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Ethiopia



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1. Summary

Ethiopia is an extremely poor country with low per capita ODA. 2003 was a difficult year for Ethiopia. The drought forced the government and the whole society to divert its attention from developmental activities to acute measures to avoid a humanitarian crisis. In spite of the drought, Ethiopia has pursued an ambitious reform agenda in 2003. However, the government has not had enough capacity to implement the reforms at anticipated pace.

The poverty reduction strategy implementation has led to increased allocations to pro-poor budget items. Fiscal and monetary policies are prudent. Corruption is increasing, but has not yet become a major problem.

Reforms to create a conducive environment for the private sector including liberalisation of the financial sector, land reform, agriculture markets reform and agriculture extension reform are discussed and included in the SDPRP document. However, these reforms must be accelerated to make it possible to reach SDPRP growth assumptions and the MDGs.

The HIV/AIDS epidemic has not been curbed. The government urgently needs to pay more attention to the issue and provide more political leadership at all levels.

The dispute over the location of the shared border with Eritrea has been dominating the political scene in Ethiopia during 2003. The stalemate and the heightened rhetoric have resulted in fears of a resumption of hostilities between the two parties.

The number of local ethnic conflicts seems to be increasing in Ethiopia. The role of federal and regional government institutions as well as the security forces in some conflicts cannot yet be clearly determined. The authorities are sometimes slow to undertake thorough investigations into the matter and to start legal proceedings. Human rights violations and federal government acknowledgement of its ultimate responsibility for the protection of human rights, its responsibility to promptly follow-up incidents and to prosecute offenders, therefore remain an issue.

The development cooperation dialogue with the government was dominated by the efforts to design a comprehensive monitoring system for the implementation of the SDPRP.

ODA flows to Ethiopia seems to increase and the grant share is growing.

The considerations in the Swedish country strategy are still relevant with a focus on human rights and democracy, reforms of the agricultural/rural systems, private sector development and active support to civil society to promote pluralism and debate. The needs for improved education and health services are huge while capacity is low – the justification for support to sector development programs is obvious. The country strategy is well aligned with the Ethiopian SDPRP.

2. Strategic Country Development Trends

2.1 Poverty Reduction: Overall Trends and Perspectives

Poverty in Ethiopia is broad, deep and structural, particularly in rural areas. With an estimated GDP per capita of USD 100, Ethiopia is one of the poorest countries in the world. The UNDP Human Development Index for 2003 places Ethiopia in 169th position of 175 countries. The proportion of people in Ethiopia who are absolutely poor during the year 1999/00 was around 44%, compared to 46% in 1995/96¹. Malnutrition is high; half of the population has a calorie intake lower than the minimum recommended level. Results show that poverty is higher in rural areas than in urban although urban poverty is a serious problem, and that female-led households are poorer than male-led ones. Higher poverty rates have been observed in the regions bordering Sudan, and in Afar, which has a nomad population. HIV/AIDS is a growing problem, the country has the third largest number of HIV infected people in the world, which poses a major threat to poverty reduction and growth and is a major source of vulnerability. During 2003 government focused on capacity building of HIV/AIDS institutions at all tiers of government. The major source of fund is the World Bank financed Ethiopian Multi-Sectoral HIV/AIDS project. Burdensome, lengthy administration and non-transparent procedures have caused a slow disbursement rate and widespread dissatisfaction in civil society.

Government spending on social and economic infrastructure has increased in absolute terms and as a share of total spending. Social indicators as enrolment in primary school² and health service³ coverage have improved in 2002/03.

Ethiopia's PRSP – SDPRP, Sustainable Development and Poverty Reduction Program – was accepted by the World Bank and the IMF in September 2002. In general, donors were satisfied by the document. In the implementation phase, as well as preparing for monitoring of the SDPRP, civil society organisations struggle to get a role to play alongside with the government.

¹ This was mainly due to a decrease in poverty in one of the most populous regions – a conclusion that is questionable, while poverty indices instead have increased in the majority of regions.

² E.g. GER for primary (1–8) has increased by 2.8 percentage points and has become 64.4%. GER for girls moved up from 51.2% to 53.8%. NER has also improved. Enrolment in vocational training and higher education has improved dramatically. HIV/AIDS material for teachers have been developed and distributed to regions.

³ E.g. the potential health coverage has increased from 58% to 60%, surpassing the SDPRP target by 4%. The development of a health extension package initiative and a minimum health service package has been finalised.

The detailed targets/indicators specified in the SDPRP for the sectors covered by the program have been further refined and prioritised in a long process in dialogue with the donors, resulting in an indicator and policy matrix. These targets and indicators will serve as the basis for the follow-up of the SDPRP, and also for the budget support donors' follow-up of their support. The indicators cover most areas in the SDPRP (roads, health, education, water, governance, growth, and private sector development), while donors also push for the inclusion of indicators on democratisation.

Monitoring of the SDPRP is extensively discussed between donors and the Ethiopian government. Several sources of good quality data exist, and monitoring systems were set up before the HIPC process. The Welfare Monitoring Unit (WMU) in MoFED⁴ is assigned to be the focal point of the monitoring system for the SDPRP. There are worries that due to lack of managerial and analytical capacity WMU will not be able to fulfil its intended role. Actions to strengthen WMU have been taken.

2.2 Macro-economic Development

Due to failure of two rains during 2002/03, Ethiopia has experienced a drought situation equal to the 1984/85 famine with around 13 million people dependent on food aid for survival. Besides human suffering and hunger related deaths of people it has also had macroeconomic effects. In the PRGF review from July 2003, the expected positive growth for 2002/03 has been heavily revised downwards as a result of the drought. Agricultural production 2002/03 is projected to be down by 12 percent, but IMF and the government foresee that this will be reversed already 2003/04. Historically, agricultural recovery after droughts has been slower, so GDP growth might take a longer time to recover than foreseen. Inflation peaked at nearly 15% during 2002/03 after two years of deflation, mainly due to rising food prices following the drought. Core inflation, excluding cereals and pulses, is expected to only have reached 3% during 2002/03. Inflation is expected to come down to between 3 and 5% in the coming years when normal harvests are expected. The fiscal deficit has widened, but is expected to come down again as extra-ordinary spending related to the drought will cease. Government is planning to use domestic borrowing as a financing source, thereby increasing the domestic debt by 2 percentage units of GDP. Given that there is high liquidity in the banking system this would not necessarily lead to crowding out of the private sector.

VAT was introduced in January 2003, and VAT collection has since been better than expected. Currently, there are 5000 registered VAT payers, and within the coming year the reform will be rolled out also to smaller companies. Reform measures in the areas of tax policy and administration are expected to increase tax revenues from 14,3% of GDP in 2000/01 up to 17,7% of GDP in 2004/05 according to the SDPRP. For 2003/04 tax-to-GDP is projected around 15%, slightly increasing from last year's budget. The gradual substitution of sales tax with VAT has increased government revenue. Gross domestic savings decreased during 2002/03 with private savings were negative as a consequence of

⁴ Ministry of Finance and Economic Development

the economic downturn. Projections in the PRGF-documents show that gross domestic savings will go from around 2% of GDP the last few years towards 7% in 2005/06. Gross domestic investments lie steadily around 20% of GDP, with private sector accounting for half of it. The trade balance gap is increasing, mostly caused by higher imports. Export earnings in 2002/03 cover less than a quarter of the import. In the macroeconomic framework, for the near future exports are projected to grow around 10% annually while historically, they have instead declined. Import growth is expected to come down from between 10 and 15% the last few years to around 5% in the coming years.

