rather than its effectiveness or responsiveness. Moreover, they are narrowly focused on the generation and dissemination of technology (defined as an improved variety or management practice) and do not capture PASDEP's increased emphasis on research for dry land and pastoral agro-ecologies, livestock development as well as forestry management, fisheries and biotechnology. Nor do they capture such key issues as support to environmental conservation/rehabilitation, commercialisation of smallholder agriculture, integrated pest management and veterinary services normally dealt with through the extension system. We suggest that rather than measuring the number of farmers receiving improved varieties or learning improved management practices, the indicators focus on type of providers (note that in the comment above, we raise the issue of

insufficient attention to opportunities for greater involvement of the private sector in agricultural services), the introduction of participatory approaches to the delivery of services, and area under conservation/ rehabilitation. Such indicators would be able to better capture issues of effectiveness and responsiveness and are not limited to only one aspect of agricultural research and extension. (see our paper on the matrix)

A second output is diversified rural services. While rural services are of course important, it is unclear what services are envisaged and many may be subsumed under the first output dealing with research and extension. There is therefore a need to define rural services and to provide indicators that relate to such services – input suppliers and output traders are market actors rather than service providers.

An improved agricultural marketing system is also identified as an output although with no specificity on how agricultural marketing is to be improved. From the narrative of the PASDEP, the focus appears to be on improving market support institutions (for market information, grades and standards, regulation and contract enforcement) and organisation and support to farmers' cooperatives. As has been noted above, the role of the private sector in output and input markets versus cooperatives is underplayed and PASDEP needs strengthening on the issue of how to develop competitive agricultural markets, based on both cooperatives and other private sector actors. It is therefore suggested that the output related to agricultural marketing be articulated as "more efficient and competitive agricultural markets". Several indicators have been proposed related to the number of different (cooperatives and private) market actors and could thus pick up on the issue of competition. However, this will only be meaningful if realistic targets (which have been mostly left blank) are set for the private market actors – a situation where there are over 4,000 cooperatives and only 100 private traders does not suggest that there is healthy competition. An indicator has also been proposed related to support systems. As currently stated, this is not measurable and needs to be revisited.

Given the increased emphasis in PASDEP relative to SDPRP on irrigation (small, medium and large scale) and the importance of irrigation for decreasing the variability in agricultural production as well as for higher productivity and double cropping – and thus increased rural incomes, it is suggested that a separate output related to water management and irrigation be included. Other key outputs not captured in the matrix but central to PASDEP's rural growth agenda are improved rural-urban linkages, pastoral development, and increased commercialisation (the latter could be measured by the level of private sector investment agriculture and agri-business).

On outputs related to reduction in vulnerability of poor people, it is suggested that the matrix be made consistent with the logical framework of the National Food

Security Program as the interventions suggested under PASDEP in relation to food security and vulnerability appear to be based on this program.

***Monitoring and evaluation***

Comments on monitoring and evaluation must await the release of the detailed indicators matrix. However, in addition to these indicators, thought could be given to set up a monitoring committee made up of key stakeholders, especially in relation to 'qualitative dimensions' of the PASDEP implementation (e.g., policy changes).

## Annex 2

## Private Sector Development

### 1. Enabling Environment

The DAG TWG on Private Sector Development and Trade recognises the progress made under SDPRP I towards creating an enabling environment for private sector development and trade. The TWG recommends that the Government of Ethiopia continues to consolidate the reform processes started to this end under SDPRP I.

Successful efforts worth referring to in this particular context are the following:

- Parallel to the macro-economic reforms, the Government has proactively improved administrative business environment.
- Streamlined business registration (down from 40 days and \$400 to 1 or 2 days and \$70).
- Modernizing the tax regime, including decreasing burden on MSEs.
- Privatization process.
- Establishing competition policy and Trade Practices Commission.
- Customs reform – average tariff down to around 22%.
- Major investment programme in economic infrastructure (rural electrification, roads and power) and reforming urban land administration.

### 2. Private Sector-led Growth

The DAG TWG applauds the importance attached to the role of the private sector in the PASDEP strategy document. However, it believes that as such private sector development should be dealt with as a cross-cutting theme, not as a specific sector. The role of the private sector cannot be restricted to a few specific pages. Rather, the role of the private sector, and of market-based approaches, should be applied to a broad-range of poverty-related and strategic objectives of the Government which are described throughout PASDEP. The private sector can contribute efficiency, thereby enabling public resources to be used to deliver a greater range and volume of services which may be outsourced in part to the private sector. In other cases, the private sector can contribute capital and take ownership positions.

### 3. Job Creation

A favourable environment for private sector development resulting in private-sector led growth could contribute significantly to employment creation. The TWG strongly feels that all possible measures to either directly or indirectly encourage job creation should be employed to address the growing and urgent issue. Urban unemployment is high and demographics and urbanization will drive it higher. The urban population is expected to double between 2002 and 2015, from 11 million to 23 million. By 2030, urban population could reach 45 million (UN Habitat 2001, WDI 2002). Furthermore, roughly 73% of the population in urban areas is less than 30 years old. Addis Ababa's share of total urban population will

decrease from 24% in 2000 to around 22% in 2015 as other urban centres begin to absorb more of the urbanization.

#### **4. New Framework for Dialogue**

The Group believes that a clear framework may help encourage productive dialogue around the role of the private sector in job creation and poverty reduction. The analytical framework can perhaps link this more concretely to the MDGs and to pro-poor growth. It would also provide clarity and ensure coherence in the analysis, strategy, actions, monitoring and data required to measure pro-poor/equitable growth.

In this context, the TWG would like to bring up the following considerations:

- PASDEP rightly calls for private sector development to be pro-poor.
- Pro-poor growth entails an enabling environment that is conducive to the growth of all firms, including small firms that have limited internal resources to protect contractual and property rights. Such smaller firms rely heavily on the quality, fairness and effectiveness of market-supporting institutions. The emphasis in PASDEP on promotion and capacity building should be rebalanced through a focus on governance and institutions.
- The key institutions that enable smaller firms to grow, and therefore growth to be pro-poor, are low barriers to entry (true in many sectors, but not in others), efficient capital markets, contractual and property rights upheld by well-functioning judiciaries, a fair playing field, and tolerable levels of risk (political stability, macro-stability).
- Given low levels of urbanization and low purchasing power, pro-poor trade is integral to the framework. Export development entails attention to the cooperation agenda:
  - WTO accession, including trade facilitation.
  - Regional integration, including entering COMESA Free Trade Zone.
- Export development need not come at the expense of the service sector, which may contribute more rapidly to employment creation in the short-run.
- Indicators of a pro-poor growth strategy may include an increase in domestic investment from new smaller entrants, the degree of formalization of smaller firms and the rate of small business creation and attrition.

#### **5. Governance**

The fundamental issue of governance needs to be strengthened in PASDEP. Any attempt to increase private investment must confront more decisively and

clearly demonstrate that: (i) Institutions that protect the property and contractual rights of the private sector are above politics; and (ii) Private firms are treated equally in Ethiopia irrespective of ownership - including party-affiliated or state-owned firms. The Trade Practices Commission was an important first step, but the instruments of governance also include the legal and judicial system, an open financial system including transparent equity markets, the corporate governance of state and party-invested enterprises to ensure arms-length dealing, and transparent public procurement.

## **6. Private Participation in Infrastructure**

PASDEP relies heavily on substantial investments in infrastructure. The private sector can contribute meaningfully to this strategy in the water, transport, telecommunications and energy sectors.

Key measures:

- A clear and predictable role of the public sector articulated in: (i) A cross-sectoral policy with respect to the key principles that will govern private participation; (ii) Sector-specific regulations derived from the policy (electricity policy, telecommunications policy, etc.).
- Transparent, competitive and open tendering and procurement processes, supported by professional legal and financial advice to manage complex infrastructure transactions.
- Movement on market-based tariffs, along with introduction of targeted subsidies to the poorest members of society rather than the current system which subsidizes all users, irrespective of income level.
- Initial transactions may encourage foreign investment. However, sufficient attention to the capacity of the private sector, including the construction sector, to ensure that a sufficient role for domestic firms is attained.

## **7. Private Participation in Social Services**

The private sector can increase the quality and quantity of public service delivery with some attention to the policy framework.

Key measures:

- Autonomy of public educational institutions, including both universities and TVET, to allow different institutions to reflect private sector needs and market demand.
- Uniformity in the regulatory framework for private investment in education, particularly including the process of accreditation of private universities.

- Creating a more enabling environment for private sector provision of health services (e.g. through investment incentive measures/packages and partnership arrangements with public health institutions).

## **8. Private Sector in Rural Development**

The DAG TWG notes that PASDEP introduces a two-pronged strategy to speed up growth in the rural sector: (i) Modernization of peasant agriculture; and (ii) Introduction of commercial agriculture. Both of these need strong participation from the private sector and therefore a holistic strategy. Such a view may contain at least three thrusts: Modernization/ commercializing peasant agriculture and catalyzing commercial agriculture. The third thrust could be an outcome of the first two in the sense that off-farm activities would result from a commercialized modern agriculture as it will necessarily require a number of services such as storage, transport, trade, etc. that increase opportunities for wage based non-agricultural employment or the development of micro level businesses.

This entails an improved enabling environment for private participation through technology, linkages and direct investment. The agenda requires strengthening the current thin linkages between urban and rural private sectors through removal of regulatory and tax obstacles and strengthening markets and mechanisms for investment and injection of know-how/ technology.

Clarity of systems, laws and regulations governing such linkages through contract farming and out-grower schemes and the incentives that go with it, their spread among private sector players, the consistency and predictability of laws and regulations, and the inference of all these in terms of property rights, strengthened governance and the prevalence of level-playing field in terms of access to resources, markets, etc. need to be more robust and attractive.

The development of standards and product differentiation/grading systems, strengthening enforcement of contractual rights (e.g. to enable out-grower models and contract farming) and the provision of market-oriented extension services and research outcomes are essential inputs to the effective marketization of agricultural produces.

Commercialization of agriculture also covers farming of cattle, sheep, goats etc. These have linkages with the development of the meat and leather/leather products sectors and the export expansion effort. Quality standardization and certification schemes will be difficult unless efforts are made to streamline the linkages in this sub-sector of agriculture following the supply chains and with clear guidelines, regulations and incentives if necessary for private sector participation. This could be encouraged both in the pastoralist areas as well as the highlands. Incentives for specialization by way of rearing sheep and goats or cattle, production of animal feed, etc. could be designed. Linked to these, the establishment of abattoirs and tanneries would help both for meat exports and the processing of good quality hides and skins for the leather sector.

## **9. Private Participation in Regional Development**

A regionally-differentiated strategy is a commendable direction for PASDEP. The TWG notes that a regional development strategy must respond specifically to demand signals, including through a deeper understanding of existing patterns of trade and investment, and through consultations with local and international stakeholders.

## **10. Implementation**

The process of public-private dialogue can be strengthened through a stronger commitment to joint strategies and implementation plans, and by creating space for the private sector to lead the formulation of sector strategies and action plans. The DAG TWG recommends that benchmarks for sustained improvements in the overall business/investment climate should include a more detailed articulation of implementation measures and a more specific timeframe for meeting the targets. In parallel, continued emphasis is to be put on further strengthening the monitoring and evaluation system.

**1. Water Resources, Water Supply and Sanitation**

The PASDEP has identified the key constraints for improving the sector performance and indicated what needs to be done to address them in the 2006-2011 planning period. It also recognizes the need to broaden the partnership base by including stakeholders such as NGOs and commercializing/self financing of the urban systems. As compared to SDPRP, the PASDEP gives due recognition to the sanitation and hygiene promotion and outlines in very broad terms what the plans and targets are for the way forward. Sanitation is recognized as an important element of intervention for preventive health and poverty reduction.

