



**Executive Board of the
United Nations Development
Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

Distr.: General
12 April 2011

Original: English

Annual session of 2011
6 to 17 June 2011, New York
Item 6 of the provisional agenda
Country programmes and related matters

Draft country programme document for Ethiopia (2012-2015)

Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Situation analysis.....	1-6	2
II. Past cooperation and lessons learned.....	7-9	3
III. Proposed programme.....	10-15	3
IV. Programme management, monitoring and evaluation.....	16-18	5
Annex Results and resources framework		6



I. Situation analysis

1. Driven by its ambition to become a middle-income country and a carbon-neutral economy by 2025, backed by prudent macroeconomic policy management and significant investment in infrastructure, Ethiopia has achieved striking development results over the past decade. The economy grew at a real annual average rate of 11 per cent between 2005 and 2010, poverty levels declined sharply, from 38.6 per cent in 2004/2005 to 29.2 per cent in 2010 (Ministry of Finance and Economic Development 2010), and evidence from the Ethiopia Millennium Development Goals Report 2010 suggests that the country is on course to reach most of the targets by 2015, with the exception of gender equality and maternal health. The nation's Human Development Index increased significantly over the past decade, rising from 0.250 in 2000 to 0.328 in 2010 (*Human Development Report 2010*).

2. Ethiopia, however, remains a low-income country with almost a third of its 80 million people living below the poverty line. Inequality, vulnerability to internal and external shocks and a high dependence on overseas development assistance, amounting to a third of its national budget (of which some 30 to 50 per cent is humanitarian and food aid), remain key challenges. Rural-urban disparities, as well as regional gaps, in income levels, poverty, and social services provision still prevail. Four of the country's nine regions lag behind the national average in almost all development indicators. Social and cultural norms pose challenges to gender equality, even though women constitute 47 per cent of the labour force. Accelerating and sustaining economic growth is key. Thus, removal of constraints such as low private sector participation relative to the overall economy, significant supply-side difficulties within the agricultural sector, a weak industrial sector and obstacles faced by small- and medium-scale enterprises becomes imperative. Agriculture, which contributes 41 per cent of GDP and employs 80 per cent of the population, is still predominantly smallholder and traditional in nature. This is reflected in low incomes and levels of productivity and vulnerability to changes in rainfall. Institutional capacities to support agricultural transformation remain weak.

3. In light of the country's plans for accelerated and ecologically sustainable growth, the susceptibility of the Ethiopian economy to climate change demands significant investment in mitigation and adaptation. Some 7 to 8 per cent of the national economy is affected by climate change, and maintaining the targeted baseline 11 per cent economic growth rate requires an investment of \$1.2-1.5 billion per annum in mitigation and adaptation measures. There is a need to improve Government capabilities in policy and institutional frameworks, as well as enhance access to financing to take advantage of emerging opportunities on climate change.

4. A series of governance reforms, successively implemented since 1992, have led to significant improvements in public service delivery, electoral administration, access to and administration of justice and women's participation in politics. Currently, 27 per cent of parliamentarians are women. Capacities of institutions of democratic governance, notably those with responsibilities for promoting human rights and guaranteeing transparency and accountability, are being strengthened. Nevertheless, the attainment of pluralistic and participatory democracy faces challenges, not least of which is fostering effective public sector and development management, especially in the four regions that lag in terms of development.

5. The fragile geopolitical context within the Horn of Africa, the ramifications of the conflict in Somalia and ongoing political events in Sudan have implications for the stability and development prospects of Ethiopia. Considering that the landlocked nature of the country requires cooperation with neighbours, the long-term prospects of Ethiopia are intricately linked to improved socio-political stability, security and economic development in the subregion.

6. The recently launched national Growth and Transformation Plan (GTP) targets transformational change in agriculture, industry and governance. This is to be achieved through unleashing the potential of small-scale farmers and that of small- and medium-scale

enterprises, as well as deepening democratic development and decentralization, enhancing public service delivery, and promoting equity, access to justice, transparency and accountability. Significant investments and continued action, however, are needed to strengthen participatory democracy and capacity development, remediate vulnerabilities and boost resilience to ensure success.