Even after HIPC completion point the debt situation for Ethiopia will remain unsustainable. Ethiopia's heavy dependence on coffee exports, combined with falling world market prices, makes the NPV debt-to-exports ratio to increase compared to the decision point. Falling world interest rates also contribute to higher NPV of the debt. The present discussion in Ethiopia focuses on the consequences of an unsustainable debt – an important one would be that the World Bank cannot extend as much loans to Ethiopia as its formula would allow. Any topping-up will be discussed at the WB and IMF boards in late February. The EC has reacted to the situation by offering debt buy-back amounting to Euro 20 million during 2004.

Expenditure outturns⁵ correspond closely to budgets and there is little evidence of improper diversion of funds or unauthorised expenditures. Budgets are not comprehensive, and while work on the consolidation of capital and recurrent budget has made some progress, there are major omissions. Some progress has been achieved in incorporating off-budget funds in the main budget and, for the first time, the budget included an annex for the Food Aid. However, there are a number of off-budget funds that operate outside the main budget structure. These funds have their own budgeting and accounting processes and prepare their budgets to timetables different to that of the central budget.

Through the DSA project (Decentralisation Support Activity), progress was made within the Ministry of Economic Development towards medium term financial planning by designing a Public Investment Program (PIP), covering capital expenditure over a three-year period. The last PIP exercise was been carried out during the year after the budget was prepared. A Public Expenditure Program (PEP) covering recurrent and capital expenditure for a three-year period was also designed with DSA funded technical assistance. To date no PEP exercise has been carried out. A further outcome was the introduction of the Budget Calendar. This defines the financial planning and budgeting cycles, establishes time frames, and specifies the stages in each cycle. This has not worked in practice especially with regard to informing regions about their resource envelopes early enough to allow any sensible planning. As a result, regions are experiencing an unpredictable resource envelope over the medium term, and have to resort to incremental budgeting scenario. A MEFF (Macroeconomic Fiscal Framework) exists but does not seem to be fully implemented yet. However, Ethiopia has always exercised a large

⁵ The rest of the section is based on the CFAA – Country Financial and Accountability Assessment – from 2003.

amount of fiscal discipline. A new system of accounts (see below) will facilitate the co-ordination of the recurrent and capital budgets. The relation between MEFF and PIP is not clear.

A common theme identified in the accounting and financial reporting area was the limitation in skills and capacity. The new Chart of Accounts was introduced in the preparation of the Federal and consolidated accounts with effect from 8 July 2002. It is too early yet to determine how successful the preparation of accounts using the new chart would turn out, but it is expected that it would achieve better budget control, cash control and accountability. The current accounting and reporting systems highlight a problem of delayed and incomplete management information as not all funds are included in the budget and financial statements. The delays were due to the manual accounts system and lack of skills/capacity in various government institutions both at Federal and Regional levels. Finally, the emphasis in reporting is also currently focused only on the year end financial accounting aspect or after the event, and the timely availability of management accounting or in year financial information upon which to base decisions has not been given any priority.

The current financial information system in operation is not an integrated financial system operating in line with internationally accepted best practice. The fundamental difficulty is due to the dependency on summarised information obtained from manual systems. This essentially means that the core of Ethiopia's Public Expenditure Management is not computerised and this raises the question of data integrity, as well as the accuracy and speed of reporting facilities. Plans have been developed for an Integrated Financial Management System (IFMS) which addresses many of the issues identified above.

The financial discipline exercised by officials at Federal level, particularly with regard to the internal control ex-ante validation of payments, had in the past given Ethiopia an above average evaluation in financial integrity compared to other Sub-Saharan countries. The organisational and financial devolution to Regions/Woredas has the potential of reducing the effectiveness of this compliance testing at the Federal level. The devolution of budgetary and financial responsibility to Regions means that the 100 percent validation check which was one of the main internal control mechanism at Federal level has been marginalised.

The Office of the Federal Auditor General possesses many strong qualities including professional independence, strong leadership, dedicated staff, and a strong will to undertake its work diligently in spite of many difficulties. However the importance and relevance of the work largely depends on the timely submission of government accounts by the Executive, and the willingness to address any identified shortcomings. The last audited set of financial statements available at the time of assessment was for the fiscal year 1999/2000.

The Federal Auditor General provides fair and impartial audit reports and information to Parliament within a specified period of time following his receipt of the annual report from the Government. There was no evidence of a systematic follow up from the Parliament of issues raised by the Federal Auditor General. The collaboration between the Office of the

⁶ Bureau of Finance and Economic Development

Federal Auditor General and Parliament in terms of following up accountability issues also appears to be limited to the provision of the annual report by OFAG to Parliament.

The civil service in Ethiopia has a reputation of being well disciplined and committed. Fraud and absenteeism appear to be rare by any standard. This was confirmed during the CFAA mission 2003. The BoFEDs⁶ in regions visited were generally well managed and the civil service shows a serious commitment to comply with the existing budget execution regulations. Existing studies have also stated that funds to Woredas are flowing in a predictable and timely manner. The present devolution process is however posing some challenges in the practical implementation, at least in the short term. The most immediate problem is that the re-assignment of staff to Woredas has hindered the final agreement of the 2002/03 budget at Zone and Woreda level, contributing to delays in accounting and reporting. Meanwhile recurrent funds are, of necessity, being advanced to Zones and Woredas. At best the delays are temporary and would be rectified soon after Woreda and Zone budgets are finalised. At worst the delays could be signalling the inability of some Woredas to cope with the volume of administration work, resulting in a progressively worsening accounting and reporting position. This situation will need to be carefully monitored.

One major challenge is to introduce some form of basic three-year planning at the woreda level. The failure to do this can really hamper the woredas' ability for effective capital budgeting, and more important, lock these newly empowered local governments into a shortsighted incremental budgeting scenario. It was also common to all regions that the timeliness of accounting and reporting, was a potential weakness in the financial management system. Finally, there was considerable variation in the fiduciary risk status in the four regions visited. The situation in each region visited was different and this emphasises the importance of not establishing a generalised view of regions in Ethiopia; in most cases, each should be viewed individually.