**Process**

The PASDEP has taken into account some of the lessons learnt from previous programmes but still needs to broaden the participation and support of all stakeholders. The process falls short of creating an enabling environment for the broader participation of all stakeholders at different levels including the decentralized levels. The engagement modality should change from the current ad-hoc way to a more organized and sector wide approach. It is not even clear if the MoH has been consulted on the sanitation sub component during the preparation of PASDEP, as there was no proper consultation with MoH during the MDGs Needs Assessment exercise. Due to the multidisciplinary and multi-sectoral nature of hygiene and sanitation interventions, it will be important that the government establishes a strong coordination mechanism and a platform for continued structured stakeholder and policy dialogue. Recent attempts at formulating an MoU between MoWR, MoH and MoE will hopefully help in defining the right entry points and responsible partners in Government for any substantive dialogue on sanitation and hygiene issue, which suffered in the past from lack of institutional clarity and responsibility.

**Strategy**

Strategic choices based on comparative analysis of consumptive (social) and economic uses of water have to be made and investments have to be planned accordingly. This requires an integrated water resources management approach where use of water can be prioritized both for poverty reduction and economic growth. While this is the case, there was no discussion on how the water resource is to be managed in coordination with other sub-sectors such as irrigation and hydropower. It would be important if the plan looked at the integrated water resources development aspect with due consideration to environmental sustainability as well where such issues are discussed with relevant line ministries such as Agriculture and Rural Development, Mines and Energy and EPA. Partnering helps to ease the service delivery by complimenting the limited capacity in the public institutions

The document recognizes the critical element of sustainability in the sector. Anecdotal studies so far reveal that more than 30% of the rural water supply schemes go out of operation due to lack of appropriate maintenance. Improvement in O&M is considered as one of the monitoring indicators as key improvement relative to the SDPRP. Sustainability could only be achieved if the physical investments are coupled with capacity building in the sector to help the community plan, implement, and manage their systems in the long term.

### **Policy**

The water supply and sanitation component of the PASEDP is guided by the existing Water Resources Management policy and strategy but it needs to be revisited and implemented by taking into account decentralization that has significant bearing on the physical planning and financial allocation when it comes to WSS at the regional/woreda levels.

### **Implementation plan**

Inconsistency in baseline coverage data persists in the sector due to lack of clear definition and absence of sector MIS. The 2005/06 baseline coverage is shown as 42.2 % in the narration in the last paragraph of page 62 while it is shown as 51.5% in Table 4.1. It is also necessary to disaggregate the targets by rural and urban settlements.

In general it is also noticeable that sanitation and hygiene promotion has not been made to prominently stand out among the core activities of the Ministry of Health as, for instance, manifested by the major outcome objectives listed on page 73, Health section. It would be useful to add another outcome objective to the list, with reference to MDG goal 7: "to increase sanitation coverage from 17.5 % to 79.8%" or refer to HSDP-III target of 80% for consistency reasons. It is also proposed that interventions on sanitation and hygiene improvement be one of the key PASDEP targets.

While the PASDEP has shown great improvement in identifying the critical sector issues that need to be addressed. It however didn't show how the proposed measures are going to be implemented. The trend in improving access to water supply in rural areas during the period from 2000 to 2005 was 2.1 % per year (from 24% in 2000 to 34.5% in 2005). PASDEP targets to raise the access rate four fold at a rate of 8.6% per year (from 34.5% in 2005 to 77.5% in 2010). This definitely requires a shift in implementation arrangement and capacity. Proposed implementation arrangement is missing.

Specifically on sanitation, there is lack of coherent reference to the key planned interventions both in the Water and Sanitation Sector (Infrastructure) and Health Sector. Thus there is a risk that hygiene and sanitation interventions might fall in between these sectors. It is worth emphasizing that there is strong need to further refine and apply clear roles and responsibilities for sanitation planning and implementation, as it affects the strategic approach to sanitation as noticed in the

MDG Needs Assessment document. The responsibility for urban sanitation is also an area where the responsible institutions need to be clearly stated. The subsidy schemes considered for provision of latrines in rural areas would need to be rectified by the Ministry of Health (MoH) and any revised cost estimates should be based on the draft National Hygiene and Sanitation strategy. The Health services extension program, which is a key to attain the targeted sanitation coverage of 80%, it should also be complemented with other actions like large-scale advocacy efforts, training, staff reorientation, social marketing and supportive supervision.

A little elaborated section on how the sector plans to address the various constraints will help. Further emphasis on how the program plans to build the sector capacity, including establishment of strong and continuous professional support system and M&E/MIS to have baseline information and consistent and regular flow of sector information for periodical analysis of impact of improved WSS on poverty reduction and its contribution to the broader development agenda.

### **Financing**

The PASDEP does not have a financing plan. The document recognizes that the program is expensive. However, there is no mention about possible areas that should be seen in an effort to bring unit costs down. One good example could be the high cost of bore hole, which, unless immediately addressed will discourage the community participation in resource mobilization and affects the over all program financing estimate. Especially when there is such an ambitious plan to raise the current access improvement rate to four fold.

Assuming that the financing strategy mentioned in the MDG needs assessment report also applies to PASDEP it has to be pointed out that there is immediate need to revise the MDG financing strategy (as already mentioned under “general”) since it stands in contradiction to the recent consensus in the national sanitation and hygiene strategy which does not foresee a subsidy regime for household sanitation facilities but focuses public finances on sanitation and hygiene promotion and to support human resource developments needs.

### **2. Roads and Transport**

The Roads and Transport section, of the PASDEP is well written. It has summarized the developments with regard to: the activities under way to better understand the impacts of road investment on poverty reduction (activities initiated under the APL I project financed by the Bank), the overall policies and institutional reforms of the road sector that were implemented and/or are under implementation as part of the RSDP. It has also laid out the RSDP's objectives of sustaining the policy and institutional reforms as well as the restoration and expansion of Ethiopia's road network to provide a sustainable level of essential road infrastructure to the rural population.

## **Policies and strategies**

The Ethiopian Road Authority has taken an important reform process with a view to maintaining and up keeping the increasing number of federal road networks in the country. Despite the achievements of District Maintenance Organization capacity building project (DMOCBP), a lot remains to be done if it is to meet the huge maintenance gap created as a result of the ever-increasing road network. Besides the DMO looks at only the federal road network; and the maintenance of the equally important rural road networks still remain to be addressed.

In terms of means of transport, the document places an important emphasis on construction of road infrastructure. But, enough emphasis is not given to the equally important aspect of the means of transport. The option of intermediate means of transport and other innovative means need to be explored. This is more so in view of the huge amount of rural and community road planned to be constructed through ERTTP. Formulating a more coordinated strategy for the road and transport sector would be vital.

While PASDEP states the fact that there is limited access to transportation services, it has not described the possible causes for the limited access nor the strategy formulated to address the situation. In this regard, actions that would be required to introduce further improvements in the strategy may include the assessment of:

- existing vehicle transport operations (including both public and private passenger and freight transport, the vehicle population, regulations affecting imports and operations)
- the major means of transport for persons and goods, including intermediate means of transport
- the trends in the ownership and management of the various transport services.
- the various transport services offered and identification of the bottlenecks in their operations.
- the existing travel demands and operational performance for peak periods
- policies and strategic actions to improve vehicle supply and operations.

In terms of national road network, the past year has seen that regions preparing their own regional network study with little apparent coordination to their neighboring road network plan or that of the national. This fragmented approach needs to be addressed by following a more coordinated approach. It is believed that network planning needs to be an interactive process between the regions and ERA in the framework national development strategy.

## **Implementation plan**

The plan is ambitious not only in terms of the financial constraints but also the institutional and implementation capacity constraint that exists throughout the

country. The lack of a strong domestic construction industry is a case in point. Even though the lack of a vibrant private sector is the problem for all other sectors, the road sector has suffered even more considering the special nature (technicality involved) in the road sector and the relatively large construction backlog.

Regarding choice of indicators, it would be important to indicate some of the reasons behind choosing those particular indicators and why it is required to measure with different parameters, e.g., measuring increased accessibility with the three parameters.

### **Financing**

The physical plan presented is consistent with the MDG assessment needs for the sector. However, the programme is very ambitious. This increased scope of program would require, among others, assessing and further developing the existing implementation capacity of the road agencies and the Domestic Construction Industry. There are already indications of an overstretched construction market judging from the small number of bids being submitted for each civil works contract tendered under the APL II. There is a need for further reviewing the rationale of the program's strategy taking into account the increased size and scope of program, with options to address the drastic increases in road construction costs.

### **3. Power**

The document rightly recognizes the massive untapped energy potential of the country and it highlights in detail, the major problems faced by the sector. The Government's attempt to expand the power generation and transmission capacity as well as rapid electrification of rural towns deserves recommendation.

The PASDEP highlights the major problems faced by the sector. There are four major issues, most of which have been the subject of lengthy discussions with EEPKO.

First, increasing generating capacity from the existing 791 MW to 2,842 MW by 2010 reflects the proposed massive over-expansion of the system, when compared notably to more balanced demand projections and the financial/economic dynamics of the sector. There has been a discussion with the Ethiopian authorities with some donors on this point for a long period of time. An updated Master Expansion Plan for review and comments is being expected. This is believed to provide a basis for discussing and delineating a sound expansion plan – anticipated to be much more modest than more than tripling installed generating capacity by 2010. There are three issues that should be noted regarding expansion: (i) does the projected demand justifies the proposed rate of expansion, (ii) tariff levels are insufficient to enable the utility to properly finance and maintain and operate the expanded system on a sustainable basis, and (iii) given macroeconomic constraints, a more modest expansion of the

sector may be more appropriate than the proposed large scale expansion that would absorb large amounts of scarce resources. In general, a more modest expansion of the power sector would seem appropriate. These are aspects currently under discussion with the Ethiopian authorities.

Second, while supporting the Government/EEPCOs efforts to electrify rural towns under the UEAP, there are concerned that the program is overly ambitious and that the authorities want to go too far too fast.

**Third, what was not addressed is the need to increase tariffs to bring them more in line with sectoral costs, though the reason for not doing so is understandable. There should be some recognition that while Ethiopia benefits from a relatively efficient power utility in EEPCO, this strength is being undermined financially in large part by inadequate tariffs. Also, as noted below, there is a need to clarify that "access" of 17% as defined by EEPCO does not refer to percentage of households connected but percentage of households living in areas where there is electricity. The resulting financial weakness threatens the quality and long-term strength of this utility. This has been the subject of lengthy discussions with the authorities and it is believed that the more time passes without a tariff increase, the more severe becomes the problem, and the larger becomes the need for and magnitude of tariff adjustments -- which in turn can become more difficult for the authorities to implement. This creates a downward spiral.**

Fourth, more discussion and emphasis need to be placed on improving the quality of service. The reference to implementing organizational reforms within EEPCO is noted positively. However, the aspect of improving quality of service merits greater attention. In essence, there seems to be too much emphasis on expanding the system as compared to improving the quality of the existing system.

In terms of other energy sources, the DAG believes that the PASDEP could benefit from greater discussion of other sources of energy, like biomass. In Ethiopia, like most other countries with low electrification rates, biomass represents the most important source of energy for households. This is a particularly important issue for Ethiopia given the limited forest resources and it is believed that it needs to be included in the PASDEP.

**Policy Matrix:** Increase in electricity "coverage" (16%) is not what would be called "coverage", i.e., % of population or households connected. Rather, the term as employed by EEPCO refers to the percentage of the population that lives

in areas where electricity is provided, but may actually not be connected. The matrix should include a reference that clarifies this point if the nontraditional definition is used as the indicator.

