



Linking the National Poverty Reduction Strategy to the MDGs: a case study of Ethiopia

• eradicate extreme poverty and hunger • achieve universal primary education • promote gender equality and empower women • reduce child mortality • improve maternal health • combat HIV/AIDS, malaria and other diseases • ensure environmental sustainability • develop a global partnership for development • eradicate extreme poverty and hunger • achieve universal primary education • promote gender equality and empower women • reduce child mortality • improve maternal health • combat HIV/AIDS, malaria and other diseases



Part of a series sharing good practices from countries successfully promoting the Millennium Development Goals (MDGs), this case is intended to help UNDP Country Offices, national governments and partners to determine whether an assessment of needs to achieve the MDGs could help to strengthen the national poverty reduction strategies in their countries, and, if so, how they might adapt the Ethiopian experience to their national contexts. This case also focuses on how the UN Country Team, donors and the Government of Ethiopia increased collaboration and laid the necessary foundation for a poverty reduction strategy paper (PRSP) oriented to MDG-outcomes.





Ethiopia at a Glance*

- ★ Capital: Addis Ababa
- Total Population: 67 million
- Human Development Index Rank (out of 177): 170
- GDP per Capita (PPP US\$ 2002): 780
- Life Expectancy at Birth: 45.5 years
- Percent of population below national poverty line: 44%
- Adult Literacy: 41.5%

How Linking the PRSP to the MDGs is Advancing Development Outcomes

Addressing the many inter-related dimensions of poverty in Ethiopia is urgent. While finally at peace and with a Government committed to democracy, development and decentralization, Ethiopia is fraught with recurring famines, low literacy and widespread poverty. It also remains highly dependent on foreign aid.

In Ethiopia, as in nearly 70 other countries, the poverty reduction strategy paper (PRSP)¹ is becoming the operational framework to translate the global MDG targets into national action. It serves as a practical building block to address the country's challenges. National ownership, Government commitment and coordinated United Nations (UN) and donor approaches have helped to open space for dialogue and to bring the MDGs more concertedly into the policy debate. Ethiopia was one of the first countries to connect its PRSP to the MDGs. Together, these steps have contributed to the:

- deepening of effective partnerships to reduce poverty;
- assessment of needs, actions and costs for a ten year plan to achieve the MDGs;
- strengthening of poverty reduction policies by positioning Ethiopia to prepare an MDG-based PRSP in 2005;
- initiation of preparations for a comprehensive financing strategy to achieve the MDGs;
- monitoring of development performance by linking PRSP indicators and intermediate MDG targets; and
- improvement in the quality and quantity of aid delivery through the alignment of development assistance around PRSP and MDG priorities.

* Source: Human Development Report 2004.

¹ Officially known in Ethiopia as the Sustainable Development and Poverty Reduction Programme (SDPRP).

The Ethiopian Development Context

Large and landlocked, Ethiopia is the second-most populous country in Sub-Saharan Africa, and one the most impoverished. Only seven of 177 other countries have lower human development indexes. Forty-four per cent of Ethiopia's 67 million people live below the national poverty line, and repeated droughts have contributed to regular food shortages and famine. Other challenges include stemming HIV/AIDS, reducing discrimination against women, building infrastructure and creating jobs.

Ethiopia's multiple challenges are compounded by a post-crisis legacy. Centuries of feudalism were followed by two decades of Marxist military rule, a command economy and a protracted war of succession with Eritrea. Ethiopia successfully made the transition to a federal democratic state with a free market economy in the 1990s, but its institutions are still relatively new. The Government's limited capacity is further constrained by low domestic revenues. Ethiopia is still far from achieving the MDGs, as indicated in Table 1.

Table 1: Status of Selected MDG Targets for Ethiopia

Source: *Ethiopia MDG Report, 2004*. (a) Data refer to 1995-96.

Selected MDG Indicators	1990	2000	2004-05 PRSP Goals	Achieve Global MDG by 2015?
National poverty	48%	44.2%	40%	Off target
Gross enrollment rate (primary education)	32%	57.4%	65%	Possible
Female enrollment rate (primary education)	29.4 ^a	52.0	62%	Possible
Under-five mortality rate (per 1,000 live births)	190	167	160	Off target
Maternal mortality rate (per 100,000 live births)	1400 ^a	500-700	400-450	Off target
HIV/AIDS prevalence rate	n/a	7.3%	7.3%	Possible
Access to clean water	19%	30%	39.4%	Possible in urban areas

Ethiopia's prospects are changing due to its preliminary peace agreement with Eritrea in 2000 and the Government's renewed focus on poverty reduction, including its willingness to review its policy framework and to redress its capacity needs. These factors have contributed to a more supportive international aid environment. Foreign aid finances 37% of public expenditure, totalling US \$1.4 billion in 2003. Ethiopia has also received international debt relief since November 2001. Even so, debt service commanded 10% of the national budget in 2004.