2.3 Political Development, Good Governance and Human Rights

The dispute over the location of the shared border with Eritrea has been dominating the political scene in Ethiopia during 2003. The war between Ethiopia and Eritrea formally ended with the Algiers peace agreement signed on 12 December 2000. The Eritrea-Ethiopia Boundary Commission (EEBC) in The Hague announced its decision on the delimitation of the disputed border between the two countries on 13 April 2002, in accordance with its mandate set out in the Algiers peace agreement. Both Ethiopia and Eritrea committed themselves publicly to backing the ruling. The EEBC report in March 2003 and an EEBC Observations document issued in the same month made it clear that the symbolically important town of Badme and part of Erob district lie on the Eritrean side of the delimited border. Thereafter, the Government of Ethiopia began to signal a loss of confidence in the EEBC. The planned demarcation of the border was postponed from May to October 2003. In September Ethiopia sent a letter to the UN Security Council accusing the EEBC of making "a totally illegal, unjust and irresponsible decision" in awarding

Badme to Eritrea. Ethiopia also requested the Security Council to set up a new mechanism to determine where the border lies. The UN rejected the request, noting that the EEBC's ruling was fully consistent with international practice and insisted that Ethiopia should fully comply with the decision. This has led to a complete deadlock where no new day for the start of the demarcation has been set. In September the UN further extended the mandate of UNMEE for another six months to March 2004. Eritrea has called for UN sanctions against Ethiopia for its failure to comply with the decision of EEBC. The stalemate and the heightened rhetoric have resulted in fears of a resumption of hostilities between the two parties. There has been high level international engagement in the issue to try to break the stalemate. By the end of the year it looked like the UN was ready to appoint a special envoy for Ethiopia/Eritrea. (On 29 January 2004 the UN Secretary-General appointed Mr. Lloyd Axworthy, former Foreign Minister of Canada, as his Special Envoy for Ethiopia and Eritrea. In the middle of February, Axworthy visited Ethiopia and held talks with Ethiopian Prime Minister Meles. Axworthy was not able to travel to Asmara because the Eritrean government made it clear that it was not ready to meet him.)

The Ethiopian ruling coalition, Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) held its annual congress in September. This came at the heels of the congresses of the four regional EPRDF parties. All these meetings passed uneventfully. Only minimal personnel changes and administrative amendments were made. The sensitive border issue was quarantined from the official EPRDF agenda and barely raised in the discussions. The hardened position of the government towards EEBC is by many observers seen as a result of meetings outside the official agenda of the EPRDF-congress.

The planned transformation of EPRDF from a coalition of ethnically based movements into a single multinational party was not launched at the congress, although the Prime Minister himself had before the congress expressed his support for the concept. A consolidation exercise was carried out among some 20 small southern Ethiopian political parties before the EPRDF-congress and wide-ranging administrative control measures were instituted in the Somali region, culminating in the removal of the state president.

In August, in Washington, DC, domestic and diaspora based Ethiopian opposition parties consolidated into the 15-member United Ethiopian Democratic Front (UEDF). The Front abdicated violence as a political instrument and formed a joint co-ordination in Addis Ababa. The UEDF president Beyene Petros has called for land reforms and privatisation and attacked the EEBC ruling over Badme. The UEDF has also accused the EPRDF of electoral malpractice and called for a revision of the election laws, the establishment of an independent National Election Board (NERB) and the presence of credible international observers at the 2005 election. There were some signs during the year that the Prime Minister would be interested in a dialogue with the opposition but he at the same time rejected the call for a revision of the election laws.

Ethiopia is casting itself a key strategic ally of the US in the fight against terrorism in the Horn of Africa. During the year Ethiopia has made troop contributions to peacekeeping operations in Burundi and

Liberia. Ethiopia has re-emphasised its commitment to Nepad and the African Union with the arrival of the new AU chairperson and commissioners. During the summer of 2003 Ethiopia formally inaugurated the head office of a new IGAD mechanism for Conflict Early Warning and Response (CEWARN). Relations with the neighbouring states, except Eritrea and Somalia, seem to be solid. The relations with Sudan are intensifying in a wide range of areas. When it comes to Somalia, Ethiopia is disappointed that the international community has failed to show Somalia the same level of commitment as demonstrated in other serious conflicts, like Afghanistan. The Prime Minister has expressed the intention of Ethiopia to take a lower profile in the Somalia Peace process but at the same time making the remark that Ethiopia at a reduced level will stay committed as the fate of Somalia is relevant to the national security of Ethiopia.

The number of local ethnic conflicts seem to be increasing in Ethiopia. Areas like the Somali region, Gambella, Afar and Oromiya have been affected by local ethnic unrest. Humanitarian organisations have reported that some tribal fighting's were sparked by the drought. There have been reports about clashes between Afar and Kereyou tribesmen in eastern Ethiopia leaving dozens of people killed. On 13 December so called highlanders attacked members of the anuak ethnic group and burned anuak houses. That was done in retaliation for an ambush on a UN car on the 10th of December. Reports from reliable sources suggest that the number of deaths in the retaliation attacks may be above 100. The role of the federal troops stationed in Gambella town cannot yet be clearly determined. The authorities are undertaking investigations into the matter. (The unrest has continued in the Gambella area after December 2003.)

Human rights violations and federal government acknowledgement of its ultimate responsibility for the protection of human rights remain an issue. Follow-up to the incidents in Tepi and Awassa during 2002 has remained a largely internal party affair although some legal investigations continue. Sanctions seem to have been taken against offenders, but within the context of internal party discipline rather than through the more transparent judicial process. This significantly limits the impact of the action taken.

The already postponed appointments of Human Rights Commissioner and the Office of the Ombudsman were not made during the year.

In recent times, the government has undertaken various initiatives centred around a very ambitious Civil Service Reform to strengthen the country's financial accountability framework. As part of this process, an Expenditure Management and Control sub-Program (EMCP) was created in MoFED to bring financial management systems in line with the Government policy of devolving significant authority to autonomous Regional Governments and Federal line institutions, as well as to address a number of specific weaknesses. The EMCP is now a sub-program under the PSCAP – Public Sector Capacity Building Program. Some tension has arisen between the Ministry for Capacity Building and MoFED on ownership of the EMCP.

It is probably correct that corruption is not as widespread as in many other African countries. Transparency International's Perception of Corruption Index ranks Ethiopia above most sub-Saharan African

countries. However, the index for 2003 shows that Ethiopia has fallen considerably and that perceptions of corruption are increasing. In May 2001 the government launched a campaign against corruption and appointed a special commission to eliminate it. Established as an independent Federal Government body, the Ethics and Anti-corruption Commission has far-reaching powers under the Proclamation giving rise to its establishment. It has brought several corruption cases to court. Some view the commission as an instrument to fight political opposition within the ruling party. Some of those within the leading party who oppose the Prime Minister were arrested and accused of corruption in 2001. Subsequently several businessmen were also arrested and some high military officers discharged for the same reason. A new law came into effect regarding the relationship between the central government and the region. It's described as aimed at specifying the circumstances in which the central government can intervene in regional affairs, as established by the constitution.

There has been a move towards openness in the society in the form of consultations, televised debates and seminars. In practice, however, EPRDF still retains a near monopoly on policy development.

The private press can and does criticise the government openly, but still encounters difficulties, including distribution outside Addis Ababa and securing access to government press conferences. A new draft press law is causing concern for restricting the freedom of the press. In November the Ethiopian Free Press Journalist's Association was suspended for failing to comply with NGO registration requirements.

2.4 Development Co-operation and Partnership

The dialogue with the government was, as mentioned above, dominated by the efforts to design a monitoring system for the implementation of the SDPRP. The work was mainly undertaken by the Direct Budget Support Group, which consists of ten donors including the World Bank. Sweden chaired the group the first eight months, thereafter Sweden continued to play a leading role as an active secretary to the group. It was, however, difficult to agree on the matrix, partly because of limited government capacity to allocate enough attention to the task, and several serious delays occurred during the year. The delays caused serious problems for the EC and the Swedish budget support. The EC support was delayed until 2004, the planned Swedish contribution of SEK 80 million was lost. The WB PRSC was, finally in December, successfully negotiated.