The PASDEP Matrix reflects the aggressive expansion of electrification of rural towns contemplated by UEAP. The extent of this expansion, and notably the pace of expansion, needs to be revisited given in particular the macro-economic constraints facing Ethiopia, and also confirmation that this extent of expansion responds to appropriate financial and economic criteria (i.e., program should move from electrifying more robust cluster of towns and villages to more marginal towns -- and should pause when proposed new cohort of towns doesn't generate sufficient returns).

#### **4. Telecommunications**

As reported in the PASDEP, there has been considerable investment and progress in the area of telecommunications in Ethiopia over the course of SDPRP I, and plans for this phase of PASDEP are ambitious.

Studies concur that the extension of ICT services are one of the most important, if not the most important, basis for economic growth in today's world. In particular, models demonstrate that the extension of mobile telephone access is a prime mover in GDP growth in African countries.

In Ethiopia the government has invested a great deal in developing the telecommunications backbone. What is unclear is how the business plan will be developed and implemented to get a reasonable return on this investment, while supporting universal service as inclusive as possible to the poor and rural populations. In particular the role of the private sector is supposed to be encouraged, but to date the regulatory and pricing environment has been too restrictive to allow much private sector involvement.

The treatment of the telecoms/ICT/postal services sector in PASDEP could be significantly strengthened by outlining the liberalization plans over the long run, the soundness of the investment and financing plans, and the role of postal services in terms of delivery of information and government services. High on the agenda should be the development of ICT applications (e.g. access to information and knowledge), to reap the benefits of the very rapid expansion of the network, with broad-band connectivity all the way to rural areas. The IT highway is a public good, and PASDEP could contain plans to ensure that it will be upgraded over time to keep up with new technologies

As an indicator of progress, there is a need to measure the opening to the private sector, including via entry of a second mobile operator alongside ETC, which is not addressed in PASDEP.

**1.1 Process***Strength*

The health component of the PASDEP is consistent with the HSDP III (2005/06-2009/10). The HSDP process has **several forums for donor–government communication** including, a Central Joint Steering Committee (CJSC) at the federal level composed of high government officials and donor representatives, Joint Review Missions (JRMs) and Annual Review Meetings (ARM) that bring together health development partners, an FMOH and HPN Donor Group Joint Consultative Meeting (JCM) that is held every two months, the Joint Core Coordinating Committee (JCCC) which is a technical arm of the Joint Consultative Forum of FMOH/HPN and HSDP Secretariat, and the Health Population and Nutrition (HPN) Donors Group and thematic area based sub-technical groups. These forums have helped the HSDP process to be participatory and enhanced policy dialogue in the sector. Much remains to be done toward the implementation of recommendations of the HSDP review exercises; however, the partnership developed through the HSDP process is encouraging. HSDP IIII has been developed through consultation of the HPN donors.

*Concerns*

- The consultations and coordination between the FMOH and the RHBs have been low, these days FMOH and RHBs do meet every two months.
- The joint forums at the regional and woreda levels are not sufficiently functional in the majority of the regions.
- The involvement of the NGOs and the private sector in the HSDP process is inadequate and therefore remains critical concerns.
- The HSDP Program Implementation Manual (PIM), which is under revision, is expected to address the weak collaboration between regions and the FMOH.

**1.2 Content***Strength*

The Health Services Extension Program (HSEP) is given wider coverage in the PASDEP, as it is the main health sector mechanism to reduce poverty. The HSEP focuses on poverty-related health problems, communicable diseases such as malaria and diarrhoea, and health problems that affect mothers and children. Efforts are to be concentrated on rural areas and on extending services outwards from static facilities to reach villages (Kebeles) and households. Health sector partners recognize and support the HSEP as the most innovative and courageous step to reach the rural population of Ethiopia and achieve the health MDGs. The HPN donor group welcomes the FMOH openness and engagement in dialogue for the success of the HSEP. The HPN group is currently harmonizing donor funding and activities of the HSEP.

### *Concerns*

- The HSEP needs to be a comprehensive program that includes the training of the health extension workers, their deployment and implementation of the program not only training the initial cadre of health workers. Increased community mobilization will generate more demand for health services, which in turn require not only the presence of health facilities and health personnel, but also consistent availability of essential drugs and supplies. The PASDEP states the supply of essential drugs and supplies as critical interventions but it fails to mention how the drugs will be funded, procured and managed.
- The HSEP requires well-established monitoring system with regular supportive supervision from the woreda and health centers. Although, the failure of the previous community health workers in Ethiopia can to a great extent be traced to the limited supervision, absence of sufficient incentives and lack of accountability, the HSEP program does not discuss planned management tools for the HSEP.

## **1. 3 The Health Strategy and the Policy Matrix**

### *Strength*

Many of the selected indicators are consistent with the outlined strategy and drawn from the HSDP III and the health MDGs.

### *Concerns*

- The high number of indicators will create reporting problems and create problems in their means of verification. In order to facilitate the verification process, the TWG recommends working with selected indicators that specifically reflect the health strategy outlined in the PASDEP.
- For some indicators such as prevalence of unsafe abortion and prevalence of teenage pregnancy, the PASDEP does not identify corresponding interventions which may affect the indicators.
- The routine HMIS cannot produce data for prevalence of unsafe abortion and prevalence of teenage pregnancy which will make it difficult to verify the improvements in this area.
- The sources of data for the indicators for the PASDEP document are not consistent.

## **2. Health Sector Strategy and the Cross-Cutting Issues**

### **2.1. Family Planning and Reproductive Health**

#### *Strength*

The population issue and its impact on the development efforts in Ethiopia is receiving a greater emphasis in the PASDEP than it did in the SDPRP I. In this context it states that “Rapid population growth remains a major barrier to poverty reduction, and squarely addressing the population challenge is one of the seven central pillars of the PASDEP”. The PASDEP has identified the impact of high population growth on poverty, health, education, agriculture and environment.

The Program has also indicated broader strategies to address the population issue.

#### *Concerns*

- The challenge remains to put in place a **rigorous and practical action plan for family planning and reproductive health program** indicating who is doing what, where, when and an accompanying budget. This requires the establishment of a system that is accountable for this critical intervention by making family planning services available and ensuring contraceptive security. This requires the positioning of family planning and reproductive health interventions as the major focus of the PASDEP.
- Unfortunately, family planning and reproductive health interventions are not mainstreamed in sector programs. For example, adolescent reproductive health is not addressed in the education sector.
- The contribution of the non-government organizations (NGOs) in the provision of family planning services in Ethiopia is encouraging. The PASDEP fails to discuss the partnership and networking between government and NGOs required in order to enhance the outcomes of the strategy. NGOs and the private sector could play an important role to increase access to family planning and ensure contraceptive security through incentive mechanisms and special privileges including training, tax-exemptions, land provision etc

### **2.2 Health and Nutrition**

PASDEP does not give sufficient importance to nutrition intervention in the document. The document states that “Along side the government initiative towards developing alternative income generating activities, targeted interventions are also envisaged in the areas of health and nutrition in rural areas” (page 53) without further elaboration. In addition, the commitment to strengthen capacity for emergency response should go beyond the experience gained in the safety net programs. In the health sector the need to improve the FMOH ability to plan for and respond to both diseases epidemics and nutritional emergencies need to be stated more clearly.

### **2.3 Inter-Sectoral Collaboration**

The PASDEP should play a leading role to enhance inter-sectoral collaboration. However, it comes short of addressing the importance of inter-sector collaboration in cross cutting areas such as training, water supply and sanitation, gender, population, HIV/AIDS etc.

## **3. Health and M&E of the Policy Matrix**

### *Strength*

The performance of the Health Sector Development Program has continually been reviewed through successive Government-Donors Joint Review Missions (JRMS) and Annual Review Meetings (ARMs). During the last eight years, four Joint Review Missions have reviewed HSDP and the results were presented in

Annual Review Meetings. The health policy matrix has the benefit of using these forums for its monitoring.

#### *Concerns*

- The Health Sector Development Program M&E plan and the SDPRP M&E are not well coordinated. Changes were made in the policy matrix between the time they were presented by the FMoH to the PASDEP group and the time they appeared in this document. Several of the indicators in the policy matrix were not agreed upon by the Planning Department of the FMoH and the HPN donor group.
- The two indicators for teen pregnancy and abortion have been added to the list of health indicators without having been discussed with the HPN Donor group. The two indicators were not included in the list of 17 HSDP III sector-wide indicators, nor in the long list of “detailed programmatic indicators and targets of HSDP III”. The HPN Donor group recommends excluding these two indicators as they will be difficult to measure and verify due to the fact that there is no reliable routine data source. Moreover, there also important legal implications for the indicator on abortion.
- The routine HMIS is weak and data generated through HMIS is not sufficiently reliable.
- The sources of data in the PASDEP document are not uniform making comparisons difficult.
- The selected output indicator targets for health should be revisited in view of the recent information provided by DHS 2005 preliminary report. It may also be useful to reflect further on some ambitious targets such as potential health coverage of 100 % and others.

## **4. Health Budget**

### *Strength*

The PASDEP budget is based on three scenarios assessing all possible constraints and opportunities (assumptions).

### *Concerns*

The health budget projection is based on assessment of needs and not what could be available to the sector. The Medium Term Expenditure Frame should be the information source to inform planners what the economy can afford to finance national programs including HSDP. Need based budget projections are “user friendly projections” but one-sided, which often become alienated from the reality.

- In the PASDEP, the budget for health and HIV/AIDS are combined. The HPN Donor group recommends that the two be separated into two different budget lines as significant funds are being allocated to HIV/AIDS from global initiatives. Further more, since HIV/AIDS is multi-sector, putting together this budget figure may affect the health sector by inflating the health budget.

## **5. Human Resource Development**

- Efforts have been made to develop the Health Human Resource Development Plan: The plan has looked into the various human resource problems in the sector and particularly to the absolute shortage, mal-distribution and low productivity of the workforce. Although the plan is a good start, it needs to be more comprehensive to include training, deployment, transfer, financial and non-financial incentives etc. In order to accomplish this, further consultation is required.
- In the context of the management of the health sector, a significant proportion of the technical positions in the FMOH, Regional Health Bureaus, and Woreda offices have been vacant for quite some time. The condition continues to decline. It will be difficult to spearhead the health programs in the country and contribute to the poverty reduction strategy. This situation will hamper not only the host government's development programs but also development partners' assistance to the country and absorptive capacity.

## **6. Enhancing Policy Dialogue**

- As is already mentioned, the HSDP process has established forums including, a Central Joint Steering Committee (CJSC), Joint Review Missions (JRMs) and Annual Review Meetings (ARM), a FMOH and HPN Donor Group Joint Consultative Meetings, the HPN Donors Group and thematic area based sub-technical groups among which Reproductive and Family planning belongs. The partnership created through these forums need to be strengthened and be engaged in more critical policy areas and interventions.
- The emphasis on family planning and reproductive health in the PASDEP is promising. The recently formulated Family Planning and Reproductive Health Strategy needs to be institutionalized and implemented. The policy dialogue should continue to generate political leadership and commitment.
- The involvement of the civil society groups, the private sector and NGOs working in the health sector needs to be enhanced through continued dialogue and capacity building.

**Process: Extent of Participation of Stakeholders in the Formulation of the Strategy**

Except for the last consultation meeting at the ECA Conference Hall, the Technical Working Group (TWG) is not aware of consultation with stakeholders. However, some of the key issues of the sector were discussed during the annual Joint Review Mission and Annual Review Meeting, which the MOE, donors, REBs, some woreda offices and a few NGOs attended. These discussions have informed the preparation of ESDP3 and PASDEP.

