

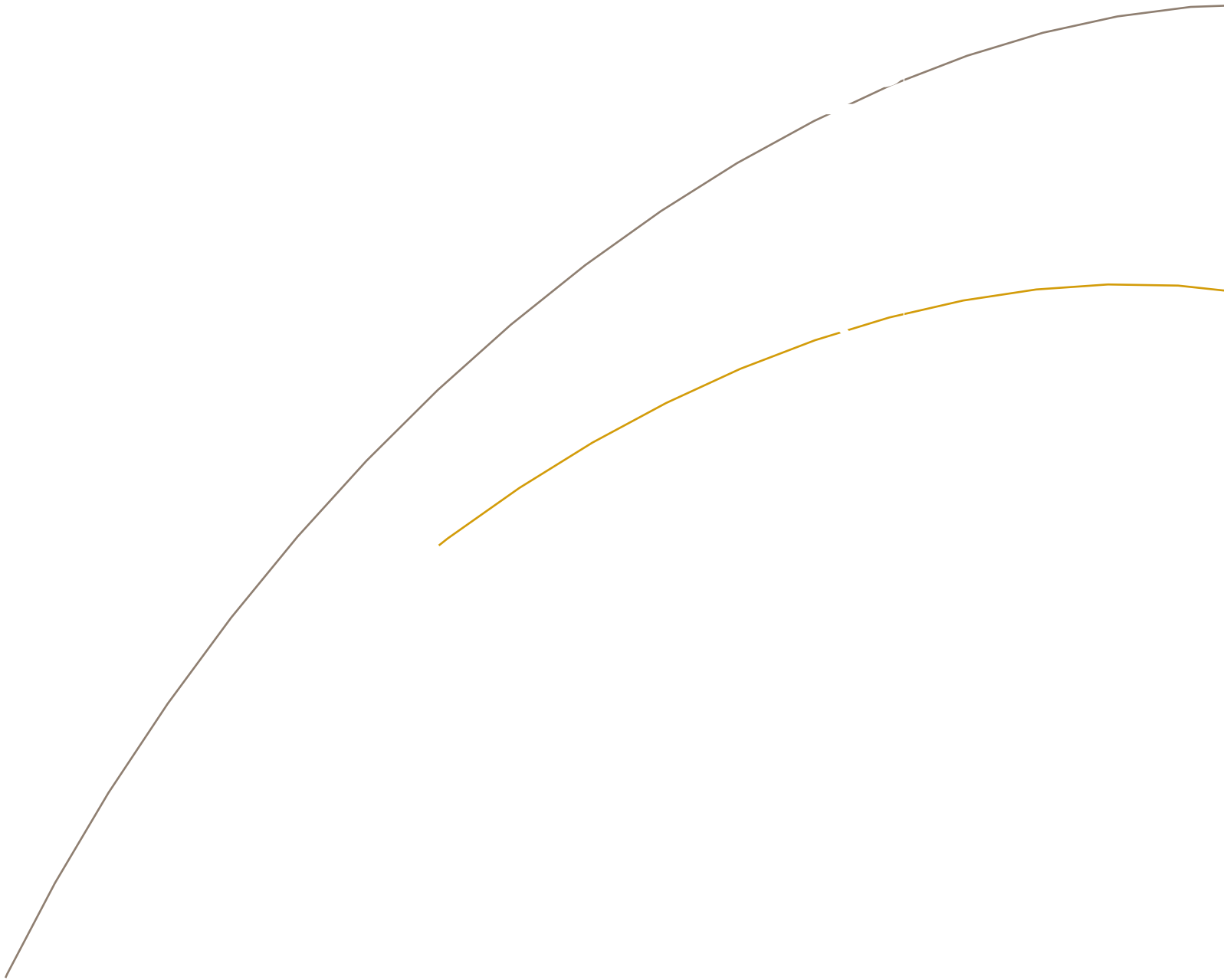
DAG

Development Assistance Group ETHIOPIA

# Development Effectiveness Ethiopia

2012-2013







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## Foreword

The Development Assistance Group (DAG) has existed since 2001 and seeks to promote the more effective delivery of official development assistance (ODA) and foster cooperation and coordination among all development partners and the Government of Ethiopia.

The past year and a half has seen many successes. Three Government-DAG High-Level forums; one annual GTP progress report consultation; common messaging on themes such as villagization and private sector development; engagement with the Chinese ambassador; and an active effective development cooperation task force chaired by MOFED have all contributed to more effective development cooperation in Ethiopia.

As part of the restructuring efforts in 2012, three thematic DAG funds were consolidated into one DAG Pooled Fund, which supports GTP and MDG implementation as well as the work of the DAG secretariat and effective development cooperation task force. A DAG Pooled Fund Steering Committee composed of MOFED and DAG members was constituted in early 2013 to provide strategic direction to the annual work plan.

