

Executive summary

BACKGROUND

This report focuses on changes in the enabling policy and institutional environment in Ethiopia that promise opportunities for development in the future. The emphasis of this largely qualitative evaluation is UNDP's contribution to national development outcomes, in particular its role in coordination among national authorities and other development stakeholders.

ETHIOPIA'S DEVELOPMENT CONTEXT

Ethiopia is ranked 169th out of 175 countries on the 2003 Human Development Index. Endemic poverty is linked in particular to rapid rates of population growth, severe soil erosion, war, internal conflict, drought, famine and HIV/AIDS. Increasing numbers of people are dependent on food relief. A few positive signs suggest opportunities for progress, including a less centralized government that is more open to partnerships for development, higher rates of school enrollment, scattered improvements in public service delivery, and a stronger public workforce than elsewhere in the region. Another sign of resilience is the country's capacity in recent droughts to distribute food and supplies to the needy. Much of this change is in marked contrast to conditions under the ruthless and authoritarian rule of the Derg in the not-too-distant past.

The current policy environment in Ethiopia promises opportunities for more effective and sustainable development results. With encouraging signs in regional stability and domestic governance, Ethiopian authorities now project a policy stance that leaves renewed promise for national human development. In particular, a more coherent foundation for development planning and management has been shown with the 2002 Sustainable Development and Poverty Reduction Programme (SDPRP) and Poverty Reduction Strategy Paper (PRSP). Also, in addressing the recurrence of drought and natural disasters, more emphasis is being placed upon longer-term development solutions instead on perpetual disaster management. At the same time, the Government is slowly opening itself to wider policy dialogue with domestic and international partners. At the most general level it can be said that Ethiopia now has a fairly 'pro-poor' national policy framework, and one could thus be tempted to recommend that efforts be concentrated on national implementation capacities. However, it remains clear to the team that an increase in the stock of technical skills and logistical facilities will not, by itself, ensure effective development in Ethiopia. There are still policy-level deficiencies that constrain the effectiveness and sustainability of national capacity development efforts.

Both external official development assistance (ODA) loans and grants (for both humanitarian and longer-term development assistance) more than dou-

bled between 1999 and 2003. At the 2002 Consultative Group meeting a total of more than US \$3.6 billion was pledged for 2002–2005. Donors are showing awareness of Ethiopia's limited capacity to make use of ODA, especially in the form of project aid; the burden their own priorities can place on a developing country; and the likelihood that donors have played a part in perpetuating dependence on aid.

The Organization for Economic Cooperation and Development-Development Assistance Committee (OECD DAC) will pilot donor harmonization practices in Ethiopia, giving impetus to reform on both sides of the development equation. Ethiopia enjoys a rare level of external confidence in the fiduciary standards embedded in its national public management and accountability systems and practices, and yet at the same time the emerging result is a move towards a direct budget support modality of external assistance.

FOCUS OF UNDP PROGRAMMES

The evaluation team found that UNDP was instrumental in facilitating and coordinating joint donor/Government dialogue at the macro policy level. UNDP holds a critical position in the overall architecture for coordination and liaison between Government and external partners, by virtue of being a co-chair (with the World Bank) of the Development Assistance Group (DAG), by chairing the DAG core group that was tasked with consultations pertaining to the SDPRP/PRSP, and through its active involvement in a number of technical and sector working groups. In this general area, UNDP's role is widely recognized and appreciated by government and donor stakeholders alike. In fact, one would be hard-pressed to find a similarly large, complex and politically 'visible' country in which UNDP has gained such a clear and important coordination role. UNDP has also played an important role in establishing sector working groups and in formulating several specific national policies and strategies. Although we cannot draw a direct link of attribution between the work that UNDP has done in laying the ground for strengthened external cooperation and increased ODA flow, we are in no doubt that UNDP can claim some credit for the improved atmosphere and working arrangements in Ethiopia.

Of particular importance in relation to the policy outcomes of liaison with the Government, is UNDP's role in the process of SDPRP formulation. UNDP coordinated donor inputs, but also facilitated a process of regional and civil society consultations. Also, UNDP played a major role in establishing the New Coalition for Food Security and in the preparation of the Water Sector Development Plan.

UNDP's engagement in the PRSP process began immediately after the preparation of the Interim-PRSP by the Government and its subsequent submission to donors. One factor that allowed UNDP a central role as coordination efforts evolved was the perception that the organization had not 'abandoned' the country during the 1998–2000 conflict with Eritrea. At the same time, UNDP enabled the donor community to achieve a high degree of impact through joint action by providing secretariat services and facilities for pooling donor support for studies and other joint undertakings.