II. Past cooperation and lessons learned

7. The preceding country programme (2007-2010) focused on enhancing economic growth for the benefit of the poorest; dealing with food insecurity and susceptibility to disasters; promoting good governance, with gender, human rights and capacity development as cross-cutting issues. Programme support focused primarily on policy reform, strengthening institutional performance and piloting to inform policy and to scale up good practices.

8. *Key results under the previous programme.* A 2009 midterm review, coupled with project-level reviews and evaluations, pointed to results that: (a) improved the policy environment that underpinned high growth and improvements in human development indicators; (b) enhanced the ability of institutions to deliver public services, implement robust agricultural development, and practice more effective disaster risk management; (c) strengthened government institutions' programme planning, implementation, coordination and results-based management; and (d) laid the groundwork for better policy oversight, accountability and transparency. UNDP has, for example, been instrumental in designing a national agricultural policy and investment programme that has raised more than \$200 million for development and in strengthening democratic institutions, which has increased citizens' knowledge of their rights and the volume, efficiency and resolution of cases concerning human rights, maladministration and corruption.

9. *Lessons Learned:* The midterm review emphasized being more responsive by instituting approaches to planning, implementation and monitoring, based on a more regionally differentiated strategy. It further stressed the imperative of complementing downstream interventions to mitigate the impacts of climate change and stimulate local economic development with interventions that are broader in scope. The catalytic role of UNDP in policy development and facilitation of multi-donor investments in agriculture needs to be directed more towards the benefit of small- and medium-scale enterprises. The difference in planning cycles between the UNDP calendar year and that of the Government of Ethiopia breaks momentum in programme implementation. A shift from a three-month to a six-month disbursement cycle would resolve delays related to channeling of funds.

III. Proposed programme

10. Anchored in the GTP, the country programme is guided by the comparative advantage of UNDP in three of the four strategic pillars articulated in the United Nations Development Assistance Framework (UNDAF) for 2012-2015. The overarching strategic thrust is strengthening capacities of officials and civil servants, systems and national institutions, through targeted interventions that accelerate broad-based development and safeguard development gains against endogenous and exogenous shocks. The programme is framed around three strategic priorities: swifter economic growth and poverty reduction; democratic governance and capacity development; and development of a low-carbon and climate-resilient economy. Improving opportunities for women's participation, knowledge management and South-South cooperation will facilitate innovation, and help scale up good practices. In accordance with the Delivering as One initiative, the country programme will be implemented through the joint UNDAF Action Plan. To ensure greater alignment with the national development planning cycle, the Government and United Nations Country Team agreed that the UNDAF and country programmes would cover a four-year period.

Programme component I: enhanced economic growth and poverty reduction

11. This programme component will support the Government's efforts to accelerate economic growth directed towards poverty eradication, with agricultural and small- and medium-scale enterprises as the primary drivers, anchored in a value-chain approach. The focus will be on supporting policy and institutional capacity development at both the national and subnational levels to build up the knowledge, skills and systems that can broaden access to critical services that aid production, support efficiency of marketing systems and leverage appropriate technology and practices to demonstrate sustainable options for boosting productivity and income in rural areas. UNDP will support policy and diagnostic work, knowledge networking, codification of knowledge, and testing of innovative practices that can facilitate solutions to practical bottlenecks in building effective value chains. It will also help producers and private sector institutions find ways to allow the poor, especially women and youth, to take advantage of better technologies, inputs, finance and markets.

12. To make the country more resistant to global financial and economic shocks, UNDP, in collaboration with World Bank and research institutions, will seek to bolster national economic intelligence, policy and analytic work on the potential impacts of developments worldwide and appropriate risk mitigation, as well as exploring and leveraging alternative sources of development financing.

Programme component II: low-carbon, climate-resilient economy

13. This component will support the transition of Ethiopia to a low-carbon, climate-resilient economy through technical support in formulating an emissions reduction strategy and piloting its implementation; policy advice and technical support to introduce mitigation, resilience and other environmental priorities into economic production, particularly in the agricultural, infrastructure, water and energy sectors; and piloting of renewable energy initiatives. UNDP will support the establishment of a financing facility for new and additional financial flows, encourage technology transfer for implementation of mitigation and adaptation processes and address other emerging environmental priorities. This programme component will also assist institutions in complying with and implementing the provisions of domestic and multilateral environmental regulations. A further emphasis of this component will be the provision of policy and operational support to the implementation of a comprehensive Disaster Risk Management system.