The next year will be critical as Government and development partners embark on the first monitoring exercise since the Busan Partnership for Effective Development Cooperation came into effect in December 2011. It also marks the midpoint of the Growth and Transformation Plan implementation. Together with Ethiopia's continued high growth and ambition to become a middle-income country, the stage is open for Government and development partners to come together in even closer cooperation in support of the country's development results.

Please enjoy reading this annual report, which provides an overview of the activities and successes the DAG has achieved in partnership with the Government of Ethiopia. In order for future reports align with the Ethiopian fiscal year, we have decided to cover a period of 18 months in this report, from January 2012 to July 2013.

Lamin G. Barrow  
Resident Representative  
African Development Bank

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Head of Mission  
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## Background: Ethiopia's Development Assistance landscape

There are over 30 active development partners in Ethiopia operating in more than 13 sectors. These include bilateral and multilateral partners as well as providers of south-south and triangular cooperation. Despite receiving one of the largest volumes of development assistance in all of sub-Saharan Africa (\$3.57 billion)<sup>1</sup>, Ethiopia's country programmable aid per capita (\$32) is still lower than the sub-Saharan African average (\$40).

In 2011, Ethiopia received \$3.57 billion in development assistance, which includes over \$600 million of humanitarian aid.<sup>2</sup> Although official figures for 2012 are not yet available from the OECD-DAC, of the 24 development partners that report forward spending information (representing close to 20% of country programmable aid in Ethiopia), the majority increased their development assistance in 2012, and aid recorded on-budget by MOFED reached \$2.6 billion in EFY 2004 (July 2011-June 2012).<sup>3</sup>

The health sector (including reproductive health) receives the largest share of ODA at 21%, followed by 17% in humanitarian aid. This is closely followed by commodity assistance (13%), economic infrastructure (12%), multi-sector programs (9%), education (8%), other social infrastructure (6%), agriculture (5%), water and sanitation (4%), government and civil society (3%), other productive sectors plus environment (2%), and other (5%). Development assistance to Ethiopia is composed of 81% grants and 19% concessional loans.<sup>4</sup>

Although their development finance to Ethiopia is not reported to the OECD-DAC, according to the Ministry of Finance and Economic Development (MOFED) China provided \$386 million, India provided \$59 million, and Saudi Arabia \$19 million in EFY 2004 (July 2011-June 2012).

In the absence of bilateral budget support in Ethiopia, large multi-donor and multi-sector programs have been put in place. These include the Promoting Basic Services Program (PBS Phase III); the Productive Safety Net Program (PSNP Phase III); and the General Education Quality Improvement Project (GEQIP). Over

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<sup>1</sup> All dollar amounts refer to US dollars.

<sup>2</sup> OECD (2013), DAC Aggregates and Creditor Reporting System, Paris. <http://www.oecd.org/development/aid-architecture/cpa.htm>

<sup>3</sup> MoFED (2013), "Ethiopia EFY 2004 Annual Statistical Bulletin on Official Development Assistance", Addis Ababa.

<sup>4</sup> This refers only to development assistance disbursed by DAC countries and multilateral agencies in Ethiopia (DAC Aggregates, OECD, Paris, 2013).

20% of the total country programmable aid to Ethiopia is provided by 13 development partners<sup>5</sup> to these three programs. A further 37% of development assistance comes from multilateral agencies (including international financial institutions, regional development banks, and the United Nations funds and programs). This leaves around 43% of country programmable aid outside the multilateral or pooled fund system.

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The DAG currently comprises 25 donor agencies providing development assistance to Ethiopia within the Paris Declaration principles of aid effectiveness and harmonization. DAG members include:

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African Development Bank (AfDB), Australia (AusAID), Austria, Belgium, Canada, Denmark, European Union, Finland, France, Germany (German Embassy, GTZ-Ethiopia, KfW), IMF, Indian Embassy, Ireland, Israel (joined Sept.2013), Italy, Japan (Japan Embassy, JICA) the Netherlands, Norway, Sweden, Spain (AECID), Turkey (TICA), United Kingdom (DFID), UN (UNICEF, UNDP, WFP), the United States (USAID) and the World Bank.

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## Aid Coordination Architecture

The Development Assistance Group (DAG) includes representatives from 24 development partners. The coordination architecture in Ethiopia consists of sectoral DAG technical working groups; donor-government sector working groups; and donor working groups. Overarching this structure are the DAG Heads of Agency, Government-DAG High-Level Forums, the Effective Development Cooperation Taskforce, and the Government-DAG consultation reviewing the implementation of the Growth and Transformation Plan (GTP). Together, these constitute the framework for dialogue, coordination, and harmonization among development partners and the Government in Ethiopia.