Education Donors have discussed and provided two sets of comments on the first and second draft of ESDP3, whose major strategies are included in the draft PASDEP. While writing the endorsement letter of ESDP3, education donors had noted that the financing strategy/plan is an area of major concern and that it would be a major area for further dialogue. The **TWG considers the financing plan to be the biggest issue in PASDEP** with wide implications on many aspects of the programme/plan.

**Strengths of the Sectoral Proposal**

Most of the broad education policies are generally sound and reflect many of the recommendations made in joint government-donor consultations over the last years.

PASDEP recognizes that low levels of investment in human capital are one of the factors contributing to poverty – it holds that investing in education is critical for reducing poverty and for supporting accelerated and sustained growth. The TWG fully endorses this view.

The high priority to expanding primary education, the focus on girls education, pastoralist groups and special needs populations, the emphasis on improving the quality of services, the sector's increased response to HIV/AIDS challenges, the innovative approaches to address equity and gender issues, and the use of low costs school construction are among the commendable choices made in the sector.

**Challenges and/or Gaps**

There is an absence of specific, concrete and funded strategies for achieving some of the key goals identified in PASDEP. For example, it is not clear how (i) the improvement of quality of services, (ii) the strengthening of ABE programmes, (iii) the promotion of the private sector and (iv) non-governmental organisations, (v) the improvement of school management, etc. are going to be operationalised. In particular, pro-active and costed strategies are needed to strengthen the role of the private sector and to foster strong partnerships with NGOs and civil society organisations.

Similarly, **cost-sharing** has a prominent place in the Government's education programme but it **is not sufficiently explained**. Cost-sharing is mentioned in ESDP3 as a key component of secondary expansion, but it is not clear whether this means only community investment in schools or whether some form of "tuition" may be charged. The concept of cost-sharing regarding TVET and universities should be more precisely articulated as it appears to be planned for the former and is already in place for the latter.

The shift of large portions of the capital budget from the Government to communities raises questions about the impact this will have on poor families' income, on their well-being and vulnerability, on demand for schooling and attendance, on planning and monitoring of construction and on teaching standards. This can also be seen as a hidden tax on education which is contrary to the Government's commitment to free education.

The Government's policy is to build demand-driven technical and vocational education, training and higher education. However, current plans of fast enrolment expansion, particularly at HE level, are not linked to an analysis of demand. Furthermore, the PASDEP does not make links between its section on education and those on growth, private sector development, enterprise development, export diversification, or indeed service delivery (e.g. health). Plans for expanding TVET and HE must be supported by an analysis of labour market demand and must be better linked to plans for private sector development, growth and service delivery as articulated in PASDEP.

The proposed rapid rate of expansion of graduate level university programmes gives no recognition to or explanation of the fact that post-graduate ESDP2 targets were only one-third realised, that there are very few staff available to staff the new universities, and that current tertiary programmes rely heavily on the hiring of over 500 expatriate staff for instruction.

Special Needs Education is well treated in ESDP III, while it is overlooked in the draft PASDEP.

PASDEP is not explicit and clear about adult literacy/education although there appears to be some acknowledgement of the value of adult education/literacy for poverty alleviation. Literacy needs to be better defined. The contribution of literacy to poverty reduction needs to be made explicit. PASDEP states that "the government alone cannot provide sufficient financial or human resources to support the programme [adult and NFE programme]" (p. 82) but it does not state who/which body will then be responsible for delivering this education component. Moreover, the importance of literacy is not reflected in the policy matrix.

ESDP3 states that Alternative Basic Education (ABE) is an important – albeit short term - strategy but in PASDEP there is only a passing reference to ABE. The fundamental importance of ABE as a key strategy for developing the

education sector in Ethiopia and a cost-effective long-term strategy for achieving the MDGs needs to be reemphasised.

PASDEP states that the school feeding programme shall be expanded. The TWG suggests that this be framed within a broader policy or strategy of developing demand –side interventions in education. School feeding is but one of these types of interventions – and appropriate strategies to ensure sustainability and to avoid creating dependency need to be established.

Some of the data/figures quoted are inconsistent across the PASDEP. For example, the Welfare Monitoring Survey (WMS) data on primary enrolment (quoted page 10) or dropout rates (quoted page 11) are inconsistent with the Government-owned EMIS data.

### **Financing Plans**

**PASDEP allocates considerably less to education than was assumed by ESDP3.** The total allocation for education in PASDEP's 'indicative spending levels' (table 7.2, page 123) is Birr 36,058 M over the ESDP3 5 year period. This is between Birr 9.5 - 11.9 BN less than the Birr 45.5 – 48.0 BN ESDP3 assumed would be forthcoming from Treasury and donors (i.e. excluding the community contributions and cost shared by students).

Annual increases in what PASDEP allocates to education spending do not keep pace with inflation, implying that the amounts available for education will decrease in real terms over the next five years. In light of this it seems unlikely that the education sector could do more than merely stay still and therefore: **expansion looks unlikely and impossible to finance.**

PASDEP states that the priorities in the event of any funding shortfall from the base scenario are (i) Primary education with particular focus on getting girls into school, pastoral and under-served areas, (ii) Tertiary, but with reduced operating and investment outlays, in line with reduced enrolment by 10,500 (p125), (iii) Secondary, with spending on construction and up-grading of secondary schools reduced by 12.5% and enrolment reduced by 30,000 (p 125) and (iv) TVET but with reduced operating and investment outlays, in line with reduced enrolment by 16,000 (p125). However, given likely resource limitations, it is not clear that it will be possible to protect primary education without sacrificing almost all targets for the rest of the sector.

Conversely, **if expansion in other sub-sectors is supported, primary education will suffer.** The international norm for primary education is approximately 50% of the sector budget for a grade 1-5 programme; Ethiopia's primary education system covers grade 1-8. If Ethiopia is serious about improving quality and expanding primary education, more resources will be required as a percentage of the sector budget for primary education.

Statements such as “schools will be provided with adequate non-salary recurrent budget” are too vague and have little credibility in light of available budgets and top down demands for achieving targets at the woreda level.

There is thus an urgent **need to consider trade-offs**, identify the most cost-effective strategies, review the feasibility and affordability of the plan and reprioritise the various goals and targets in line with financing likely to be available for education. A more critical and specific discussion of the sub-sectoral allocations and on the strategies will help strengthen the PASDEP.

### **Policy Matrix**

PASDEP allocates considerably less to education than was assumed by ESDP3 yet it assumes that all the ESDP3 targets can still be met. This appears unrealistic and it is recommended that **targets need to be reviewed**.

The PASDEP target of reaching UPE in 2010 is not realistic and perhaps impossible to achieve statistically. Even if UPE is defined as complete cohort enrolment through grade 4, Grade 1 enrolments would have to reach 100% this year to realise that target. With a 25%+ dropout in grade 1 alone in 2004/2005, UPE in 2010 does not appear feasible. The DAG TWG feels that exaggerated targets such as this skew many other projections and requirements and render the overall plan untenable.

Similarly, if the target of achieving a near perfect female to male ratio of enrolment at the primary level is to be achieved in 2009/10, the entering cohort this year would have to be perfectly balanced with the same number of dropouts for each gender for the next four years. Given the current under-representation of females and the dropout rates, this is highly unlikely. Although perfect equity may be desirable, unless the plan deals with reality in an objective, reasonable manner, confidence in it is undermined.

The discussion of pupil-teacher ratio (PTR) is likewise unrealistic. Even keeping the ratio at its current level, let alone reducing it dramatically to the levels indicated in PASDEP is not feasible. The critical issue here is not just PTR, but sections with more than 75 students. In other words, the best way to address quality issues related to class size is to greatly reduce the most severe cases of over-crowding (i.e. all classrooms with more than 75 students).

The Education matrix proposed by the Government includes all of the indicators proposed by the Donor group but it does not **disaggregate them by urban/rural divide**. This would be useful for equity purposes.

In summary, the DGGE commends the Government's intention of addressing gender issues in the draft PASDEP with inclusion of disaggregated data by sex in many areas; a pillar on gender; and a section in the text of Gender Equality focused on the articulation of the National Action Plan on Gender Equality (NAP-GE). However, DGGE expresses its concerns about the lack of gender mainstreaming throughout the whole PASDEP document including the weak link between sectoral policies and the NAP-GE. Given the Government's commitment to the MDGs including gender equality, we would urge Government to elaborate a robust strategy on how to achieve the MDG 3, i.e. Gender Equality and Empowerment of Women in Ethiopia.

### 1. The Poverty Profile

The Welfare Monitoring Survey (WMS) provides a thorough basis for assessing poverty trends in the country, including differences between men and women and, to a lesser extent, boys and girls. We welcome the existing disaggregation by sex of the data and indicators. **However, we recommend that the disaggregated data by sex be enhanced further throughout the whole PASDEP. In particular, the indicator on income poverty needs disaggregating by sex. Furthermore, we recommend that CSA and WMU undertake analysis of intra-household dynamics to identify the differences in poverty levels within the household.** This could be done by analysing the gender variables:

- a) The gender division of labour and its value
- b) The gender division of resource (access to and control over resources)
- c) The gender division of power (decision making power)
- d) The gender division of services (access to services and facilities)
- e) The gender division of benefits (access to and control over benefits)
- f) Violence against women and girls and harassment prevalence

The Poverty Profile section also needs to include a gender analysis, particularly in priority areas such as maternal mortality. A thorough analysis of why mothers are vulnerable to morbidity and deaths (one of the highest in SSA), highlighting key determinants such as women's limited awareness on reproductive health, socio-cultural factors such as fistula, and barriers to giving birth at a health institutional level would strengthen the document.

We welcome the inclusion of Government's Participatory Poverty assessment (PPA) findings. These reveal positive trends which confirm the findings of the quantitative national surveys undertaken in the last years, as well as some of the key challenges remaining which were also highlighted in other analysis. Of particular interest to the DGGE (and noted on p. 33 of PASDEP), the PPA highlights gradual positive changes in gender equality but also the remaining "deep conservatism" that pervades gender roles and "severely prescribes" what women can and cannot do, especially in the rural areas. The PPA concludes that

much remains to be done to change social attitudes so that women can fully contribute to the development process in Ethiopia.

One issue to consider is that gender issues vary across urban, rural, as well as pastoralist communities of Ethiopia, which require differential analysis of the situation and designing of a strategy.

Furthermore, the gender dimension is also important to address as a poverty trap in the country (as per p3 box in PASDEP). **We recommend that the gender dimension be included as part of the areas described as poverty traps on p3.** For instance, the gender dimensions of the population issue includes decisions on family planning which rest in the hands of the men even though most methods are applicable to women and women's contribution to the family in bearing children. In education, the gender dimension includes, for instance, the high female drop out rate due to early marriage, forced marriage, and other forms of violence and harassment (physical and emotional). As mentioned in the World Bank report of July 2005 *on Ethiopia: Well-Being and Poverty on Ethiopia: the Role of Agriculture and Agency*, it is important to note that enhancing female adult education should receive the highest priority given its key role in improving human development outcomes and consumption poverty reduction, as well as women's empowerment.

## **2. The Strategy and Policies**

The above findings provide the basis for the development of policies which should aim to address these divergences, aim to remove barriers that specifically affect women negatively, and provide equal opportunities. Indeed, the PASDEP states Government's desire to "unleash the potential of Ethiopia's 35 million women" and an important step has been taken through the preparation of the National Action Plan on Gender Equality (NAP-GE). However, the "translation" of such intent and the integration of the NAPs' recommendations are not evident or systematic in the current draft of the PASDEP. **We suggest that the vulnerability analysis of women in the Poverty Profile be referred to and integrated into the Strategy sections of the respective sectors. We also suggest that the linkages between Gender Equality (Chapter 5.1.) and the sectoral strategies (Chapter IV) are strengthened in the text and coherent with the policy indicators.** The following examples substantiate the limitations of linkages between the different chapters of the draft PASDEP: What measures is Government planning to remove the cultural barriers that prevent women from undertaking certain types of agricultural work? How will Government ensure that extension services are equally reaching women farmers? Within the private sector, studies show a significant presence of women in the micro and small enterprise (MSME) sector as compared to medium-sized enterprises and above. Does Government's plan for support to MSMEs reflect this reality? Further, the issuance of joint land certificates for married couples in some regions has significantly reduced women's vulnerability on death of husband or divorce. This

is an important measure and is rightly included as policy matrix indicator. However, it is not reflected in the discussion of access to land in the PASDEP.