The national poverty reduction strategy is critical in this context not only because it is intended to embody precise medium-term policies and plans. In its related form as a poverty reduction strategy paper (PRSP), a formal document submitted to the World Bank and the International Monetary Fund, it embodies the Government's plan on how it will use savings from reduced debt service. It also serves as a basis for gaining external aid. Ethiopia has slated three consecutive poverty reduction strategies for implementation until 2015.² Based on progress in its first poverty reduction strategy, Ethiopia qualified for additional debt relief in 2003. This achievement notwithstanding, Ethiopia needs more. It needs actionable plans able to achieve the MDGs by 2015 and redirect its population's future.

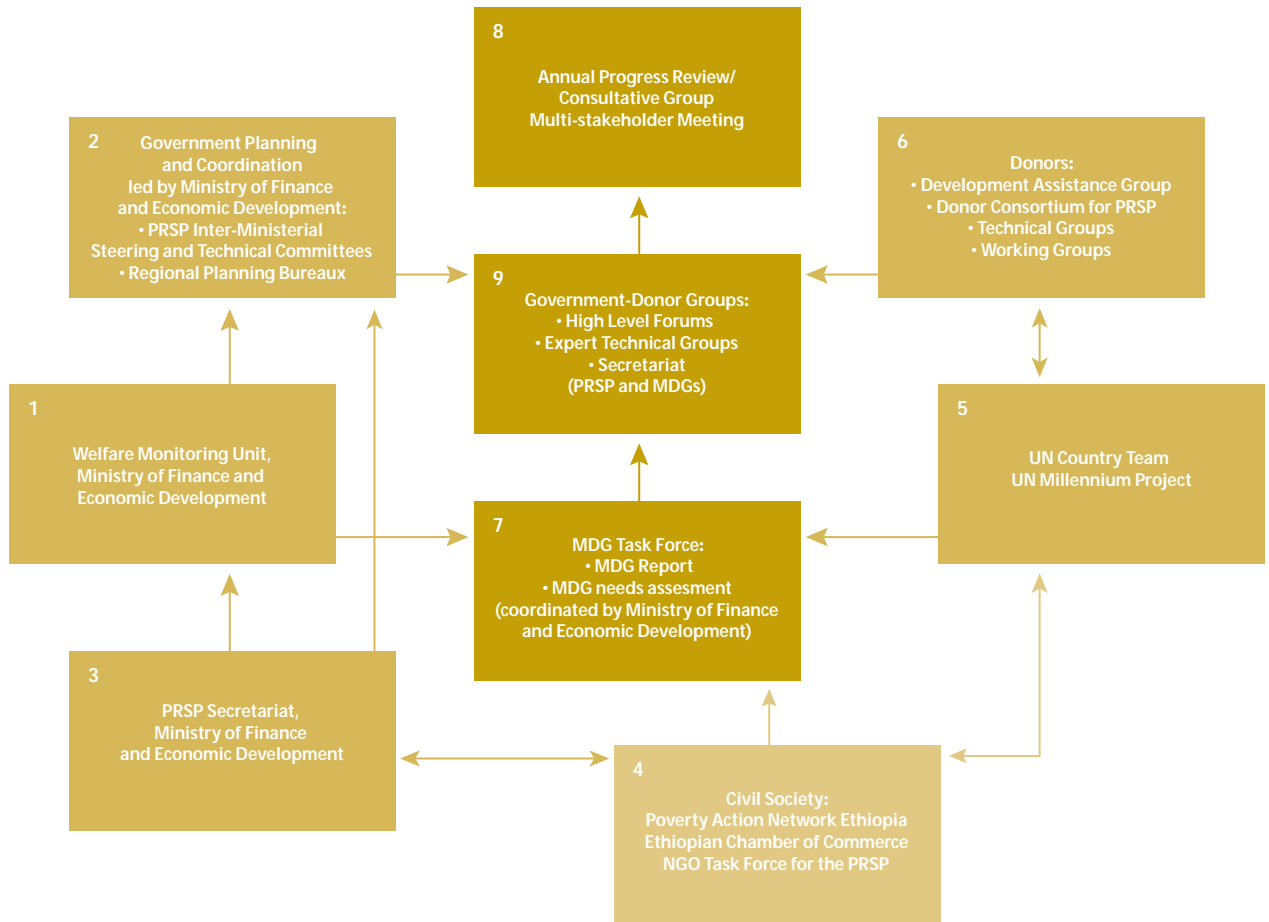
The Foundations of Collaboration in the First Poverty Reduction Strategy

The preparation of the first PRSP in 2001 broadened engagement among the Government, donors and the UN, and laid the foundation for subsequent collaboration around the MDGs. The MDGs were not a prominent part of the global development debate at that time. The Government focused on national and sub-national structures to support the PRSP. The Ministry of Finance and Economic Development led the preparatory process, chairing inter-Ministerial PRSP Steering and Technical Committees that examined sector and underlying issues. The Ministry's Welfare Monitoring Unit coordinated with line Ministries on content. This structure was repeated at the sub-national level, where Regional Planning Bureaux were responsible for coordination. (Figure 1 illustrates institutional structures for the PRSP and subsequent MDG processes.)