The Development Assistance Group (DAG) has been fostering information sharing, policy dialogue and harmonized donor support to Ethiopia since 2001 in order to enable the country to meet the targets set in the Millennium Development Goals (MDGs). The DAG also assists in the preparation of the annual progress report of the country's Growth

and Transformation Plan (GTP). The development assistance structure includes sector working groups, donor working groups and technical working groups.<sup>6</sup>

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<sup>5</sup> African Development Bank, Austria, Canada, DFID, European Union, Finland, World Bank-IDA, Ireland, Italy, the Netherlands, Sweden, USAID, and the World Food Program.

<sup>6</sup> See Annex 1.

## Ethiopia's Growth and Transformation Plan

The DAG has supported Ethiopia's national development plans since the design of the first Poverty Reduction Strategic Paper (PRSP) and this engagement has continued through to the current five-year Growth and Transformation Plan (GTP) for the period leading up to 2015.

The DAG has utilized its collective voice to engage in a harmonized manner, technically through the donor-government sector working groups, and using the High Level Forums and Effective Development Cooperation Taskforce to dialogue at senior policy level.

This dialogue has helped build consensus around policy issues and provides a platform for the DAG to highlight areas of concern or progress. One area of substantial progress achieved by Government is the high economic growth and poverty reduction efforts, which are supported by a strong focus on poverty spending. While inflation rates increased considerably in 2011, Ethiopia has decided to tighten its monetary policy resulting in a notable reduction in the rate of inflation. Year-on-year inflation in July 2013 is 8%, having declined from a high of 38.1% in June 2011

In the midst of this progress, the private sector remains an issue of concern, particularly in the area of access to credit. The World Bank's Ease of Doing Business index (2012) ranked Ethiopia 111th out of 183 countries. The question of limited capacity at the lower administrative levels has also had a negative impact on the creation of an environment conducive to private sector development.

Agriculture, a sector that accounts for over 80% of employment and 44% of the GDP remains a major focus area of Ethiopia's Growth and Transformation Plan (GTP). In September 2012 Ethiopia became a member of the G8 New Alliance for Food Security and Nutrition countries. Unfortunately and despite significant investment in the sector, the recent annual progress report highlights that the sector has fallen short of the GTP target of 8.5% for 2011/12 having only registered 4.9% growth.

Productivity of the agriculture sector also showed mixed results and requires further research to identify causes. The news appears good for smallholder farmers who witnessed an increase in productivity in 13 out of 16 crops. On the other hand



commercial farmers saw a fall in productivity in 14 crops with productivity of maize and wheat reduced by half.

Other areas that need to be explored are export targets for agricultural products, that had previously done well including coffee and flowers, which have unfortunately fallen below targets.

Medium- and large-scale manufacturing grew 18.6%, exceeding the 2010/11 performance of 14.1%. Export revenue from manufacturing increased in all the subsectors (textile/apparel; leather; agro-processing; and pharmaceuticals/chemicals) from the previous year, but export earnings are still not attaining their GTP targets due to problems of low productivity, lack of input supply, and other structural challenges. Capacity building of the private industrial sector and industrial zone development are some of the ways in which Government is addressing these issues.

Ethiopia has invested heavily in the social sectors. Strong progress has been made in education enrolment rates, and while the outlook is encouraging there is some concern at the quality of education as well as the now stagnating net enrolment rate for primary education at 85%. High dropout rates in grade 1, which stands at one out of five children; the low gross enrolment rate for lower secondary and the relatively high female dropout rate in post graduate programs are all areas of concern.

In the area of health, the country has witnessed significant improvements in the coverage of services in recent years, particularly resulting in reduced child mortality and decline in HIV prevalence. Ethiopia is still facing challenges in reaching globally-set MDG targets for maternal health.

The DAG has also identified that improving the Health Management Information System can bring about improvement in planning and resource allocation.

## High-Level Forums (HLF)

High-Level Forums constitute a formal forum for dialogue between the Government of Ethiopia and the Development Assistance Group (DAG). Recent Forums covered themes ranging from private sector development, the commune development program, civil society, aid effectiveness and resilience building. Two Government-DAG High-Level Forums took place in 2012 and one took place in the first half of 2013.

Highlights from the past High-Level Forums include:

- The 13th High-Level Forum took place on 7 June 2012 and discussed support to developing regional states; the contribution of the private sector to the Growth and Transformation Plan targets; the use of country systems by development partners; the disaster risk management investment framework; and civil society.
- The 14th High-Level Forum held on 20 November 2012 discussed GTP financing, implementation and sequencing. Participants underscored the importance of private sector development for economic growth, discussed civil society issues and, finally, resettlement program benefits and challenges, emphasizing the importance of consultations with local communities.
- The 15th High-Level Forum held on 10 July 2013 centered on private sector development and underscored the importance of the private sector in contributing towards the Growth and Transformation Plan targets. The main challenges identified were lack of infrastructure and human resources; relatively weak private sector; and logistical and transport bottlenecks. Dialogue around where development partner can best support the Government's efforts. Areas for common action include support in the enhancement of the one-stop shop; access to finance; transport and logistics; and venture capital and equity.