On the other hand, we welcome the emphasis on the urgent need to address Ethiopia's population challenge and the recognition of the negative impact of high number of pregnancies on women and children's health. The introduction of female health extension workers is an excellent step forward in this regard. But how is Government's going to address the population challenge with women's limited reproductive rights?

Furthermore, the section on education includes some positive examples of mainstreaming gender. There is recognition that equity issues need to be addressed to make progress on achieving the development goal. Improving educational access for girls is considered fundamental for closing the gender gap and is also stated as an indicator in the policy matrix. There is also a plan suggested to increase girls' enrolment. However, the causes of the gender inequalities to access education are not discussed in the PASDEP although they are important in order to understand the measures suggested to address the causes identified.

In summary, a gender mainstreaming approach in each relevant sector policy should include a discussion on the causes of the gender gap in each sector, followed by a description of the consequences of the gender gap for the sector outcomes and suggestions for interventions in order to address the problem and determine who is responsible for implementing the solutions.

Finally, we commend the Government on recognising gender equality as central to the PASDEP. **Given the draft PASDEP's major focus on growth we would like to see a discussion on the crucial linkages between gender equality, growth and sustainable development in order to 1) attain the MDGs 2) attain the PASDEP's growth targets, 3) reduce poverty, 4) increase agricultural productivity and strategic exports, 5) reduce Ethiopia's high fertility and maternal mortality rate.** International research has shown that gender inequalities in education and employment combined are estimated to have reduced sub-Saharan's per capita growth in the 1960-1992 period by 0.8% percentage points per year<sup>1</sup>.

### **3. Implementation and Follow up (Policy Matrix)**

#### **i. Implementation of NAP-GE**

DGGE's real concern is that the NAP-GE and PASDEP seem to exist as two parallel documents and that, therefore, there is a need to integrate the two. **We recommend, in light of the newly established Women Affairs Ministry, that the Ministry lead the launch of the NAP-GE and work with MoFED and the**

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<sup>1</sup> Source: Klasen, Gender Inequality and Growth in Sub-saharan Africa: Some preliminary findings. Background paper prepared for the 1998 SPA status report on Poverty in SSA, 1998, in Blackde and Bhanu 1999.

**Sector Ministries to commence the mainstreaming of gender into the sector strategies.** The PASDEP ought to reflect concrete capacity building plans of the new Ministry, given WAO being the owner of NAP-GE and the multi-sectoral mandate of the Ministry.

**We also strongly encourage that concerned stakeholders in Civil Society (relevant NGOs and Network of Ethiopian Women's Associations (NEWA)) be included as key participants in the work to implement the NAP-GE.**

#### ii. Policy Matrix

As a general comment, a number of the high level indicators (e.g. poverty head count) need to be disaggregated by sex in order to show any differences between men and women.

We welcome the inclusion of "Women's Empowerment" as an Outcome/ Output in both the sections on "Growth, Poverty Reduction and Population" (the first page of the matrix) and in the section on "Democratisation and Good Governance". This reflects the important linkages between gender equality and poverty reduction and that women's empowerment is a fundamental human rights issue. However, the proposed indicator ("Implementation of the NAP-GE") is an Activity or an Input-level indicator and is thus not appropriate for the Outcome/Output level. **As the PASDEP is embedded within the MDG framework, we recommend using the indicators currently agreed for the MDG 3 ("Promote gender equality and empower women").** The target (target 4) associated with this goal is: "Eliminating gender disparity in primary and secondary education, preferably by all levels of education no later than 2015". The 4 agreed MDG 3 indicators are:

- (1) Ratio of boys to girls in primary, secondary and tertiary education;
- (2) Ratio of literate women to men, 15-24 years old;
- (3) Share of women in wage employment in the non-agricultural sector;
- (4) Proportion of seats held by women in national parliament.

The first indicator is already included in the education section of the matrix. The issue of literacy is discussed in the PASDEP text but as it is missing from the matrix we recommend that it be included. The last indicator fits very well within the governance theme and could be used as the indicator of Women's Empowerment Outcome/Output.

The third indicator on wage employment is directly relevant to Government's stated intentions to enhance the private sector, create jobs and increase non-agricultural incomes insofar as its measurement will give a picture of whether women are also benefiting from measures undertaken. However, the location of this indicator within the matrix is not immediately clear as there are currently no outcome or output statements related to these issues. A possible entry point would be related to the Outcome of "Increased rural incomes and agricultural production" in the Rural Economic Development and Food Security theme. The

indicator reads; “(Annual) growth in total off-farm (non-agricultural) income” and could be taken as a proxy and be disaggregated by sex, IF it is expressed in terms of MHH & FHHs .

Related to the above, we note that most of the suggested indicators for women’s empowerment are also part of the **African Gender Development Index (AGDI)** which the Government, with assistance from the ECA, has been developing on a trial basis in Ethiopia over the past two years. **We would strongly recommend that once the Ethiopia report is finalised, MoFED’s WMU, the CSA, the Ministry of Women’s Affairs and Sector Ministries decide how best to make use of this resource.**

In the matrix on Water, Sanitation and Irrigation, **we would also recommend that the matrix includes the output of “Increased access to improved sanitation at schools (i.e. separate toilets for boys and girls) as this output has proven an important impact on girls’ drop out and thus on the MDG goal of achieving UPE (Universal Primary Education) for all.**

### iii. Financial plan and costing

DGGE has the following concerns on the Gender financial plan of the draft PASDEP:

The figure of US\$ 111 million, indicated in the MDG assessment, and in the recent Synthesis paper varies and the budget duration is unclear. The link between MDG Synthesis Report and PASDEP is also unclear and there is no indication of sector capacity building budgets. **The DGGE would be happy to work with the Government in taking this forward if need be.**

It is encouraging to read that the Gender Budgeting assessment (mentioned on page 91) is currently being undertaken by Government to assess public expenditure from a gender perspective in the Agriculture, Education and Health sectors. The TWG encourages Government to further institutionalise this process.

## **5. Quality of Dialogue (mechanism and impact of the dialogue on future actions) with the TWG, the civil society/stakeholders and regional sub-regional Government’s structures**

The PASDEP and the NAP-GE are important steering documents for development interventions at all levels of society in the country. Therefore an active participation and involvement of all stakeholders while formulating these documents are crucial. To this end, **we recommend a continuation of the community and woreda-level PASDEP consultations with fair representations of men and women.**

**The DGGE, concerned about the limited interactions with the WAO in the past year, is eager to revitalise and foster partnership and technical support to the new Ministry.**

## **Annex 7**

## **HIV/Aids**

The HIV/AIDS TWG is unable to complete the detailed analysis requested by the DAG since the information required is not included in the current draft of PASDEP. Therefore, the HIV/AIDS TWG presents the following points as suggestions for strengthening the document and moving forward in the process of engagement with Government.

- 1) The HIV/AIDS section in the current draft concentrates on the achievements and challenges under SDPRPI and says little about the proposed activities for PASDEP. We would suggest that the majority of the text should focus instead on the PASDEP period.
- 2) The budget for HIV/AIDS is unclear with large increases in annual funding that are not adequately explained. The budget for HIV/AIDS should be accompanied by a clear narrative that also details assumptions regarding macro funding sources including Global Fund, PEPFAR and EMSAP II.
- 3) The PASDEP should include a concrete plan of action detailing implementation modalities.
- 4) In addition to activities identified at the program level in the current draft, there should be some discussion of policies and institutional relationships (MoH, HAPCO, donors and other stakeholders).
- 5) The narrative in the PASDEP should include all of the indicators that were included in the matrix, which has been agreed by all partners. In particular there is no discussion of sectoral mainstreaming of HIV/AIDS in the current draft.
- 6) Linkages between HIV/AIDS and other sectors and plans need to be identified or better defined. There is no reference to the HSDP III or SPM or the approved matrix in the HIV/AIDS sections. How does the PASDEP relate to the SPM or HSDP III? The health section contains little reference to HIV/AIDS and vice versa. Given the critical importance of the health sector to the successful achievement of the HIV/AIDS goals, we would recommend some discussion and cross-referencing.
- 7) The HIV/AIDS TWG questions whether the OVCs components of the PASDEP should be included only in the HIV/AIDS section and suggests that OVCs should be included in both Child Vulnerability and Education sections, as well as in the HIV/AIDS, and not enough has been stated regarding the particular situations of OVCs.
- 8) The HIV/AIDS TWG commends the mainstreaming components described in the Education section, which offer an example for sectoral mainstreaming to other sectors.

- 9) The HIV/AIDS TWG wishes to highlight the importance of participation of NGOs and CBOs in the review of PASDEP. The TWG represents donors and not other stakeholders, and would request details of 1) the process of regional discussions that have taken place prior to the development of the current draft, and 2) the responses of other sectoral stakeholder groups.
- 10) PASDEP does not include adequate in depth analysis of how the selected indicators lead to a more fundamental understanding of the overall progress in the sector. Furthermore, the narrative should go beyond the discussion of the indicators to include other important sectoral priorities.

## **Annex 8**

## **Environment**

### **Process**

- a) Linkages between MoFED, other government and non-government stakeholders rather weak throughout the process particularly as it relates to environmental integration;
- b) CSOs engaged only through TWG;
- c) Initially, active consultation took place between TWG and government counterpart (EPA) on the matrix;
- d) Lack of clarity concerning the overall process and responsibilities;
- e) Relatively low participation of TWG members in the process;

The process has been participatory in the sense that the Environment TWG got engaged with civil society organizations, government focal agency EPA, other government agencies and donors. The original policy matrix was prepared in close collaboration with government focal agency EPA. Through the Technical Working Group, civil society organizations were also able to participate and raise their concerns.

Communication and interaction with MoFED has been poor. The TWG tried to engage with the consultants, by inviting them to preparatory meetings several times, but never succeeded. Closer interaction with MoFED and consultants working with the Policy Matrix and PASDEP would have helped further enrich the process.

The TWG is not aware to what extent the government has consulted different federal, regional authorities and civil society in the preparation of the PASDEP.

### **Strategy**

- a) Institutional strengthening for long-term environmental management is not well addressed in the strategy;
- b) Current PASDEP and Policy Matrix environment theme has an urban bias (solid waste and wastewater management, air pollution, hazardous and chemical waste management);
- c) SLM strategies not consistently addressed in various parts of PASDEP and Policy matrix (not mentioned once in PASDEP, but an outcome in Policy Matrix under both Environment and Rural Economic Development themes);
- d) Lack of strategic linkage to core poverty generating factors, like poor land management;
- e) Involvement of other sectors to ensure environmental sustainability should be strategically addressed;
- f) Environment strategies should be more integrated with other core areas of PASDEP, ensuring environmental sustainability (only partially addressed in mainstreaming sub component of environment theme);

Land degradation is a major factor in Ethiopia contributing extensively to overall poverty, but is not currently addressed in the PASDEP. The Pressure-State-Response (PSR) indicator for Sustainable Land Management (SLM) Outcome is a comprehensive index, which also includes socio-economic aspects. However, we are not currently aware of the status of PSR index and availability of baselines. SLM should be addressed more in depth in the PASDEP document, including strategy, implementation and linkages to overall poverty reduction.