² The three strategies are expected to cover 2002-2005, 2005-2010 and 2010-2015.



Figure 1: Institutional Structures for the PRSP and the MDG Processes in Ethiopia



The Ministry of Finance and Economic Development is responsible for and coordinates the PRSP and the MDG processes. Within the Ministry, the Welfare Monitoring Unit coordinates with Ministries on sector issues and reports. The inter-Ministerial Steering Committee (box 2) leads the PRSP process, and the MDG Task Force (box 7) leads the MDG processes. The full Cabinet approves the PRSP.

The Government paid attention to stakeholder participation in response to criticism on the lack of participation during the preparation of the Interim PRSP in 2000. With donor co-financing, the Government formed a PRSP Secretariat within the Ministry of Finance and Economic Development. Through a Secretariat in each of Ethiopia's regions, the PRSP Secretariat organized district, regional and national consultations with a cross section of society including villagers, religious leaders, civil society, women's groups and local officials. Above all, the many consultations helped to put poverty reduction on district and national agendas. Independently, Ethiopian non-governmental organizations (NGOs), including the umbrella organization Christian Relief and Development Association, Inter Africa Group and the Forum for Social Studies, set up the NGO Task Force for the PRSP to coordinate their comments on the draft strategy. The Ethiopian Chamber of Commerce organized the private sector, whose written suggestions on missing topics contributed to the inclusion of ten pages on private sector development in the final PRSP. Donors provided money and technical assistance to facilitate the participation of these and other civil society groups.

Emergence of a Donor Consortium on the PRSP

Donors set up a consortium in 2001 under their Development Assistance Group in order to have better influence on the PRSP, an opportunity they felt they missed with the Interim PRSP. The members agreed to prioritize issues and to go to the Government with a consensus and concrete remedies to problems. While respectful of national ownership, donors saw themselves as stakeholders because the aid they provide would likely be aligned with the PRSP. The Ministry of Finance and Economic Development came to an understanding with the consortium, considering that donors contribute more than one third of public expenditure.

The donor consortium on the PRSP is large; more than 20 bi-lateral donors are present in Ethiopia, as well as nearly 25 multi-lateral agencies including the UN, the World Bank, the International Monetary Fund and the African Development Bank. UNDP, also a co-chair of the Development Assistance Group, chairs the consortium. UNDP worked with the members to draw up a series of principles, including incremental programming.

A pooled fund became one of the consortium's most effective tools for donor coordination and engaging the Government. Overtime, it has come to enhance the donors' sense of purpose and impact. The fund supports research, consultations and projects. It has enabled the consortium to react on a timely and proactive basis; funds can be disbursed quickly because donors give most contributions in advance. A Core Group comprised of heads of agencies oversees the fund, which UNDP manages and administers, and approves activities.³

In an effort to provide technical suggestions for the PRSP and to encourage evidence-based policy-making, the consortium revitalized ten donor working groups to examine sector issues, policies and processes. The donors submitted a PRSP Issues Note to the Government in early 2002 based on the groups' findings. This initial experience, however, underscored the need to clarify and manage purposes, means and expectations within the donor consortium. UNDP expended considerable effort to ensure participation, to prepare joint notes, to facilitate the process, and to establish smoother procedures.

³ Participating donors are Austria, Belgium, Canada, DFID, European Commission, Finland, Germany, Ireland, Italy, Japan, Norway, Netherlands, Sweden and USAID. ADB, World Bank and IMF and increasingly other UN agencies meet regularly in the group. UNDP manages the fund using its 'direct execution' modality.

As consultations on the draft PRSP gained momentum, the UN Country Team saw an invitation from the Government to suggest policy options as an excellent opportunity to begin to advocate for the PRSP as the medium-term strategy to achieve the longer-term MDGs. Donors themselves were just slowly beginning to internalize the potential of the MDGs, in part due to UN Country Team outreach that helped to overcome skepticism that the MDGs were a UN agenda. The MDGs transformed gradually into a guiding principle during the following two years.