## Effective Development Cooperation Task Force

The Effective Development Cooperation Taskforce is chaired by the Ministry of Finance and Economic Development and regularly convenes Government officials, the European Union, Italy, the World Bank and the United Nations Development Program.

In 2012, members worked on the action plan, which was revised at the beginning of this year and includes proposed actions throughout 2013 to support the following five objectives:

1. The first objective is to support dialogue by ensuring that each of the ten sector working groups has approved terms of reference, and that they meet regularly with the Effective Development Cooperation Taskforce.

In particular, the idea was to support the new sector working groups (PFM, Gender, PSD&T, Water, and M&E).

2. The second objective is to increase the quality and use of the country's public financial management (PFM) and procurement systems and promote aid untying. To this end, joint diagnostic assessments were commissioned to take stock of issues related to PFM and procurement in the various programs in Ethiopia. Clear targets and actions were drafted to progressively use PFM and procurement, which should be tailored to each development partner.

Finally, the use of country systems will be regularly monitored by the taskforce and will feed into the post-Busan Global Partnership for Effective Development Cooperation.

3. The third objective is to increase aid transparency. This includes installing the new version of the aid management platform for donors to provide MoFED with information on their development assistance on a quarterly basis.
4. The fourth objective is to improve the annual and medium-term predictability by encouraging development partners to provide indicative multi-year disbursement forecasts to Government.

5. The fifth objective is to ensure development results meet Ethiopia's national priorities and promote mutual accountability. This includes monitoring Growth and Transformation Plan (GTP) progress through the annual joint review of the progress report and issuing a bulletin to explain how development assistance contributes to the Growth and Transformation Plan (GTP).

The Taskforce has met every 3-6 months to finalize and assess progress against the action plan, prepare for the various High-Level Forums and to strengthen and support the work of the Monitoring and Evaluation and PFM Sector Working Groups.

Five indicators measured at the country-level measure global commitments made in the Busan Partnership for Effective Development Cooperation,<sup>7</sup> and will inform the global post-Busan monitoring exercise. The Effective Development Cooperation Taskforce, together with MoFED and the DAG, will play an instrumental role in this exercise currently underway via consultations and through the validation of data.

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<sup>7</sup> These include: (1) development cooperation is focused on results that meet national priorities; (2) development cooperation is more predictable; (3) aid is on budget subject to parliamentary scrutiny; (4) mutual accountability is strengthened; and (5) use of country PFM and procurement systems increases.

## Steering Committee of the Global Partnership for Effective Development Cooperation

The third meeting of the Steering Committee for the Global Partnership for Effective Development Cooperation took place in Addis Ababa at the African Union on July 25-26. Participants discussed African priorities for the Global Partnership and development co-operation more broadly in the run-up to the first ministerial-level meeting to be held in Mexico in 2014. Steering Committee members developed a vision for the first Global Partnership Ministerial-level meeting and a political vision for the Global Partnership within the broader context of the post-2015 development agenda.

To capitalize on the high-level representation in Addis during this period, an enlarged-membership of the Effective Development Cooperation Task Force met with UNDP Assistant Secretary-General, Ms. Sigrid Kaag. Ms. Kaag provided the global picture driving the development effectiveness agenda, including building compacts with an expanded set of development partners. National ownership practically means that countries are setting their own agendas, but challenges arise when it comes to reporting on similar commitments across many different country contexts. The post-2015 agenda is in one sense tied in with the post-Busan work when it comes to looking at the “successor” to MDG 8. Finally, she stressed that mutual accountability is the real driver for change in the development partnership model.

During this meeting government officials stressed the importance of development effectiveness realizing real results and impact. In this vein, they reiterated the importance of using country systems and in particular the public financial management system, which continues to demonstrate its robustness after serious reform.

## Aid Management

In March 2013, a report outlining options for strengthening tools for results-based management and suggested actions was published. Part of this report assesses the current monitoring and evaluation systems in place to see how the management and effectiveness of development assistance in Ethiopia could be improved upon. The assessment covered key government institutions and development partners. The implementation of these policy options would enable the Government of Ethiopia and development partners to monitor the contribution of Development partners to the GTP.