The local-, regional- and federal-level consultations organized by UNDP as part of the SDPRP process included a range of stakeholders. Consultations in 117 of Ethiopia's 500 *woredas* (sub-zonal administrative units) included representatives of the local community and *kebele* (local administrative units), non-governmental organizations (NGOs), community-based organization (CBOs), religious leaders and members of the private sector and general public. Regional consultations were held in all nine regions and the municipalities of Addis Ababa and Dire Dawa. Finally, a federal-level consultation in Addis Ababa included high-level government officials, non-state representatives and DAG observers. Donors facilitated communication and addressed issues such as lowering administrative and transaction costs of ODA, which seemed to satisfy the Government. DAG produced a Joint Partner Review of the final SDPRP in September 2002. In addition, DAG furthered the integration of the MDGs into the SDPRP process by helping to create awareness of the implications of adopting the goals, as well as through its support of the Government's technical work on monitoring their implementation.

One positive aspect of the experience from the most recent drought was that the Government and the donor community were able to signal the approaching humanitarian crisis as soon as its potential dimensions became evident. The early response concentrated on the provision of food, water, health and nutrition services, veterinary services and seeds to support second and third plantings of short-cycle crops. The UNDP Resident Representative advanced the idea of forming a New Coalition for Food Security in Ethiopia that would 'do business differently' and work towards a lasting solution to food insecurity, bridging the gap and transition between emergency, recovery and longer-term development. A concept note was prepared by UNDP and a new direction was charted for the Coalition at a joint session of Government representatives and donors held in June 2003 in the presence of the Prime

Minister. A task force with high-level experts including donors and CBOs was established, which subsequently led to the preparation of the food security programme.

The Water Sector Development Plan (WSDP), which was completed with strong UNDP support during the first country cooperation framework (CCF-1) contains a set of programmes for the sustainable use and management of water resources. The investment requirement for WSDP is estimated at US\$7.4 billion over the 15-year period of 2002 to 2016. Support for the WSDP will continue under CCF-2, particularly in raising funds for the development of 275,000 hectares of farmland under irrigation. UNDP support is also focused on institutional capacity building for participatory watershed planning and management.

UNDP has also played an important role in establishing sector working groups and in formulating a number of specific national policies and strategies. For example, UNDP advocacy prompted the government to establish an Ombudsman Panel and a Human Rights Commission. Although these institutions are not yet functionally operational, they have been formally established and some senior officials are in place. UNDP also played an important role in the formulation of a Communications Policy Paper (April 2002) and a draft document on information and communication technology (ICT) policy (June 2002). Another important area of involvement has been the preparatory work for civil service reform, which has contributed to decentralization, capacity building and budget reform.

Gender issues have essentially been addressed in a mainstreamed manner. The advancement of women initially appeared as a strategic results framework (SRF) outcome, but gender has since been dropped as a separate results area. It is not certain what results this has led to. From the outset, there was a risk that mainstreaming might inadvertently lead to the gender issue falling off the agenda. Failure to reach gender equity has been well-documented in training and recruitment for the Ethiopian civil service, as it has in educational enrolment and achievement in the past. The involvement of women in agriculture and income-generating activities is very low, if even registered. Women's incomes are only half those of men, and men hold 91.8 percent of seats in Parliament.¹ The analytical material available holds an inequitable culture and several deeply embedded social factors responsible for this inequality. Indeed, there is some doubt that mainstreaming gender can work in an environment such as that of Ethiopia.

UNDP has formed numerous partnerships with the World Bank and bilateral donors for building capacity at

various levels of government and in a variety of subsectors. Important in this regard are the projects to support parliaments at federal as well as regional levels, the electoral system and the judiciary. Many donors have expressed interest in these activities, and the Government has invited UNDP to take the lead in order to avoid piecemeal approaches that could introduce incompatible systems. These partners have often channeled their contributions through UNDP. The 'value added' which UNDP has given the donors through coordinating and in some cases executing these projects is reported to be coherence, transparency and a common and politically neutral platform.

Without detracting from the credit due to UNDP for its role in establishing key coordination mechanisms, the evaluation team notes that the coordination role has inevitably required some degree of 'toning down' of any agency-specific concerns and advocacy on the substantive front. This is significant when it comes to the future. For example, with regard to the follow-through of successful coordination efforts, there is an emerging weakness in UNDP's approach that can be seen as poor 'micro-macro' linkages. In other words, downstream operations are implemented in isolation from complementary reforms in the 'upstream' enabling policy environment. This concern does not apply to all programme areas; indeed, there are very encouraging examples of using UNDP's status at the macro-level to give strength to policy work at the sector or micro-level, as in governance, food security and HIV/AIDS.