Even though environment is a theme in the PASDEP and policy matrix, it is also very much a cross cutting issue like HIV/AIDS and gender. Therefore, the environment component should be in coherence with the other themes in PASDEP. Waste management (both solid and liquid) and hazardous waste & chemical management are clearly linked with; e.g. industrial growth, infrastructure and intensified agriculture, but the linkages are not visible in the PASDEP. It would be important to bring the environment component closer to other components in the PASDEP and illustrate clearly, how the selected environmental strategies contribute to ensuring sustainable development and growth in other key sectors (industry, agriculture, energy, tourism, mining etc.)

The strategies identified in the PASDEP and Policy Matrix are mostly limited within EPA's mandate. In practice, it means that the Environment component consists mostly regulatory actions. The implementation strategies are weakly addressed.

There is a need to come up with a strategy that builds partnerships with other key sectors, in order to ensure implementation and compliance with planned actions..

Overall, the identified strategies in the environment component are focused on urban challenges, which only partially address key problems facing the rural population. For instance, consumption of fuel wood and charcoal, land degradation under the increasing population pressure, watershed management, climate change and biodiversity should be strategically addressed in the PASDEP.

Commitment of the sector ministries and agencies to integrate environment into their planning and implementation processes is highly recommended. For this to happen, PASDEP should include actions such as enhancement of capacities of line ministries and their respective environment units, regional environment bodies to ensure environment sustainability of development initiatives, and to identify and implement environment related investments that make an effective contribution towards delivering sector policies. Strengthening EPA's capacity to facilitate environment mainstreaming dialogue and action across government on critical poverty - environment - development issues should be considered a priority as well.

## **Policies**

- a) New policies and regulations are going to be formulated under the urban agenda covering improvement of air quality, solid waste and wastewater management, hazardous and chemical waste management;
- b) Policy requirements for addressing sustainable land management are not identified in PASDEP;

The policy content in the Policy Matrix and PASDEP is focusing on EPA's mandate, which has resulted in a highly regulation driven policy plans, with relatively limited partnerships and cooperation aspects (including sector ministries, private sector, and civil society) that are at the forefront of implementation.

### **Implementation**

Clear overall implementation plan missing;

- a) Implementation responsibilities should be clearly defined;
- b) Institutional capacity development requirements for improved implementation should be addressed;

The implementation plan for the environment component is addressed under different sub-themes with varying results. For Mainstreaming and Wastewater Management, the implementation is described by couple of regulatory activities, followed by "ensuring implementation and compliance". This applies in most parts also to other sub-themes. In order to achieve actual planned impact in the long run, a proper implementation plan should be formulated to follow the process through from the design of regulations and policies all the way to the expected actions taken by targeted entities or population.

Also high integration with other relevant sector plans would be recommended to ensure compliance and coherence. This should be clearly stipulated in the PASDEP.

### **Financing Plan**

No financing plan at the moment in PASDEP;

- a) Financing plan should be developed immediately after finalizing implementation plan;

### **Quality of Dialogue**

- a) Apparent gaps in dialogue among government stakeholders (MoFED and sector ministries);
- b) Weak and irregular dialogue among non-government actors (including TWGs);
- c) Continuous dialogue between govt focal agency for environment (EPA), other stakeholders and TWG;
- d) Dialogue between TWGs and DAG Secretariat/Task Force has been reactive and irregular. TWGs have had very limited time to prepare themselves properly;

## Annex 9

## Capacity Building, Governance and Decentralisation

The areas of the PASDEP that deal with democratic governance (Chapter 5.6. of the text, accompanying matrix, plus relevant matrix entries on ICT, Justice Sector Reform and District level decentralisation) have some real strengths. There is explicit coverage given to reforms envisaged in the justice sector. Commitments to the enforcement and protection of human rights, mainly expressed in the policy matrix, are also welcome, as are undertakings to strengthen the capacity of the Human Rights Commission and Ombudsman's Office.

An overall concern of the draft PASDEP's treatment of governance is that too much space and emphasis is given to achievements in the SDPRP I time-frame and little is said about the coming five-year period. When there is a future look it is often through a time frame of less than five years (e.g. justice sector reform and parliamentary capacity building). Finally, some parts of the sector seem to be characterized by a number of piece-meal objectives rather than some strategically-focused development strategy. This is not exclusively in the gift of government, but an important early achievement in the governance sector could be the **joint development of an integrated programme for some areas of the sector**. We must together explore what options exist for this early in the life of the PASDEP.

### **Governance, Human Rights, Openness and Consultation**

The most glaring omissions in the text relate to elections. No mention is made of preparations or timetables for the woreda elections, which are due during 2006 in most regions. The development and independence of the NEB is not discussed within the text, and only sketchily in the matrix although it is of great importance. Also there is no mention at all being made of the "lessons learned" exercise post the 2005 elections or any reforms that may result from that.

Support to Parliament is detailed in a section within the public institutions matrix. However, the PASDEP text does not reflect the recent discussions between Government and donors to design a medium and long-term support programme for Parliament. A more strategic, and sequenced approach is needed for the development of Parliament, taking into account not just broad capacity issues but also issues about how the public perception of Parliament as a policy and decision-making body.

With regards to the offices of the Human Rights Commissioner and Ombudsman, merely enhancing their capacity is not sufficient. The institutional framework in which these organisations work is not clear, nor is it clear if they currently have enough resources to deliver their mandates. Allocating sufficient budget for the two institutions to properly execute their mandates would reflect the commitment of Government to take these organizations seriously. Similarly, we would welcome a firm commitment to the development of a National Human Rights

Action plan, by establishing regional HRCs, and developing the capacity of criminal and family courts in human rights protection.

Little is mentioned in PASDEP about media and access to information beyond development of a new press law and freedom of information act in the matrix. However, we would welcome a discussion on how to create an enabling environment to promote access to information and a free and independent media. PASDEP would be enriched by including a discussion regarding initiatives aimed at fostering a free and independent media and increasing licensing to private radio and TV. Consideration should also be given to realising the potential of media as a means of outreach to the public at large. The PASDEP text demonstrates that progress has been made in the area of HIV/AIDS, but other advocacy areas where media and public service announcements could play a key role are not specifically addressed, e.g. particular opportunities might exist regarding the functioning and business of Parliament.

In terms of improving access to information, we feel that the PASDEP contains a number of positive initiatives. The suggestions (in the ICT matrix) for ICT public service delivery and sector development are positive in terms of increasing the dissemination of information within government at all levels (federal, regional, woreda). Plans for the enhancement of community based information do much to address issues relating to access to information for the common citizen. The establishment of the National Justice Information Centre will perhaps be the greatest achievement in terms of improving access to information in Ethiopia. It is reflected in the matrix, and gender disaggregated information is well highlighted.

### **Judicial and Legal Reform**

Justice Sector Reform is well covered by its own set of outputs and indicators as part of the Improved Public Institutional Reform chapter of the matrix. However, sufficient account has not been taken of the Baseline study report (resulting from an in-depth review of the current justice system by international and national justice experts, 2003-2005) and there is no discussion in the PASDEP how the Government plans to translate the recommendations in the study into a comprehensive sector wide reform programme. The Baseline study should be the corner stone of such a reform programme and the justice section of the PASDEP would be enriched by making a strong link between the two documents and outlining how the suggested activities in PASDEP respond to the recommendations and priorities outlined in the study (e.g. it recommends the need to consolidate the independence of the Judiciary as a precondition to the rule of law, and suggests many activities to achieve this end although these are not mentioned, either in the PASDEP's text or matrix). We also recommend the undertaking of the study on *Judicial Independence and Accountability* as discussed during the SDPRP period. Lastly, regarding the continuation of the reform of courts' modern case management and recording system, we would strongly recommend its full integration with the other justice institutions such as the prosecution, police and prisons and economic governance institutions such

as Customs. Coordination between the justice institutions at the technical level is a prerequisite for the enhancement of the functioning of the justice system.

### **Decentralisation**

There are a number of expressed intentions to extend decentralization and better involve citizens in decision-making processes. We feel however that the role of civil society in this process should be made more explicit. The text demonstrates a strong commitment to decentralization, public participation and strengthening local governments (Woredas and Kebeles). Urban Municipalities are also briefly covered in a sub-chapter in the text, with an emphasis on service delivery. Fiscal decentralization and the introduction of a comprehensive legislation for the functioning of Woredas (along the line of the municipal proclamations) are mentioned. Taking the different statements contained in both matrix and text as a whole, it is clear that government is committed to continue the decentralization process of “re-establishment of autonomous (municipal) governments”.

As already noted, the PASDEP contains clear commitments to the processes of decentralisation, but the focus in the text is more on the establishment of local administrations as opposed to the political development of local governments. No mention is made of local government elections. It is important for Government to show their commitment to establish real Local Government through local elections. Without these it is not clear how the objectives of accountability and participation espoused can be achieved. We also feel that as decentralisation processes are rolled-out, and the hierarchies of functions at sub-federal level become clearer, there is a need to look at how functional arrangements at federal level might be rationalised, perhaps with the concentration of all the implementation aspects of decentralisation into one federal agency.

### **Urban Governance**

#### *Background*

1. PASDEP recognizes that an important element to reduce poverty is to address the emerging “urban agenda”. During the SDPRP I efforts were undertaken to create institutional arrangement conducive for the development of urban local self-government. Programmes like PSCAP Sub-programme Urban Management, CBDS and several bi-lateral programmes contributed to this end. However the contribution of Urban Areas is still much below average of Sub-Saharan countries (contribution of 55% to GDP in Ethiopia compared with 85% in Sub-Saharan Africa<sup>2</sup>). The MDG Needs Assessment highlights as “complementary requirement addressing of the emerging urban agenda<sup>3</sup>”.

2. The PASDEP strategy mentions under the strategy “Geographically Differentiated Strategy, strengthening the Urban Agenda and Urban-Rural linkages” (p.13). PESDEP will achieve this by “(i) strengthening municipal governments and administrative institutions; (ii) investing in essential urban infrastructure; (iii) developing financing mechanisms that limit the demands on

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<sup>2</sup> PASDEP, page 5

<sup>3</sup> PASDEP, page 10

the public budget; (iv) continuing to improve the regulatory and licensing environment and urban land, which is needed both to reduce barriers to business, and to increase security and favor asset building by households; and (v) and increasing the availability of urban industrial land” (p. 13).

3. While the attention given to the “emerging urban agenda” is appreciated, the importance of the urban agenda still seems to be rather small, PASDEP describes the proposed strategy only in a small sub-chapter under “Chapter V Cross Cutting Sector, 5.6.4 Urban Governance” (p. 102). This sub-chapter addresses in a very general way a number of issues related to Urban Development in General and Urban Governance in particular. It must be recognized that this inclusion in PASDEP are important but remain too general and sketchy to address adequately the big challenge of Urban Growth, Migration, Physical expansion of towns and cities, Service Delivery and urban (un)employment and raising urban poverty.

#### *Comments*

The emerging urban agenda addresses many of the Urban Development challenges in a very general and not operational manner. Clear targets in terms of Urbanization and a policy in terms of regional urbanization patterns as well as the deconcentrated urbanization are not clearly visible. More commitment and clearer policy statements seem to be required to face the question of rapid urban growth. Although the recent creation of the Ministry of Works and Urban Development is giving the Urban Sector a higher visibility, the interaction between the Urban Sector, Regional Planning and the Woreda level remain weak and institutionally scattered.