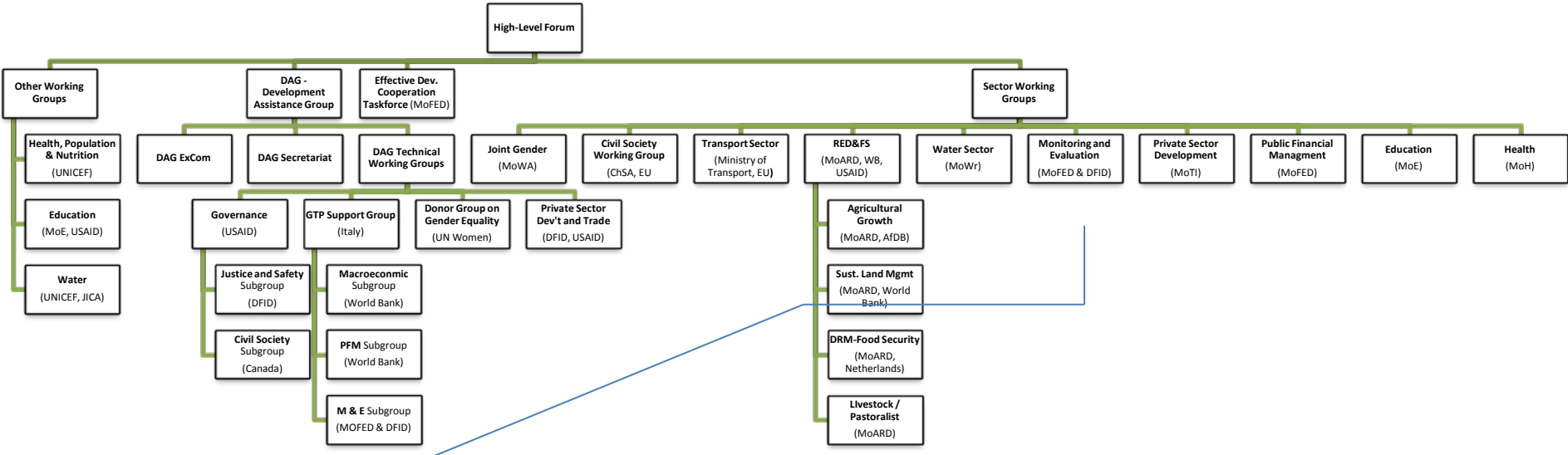
The aid management platform (AMP) was upgraded from version 1.16.18 to the latest version of 2.4.4 in early 2013. This upgrade created a more user-friendly portal and allowed users to access additional features. For example, AMP reports, activities and structures can now be generated and tailored to specific criteria, and an additional feature will simplify the derivation of the Busan Global Partnership monitoring indicators.

Following the upgrade of the AMP and organization of training, 39 AMP focal persons from the development partners (23 new and 16 existing AMP users) plus 13 government officials acquired skills to generate reports and enter data using the new version of AMP. The AMP training was also used as a forum to discuss issues related to the operationalization of AMP with the Development Gateway, the developer of the software. Major issues discussed included improvements in development partners' data collection methodology; dataset improvements; the need for a donor scorecard module; and network connectivity issues.

The AMP training was facilitated by focal persons who had been trained in 2012 in Dakar, Senegal. The facilitators applied skills learned in Dakar, including:

- Visualization of Aid Data through geocoding and dash board will help decision makers in donor mapping and allocating development assistance to relevant sectors and regions.
- Importance of interfacing of AMP data into public financial management systems.

# Annex A. Aid Coordination Architecture



## Annex B: DAG Technical and Sector Working Groups: Summary of Activities

### Governance

The overarching thrust of the work of the Governance Technical Working Group (GTWG) is to support and enhance effective delivery and utilisation of development assistance within the fold of governance, through improved coordination, harmonisation and mutual accountability.

**Coordination and Harmonisation:** The GTWG undertook a mapping exercise to identify the scope, orientation/methodology and beneficiaries of various programmatic interventions in the governance sector. The GTWG provided a forum for information exchange and reflection on technical issues on evolving political process (e.g. elections) and development partners' engagement with them. Moreover, the GTWG afforded development partners the opportunity for continuous peer-learning and sharing of best practices on programming in the realm of governance. Specific attention was paid to emerging practices on programming on social accountability. The outcome of the peer-learning suggested that future programming on social accountability in Ethiopia should seek to strengthen transparency/citizen engagement; increase knowledge and awareness on part of public and government officials down to woreda level; energize "information seeking behavior"; and invest in building social accountability capacities especially community scorecards.

**Mutual Accountability:** The GTWG provided a consistent and predictable forum for engagements among Development Partners (DPs) to observe and monitor implementation of the governance component of the GTP and to share information on the implementation of bilateral and multi-donor programmes. The group also reflected on the evolving policy environment (e.g. the Telecom Fraud Proclamation) and its impact on development cooperation. The outcome of these engagements resulted in a consensus that whilst there is increased alignment of development assistance to the governance component of the GTP and the policy matrix, there is need for an improved joint M&E framework - enhanced accuracy and adequacy of data and SMART indicators - to collectively and individually assess established progress and challenges of the governance component of GTP implementation.

Efforts to strengthen the impact and effective utilization of development assistance and policy dialogue with Government were mostly delivered through the following GTWG's subgroups, as detailed below.



## Civil Society Sector Subgroup (CSSG)

**Support to DAG Policy Dialogue with Government:** The CSSG provided technical support on (civil society component) for the DAG's participation in the consultation of the Annual Progress Report.