The first Annual Progress Report (APR) was presented early December 2003 at a meeting with the donors, civil society and private sector. Although it needs to be recognised that this is the first year of the SDPRP, and that the APR presented by Ethiopia still is a draft, the meeting and the preparations before it, did not meet the expectations – realistic or not – of the development partners. The report is weak on analysis and on reporting against set targets. The dialogue opportunity was limited, both in time as well as in quality. Donors need to engage in discussions with the Government on how to

⁷ Sweden provided a full time consultant and has taken part in various workshops to prepare the program

⁸ Forecasts and projections in UNDP "Summary of Development Cooperation Funding"

improve the APR meeting, and find realistic expectations for next occasion. Government ownership of poverty reduction policies was manifested in the SDPRP process. The government is committed to poverty reduction, although, as described above, not always in the shape that donors argue for. Capacity to implement the SDPRP is unevenly distributed across sectors and regions, and between the federal level and the regions and the woredas. Where sector development programs exist, and in the major regions, capacity is better. Much government and donor attention is focussed at capacity building, and improvements can be seen.

Another important development in 2003 was a government – donor agreement to form a coalition for food security. About ten important donors worked actively with the government to prepare a food security program⁷ to define concrete steps to enhance food security. The work culminated at the APR meeting where the proposed program was debated and donors indicated a willingness to support the program when implementation modalities and an action plan will be presented.

An agreement between the donors and the government was reached on a new architecture for dialogue. A high level forum for the Heads of Development Cooperation and the Ministry of Finance and Economic Development (MoFED) at ministers level and a joint secretariat to facilitate the dialogue was established. However, further work needs to be done to better integrate the structure of sectorial technical working groups into the architecture.

There are differences in assessments of the total donor flows to Ethiopia. A UNDP report shows a 20% increase from 2001/02 to 2002/03. Government figures for the same period show a decrease of about 20%. A possible explanation to the differences could be that the time series is distorted by the great inflow of humanitarian assistance in 2002/03 and differences in recording the flows. The total level of development cooperation 2003 is estimated by the UNDP to amount to some USD 1.9 billion⁸, of which about USD 850 million from multilateral financing institutions, about USD 225 million from the European Commission (The World Bank, the African Development Bank and the EC were late with planned budget support operations of considerable amounts. The delays can partly explain the different total ODA figures the government and UNDP presented) and the remaining amount from bilateral donors. The grant proportion is estimated to reach 63% in 2003. The ODA per capita is estimated to reach about USD 27. USA, Japan and Italy are largest bilateral donors. UK, Ireland, Canada and Sweden have rapidly growing programs. In 2003 about USD 550 million or 8 USD per capita was for humanitarian relief.

The grant share has steadily declined up until 2002, but the trend was broken in 2003 when the multilateral grant element increased and the bilateral ODA share increased. The ODA per capita has been much lower than the average for least developed countries. It is still low, but the non-humanitarian part has increased substantially in 2003 when it, according to the UNDP estimate, reached about USD 19 (average for least developed countries 1997 2001 was USD 21)

As mentioned above, budget support has been discussed thoroughly during 2003. Yet, only UK disbursed budget support that year as an up-front payment. Since the policy matrix was agreed early in 2004, it is

expected that donors and the WB will approve their budget support operations early in 2004. About USD 350 million can be channelled as budget support already in 2005.

Sector development programs (SWAPS) are still not in place in Ethiopia. More needs to be done to improve the sector dialogues before donors are willing to move to SWAP financing.

The European Commission continued to finance a large road program and was very active in food security and humanitarian assistance. A large budget support operation was, as mentioned, delayed from 2003 to 2004.

3. The Swedish Development Co-operation

3.1 Strategic Assessment and Considerations

The Swedish development cooperation is guided by a country strategy approved by the Swedish government in March 2003. The strategy gives detailed guidance with clear budget allocations between sectors and programs. Key dialogue issues are identified. There are also strong guidelines about for instance the move towards sector development programs and budget support. Objectives and mechanisms for the different sectors and programs are well defined. The considerations in the country strategy are still relevant with a focus on human rights and democracy, reforms of the agricultural/rural systems, private sector development and active support to civil society to promote pluralism and debate. The needs for improved education and health services are huge while capacity is low – the justification for generous support to the sector development programs is obvious. The country strategy is well aligned with the Ethiopian SDPRP.

3.2 Overall Country Programming Review

The total costs for the program in 2003 was SEK 182 million plus SEK 36 million humanitarian assistance⁹ and about SEK 13 million through Swedish NGOs. The program has in the country strategy been divided into four main areas; Democracy and human rights (2% of the costs during the reporting period), social development (29%), economic growth (49%) and food security/humanitarian assistance (15%). The areas were in 2003 further subdivided into 7 sectors and programs¹⁰.

2003 was dominated by preparations to implement the country strategy. Nine larger initial or in-depth assessments were undertaken in 2003.

The first of five dialogue frameworks (gender) was worked out. The remaining four will be finalised in the spring of 2004. Sweden has played an active role in the creation of a joint government-donor group for gender issues (the embassy socio-economist was elected chairperson from 2004). This development was a precondition for an improved dialogue.

⁹ Additional disbursements of SEK 37.5 million to UNICEF for drought related activities carried out in 2003 will be made in 2004.

¹⁰ See annex 2 for disbursements and forecasts

The tenure security issue has been debated intensively in 2003. An economic association supported by Sweden has played an important role. A program to achieve full security of tenure has been pledged by the government.

Human rights and democracy is the main purpose of the support to a number of advocacy civil society organisations. The government acknowledgement in the SDPRP of the importance of deepened democracy for development and the preparation of the budget support have been important entry points to discuss the issues with government institutions as an integrated part of the monitoring of the implementation of the SDPRP.

Environmental concern has been further emphasised in the preparation of the last phase of the Wondo Genet support and in the third phase of the SARDP program. The Amhara Regional Government has, with Sida support, undertaken an ambitious Strategic Environmental Analysis.

The embassy has been less active in dialogues on two other dialogue areas identified in the country strategy; private sector development and HIV/AIDS. It is planned that the embassy will pay more attention to the areas from 2004 and onwards when programs will be supported. HIV/AIDS in particular, but also PSD are, however, integrated components in most projects and programs¹¹.

3.3 Follow-up of Country Programme Performance

Democracy and Human Rights through the Government and Parliament

The envisaged cooperation with the human rights commissioner, the ombudsman institution and to support the justice sector reform has been delayed since expected government program/project proposals have been delayed.

Civil Society including Democracy and Human Rights

Sweden's assistance to Civil Society Organisations through the Embassy covers the support extended to a few local NGOs doing advocacy work on human rights & democratic development. The new Country Strategy for Ethiopia 2003–2007, however, calls for enhanced support to CSOs as it is essential for the poverty reduction efforts in the country. An initial assessment for the enhanced civil society cooperation has during 2003 been carried out and submitted to Sida/Afra.

The ongoing contribution to the Democracy and Human Rights advocacy NGOs is made through donors' consortiums. The NGOs under this arrangement are Ethiopian Women Lawyers Association (EWLA), Action Professionals Association for the People (APAP), Prison Fellowship Ethiopia (PFE), Ethiopian Human Rights Council (EHRCO) and Ethiopian Economic Association (EEA)

1. EWLA received a contribution of SEK 600,000 from Sweden (as one of the consortium members) for 2003, the first year of the two-year agreement period. This is the same amount as granted in previous years. In accordance with the agreement, the consortium meeting has been held and has discussed the intermediate report and the final report is due in March.