5. The different policies and laws under preparation (Urban Development Policy, Urban Planning Law and sectoral policies mainly relevant for urban areas as the housing policy and others) should be enacted as soon as possible. The different policies must be better linked to fiscal decentralization, regional development policies and planning, and the Woreda level decentralization. The division of responsibilities for the decentralization process between different federal agencies (urban development, regional planning, Woreda support) makes the integration and complementarity of these policies difficult and should be streamlined (see also comment on Governance). Only in creating strong links among the federal agencies and between the federal, regional and local level synergies in integrated and coordinated extension of the urban and semi-urban (urban-rural linkages) infrastructure can be achieved.

6. The promotion of the private sector in terms of industrialization and modern service industry has been dealt with in the “private sector development” chapter. The urban agenda needs to create with a clear focus a framework conducive for the speedy development of the formal private sector.

7. Additionally attention should be paid to pro-urban poor urban development strategies related to shelter, appropriate and affordable municipal services, access to land for shelter and economic activities, and an enabling environment for activities in the informal sector of the economy.

8. The rapid growth of urban centers expected during the PASDEP period requires special efforts in the prevention of spontaneous urban extensions. In order to meet the MDG goal on reduction of slums, the elaboration and implementation of effective and efficient national and regional policies for Slum Prevention and Upgrading, based on international best practices, seem to be of utmost importance.

9. The implementation of the PSCAP sub-programme Urban Management and other programmes (f.ex. CBDSD, GTZ etc.) should provide an increased contribution in addressing the above mentioned issues. The present institutional arrangements as well as priorities may have to be revisited in order to speed up the deliverables required for the growth of a socially and economically vibrant urban sector.

### **Civil Service Reform and Capacity Building**

Though PASDEP does not directly address the Public Sector Capacity Building Programme (PSCAP), it does touch upon several aspects that constitute PSCAP. For example, the Civil Service Reform and Capacity Building Sub-Programme is one of the building blocks of PSCAP. The following are comments on the Civil Service Reform and Capacity Building Programme.

The PASDEP has outlined a number of institutional reform and capacity building initiatives of the Government including the public service delivery improvement policy (PSIP), a medium – term remuneration policy, a human resource development/management policy and a performance planning and management system. Steps to institute a gender responsive recruitment mechanisms and a public servants' code of conduct are all commendable efforts.

While PASDEP provides fairly detailed description of Government efforts at various fronts, it does not capture some of the challenges and structural problems the civil service is currently facing. One such is the lack of clarity in the roles of political leadership and the professional/technical staff across the civil service. There is a feeling that issues of separation of powers and cultivating the culture of professionalism are vitally necessary if a non-partisan, effective and efficient civil service is to be developed in Ethiopia.

Depletion of the public sector due to a continuing brain drain is another challenge, on which the reform programme/PASDEP remains silent. The explanation given for this is the public sector's low incentive schemes but it could also be argued (because of the mix up with politics), that public institutions do not create the necessary space and autonomy for technocrats to "freely" operate.

Without negating Government's efforts to fight corruption, these efforts are not connected with the reform programmes. Developing capacity is one issue while ensuring accountability and transparency is another thing. The two have to go hand-in-hand to achieve the desired objectives. The corruption reporting and complaint procedures should be as simple as possible, and the investigations as

fast, fair and transparent as possible to build public confidence. For anti-corruption campaign (in all its forms) to succeed, participation of civil society and the media are critically important.

Despite Government's recognition that the Public Service Delivery Improvement Policy (including the business process reengineering – BPR) as a civil service – wide performance management system, its roll-out has been very slow. To date (after five years), this programme is still confined within five Federal Ministries and their affiliates. Reference to government's intentions in this regard would make the document more complete.

Public Finance Management has generally received little attention. The document makes little reference to the on-going Decentralized Service Delivery Activity (DSA) project – the challenges encountered and next steps in this respect are not outlined. While we welcome some of the initiatives highlighted in the document, including plans to automate the financial system, standardizing internal audit reports and a promulgation of a procurement legislation, a target to reduce accounts and audit backlog of all budgetary institutions only by 50% by 2007 appears to be rather low accomplishment

The document does not adequately address regarding pressing issues such as poor accounting and reporting by implementing agencies, the management and accounting of specific purpose grants and application of offset mechanisms. While Government is determined to introduce gender responsive recruitment mechanisms, no reference is made to the completed Gender Budgeting Analysis project, which should facilitate the task of engendering the budgetary processes.

Finally, beyond reporting on past performances and outlining envisaged activities (inputs), the PASDEP does not fully and always show outputs/outcomes to be achieved by the end of the PASDEP period.

### **Civil Society and Conflict Management**

With regard to civil society<sup>4</sup>, we note that there is no direct discussion in the text relating to the role of civil society in the development of the country by being important actors and service providers. The PASDEP text should state this more openly and specifically; otherwise the matrix's outcome of "Enhanced civil society empowerment and participation..." goes unsupported. We concur with the draft CSO Capacity Building Programme of the Ministry of Capacity Building (which is referred to in the PASDEP text) that the challenges are to enhance the legal/institutional framework in which CSOs operate, strengthening their partnership with government and increasing CSO capacity and accountability to engage in policy dialogue and service delivery. To this effect the matrix could refer to the adoption of a new CSO Law (following meaningful consultations with

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<sup>4</sup> Civil society is hereby understood in its broad acceptance, including traditional NGOs, faith based development organisations, community based organisations, professional associations (including media associations or trade unions), mass organisations (women, youth), and national and regional development associations

CSOs) and streamlined administrative procedures (e.g. registration). The development of certain ground rules governing government/CSO partnership would be welcomed, including institutionalised information exchange and dialogue mechanisms which could be subject to indicators in the matrix. Lastly, it is of great importance to clearly state the commitment to enhancing CSO capacity, whilst at the same time recognizing that CSOs need to be accountable. This could be improved through developing a CSO code of conduct.

Conflict management is an area which the PASDEP does not touch upon. It is an important area within the governance sector, and some coverage of how internal conflict is managed and mitigated would strengthen the PASDEP significantly. This could include for example initiatives designed to enhance the accountability of the security sector. It could be folded in to the matrix with human rights, with a goal of “Increased capacity of federal and regional governments to identify and manage internal conflicts accountably”.

### **Policy Matrix**

As a general observation, the policy matrix covers more ground than the PASDEP text. The two documents need to be revised in order to ensure that the matrix accurately reflects the narrative text and that the two documents fully correspond with one another. For example, legal framework for media, as well as a discussion regarding elections is explored in the text although they are covered in parts of the matrix.

In general, the matrix coverage is uneven as the areas which are supported by sections within the public institutions matrix have detailed indicators and milestones identified (e.g. in the case of the justice sector and ICT). The areas that are solely covered in the governance chapter on the other hand, are not sufficiently detailed in the matrix.

In terms of alignment of text to matrix, the presentation of the justice sector would be clearer if all activities mentioned for the judiciary be regrouped in a separate paragraph/s under the rubric: “Strengthening the Judiciary”, as it is in the matrix. The same should be done for the activities falling under the “Law Revision and Law Reform”, “Law Enforcement Organ Capacity enhancement”, and the like.

The Governance TWG welcomes a continued dialogue with Government regarding the governance indicators in the matrix. For example we propose the inclusion of a number of high-level indicators for the seven thematic areas of the governance matrix. Currently no indicators are included for systems of justice delivery; so to this effect we propose two relating indicators ‘increased confidence of citizens in justice systems’, and ‘numbers of prisoners awaiting trial’. We also propose an indicator relating to accountable management of human rights and conflict issues (for output two) and the addition of an indicator covering parliamentary development (for output 3). For free expression and access to information we suggest the addition of an indicator relating to numbers

of private licenses issued (output 4). With regard to output 5 (decentralisation) we suggest two indicators relating to fiscal autonomy and service delivery.

We also have suggestions for a number of supporting outputs and related indicators for each of the outcome areas. This is particularly important in respect of areas that do not benefit from supporting entries in the public institutions matrix.

### **Cross cutting issues**

Although gender is a crosscutting issue the PASDEP matrix explicitly cites women's empowerment as an output/outcome in the matrix which is something we welcome.

There is also evidence of gender issues being appropriately reflected in the thematic areas. Improved access to information for women is mentioned as one of the action points to enhance the benefits of women in environmental management. Additionally, access to gender sensitive health information is highlighted as an important step for improving women's reproductive rights, health and HIV/AIDS status. There is recognition that access to sector-specific information is critical to the development process. There is also recognition that the work of the Human Rights Commission and Ombudsman's Office should reflect an appreciation of gender issues. We would however like to suggest changes to some justice indicators that involve disaggregation of data by gender.

One improved sectoral link that could be made is that between reforms envisaged in the governance text or matrix of PASDEP and government's multi-sector capacity building programme, PSCAP. For example, the text should explain how Government's PSCAP will be used to achieve the goals of the Comprehensive Justice System Reform Program. Currently there is no discussion on the relation between the two programmes even though the Justice System Reform Program is one of the six sub-groups of PSCAP.

### **Monitoring and Evaluation**

As noted above, those governance areas which are not supported by entries in the public institutions matrix, needs to be strengthened in the matrix both in terms of indicators and targets. Whereas those areas with particular supporting programmes (e.g. the District Level Decentralisation Programme, Justice Sector Reform Programme) information requirements are relatively clear, and there are well-established monitoring mechanisms.

The governance section would be strengthened by taking into account lesson learning activities. In particular a discussion on how lessons learned from the 2005 elections will be considered and used as a basis for future development would be welcomed. There are plans for lessons learned events with the NEB, but these are not reflected in either text or matrix. Also, there are lessons learned

activities planned for the previous Parliament support programme which should be referred to in the PASDEP.

M&E systems need to be established and institutionalised, with as broad an information base as possible. We would welcome the inclusion of CSOs in these mechanisms, CSOs, especially NGOs, have a long-term experience of M&E and participatory techniques, particularly at community level. They may be well placed to collect the required qualitative data, and so their inclusion in the participatory poverty assessments would be useful. In addition, through their proximity with local populations, they can play a role in disseminating information, hence contributing to enhanced ownership and awareness. These issues should be further discussed between Government and civil society, as suggested by PANE and CRDA.

### **Participation in the Process**

The technical reform processes outlined in the matrices and text have been developed within government, and as such consultations have taken place (e.g. with different organisations of judicial governance for the JSRP, and sub-federal actors for the DLDP). However, the extent to which other actors have been consulted in the development of other initiatives under the PASDEP (e.g. parliamentary consultation) is unclear.

Suggestions have been made by the civil society consortia PANE and CRDA to organise a joint stakeholder workshop to feed into the PASDEP's finalisation. These organisations have already performed reviews of the draft document and have tabled many useful recommendations, particularly concerning the enhanced empowerment and participation of civil society in the development process as a whole. We found the quality of the comments tabled by these CSOs such as to support the argument that they do have a potential role to play in policy analysis, implementation, monitoring and evaluation. We recommend that this capacity be exploited. The finalisation of PASDEP, which will constitute the overall framework for all stakeholders efforts towards poverty eradication and democratisation in the coming years, provides a significant opportunity to reinstate dialogue between Government and civil society.

The PASDEP recognizes the significant innovation of formulating macroeconomic and financing scenarios for five years, and transposing these into the rolling 3-year MEFF, all based on the comprehensive MDGs NA work conducted over the last year. Especially welcome is the acknowledgement that adjustments and further prioritisation might be needed, depending on evolving economic conditions and financing constraints.