Programme component III: democratic governance and capacity development

14. This component will help institutionalize a democratic state that can sustain inclusive growth and achieve the Millennium Development Goals. The programme will strengthen capacities of oversight institutions, including the Federal Ethics and Anti-Corruption Commission, Parliament and the Auditor General's Office, to develop and maintain systems that ensure transparency, accountability and efficiency in the public sector. Support to the Ethiopian Human Rights Commission and Ombudsman will help strengthen case management systems and outreach to citizens regarding human rights issues and instances of maladministration. The programme will widen access to justice through legal education and legal aid as well as promote public participation by strengthening electoral systems, dialogue platforms and civic engagement.

15. The programme component will support improvements in leadership capabilities, business processes and management systems in public institutions to yield efficient management of public resources, development of responsive policies and improved delivery mechanisms to expand and upgrade the quality of service provision for communities, with an emphasis on women, vulnerable groups and businesses. The principal focus of this approach will be on strengthening institutions in the regions most in need of development assistance to lead participatory planning and implementation processes, generate and sustain revenue and ensure equitable access to services.

IV. Programme management, monitoring and evaluation

16. Within the Delivering as One framework, the UNDAF Action Plan will provide the operational framework for the country programme (replacing the country programme action plan). UNDP will support joint programming, implement joint programmes and administer the One UN Fund.

17. The national implementation modality is the preferred modality, although others will be utilized in agreement with the Government. Overall coordination will be vested in the Ministry of Finance and Economic Development, and national implementing partners will be accountable for results articulated in annual work plans.

18. Monitoring and evaluation will include quarterly outcome progress reviews, Joint Annual Reviews, outcome and programme evaluations and a midterm or final UNDAF evaluation. UNDP will use government systems and databases to monitor indicators of results where data are available.

Annex. Results and resources framework

National priority: Accelerated, sustainable and equitable economic growth towards middle-income status by 2025.					
UNDAF Outcome 1: Increased use by agricultural producers of improved institutional services, efficient marketing systems and appropriate technology and practices for sustainable increase in agricultural production and productivity by 2015. Outcome indicator: Number of agricultural producers that adopt improved technologies by type of technology, disaggregated by gender and age and size. Related strategic plan focus areas: Poverty Eradication					
Government partner contribution	Other partner contributions	UNDP contribution	Indicator(s), baselines and target(s) for UNDP contributions	Indicative country programme outputs	Indicative resources by outcome(s)
The Ministry of Finance, Economic Development (MOFED) will set policies, allocate resources. Ministry of Agriculture to lead on plan implementation.	United Nations agencies, bilaterals, international financial institutions will provide financial and technical assistance. Research institutes and community leaders will conduct socio-economic analysis to inform policy.	UNDP will strengthen capacities of government and producer institutions to design, develop and deliver key services.	Indicator: Functional services that enhance productivity of smallholders for targeted value chains. Baseline: Institutional frameworks and systems limited in capacity, reach and effectiveness. Target: Services and systems operational to replicate solutions that enhance smallholder productivity.	An evidence base established and solutions to low productivity in targeted value chains and selected products in four regions up-scaled.	Regular: \$10,260,000 Other: \$10,800,000
UNDAF Outcome 2: By 2015, private-sector-led Ethiopian manufacturing and service industries, especially small- and medium-scale enterprises (SME), have sustainably improved their competitiveness and employment creation potentials. Outcome indicators: Per cent export earning of manufactured goods; value of import substitution; per cent women in waged employment in non-agricultural sector. Related strategic plan focus areas: Poverty Eradication					
MOFED will set policies and allocate resources. Ministry of Industry leads Programme implementation	Donors to harmonize investments; United Nations Industrial Development Organization to provide technical know-how, Chambers of Commerce to support implementation.	UNDP to assist policy formulation, business development; investment promotion across value chains.	Indicator: SME presence and profitability in selected markets. Baseline: To be determined; Limited SME data Target: 10 per cent increase in the number of profitable SMEs (of whom at least 50 per cent should be women and youth).	National SME Development Policy and Programme formulated; solutions to bottlenecks for SME entry and survival up-scaled.	Regular: \$15,140,000 Other: \$16,200,000
National Priority: Ethiopia to become a carbon-neutral and climate-resilient economy by 2025.					
UNDAF Outcome 4: By 2015, national and subnational institutions and vulnerable communities have systematically reduced disaster risks and impacts of disasters and have improved food security. Outcome indicator: per cent improvement in disaster risk reduction and management (DRRM) systems at the national, subnational and community levels; per cent of woredas (districts) with reduced disaster risks; per cent of people affected by disaster events. Related strategic plan focus areas: Energy and Environment for Sustainable Development					
Government to release DRRM policy and adopt strategic investment framework DRRM.	Civil society to build public awareness; Donor/United Nations to harmonize approaches, financial and technical support.	UNDP to support mainstreaming and operationalization of DRRM policy.	Indicator: Woredas with early warning system (EWS) and contingency plans. Baseline: Regional EWS and Contingency Plans limited. Target: 50 per cent of vulnerable woredas operationalize the EWS.	Integrated DRM systems and coordination mechanisms functional at federal and regional levels	Regular: \$9,100,000 Other: \$20,000,000
UNDAF Outcome 5: By 2015, the governance systems, use of technologies and practices and financing mechanisms that promote a low-carbon, climate-resilient (LCCR) economy and society have improved at all levels. Outcome indicator: Number of institutions that have mainstreamed climate change adaptation and mitigation; per cent of incremental finance mobilized; national climate change financial mechanism established. Related strategic plan focus areas: Environment for Sustainable Development					