¹¹ The fight against HIV/AIDS is an integrated aspect in civil society cooperation, education, health, SARDP and Wondo Genet.

During 2003 EWLA carried out two action oriented research activities – one on violence against women and the other on women’s access to land/land rights –both of them submitted to the Ethiopian authorities in draft forms. Numerous legal aid and public education activities have been carried out. As part of the advocacy and information dissemination activity the planned annual publication and the research journal, monthly flyers, posters and statistical data booklet have been published. Further publicity on the human rights of women was done through the media. On the international side, EWLA complemented the Government and assisted the CEDAW Committee in the preparation of the shadow report. Legal Aid is one of the important achievements of EWLA – giving free quality legal service to women victims (9 cases) in court.

Activities in Regional EWLA’s 6 branch offices include mostly legal aid to women and public education, which have been effective in awareness creation of women’s rights.

EWLA is doing outstanding work in human rights advocacy.

2. APAP received in accordance with its two-year plan of action for 2003–2004 SEK 600,000.

APAP works in three major programme areas – human rights education and training, research lobbying and publication and community level institutions support programme. Currently it is also conducting a pilot project on violence against women in the town of Dessie.

Some of the achievements reported are: numerous training/on-the-job programmes conducted, publications published, around 18 community leaders’ networks in different woredas established close working relations with the Ethiopian Bar Association, a legal aid centre was established and various legal literacy programmes were conducted.

APAP is doing outstanding work in human rights advocacy and legal aid and literacy activities.

3. EHRCO has a three year strategic plan which has been approved by the consortium of donors supporting the organisation. EHRCO’s overall interventions fall under two main components – monitoring of human rights, rule of law and democratisation & civic education and public litigation. Sweden as one of the consortium members has contributed SEK 350,000 to EHRCO for 2003. Since the agreement was signed in August 2003, a report has not been received from EHRCO yet.

4. PFE: Sweden, as a member of the consortium supporting PFE, contributed SEK 300 000 to the budget presented. The most important activities undertaken by PFE were capacity building on professional ethics and standards in the criminal justice sector at the federal and regional levels, particularly relating to the rights of prisoners; leadership and management training to prison officials/commissioners, prosecutors and the judiciary; experience sharing visits by prison administration officials to different prisons; training of trainers of both officers and prisoners on health and HIV/AIDS in order that they will instruct inmates; construction of dry pit latrines and a biogas digester (in one prison as a pilot) and basic non formal education, especially for female inmates.

The PFE has achieved good results so far in its interventions with

growing interest of both inmates and the prison officials. It has managed to develop close working relationships with the federal and regional prison officials. This could contribute to the sustainability of PFE's involvement. However it is too early to conclude that the expected attitudinal and behavioural changes of the officials have been achieved.

Besides the support through the consortium, PFE received an additional SEK 450 000 from Sweden for activities related to the prevention and control of HIV/AIDS in five prisons in Tigray. From a survey it did, the PFE reported that prevention and control intervention are urgent there since the infection could be worsened on the release of infected prisoners. Accordingly, PFE initially trained facilitators who conducted awareness creation workshops, organised anti-AIDS clubs and peer educators, established small libraries for information dissemination and counselling. As per the report received, the training was offered not only to the prisoners but also to the prison officials.

5. EEA has continued to carry out research and to participate in debates. Relations with government institutions have improved. The conditions for real impacts of EEAs activities have thereby improved. EEA has in particular contributed to the new openness to discuss security of land tenure and agriculture policies in general. The annual report on the economic situation in Ethiopia, and the connected database, has been established an important source of economic data and alternative analysis. A macro-economic department has been established during the year.

Education

The first agreement on support to the education sector, after the cessation of hostilities between Ethiopia and Eritrea, was signed in September 2002. The agreement, 4,100,000 SEK was earmarked for a pilot phase of the English Language Improvement Programme (ELIP), and for additional preparations of consecutive Education Sector Development Programs (ESDPs). The ELIP pilot phase (SEK 1,100,000) was run until March 2003.

A team of two consultants evaluated the pilot programme in March 2003. Their findings indicated that some improvements needed to be made in the ELIP training material if it would serve the purpose of being used in a cascade training model. An agreement to that respect was subsequently reached with the ministry of education. Furthermore, an agreement was also reached that the roll out ELIP would have two objectives: to increase the individual teacher's knowledge of English and to increase the skills of teaching through the medium of English. A consultant revised the material during the month of May. The material was later used to train 24,000 secondary cycle primary teachers during the July-August vacations in Ethiopia. Preliminary and internal evaluations of the material reveal that it has been functioning very well. An external evaluation of the impact of this training is planned for spring 2004.

A second agreement was signed in July 2003. This agreement on totally SEK 10,900,000 was aimed at providing seed money for subsequent Swedish support to the Teacher Development Programme, a sub-sector of the Education Sector Development Programme. The areas supported by the agreement are: roll out of ELIP, preparation for inser-

vice training of tutors in teachers training institutions and their in-service training, initial planning of Teacher's Resource Centres and purchase of pedagogical books for teacher training institutions. During 2003 SEK 6,500,000 was disbursed for these programmes. For the implementation of ELIP the Ministry has asked the Embassy of Sweden to undertake procurement of consulting services within four areas: a) management support to the TD programme, b) development of ELIP training material for first cycle in primary education, c) development of two teachers resource books, one for primary and one for secondary education and d) impact evaluation of the training programmes. Tender invitations were sent out late in 2003.

The preparation for a more substantial support to the education sector continued during the year. Six donors, including Sweden, agreed on November 28 with the government of Ethiopia on a Memorandum of Understanding for how their combined support would benefit the Teacher Education sub-sector of ESDP. The individual donors support would be paid out to a pooled fund for teacher education, which would be released to the treasury against presented plans for utilisation and later through a common M&E system using agreed quality indicators. Decision on possible Swedish support to the TDP, tentatively SEK100 million for the period January 2004 to June 2005 was planned to be done in the beginning of 2004.

The Joint Review Mission (JRM), 2002 was conducted in February 2003, with participation of two representatives from Sida. The findings from the mission served as an input to the Annual Review Meeting (ARM), 2003 that took place in Nazareth 6–8 of May. Likewise the JRM, 2003 was conducted in October/November 2003. Findings from this mission will serve as one input to the ARM 2004, scheduled for March 15–17, 2004.

The monthly co-ordination meetings between the Ministry of Education and donors have been held regularly. The meetings are chaired by the minister and attended by the vice-ministers and donors to education. The ESDP Central Steering Committee (CSC) meetings have been held less regularly. Although scheduled once every quarter there has been three only in 2003. One in March 2003, one in September 2003 and the following in December 2003. The CSC-meetings have mainly been dealing with matters in preparation for or follow up of the JRM and ARM. Sweden is since the beginning of 2002 one of the members of the committee.

Finally the donor group is meeting regularly, mostly in preparation for the monthly meetings with the Ministry of Education. The group, which is chaired by the EU representative, has taken an active part in the planning and preparation for the JRMs, and the ARM 2003.

Health

The support to the health sector was suspended for over two years due to the conflict with Eritrea. With the peace process in place and the preparation of the Country Strategy for Ethiopia 2003–2007, co-operation within the health sector was reconsidered. The Federal Ministry of Health (FMoH) submitted a project proposal focusing on to the pilot hospitals strengthening reproductive health services.