However, as mentioned in the IMF comments, the discussion of macroeconomic policies would benefit from fuller elaboration of the development strategy. We understand that Ethiopia is pursuing a North East Asian style development agenda. This was referred to in early drafts of the MDG Needs Assessment Synthesis report, the 1998 Financial Sector Strategy, and discussed during the October 2005 Article IV IMF mission. The more gradual approach to liberalization that this agenda implies has important implications for economic policy implementation and focus that could be usefully spelt out in the PASDEP. In addition, a timeline and sequencing of envisaged reforms and liberalization would be useful. Similarly the PASDEP should address more clearly the financial sector strategy being pursued, and its implications for monetary policy. The strategy as outlined in 1998 does not allow for truly market determined interest and exchange rates in its earlier stages, and the limitations this presents to monetary policy implementation should be indicated.

**Furthermore, details are needed to provide a full assessment of the macroeconomic framework.** These include: the balance of payments including private capital flows; monetary projections; and off-budget fiscal activities, including the public enterprises. (It would be useful to include a table drawn from the Needs Assessment that summarizes total costs by year and clearly identifies the off-budget items)

Indeed, the DAG recommends that the framework be enriched by focusing on the following issues:

- **Adopting a well developed base - case scenario as the point of reference for PASDEP.** This scenario could reflect the current macroeconomic situation and a realistic assessment of the prospects for foreign financing in the short and medium term, in light of recent and ongoing revisions by major donors. This scenario should reflect the expenditure constraints associated with realistic projections of domestic and foreign financing, and how this would affect the achievement of the PASDEP objectives and, ultimately, the MDGs. The baseline scenario could also outline possible triggers or switches that could potentially relax financing constraints, and allow expenditure plans to graduate to higher case scenarios.

- **Outline the specifics underlying the scenarios.** There is a need to: (i) adjust both the expenditure and financing plans to the specific macroeconomic and financing frameworks corresponding to each scenario; (ii) describe the policy framework associated with each scenario, with particular reference to the scenario-specific factors assumed to determine the growth rate; and (iii) provide more details about the underlying factors affecting the domestic and foreign financing scenarios, including the anticipated triggers that could release increased financing, thus moving to a more ambitious scenario. It would also be useful to include a summary table showing total investment plans at the sectoral level, in relation to past expenditures, and tables on within-sector distribution as appropriate (e.g. on rural development, which has several key subcomponents).
- **Reconcile spending plans.** There is a need to translate the scenario-specific expenditure and financing plans into specific MEFF plans on year-by-year basis, building on the existing distinction between capital and recurrent expenditure.

One specific concern is that each of the PASDEP scenarios has a 7 percent growth rate for agriculture, which is very high. Even countries that experienced very rapid growth in agriculture, for instance in Asia, were only able to sustain annual growth rates of agriculture of a maximum of 5% over a decade. Since the targets for overall economic growth and poverty reduction are critically dependent on the assumptions for agricultural growth, it would be useful to strengthen the justification for these projections.

The PASDEP provides a section on Civil Service Reform and Capacity Building, which makes reference to a number of Public Finance Management reform initiatives. New and challenging initiatives mentioned include the introduction of Performance management systems, expenditure management, and the implementation of medium-term and strategic financial planning to be completed by 2007. PASDEP also refers to the implementation of ongoing initiatives, such as, closing the audit and accounts backlog, tax reform processes and procurement reforms.

In terms of the **alignment of the policy matrix**, the DAG offers the following suggestions:

- Although PASDEP covers some important proposals, the description of the new initiatives in the matrix is brief and provides little insight into concrete, forward-looking government planning. These matrix goals only cover on-going projects that are in closing stages. Rolling out of the Chart of Accounts in outcome 1 & 2 is already planned and being implemented. It would therefore be more effective to see the progressive reforms and policies that are reported in the PASDEP included in the matrix.

- Points raised by the DAG, such as, i) **improved planning and budgeting**, ii) **improved budget information**, and iii) **improved accounting and reporting on public spending** do not figure in the proposed PFM matrix. Areas of concern which government experiences are timely fiscal and budget reporting and the lack of adherence to the fixed budget calendar. Also, the lack of a comprehensive budget and political involvement in the guidance on the preparation of budget submissions also affect efficient planning and budgeting. These recommendations also figure in the framework of the PASDEP.
- Therefore it is important for the DAG to see these items reflected in the matrix since they form an essential part of donor assistance dialogue.
- Consequently **annual consolidated budget reports, in-year execution reports, year-end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities of central government** to allow a complete picture of central government revenue, expenditures across all categories, and financing.
- Furthermore, the PFM Committee underlines the importance of **reporting on extra-budgetary operations**, that is, federal government activities which are not included in the annual budget, such as, those funded through extra-budgetary funds for significant expenditures on extra-budgetary activities and should be included in fiscal reports, and for activities included in the budget but managed outside the government's budget management (mainly donor funded projects) to be included in government fiscal reporting. This indicator is also used in the Public Expenditure and Financial Accountability (PEFA) framework in the assessment and development of PFM systems.
- Of note is the need for government to require and receive **quarterly financial statements and audited year-end statements from autonomous government agencies and public enterprises**, and monitor performance against financial targets. This could help address the downfall of fiscal liabilities, that is, when government is required to assume responsibility of financial default of other public sector entities. The government should monitor these enterprises in a transparent and annual basis.
- Hence proposed indicators include:

Outcome: Improved credibility of the budget as a statement and record of intent

Indicator	Support
preparation of regional MTEF (4 regions by end	DAG

of EFY98, rest by end of EFY99, full consolidated MTEF in EFY 2000)	
composition of expenditure out-turn compared to original approved budget (PI-2)	DAG
aggregate revenue out-turn compared to original approved budget (PI-3)	DAG

Outcome: Improved budget information

<b>Indicators</b>	<b>Support</b>
comprehensiveness of information included in budget documentation (PI-6), as measured by increasing share of off-budget items included on-budget	DAG
public access to key fiscal information (PI-10), as measured by publication of the documents, discussion of budget, MTEF/MEFF in Parliament, etc.	DAG

### **Accounting/Reporting**

Outcome: Improved accounting and reporting on public spending

<b>Indicators</b>	<b>Support</b>
quality and timeliness of annual financial statements (PI-25), as measured by closing backlog of unaudited federal accounts / maintaining zero backlog	RvN, XF, MS, TH
BoFEDs make publicly available monthly [quarterly] budget execution data within [x] weeks of close of period and MoFED make publicly available monthly general government budget execution data within [x] weeks of end of period to which data refers	proposed by MS
legislative scrutiny of external audit reports (PI-28) - timely submission of audit reports to federal Parliament and parliamentary committees	proposed by TH

In terms of **cross cutting issues** (i.e. gender, children, population, HIV-AIDS, environment and capacity building), the DAG would recommend the development in the near future planning of gender-specific budgeting and data collection, for instance. These would both provide information on the number of women

working in line ministries and at which levels, and are ways of looking forward to empowering women (MDG 3), while also providing a situational analysis of women's role and opportunities in the workplace.

In terms of ensuring proper **M&E** of the policy matrix, for the annual review, the DAG would suggest that monitoring and evaluation activities include the following elements:

- Regular updates (written) on EMCP implementation in PFM Committee
- Macro updates provided by PFM Committee
- Timely reporting on budget implementation according to agreed format
- Evaluation of EMCP and preparation of new generation EMCP incorporating the new initiatives such as performance based budgeting.

**Stakeholder Participation:** The DAG recognizes the great importance of closely liaising with the regions. We understand that MoFED now has regular meetings with the BoFEDs. It would be of great interest for development partners to be informed on a regular basis about the main issues discussed and of concern.

## **Public Financial Management**

### *Strength*

- PASDEP provides a section on Civil Service Reform and Capacity Building, which makes reference to a number of Public Finance Management reform initiatives. New and challenging initiatives mentioned include the introduction of performance management systems, expenditure management, and the implementation of medium-term and strategic financial planning to be completed by 2007. PASDEP also refers to the implementation of ongoing initiatives, such as, closing the audit and accounts backlog, tax reform processes and procurement reforms.

### **Policy Matrix**

- Although PASDEP covers great and important proposals, the description of the new initiatives in the matrix are very brief and do not provide enough insight into concrete forward looking government planning. These matrix goals only cover on-going projects that are in closing stages. Rolling out of the Chart of Accounts in outcome 1 & 2 is something that is already planned and being implemented. It would therefore be more effective to see the progressive reforms and policies that are reported in the PASDEP included in the matrix.
- Points raised by the DAG, such as, i) improved planning and budgeting, ii) improved budget information, and iii) improved accounting and reporting on public spending do not figure in the proposed PFM matrix. Areas of concern which government experiences are timely fiscal and budget reporting and the lack of adherence to the fixed budget calendar. Also, the lack of a comprehensive budget and political involvement in the guidance

on the preparation of budget submissions also affect efficient planning and budgeting. These recommendations also figure in the framework of the PASDEP. Therefore it is crucial for the DAG to see these items reflected in the matrix since they form part of donor budget support and in general are requirements to donor assistance dialogue.

- Consequently annual consolidated budget reports, in-year execution reports, year-end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities of central government to allow a complete picture of central government revenue, expenditures across all categories, and financing.
- Furthermore, the PFM Committee underlines the importance of reporting on extra-budgetary operations, that is, federal government activities which are not included in the annual budget, such as, those funded through extra-budgetary funds for significant expenditures on extra-budgetary activities and should be included in fiscal reports, and for activities included in the budget but managed outside the government’s budget management (mainly donor funded projects) to be included in government fiscal reporting. This indicator is also used in the Public Expenditure and Financial Accountability (PEFA) framework in the assessment and development of PFM systems.
- Of note is the need for government to require and receive quarterly financial statements and audited year-end statements from autonomous government agencies and public enterprises, and monitor performance against financial targets. This could help address the downfall of fiscal liabilities, that is, when government is required to assume responsibility of financial default of other public sector entities. The government should monitor these enterprises on an annual basis in a transparent way.

- Hence proposed indicators include:

Outcome: Improved credibility of the budget as a statement and record of intent

<b>Indicator</b>
preparation of regional MTEF (4 regions by end of EFY98, rest by end of EFY99, full consolidated MTEF in EFY 2000)
composition of expenditure out-turn compared to original approved budget (PI-2)
aggregate revenue out-turn compared to original approved budget (PI-3)

Outcome: Improved budget information

<b>Indicators</b>
comprehensiveness of information included in budget documentation (PI-6), as measured by increasing share of off-budget items included on-budget
public access to key fiscal information (PI-10), as measured by publication of the documents, discussion of budget, MTEF/MEFF in Parliament, etc.

### **Accounting/Reporting**

Outcome: Improved accounting and reporting on public spending

<b>Indicators</b>
quality and timeliness of annual financial statements (PI-25), as measured by closing backlog of unaudited federal accounts / maintaining zero backlog
BoFEDs make publicly available monthly [quarterly] budget execution data within [x] weeks of close of period and MoFED make publicly available monthly general government budget execution data within [x] weeks of end of period to which data refers
legislative scrutiny of external audit reports (PI-28) <ul style="list-style-type: none"> <li>- timely submission of audit reports to federal Parliament and parliamentary committees</li> </ul>

### **Cross cutting issues**

In the near future planning of engendered budgeting, and data collection, for instance, which provides information on the number of women working in line ministries and at which level are ways at looking forward to empowering women (MDG 3) and also provide a situational analysis of women's role and opportunities in the working sphere.

### **Monitoring and Evaluation**

Suggested monitoring and evaluation activities include:

- Regular updates (written) on EMCP implementation in PFM Committee
- Macro updates provided by PFM Committee
- Timely reporting on budget implementation according to agreed format
- Evaluation of EMCP and preparation of new generation EMCP incorporating the new initiatives such as performance based budgeting.

### **Process - Participation**

- Of great importance is the need to closely liaise with the regions. We understand that MoFED now has regular meetings with the BoFEDs. It would be of great interest for development partners to be informed on a regular basis about the main issues discussed and of concern.