Technical support provided by the CSSG focused on the following areas:

- Improved operations of the CSSWG;
- Implementation of the Charities and Societies Proclamation (ChSA) guidelines;
- Disposition of frozen funds and other assets and;
- CSOs contribution to GTP.

The support facilitated efforts at adapting the 30/70 guidelines. For example, the Charities and Societies Agency (ChSA) has increased the number of clusters and changed the category of some salaries to operations.

The subgroup also facilitated and supported development partners' participation in the Civil Society Sector working Group (CSSWG). Support was provided in the following areas: how to improve the operations and quality of discussions in the CSSWG; implementation of the 30/70 guidelines, study on the contribution of CSOs contribution towards Poverty reduction and National Development. The frequency of the CSSWG meetings have increased and there is a donor-wide consensus that priority categories that should be moved from being classified as administrative costs to operational costs are: project transport expenses, project staff salaries, benefits and per diems; monitoring and evaluation fees; capacity building expenses; and consultancy fees. In addition, there is agreement that the definition of beneficiaries should be broadened. Discussions (within the CSSWG) are ongoing on the following thematic areas: transportation and capacity building; gender-based violence and harmful traditional practices; and exploration of the 70/30 impact on Ethiopian-based associations.

**Evidence-based advocacy:** Through the project, Tracking Trends in Ethiopia's Civil Society Project (TECS), the subgroup undertook advocacy work on Gender-based Violence and Harmful Traditional Practices; Health and Education (including Technical Vocational Education and Training TVET) with relevant line ministries. A study was conducted on CSOs and People living with Disabilities (PwD) and the Elderly, and another one on Early Evidence Gathering of the 70/30 Guideline implementation. The later study ascertains the number of CSOs that are not complying within the 30/70 guideline, teases out reasons for non-compliance and examines how the guideline has affected operational change. Based on the 2011 financial audit of some CSO, the findings of the study suggest over 80% of CSOs are not complying with the guideline.

Through TECS, the CSSG was able to regularly gather, synthesize and disseminate information on implementation of the CSP. Three information briefs

(Information Update on renewal of licenses, intermediary INGOs, and property assets, clearing, transfer and liquidation) were circulated. These briefs are critical in monitoring implementation of the CSP and enriching dialogue with government.

As part of efforts to improve evidence based advocacy and dialogue with government, the CSSG agreed that TECS should be extended, for two years but with slightly revised TORs. TECS is an initiative of the Civil Society Sub Group (CSSG) of the Development Assistance Group.

**Consultation with CSOs:** The CSSG through TECS, consulted with four informal groupings of INGOs (from members of the BINGOs, CANGOs, Humanitarian Access Group, and French funded NGOs). The subgroup also engaged four of the largest network organisations (CCRDA, PANE, CORHA and the Pastoralists Forum). The objective of the consultation was to ascertain how CSOs are implementing the CSP. The consultations resulted in a demand for a nuanced understanding on the following issues: Financial controls on CSOs; Foreign permits and “poaching” of Ethiopian staff by the CSO sector; shifts in funding and programme areas by donors across the sector; gender based violence (GBV); and volunteering.

**Capacity development and Programmatic Support:** On behalf of the CSSG, TECS facilitated two exposure visits to CSOs by technical staff of the ChSA. The exposure visits are meant to acquaint the staff of the ChSA with the working/operations of CSOs. These visits have also served as opportunities for dialogue between ChSA and CSOs on implementation of the CSP.

### **Justice, Safety and Conflict subgroup**

**Support to DAG Government Dialogue:** The subgroup provided technical inputs to the DAG’s engagement in the annual review of the GTP. As follow-up to the outcome of the consultation of the annual review of the GTP, the subgroup is in the process of developing recommending indicators which would help government properly capture implementation progress of the GTP.

**Harmonisation and Alignment:** The subgroup engaged the Ministry of Justice to explore opportunities for alignment and donor harmonisation in supporting implementation of the justice component of the National Human Rights Plan. This engagement resulted in a consensus that the Plan could be central to harmonising donor support in the justice sector as it clearly articulates government’s priority and represents greater country ownership.

The subgroup is in the process of developing a harmonization strategy to guide the future work of the subgroup. The strategy emanated from a mapping exercise to

ascertain various programmatic supports for the justice sector and identify opportunities for harmonisation. The strategy will help frame collective and individual actions to enhance effective development cooperation in the justice sector.

Coordination: The subgroup reflected on the issue of human trafficking. The conversations resulted in a consensus that government's policy orientation on human trafficking needs improvement with regards to legal clarity, capacity building and bilateral/regional coordination. The subgroup also reflected on legal aid and underscored the importance for the GoE to develop a comprehensive policy in order to enhance ownership, regulation, coordination, quality, coverage, awareness, and sustainability.