The ADR team was impressed by the 'community conversation' approach to HIV/AIDS that is championed by UNDP. The openness and awareness created has contributed to a number of behavioral changes with regard to sexual practices and HIV testing. The approach brings a relevant focus to some of the most important aspects of the HIV/AIDS problem. At the same time, the UNDP's approach facilitates discussions among communities about problems that affect them all, thereby adding value and general validity in terms of community cohesion and social capital. However, although community conversation is quite plausible as a technique, when it comes to its merit relative to other approaches to dealing with HIV/AIDS at the community level, there was no basis for evaluation to determine if this particular technique was more relevant than others, or if its replication on a larger scale would be the most cost-effective strategy for creating awareness and behavioral change. Moreover, the appropriate avenue for replication on a larger scale would presumably be some form of policy dialogue with the Government, rather than UNDP funding for individual, localized initiatives.

¹ FDRE/UNCT, *Millennium Development Goals Report*, December 2003.

Generally speaking, it is rare that financial resources and technical skills alone can achieve success in the implementation of policy once efforts to establish some direction or degree of coherence in national policy and in external partner liaison have come to fruition. More often than not, there is a need for negotiating an agenda with more detailed sectoral and cross-cutting reforms at the level of policy demand, incentives and organizational arrangements that are preconditions for effective institutional performance and for sustainable capacities.

With the role UNDP has played in ‘macro-policy’ coordination it has, perhaps inevitably, felt a need to keep a low profile on the substantive advocacy front. When the evaluation team examined recent and ongoing individual UNDP projects, in many cases what they saw was a fairly ‘old-fashioned’ package of technical skills and off-the-shelf management training, along with some study tours and funding for vehicles, computers, IT equipment and other minor items of physical infrastructure for select government institutions. Also, the team found cases of funding for long-term, resident expatriate advisors, for example, in the civil service training area. A generation of development evaluation has shown that these ‘old-fashioned’ interventions, when standing alone, may be useful in plugging short to medium-term needs but they rarely produce any lasting benefits. Without a conducive policy environment, dealing with bottlenecks in terms of material resources and technical skills is unlikely to yield any sustainability of institutional capacity development efforts. Certainly, in the context of Ethiopia’s decentralization, for example, the principal problems are not related to skills, staff or logistical resources. Rather, the major challenges are within the ‘enabling’ policy and institutional environment.

The team also found ‘piloting’ initiatives and ‘innovative’ schemes that lacked clear results, benchmarks and exit strategies, or that did not clearly dovetail with the national policy frameworks that UNDP itself helped establish. Examples can be found in projects such as the Support for the National Youth Programme and ICT for Development but are most evident in the HIV/AIDS and Development Programme. In the latter, UNDP has made impressive and wide-ranging efforts to find an entry point for making an effective contribution from the level of top administration officials down to the level of villagers, but the Government of Ethiopia has such limited capacity to handle all the ODA offered in this field that no effective formula has yet been found. Projects at both levels can actually be counterproductive to the emergence of sustainable capacities from within indigenous institutions if they are

inspired by topical but yet unproven intellectual fashions, or if they are motivated by bureaucratic organizational concerns that place resource mobilization and volume of delivery above relative developmental merit. Although projects in the areas of HIV/AIDS, youth or ICT may have merit in terms of Ethiopia’s development needs, this evaluation’s concern is with the added value that can be provided by UNDP.

It is not clear that UNDP’s corporate results-based management tools such as the SRF have led to improved focus or cohesion in UNDP Ethiopia’s programme or to increased effectiveness of its operations. Also, the introduction of the Atlas information system, albeit still in its infancy, has not yet brought about the alignment of financial and substantive planning and reporting. In fact, rather than functioning as a vehicle for country office strategy formulation, the SRF exercise appears mainly to have been undertaken in response to HQ requirements. Even within the country office, there seemed to be differences of opinion regarding what the actual SRF priorities were. Results-based management practices have thus not yet fully contributed to strategic prioritization. In the end, UNDP will need to find a way to focus its efforts on objectives that are operationally attainable for an organization with UNDP’s particular nature and competence. In this way, it will be possible to further reduce the number of different project areas, which remains unwieldy in spite of commendable efforts to narrow programme focus. Although the number of projects has been reduced from the levels in CCF-1, the list of separate ongoing activities is still very large.