The Government will finalize and implement the National Framework for a low-carbon and climate-resilient economy.	Donors and United Nations will provide financial and technical support; private sector will scale up viable technologies; civil society will support community adaptation.	UNDP to provide technical and financial support for LCCR and compliance with Multilateral Environmental Agreements (MEAs), access to climate finance and technology.	Indicator: Policies, sector strategies, investments increasingly LCCR and MEA compliant. Baseline: Minimal compliance; measurement system not in place. Target: LCCR compliance in GTP and three critical sector strategies; new climate financing mobilized.	Technical studies, consultations and proposals completed for LCCR and MEA compliance; national multi-donor climate trust fund established and operational.	Regular: \$9,600,000 Other: \$35,800,000
National Priority: Democracy and good governance are maintained through people's participation, and good will and social justice are secured.					
UNDAF Outcome 10: By 2015, national and subnational actors utilize improved mechanisms that promote inclusiveness, participation, transparency, accountability and responsiveness in national development processes. Outcome indicator: Improved structure, effectiveness, responsiveness and accountability of governance institutions. Related strategic plan focus areas: Democratic Governance					
Strengthen capacity of democratic institutions through policy, legislative, budget and staffing provisions for institutional functionality.	Donors provide financial support, engage in governance dialogue; civil society organizations (CSOs) to support social accountability through citizens' perception surveys.	UNDP to provide technical advice, manage multi-donor, programmes, facilitate dialogue, knowledge exchange.	Indicator: Improved responsiveness and effectiveness of governance institutions addressing protection of human rights and anti-corruption. Baseline: To be determined by citizens' perception survey (2011). Target: 30 per cent increase from baseline of perceived effectiveness in 2011.	Skills, systems and initiatives developed for successful resolution of cases handled by democratic institutions.	Regular: \$5,866,000 Other: \$34,900,000
UNDAF Outcome 11: By 2015 capacities of national, local and community institutions strengthened for evidence-based planning, implementation, monitoring, evaluation and decision-making. Outcome indicator: Level of satisfaction of communities in provision of public services; participatory evidence-based development planning, monitoring, evaluation and decision-making. Related strategic plan focus areas: Democratic Governance					
Government to develop package to accelerate development in regions that lag.	United Nations agencies and CSOs to enhance services, public management and livelihoods with donor support through a joint United Nations programme.	UNDP to strengthen local government capacity to manage and monitor public service delivery.	Indicator: Per cent of local governments' service delivery in regions in focus meeting minimum standards of functionality. Baseline: Low human resource and fund absorption capacities. Target: Core organizations meet capacity benchmarks; 50 per cent or more of annual budgets expended.	Planning, public expenditure management and monitoring and evaluation capacities of core service delivery organizations upgraded to meet capacity benchmarks.	Regular: \$4,000,000 Other: \$10,000,000