## Water

The Water Donor Working Group's membership extends to bilateral donors, international financial institutions, multilateral agencies, and civil society representatives. Government officials are invited on ad hoc basis to provide sector updates

The Water working group offers support to the Government in the implementation of Ethiopia's Water Resources Management policy and strategy and sector programs guided by the Growth and Transformation Plan (GTP). Key functions of the Group are to coordinate donor activities by sharing information among donors and to promote and engage in active dialogue with the Federal Government on water, sanitation and hygiene (WASH) and on water resource management on a regular basis at senior level. This involves discussing key issues related to development and water with all relevant stakeholders in the country, including local governments, NGOs, civil society and private sector organisations.

Established in 2002, the Water Technical Working Group holds discussions around two main thematic areas: 1) water supply, sanitation and hygiene (WASH); 2) Water Resources (which may include hydropower, irrigation and integrated water resource management)

In 2012 the Water working group activities and policy dialogue mainly focused on the WASH sub-sector with limited discussion on broader water resources topics. They included:

- Supporting efforts to harmonize interventions and establish programmatic approach in the WASH sector;
- Support to the GoE in strengthening the integration and coordination mechanism for WASH;
- Promote the establishment of government-led water sector working group (WSWG);
- Support the refinement and verification of the sector data and M&E system in WASH;
- Support the Government in promoting the application of cost-effective water supply schemes;
- Contribute to the identification of issues and developments in the sector for future policy.

**Modes of engagement:** The Water working group's regular monthly meetings provide a platform to review sector performances, exchange ideas, and share experiences. Government sector officials are invited to some of the meetings to provide updates and receive feedbacks from the group. In a more inclusive arrangement including government officials, the group conducted two joint technical reviews (JTR 6 & 7) and a Multi Stakeholder Forum (MSF 5) to discuss policy and strategic issues as identified during the technical review and monthly meetings. MSFs gave the group an opportunity to directly engage with regional

bureaus and other sector actors. The group was also represented by its co-chairs to conducted meetings with higher officials on specific sector issues.

Especially, this year's JTR 7 consulted with federal sector institutions including the Ministry of Finance and Economic Development (MoFED), the Ministry of Education (MoE), the Ministry of Health (MoH), and the Ministry of Water and Energy (MoWE) with the aim of reviewing the status of sector coordination at federal level and the actions to ensure its implementation.

In 2012, the Water Working Group contributed substantially to the Government's achievements in the following areas:

- The sixth and seventh Joint Technical Review (JTR) and the fifth Multi-Stakeholder Forum (MSF 5) were successfully completed. In particular, JTR 7 helped to establish better understanding and consensus with the sector ministries on the concept of integrated WASH program and options for supporting its implementation. The review also led to signing of the WASH-MOU among sector institutions and clarified issues in the WIF related to funding arrangement.
- The national WASH inventory, which received intensive technical and financial support from donor partners, was completed, leading to a more realistic baseline data on access to water supply and sanitation. The complementary integrated web-based WaSH M&E- management information system is nearly completed.

Guidelines and manuals were developed for improved performance in water supply, sanitation and hygiene with technical assistance and direct involvement of the donor partners as members of task force and technical teams. These include: Guidelines for implementation of self-supply; Community-led Total Sanitation and Hygiene (CLTSH) Guidelines including in Amharic and other local languages; School WaSH design Manual; and the Health Facility WaSH Design Manual in 2012 finalized.

### Steps taken towards the Government-led Water Sector Working Group

The terms of reference for the Government's Water Sector Working Group, including establishment of sub groups for WASH and Water Resources, were developed with the active support of the Water donor working group. The terms of reference of the Water Sector Working Group Secretariat were also developed, and the multi-donor Capacity Building Facility was used for the initial support for the establishment of the Secretariat. The primary objective of the Water Sector Working Group is to provide a forum for Government and Development Partners to jointly promote, support and coordinate sustainable and integrated development and

management of water resources for socio-economic development of Ethiopia in line with the GTP and its follow-up on development plans.

The focus in 2013 is operationalizing the Water Sector Working Group to make it an effective platform for regular dialogue with Government on development and water. Other areas of focus in the WASH sector for 2013 are mainly identified as undertakings during the multi-stakeholder forum. The Water Donor Working Group will continue its support towards successful implementation of the undertakings in term of budget, capacity building and technical assistance. These undertakings include:

- i. Implementation of One WASH National Program as per the WASH Implementation Framework.
- ii. Implementation of signed WASH –MOUs at all levels,
- iii. Ensuring the functionality of WASH services,
- iv. Establishment of robust monitoring and evaluation system
- v. Development of water and improved sanitation safety procedures, capacity and processes

The DAG Water TWG held a retreat in February 2013 to agree on the priority issues to focus during 2013 and to develop an Action Plan for the year.

## Private Sector Development and Trade

The key focus areas and engagement strategy used for the Private Sector Development and Trade (PSD&T) Working Group during 2012 has been on agreeing the approach to transforming the group into a donor-government sector working group by involving the Ministry of Industry in a more formal and systematic way.