An important lesson from the story of UNDP’s coordination role in Ethiopia is that volume of funds is not the paramount determinant of success. Weight of resources is certainly not what has given UNDP a head-of-the-table seat in Ethiopia’s development liaison arena. Credibility, trust and leverage as a broker within a diverse constituency of interests can only be earned; they cannot be bought. Success is built on commitment and diplomatic skill. But perhaps above all, it requires substantive depth. Stakeholders who hold particular interests and technical expertise will only let themselves be coordinated by someone who is perceived to be on top of the substantive issues. At the same time, stakeholders do not want a coordinator to impose an agency-specific substantive agenda. Their buy-in to the effort depends upon the existence of a compelling agenda. Moreover, success requires an ability to draw into the forums of coordination those who can make a difference, as in those who possess the mandate for decision-making within key agencies.

The Ethiopia experience highlights what must now be a corporate-wide challenge: how to find a meaningful role for UNDP within the multi-stakeholder, budget support-based policy dialogue mechanisms that are evolving as the modus operandi of national development planning, donor coordination and liaison in the Highly Indebted Poor Countries (HIPC) and the PRSP era. In all but a few countries, UNDP resources are too few to warrant the influence that accrues to 'weighty' budget support donors. At the same time, presumably, much of the rationale for cost-sharing falls away. Moreover, it is not obvious that the established modalities of national execution (NEX) and direct execution (DEX) can add value within the budget support paradigm. If NEX is implemented in a manner that allows national agencies freedom of resource use, the modality is tantamount to budget support, which leaves UNDP little opportunity to provide 'guidance' on priorities. At the same time, however, it has none of the transactions cost benefits that national authorities want. For national authorities, DEX, on the other hand, offers the advantage of UNDP shouldering the burden of bureaucratic chores. But both modalities retain parallel structures that substitute for trust in the capacities incipient within indigenous institutions. Reporting requirements add to the workload and skills are locked into 'alien' managerial practices.

UNDP's greatest recent development achievement in Ethiopia is the role it has played in facilitating the process of building necessary trust and in creating the enabling mechanisms of donor/government coordination for a new phase of national development, in which paradoxically, UNDP may be required to reposition itself.

FINDINGS

Although Ethiopia started with a low human development status, it now enjoys a significant increase in ODA flows and has good prospects for making progress towards achieving the MDGs. It will, however, require a further relaxation of centralized governance controls, in particular with respect to the further involving civil society indecision-making processes. At the same time, progress depends on the continuation of the fruitful dialogue that has been established between national authorities and external donor partners. UNDP has played an important role in laying the foundation for the current optimism. UNDP itself will now need to move on, both in terms of the substantive priorities of its work in Ethiopia as well as in the way it conducts its operations.

If fruitful policy dialogue with domestic and external

stakeholders continues and solidifies, the Government of Ethiopia will have an opportunity to enhance the credibility of its development agenda and to add resources to its programming for development. A challenge for UNDP will be the need, in time, to leave an increasing share of the coordination role to the Government itself and thus find another, but hopefully equally fruitful, role for itself in Ethiopia. In terms of general substantive direction, the evaluation team believes that the policy foundations of capacity development are a critical area for UNDP engagement. Specifically, UNDP should not be enticed by opportunities that might exist for implementing 'bulk' skills and procurement projects, as they are based on parallel structures and may undermine capacities emerging from within national institutions. It is inevitable that UNDP should bring a strategic focus that goes beyond the existence of policy dialogue towards the substantive content of policy, which is now at the sectoral/thematic level. In that regard, UNDP should critically examine the range of arenas to which it can bring the highest relative added value to Ethiopia's development. In a large and complex country like Ethiopia, there will only be a limited number of areas to which UNDP can make a material difference, regardless of the dollar resources it commands. In the future, a national human development report could be a meaningful vehicle for advocacy pertaining to substantive areas of reform; such a report has not been used in the last six years. In order to create meaningful development results, it is better to be good at a few important things than mediocre at many. As ODA flows to Ethiopia seem set to increase, it is imperative that UNDP should maintain and further refine its strategic thrust rather than risk dissipation of its focus through the convenient short-term opportunities for resource mobilization.

In terms of operational management, UNDP is strongly advised to look for more flexible modes of delivery, even with regard to technical cooperation inputs. A number of donors are currently trying to elaborate forms of budget support that may be effective in some sectors in Ethiopia. As a technical cooperation agency, UNDP has some problems providing budget support that is financial rather than in the form of technical assistance. But it would be possible for UNDP to provide blanket support for local expenditure on programmes that national authorities have a demonstrated ability to manage. In a situation of acute capacity constraints on the use of ODA, such solutions are infinitely better than trying to speed-up disbursement under NEX projects by letting the country office take over their execution.