An Initial Assessment of the proposal – 'Strengthening Facility Based essential Obstetric Care' – was done and submitted to Sida requesting

AFRA to give the Embassy the mandate to enter into agreement with the Ethiopian Government. The mandate was given and the Specific Agreement on the Health Sector support was signed with an amount of SEK 8.5 million for 2003–2004. Accordingly the first disbursement of SEK 5 million was made in December 2003.

The procurement of medical equipment and supplies, vehicles and ambulances for the four pilot hospitals as well as teaching materials for training institutions is the first major action. The second phase of the project will cover training and capacity building.

Key issues for dialogue and follow-up include the timely procurement and distribution of the equipment and the efficient administration of the training programmes as proposed in the document.

HIV/AIDS

AFRA gave in 2002 a mandate to the Embassy to fund organisations implementing innovative projects with an amount of SEK 2 million. The underlying aim was that the outcome and/or achievements of these NGOs would be used as input to the planned long-term support to the NGO sector.

Four organisations were selected for the support:

1. The Ethiopian Evangelical Church Mekane Yesus (EECMY) – Voluntary Counselling and Testing Project and HIV/AIDS Counsellors Training
2. Fatumatu Zehara Aid Organisation ((FZAO)– Prevention of HIV/AIDS through Economic Empowerment of Commercial Sex Workers in Bahir Dar.
3. The Anti-Malaria Association –Organising IDIR & Religious Leaders Steering Committees in 18 Woredas, Peer Educators Training, High School Students Awareness Creation & 10 weeks house-to-house education
4. Mother Theresa HIV Positive Children's Home – through the Swedish Clinic

The inclusion of NGOs in the HIV/AIDS support is significant, as the government cannot be the sole provider of services to prevent and control the HIV/AIDS pandemic. The input by the NGOs selected has shown that they are major contributors to the health service delivery system. From the reports received, the NGOs have also been able to train some of the highly needed counsellors in the regions, have managed to reach voluntary groups to assist and work with the most vulnerable and targeted members of the population, like commercial sex workers, poor women and children. One of the organisations has committed itself to offering some of the unfortunately infected children a comfortable life during their short lives. In the rural areas the NGOs have reached community and religious leaders, the young girls and mothers restricted to family responsibilities and grass-roots traditional organisations. With the decentralisation policy and trend NGOs have revealed that they have an important role to play.

The future involvement of these and similar civil society organisations in the fight against HIV/AIDS is a prime scheme in the Swedish upcoming support to NGO/CSOs. As mentioned above, an initial assessment of the planned support was undertaken by the embassy in 2003.

Research cooperation

The agreement on research co-operation was signed in September 2002, after a delay of more than half a year. This resulted in late payments of contributions to the programmes. In March 2003, most of the originally released funds had been spent and additional funds were disbursed. The exchange of management personnel at most levels of Addis Ababa University has so far not adversely affected the research programme.

The Armauer Hansen Research Institute (AHRI) has received a new director (seconded to the post by WHO for a period of three years). The director has been given the task of managing both the research institute and the ALERT Hospital on an interim basis.

Forestry Education

The specific agreement for support to Forestry education 1999/2002 was extended until 30 April 2004. Except for the infrastructure activities, which have been delayed, most of the planned activities for 2003 are accomplished satisfactorily. During the year 119 diploma, 57 BSc and 15 MSc students have graduated. SLU's contribution in accomplishing the MSc programme and the PhD programme was useful and effective.

External audit was conducted during the year. The outcome of this audit was largely positive as far as accounts were concerned although critical comments were recorded on clearing of staff advances.

In connection with appraising the new proposal by the college, a review of the ongoing programme was conducted by two external consultants during February-March 2003. The result of the review indicated that Wondo Genet has successfully established the MSc programme. The PhD training programme of the teaching staff at SLU has contributed in a decisive way to capacity building of the college. It was also indicated in the mission report that effectiveness of the administrative functions has increased considerably with the introduction of new routines and complementary training of different staff categories.

While these are some of the positive results, the slow progress of the planned research activities by the academic staff and the lagging behind schedule of the construction of the teaching and social infrastructure have been pointed out as weakness of the programme. The infrastructure programme involves construction of several buildings including classrooms, lecture halls, laboratories, dormitories, staff residences, offices and social facilities. Sida follows the development through an external consultant who visits the project site every quarter. According to the reports of the supervisor, in spite of serious delays in terms of time, the quality of work is up to standards.

During the reporting period, Wondo Genet has submitted to Sida a new project proposal. This project is designed to consolidate the extended Sida support to the college over the last 25 years. It is a four and half year project with a total budget of 49.4 million SEK. The proposal was appraised by the same consultants who conducted the review, assessed by

the Embassy (initial) and Sida NATUR (in-depth) and is now waiting decision by Sida. Risk of high academic staff turnover and the sustainability of the MSc programme after phasing out of the Sida support are the two key issues that need closer follow/up and discussion with the counter parts.

SARDP II

The specific agreement terminated 31 of December 2003. A 3rd phase of SARDP is planned to be started in 2004. During the year Sida has disbursed SEK 89 million for the programme.

An external review of the programme was carried out in May. The outcome of the review and different evaluations is serving as a platform for the regional government's program proposal on, and discussions with Sida about, a third phase of SARDP from July 2004.

The outcome of the review showed the following:

The most important strengths in SARDP II are:

- the introduction of block grants to the Woredas, now used over the whole country, which has contributed to empowerment of the woredas.
- technical capacity development within regional bureaux
- participatory planning processes at woreda and kebele (sub districts) have been carried out
- increase of infrastructure, woreda offices, rural roads and water supply
- focus on land administrative issues and user rights in two pilots
- A successful micro-credit programme (ACSI)
- increased possibilities for communication with communities through new radio transmitters in one zone (East Gojjam)

The most important weaknesses are:

- still low capacity at regional level and in the programme co-ordination in areas of management, monitoring and evaluation and gender and poverty strategies
- low replication of technical solutions due to supply driven standardised technical packages, not always adapted to the target groups needs and realities, lack of know-how in interaction between technical staff and target group for design of technical solutions, lack of innovation culture
- low capacity of the regional bureaux to serve the communities on Woreda level, lack of power of the in the Programme Co-ordination Committee (PCC), lack of human resources and know-how, especially in areas of management, participatory monitoring and evaluation, gender and poverty strategies
- lack of focus on the Development Agents, the most important link to target groups, who are trained for supply driven approaches and not up-dated for demand driven and participatory approaches with gender and poverty focus.
- Lack of environmental impact assessments (EIA)

Furthermore, the micro-financial institution Amhara Credit and Savings Institute (ACSI) and the land administration component have been evaluated separately and a strategic environmental assessment (SEA) has been undertaken.

ACSI, which is responsible to implement the credit component of

SARDP, was evaluated jointly with USAID in July 2003. The evaluation was conducted by a recognised rating agency called Global Micro Rate Africa (GMRA). The overall outcome of the rating exercise indicated that ACSI is a creditworthy institute. Among the strength of the institutions are remarkably low operating expense ratio, good portfolio quality and strong support from the regional government. The weak side of the institute are lack of automated management information system, MIS, firm control from the government which may restrict the institution's freedom, and lack of comprehensive risk management system.