Additionally, work has been carried forward in coordinating the activities of donors via the sub-groups in the key areas of 1) access to finance, 2) value chains and 3) development of a multi-donor fund.

Broad agreement has been reached to the revised Terms of Reference for the PSD Sector working group, which is now pending final approval.

General agreement has also been reached to the approach under the multi-donor fund, and negotiations are largely complete with the International Finance Corporation (IFC) to manage the fund on behalf of the donors.

Key discussions were held around important areas of private sector, Government and donor activity. This included, for example, a discussion involving representatives from the Ministry of Industry on revisions to investment law. This provided an opportunity for Government and Development Partners to flag issues regarding the structure of the law and its implementation.

**Partnerships:** The group encourages the participation and thereby fosters more effective participants of a range of actors, including the main donors active in private sector development, representatives of the private sector (both chambers of commerce and businesses themselves) and occasionally Government.

Discussions are expected to continue on implementation of the multi-donor fund for private sector development, which it is hoped will become functional early in 2013.

Transition to the sector working group structure was the focus for early in 2013, and this marked by the first meeting co-chaired by the State Minister for Industry and donor representatives.

An agenda for action in one or two areas of shared priority is expected to be laid out, with clear deliverables attached. These may include support for development of sector strategies in GTP priority areas, such as leather or textiles.

A key role of the private sector working group is to ensure effective alignment and coordination with the Rural Economic Development and Food Security's (RED&FS) new Private Sector Task Force (responsible primarily for overseeing implementation of the commitments made in the New Alliance on Nutrition and Food Security).

The High-Level Forum held in July 2013 featured private sector development, and the working group played a pivotal role in preparing for this dialogue with Government by putting forward priorities related to the investment climate, access to finance, trade logistics and facilitation, savings, and fiscal transparency.



## Transport

The transport sector is of great relevance for the national development strategy (GTP) and in the past decade there have been important investments to expand and modernize the road network in accordance with the Road Sector Development Program (RSDP).

The policy dialogue in the transport sector has an important added-value due to the clear national leadership and the crucial importance of the road network to ensure social and economic growth. This is confirmed by three main key points: (i) the Government has a National Transport Master plan and is carrying out the Fourth Road Sector Development Program; (ii) the importance of transport infrastructure, mainly roads, is fundamental to achieving the MDGs in Ethiopia, including by facilitating access to education, health facilities and employment opportunities. It also serves as a catalyst for private sector development, as clearly recognized in the GTP; and (iii) the significant donors' financial investments in the sector

The Transport Sector Working Group (TSWG) is the main forum for policy dialogue in the Transport Sector and, following the meaningful progresses achieved in 2011 and 2012, it has a significant potential to ensure and foster coordination within the donors' community and with the governmental bodies.

The priorities of the TSWG include: (i) the promotion of a participatory approach; (ii) the enhancement of dialogue on key issues such as rural access and road safety; (iii) the improvement of visibility and awareness regarding the road sector achievements.

These priorities were complemented in 2013 by ways to address recently identified sector shortcomings mainly related to the high unit cost of transport infrastructure and the need to further develop monitoring tools to better understand the Road Sector Development Program RSDP socio-economic impacts of transportation.

Despite efforts of organizing regular meetings and setting up two subgroups on rural access mobility and road safety, results of the TSWG have so far been mixed, and there is a clear need to further discuss the action plan for 2014 and revitalize

activities of the subgroups.

## Annex C: Financial information

**Table 1. DAG Pooled Fund Resources in USD**

Development Partner	Balance from 2011	Contributions Jan. 2012 - June 2013	Total
Austria		90,673.58	90,673.58
Canada	174,812.75		174,812.75
EU		124,345.55	124,345.55
Ireland	181,817.88	61,274.51	243,092.39
Italy	4,690.96	51,948.05	56,639.01
Norway	190,749.21		190,749.21
Spain (AECID)		307,453.00	307,453.00
USAID		100,000.00	100,000.00
Total	552,070.80	735,694.69	1,287,765.49

**Table 2. DAG Pooled Fund Expenditure January – June 2012**

Description	Expenditure in USD
General Pooled Fund	266,787.46
Education Pooled Fund	37,035.68
M&E Pooled Fund	112,527.86
Gender Pooled Fund	3,410.74
Total	419,761.74

**Table 3. DAG Pooled Fund Expenditure July 2012 - July 2013**

Description	Expenditure in USD
1. Effective support to the GTP and MDG consultative process	164,476.23
2. DAG and Government dialogue structure function effectively	442,345.17
3. Capacity of Government and Development Partners to achieve aid effectiveness and harmonization targets enhanced	90,835.89
Total	697,657.29

*Note:* Expenditure is provided in two separate tables given that the four pooled funds were merged into one single DAG Pooled Fund after June 2012.

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