A number of recommendations were made. These recommendations were discussed in detail with the institution's manager with the help of the Sida micro-finance advisor. Agreements were reached that Sida's future support to ACSI would focus on capacity building and improvement of the corporate governance particularly on product development, introducing automated MIS, staff training, developing and implementing risk management strategies, etc. It was also agreed that further support to increased loan capital should be minimised and instead that use of commercial funds should be encouraged. The collaborative exercise with USAID has a positive effect on improving future support to ACSI and is worth continuing.

Land administration and tenure: Security of land tenure has been a long standing and sensitive issue in Ethiopia. In order to address this issue, Sida has since 2002 supported a pilot project through SARDP to develop an applicable land administration system and test the same on a pilot scale in two kebeles. The ultimate objective of the initiative is to map out individual holdings and provide legally protected certificate of holding rights to the land users. A Swedish consultant assigned in the project was instrumental to develop the system and provide basic training to the staff members of the Environmental Protection, Land Administration & Use Authority of the Region (EPLAUA). A lot of activities have been accomplished during the reporting period including surveying and boundary demarcation of plots in the pilot areas, drafting of directives and regulations, awareness creation and advocacy work both at community and policy makers level.

External consultants evaluated the project in November 2003. The result indicated that the work that has been accomplished so far is commendable but at the same time emphasised that a lot to be done with regard to the legal frame work, capacity of the authority before replicating the system to a wider application, and testing of several technological options to ensure cost efficiency and sustainability.

SEA: In connection with the preparation of the SARDP III a strategic environmental assessment was conducted by EPLAUA with assistance from a Swedish consultant. The assessment was made based on the draft programme document prepared by the Region. The report included a framework environmental management plan with action items. The exercise was combined with training of the responsible regional experts. The consultant has provided basic training on SEA to several experts working in the authority and other bureaux. The assessment indicated that SARDP III should in its final formulation include focus on biological soil conservation methods, more attention to rural energy, advance EIA for road construction etc. The whole exercise is proved to be useful both

in terms of building local capacities and indicating areas of concerns for future considerations. It is expected that the Region would incorporate the recommendations in their proposal for SARDP III.

The SARDP program is audited on an annual basis. With a joint support from SIDA and USAID, external auditors have audited ACSI for the first time since its inception. The auditors came up with unqualified opinions.

A workshop was held in November in Bahir Dar, capital of the Amhara Region, with the objective to discuss the design of the 3rd phase of SARDP. During this workshop it was proposed to re-orient SARDP III and focus more on Woreda (district) support, micro-credits and land administrative issues.

Sida agreed to finance a bridging period running from 1st of January to 30th of June 2004.

Infrastructure

Serious delays have occurred in the final design of the road that Sida, Italian Cooperation and the EC have agreed to finance. Preparations of a socio-economic base-line study have started. Inec has worked out and presented an initial assessment. The in-depth assessment might be initiated in 2004.

Private Sector Development

The embassy carried out an initial assessment for private sector development (PSD) in the spring. Sida/Inec was given the mandate to undertake an in-depth assessment in September 2003.

Several complementary studies and workshops will be necessary to undertake before the implementation will start in August 2004. Focus will be on the legal framework (creation of an enabling environment), institutional building (private and public) and pro-poor growth. Harmonisation with other donors is envisaged and a dialogue strategy shall be worked out during the process.

Budget Support

No Swedish budget support was extended during 2003. Sida proposed a 3-year support to the Swedish Government. At the time of decision, the IMF-program was put on hold due to delays in one benchmark. Later, the follow-up matrix for Budget Support was not finalised and this caused another delay for the Swedish decision. There is good donor cooperation around budget support and the dialogue with the government has improved during the preparation phase of a joint budget support program. For 2004, budget support amounting to SEK 100 million has been proposed (SEK 80 million from budget for economic reform and SEK 20 million from the country allocation).

Personnel & Consultancy Fund

Only travel expenses for Ethiopian civil servants who have participated in Sida's technical courses have been financed from the fund in 2003.
Humanitarian Assistance

While drought and food shortage are recurrent problems in Ethiopia, the situation in 2003 was a record high. Some 13.2 million people were under threat of hunger and death. The international community responded timely and effectively and saved many lives. Sweden contributed with about SEK 101 million during the year (SEK 28 million from the country allocation through the Disaster Prevention and Preparedness Commission, DPPC, for local purchasing of food, SEK 45 million through UNICEF for non-food relief¹² and the remaining amount through Swedish NGOs).

A total of 37,500 metric tons (MT) of food grain was procured (15,000 was intended to be procured during 2002 but failed due to price increases) from local markets. A total of 22,500 MT was distributed to 1,579,361 needy people located in Afar, Oromia, Somali and Gambela Regions. Of these beneficiaries 51 % were women. The greater part of the food was distributed as free handouts while the remaining was used as food for work in Employment Generation Schemes. 15,000 MT was a replacement of a loan from the National Emergency Food Reserve, which lends grain to DPPC against donor pledges during emergency periods. The same amount was borrowed and distributed in 2002. The ration rate was 12.5 kg per person per month.

Overall, the procurement process was smooth and effective. The quality control at the receiving end, EFRA, was reported less effective, which has created room for supplying poor quality grains by some of the suppliers.

Given the magnitude of the problems in 2003 and the urgency to save peoples life, the performance by DPPC to manage donated food aid and procuring from the market was of high standard. Swedish contribution was significant both in terms of quantity and timeliness.

The local procurement approach is supported due to its many advantages, including market stabilisation and cost- and time effectiveness.

3.4 Office and administrative issues

The development cooperation section was in 2003 staffed with a Counsellor for Development Cooperation, four Programme Officers (two Swedish and two nationally employed), one Socio-economic Advisor (Swedish), one Controller (nationally employed) and a Bilateral Associate Expert (BBE) attached to the SARDP. The development cooperation required considerable HQ inputs, mainly from Deso (Education, Health and Desa Divisions), Inec (mainly Urban, Infra, NÄring and Finance Divisions, Natur, Sarec and Seka (EO-Division for civil society cooperation and HUM-Division for food aid etc). Furthermore, the Lusaka regional HIV/AIDS office, the regional health advisor in Lusaka and the Nairobi/RELMA/ office assisted the embassy.

A Quality Assessment (QA) review of the embassy was carried out in 2003. An action plan according to the QA recommendations was approved by Sida/Afra late in 2003.

Annex 1:

Fact sheet with selected macro-economic and social indicators

(I) Poverty – distribution (3)

Population growth	2,6%	
Human Development Index	2002: rank 168 (of 173)	score 0,327 (of 1,0)
	2003: rank 169 (of 175)	score 0,359 (of 1,0)
Gini coefficient	0,40	

(II) Macroeconomic situation (1)

	2000/01	2001/02 (est)	2002/03 (est)	2003/04 (prog)	2004/05 (prog)
Real GDP growth	7,7	1,2	-3,8	6,7	6,4
Real GDP growth per capita	5,1	-1,4	-6,4	4,1	3,8
Inflation (CPI)	-7,2	-7,2	14,6	5,5	3,0
Fiscal balance/GDP (before grants)	-12,1	-15,8	-14,4	-10,9	-8,9
Fiscal balance/GDP (after grants)	-7,4	-7,0	-6,5	-4,7	-3,9
Terms of trade (% change)	-6,2	-8,9	-2,7	-2,2	3,0
Trade balance/GDP	-17,1	-20,8	-23,1	-22,0	-20,1

Nominal GDP (1) 56192 millions of birr in 2002/03 (estimate)

GDP/capita (current USD) (4)	100 USD (2002)
Gross official reserves (1)	4,1 months of import in 2002/03 (estimate)
Exchange rate (1)	8,54 birr / USD 2001/02 (period average)

(III) Debt situation

External debt 2001/02 (5)

Nominal debt in MUSD	5614
NPV debt-to-GDP ratio	42,6
NPV debt-to-exports ratio	
(before/after HIPC)	284
NPV debt-to-revenue ratio	248,3/205,8
Debt service-to-exports ratio	15,7
Debt service-to-revenue ratio	11,1
Domestic debt 2002/03 (1)	37,5% of GDP

(IV) Budget and poverty reduction

(millions of birr)	2002/03 (8)	2003/04 (prognosis) (9)
Revenues before grants, nominal	10521	10893
Total expenditures, nominal	17220	19260

(1)	2000/01	2001/02 (est)	2002/03 (est)	2003/04 (prog)	2004/05 (prog)
Revenues before grants/GDP	18,8	20,1	21,7	20,8	21,4
Total revenues (domestic + grants)/GDP	23,6	24,8	30,5	29,3	27,6
Grants/GDP	4,8	4,7	8,8	8,5	6,2
Grants/total revenues	20,3	19,0	28,9	29,0	22,5
Expenditures/GDP	28,4	32,2	37,5	35,7	32,3
Expenditures on priority sectors/GDP (10)					
Education	-	4,5	5,5	6,4	-
Health	-	1,5	1,5	2,7	-
Agriculture and natural resources	-	3,4	3,2	5,7	-
Roads	-	3,2	3,0	5,4	-
Expenditures to priority sectors/exp. (10)					
Education	-	13,9	17,2	17,6	-
Health	-	4,8	4,6	7,4	-
Agriculture and natural resources	-	10,6	10,0	15,6	-

Sources

- (1) IMF: Ethiopia – Fourth Review of the Poverty Reduction and Growth Facility Arrangement, 030722
- (3) UNDP HDI Report 2002 and 2003
- (4) Sida's country analysis
- (5) Decision Point Document for the Enhanced HIPC Initiative, October 15, 2001
- (8) Federal budget 2002/03
- (9) Federal budget 2003/04

Annex 2:

Planning Overview

<p><i>Embassy of Sweden Addis Ababa Bekeren W/Giorge's</i></p> <p>ETHIO-SWEDISH DEVELOPMENT COOPERATION 2001-2005</p> <p>Financial Country Report as per 2003-12-31</p>									
<p>TOTAL_ Under and outside the development cooperation agreement</p> <p>Agreed projects under the development cooperation agreement, estimated disbursements</p> <p>Planned projects under the development cooperation agreement, indicative disbursements</p> <p>Projects outside the development cooperation agreement, estimated disbursements</p> <p>Planned disbursements, total</p> <p>Estimated amount available</p> <p>Balance overplanning/underplanning</p>									
<p>Under the development Cooperation Agreement</p> <p>Area of cooperation for which Specific Agreements have been concluded</p>									
<p>Agreem. period</p> <p>Total agreed amount</p>	<p>Actual disbursements</p>		<p>Planned disbursements</p>						
	upto end 2001	during 2002	during 2003	2003	2004	2005	2,963	97%	
SARDP Phase II	2002-03	200,000	-	89,037	92,000	0,000	0,438	98%	
Forestry Education	1999-04	84,300	35,875	19,562	20,000	0,000	0,000	100%	
Personnel and Consultancy Fund	1997-03	12,900	6,122	0,200	0,200	-	5,248	80%	
Research Cooperation	2002-05	103,000	-	20,752	26,000	25,000	0,000	100%	
Education Support	2002-04	4,100	0,000	1,519	1,519	2,151	0,000	100%	
Education Bridging	2003-04	10,900	-	6,500	6,500	4,400	0,000		
HSDP Ess. Obstetric	2003-05	8,500	0,000	5,000	5,000	3,500	-		
Local Grain ETH01	2001-02	67,000	0,000	5,146	5,328	-	0,182	97%	
DPFC Drought ETH 2002	2002-04	50,000	61,430	0,342	5,097	-	0,000	100%	
Humanitarian Relief Assistance	2002-04	25,000	44,640	17,665	17,665	0,000	0,000	100%	
TOTAL	2003-04	565,700	103,427	150,662	170,478	179,309	51,351	25,000	8,831
<p>Planned but not agreed projects</p>									
<p>Planned agreements</p>		<p>Planned disbursements</p>							
Project	2004-05	100,000			2003	2004	2005		
Teacher Development Program	2005-10	not decided				70,000	30,000		
Education Sector Support	2005-10	not decided				9,500	25,000		
Health sector support	2004-06	0,600			0,200	0,200	0,200		
Personnel and Consultancy Fund	2005-10	300,000			5,000	70,000	25,000		
Blue Nile Road & Bridge	2004-08	100,000			24,000	25,000	5,000		
Justice reform programme	2004-08	not decided			95,000	92,000	10,000		
Demo/HR through Gov./Parliament	2004-08	400,000			10,000	25,000	25,000		
SARDP Phase III	2004-08	49,000							
Forestry Education, Phase II	2004-08	75,000							
Food Security									
TOTAL		1024,600			0,000	243,700	316,200	0,000	
<p>Outside the development cooperation agreement</p>									
		<p>Disbursed</p>			<p>Planned disbursements</p>			<p>Remaining Balance 2003</p>	
Project	STATUS	2002	2003	2003	2004	2005		% of Planned 2003	
Civil Society Cooperation incl. HR/Demo.	AGREED/PLANNED	3,778	3,946	3,946	20,000	20,000	0,000	100%	
Programme Development Fund (old & new)	AGREED/PLANNED	1,541	1,700	1,500	2,000	2,000	0,000	100%	
Minor Environmental projects	AGREED	0,649	0,224	0,224	-	-	0,000		
HN/AIDS fund through Civil Society Coop.	AGREED/PLANNED	1,112	1,122	1,122	20,000	20,000	80,000	0%	
Private Sector Development	PLANNED		0,000	0,000	10,000	10,000	1,515	75%	
Direct Budget Support	PLANNED		0,000	0,000	100,000	120,000			
Embassy staff	AGREED	4,341	4,635	4,635	6,150	6,150			
TOTAL		11,421	11,627	11,627	158,150	178,150	81,315	13%	
<p>Outside traditional frame</p> <p>Projects under development cooperation agreement</p> <p>Total disbursements and planned disbursements</p>									
		11,421	11,627	11,627	92,942	158,150	178,150	81,315	13%
		130,662	170,478	182,105	179,309	295,051	341,200	8,831	95%
		162,083			272,251	453,201	519,350	90,146	67%

Annex 3:

Strategic documents received

1. The Annual Progress Report on the implementation of the SDPRP, Government of Ethiopia, December 2003
2. Destitution in the Northern Highlands – Amhara Region, November 2002, Save the Children UK
3. Ethiopia food security program, coalition for food security, December 2003
4. Evaluation of EPLAUA
5. Strategic Environmental Assessment SARDP

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
sida@sida.se, www.sida.se