Table 2: A Simplified Chronology of the PRSP and MDGs in Ethiopia

	2000	2001	2002	2003	2004	2005
PRSP	• Interim PRSP	• PRSP consultations	• PRSP Finalized 2002–2005	• First PRSP Annual Progress Report (December)	• Second PRSP Annual Progress Report	• MDG-based PRSP 2005–2010
MDGs			• MDG Action Forum • MDG campaigning	• Draft MDG Report	• MDG Report • MDG Needs Assessment begun	

Introducing the MDGs in Ethiopia

In June 2002, as PRSP preparations moved forward, Africa's first MDG Action Forum significantly raised the profile of the MDGs within Ethiopia. Organized by several UNDP offices and held in Addis Ababa, the forum brought together high-level Government officials, civil society leaders, private sector representatives and UN staff from 14 Central and East African countries to plan actions, policies and programmes to achieve the MDGs. Simultaneously, the UN Country Team began to introduce the MDGs to Ethiopian counterparts and to advocate for a national MDG report.

Increased awareness of the MDGs, Ethiopia's agenda for poverty reduction and the prospect of additional aid helped to motivate the Government to address the goals. The Government decided to rely largely on the PRSP structures already in place instead of creating parallel mechanisms. It did, however, establish an MDG Task Force to coordinate campaigning and preparation of an MDG report. Co-chaired by the Director of Planning in the Ministry of Finance and Economic Development and UNDP, the MDG Task Force's members initially came from the Government, UNICEF and the World Bank. UN Country Team MDG focal points, WHO and UNFPA joined in February 2003. The Government opted to consult civil society at a later stage and through different means.

Public Outreach on the MDGs

In late 2002, the MDG Task Force launched a public MDG campaign with an Amharic slogan, “Yichalal.” (It is possible!) Famed Ethiopian runner Haile Gebreselassie, who overcame his impoverished childhood, served as a spokesman. Targeting a broad audience, the campaign advocated the possibilities of reaching the MDGs and focused on making stakeholders aware of their potential roles and obligations. The campaign included radio spots, songs, an art competition, posters and more to reach all Ethiopians, including the many who cannot read. Other initiatives included a football match broadcast on Ethiopian television between Parliamentarians and UN staff with the theme “Score a Millennium Development Goal!”

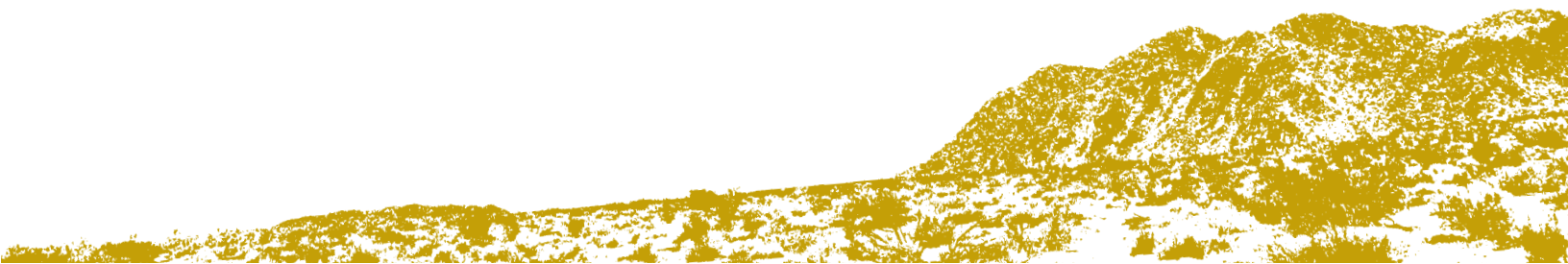
The campaign used targeted activities to reach youth, government officials, donors, journalists and, not least, UN staff. For example, it hosted a workshop for members of Parliament including the Speaker and Deputy Speaker of the House of Representatives. Following the workshop, members of Parliament agreed to incorporate the MDGs into the daily work of Standing Committees, and attended additional trainings on specific goals. The UN Country Team organized and underwrote many of these activities.

While raising basic awareness of the MDGs was one thing, persuading the Government and some donors to link the PRSP more concretely to the MDGs was another. It took sustained, concerted effort by the UN and partners.

Making the Initial Policy Link to the MDGs

An initial turning point for the MDGs in Ethiopia can be traced to the Consultative Group Meeting in December 2002, when the Government presented the PRSP to donors for funding. For the first time, the Government articulated its commitment to base the PRSP on the MDGs. The meeting’s communiqué referred to the PRSP “as the primary development programme for Ethiopia, providing a shared platform to achieve accelerated growth to overcome the country’s pervasive poverty and food insecurity and for reaching the Millennium Development Goals.” The MDG agenda started moving more significantly thereafter, in 2003.

Several shortcomings that would require attention for successful implementation were noted at the meeting and after, including gaps in gender equity, participation and governance. While the PRSP focused on agriculture and rural development to underwrite economic growth, strategies to bring this about were not clear. Nor were there interim targets or time frames to measure progress. Debate persisted about the best sequence of policies; the strategy basically consolidated existing sector programmes within a macro-economic framework. Finally, the link to the national budget was unclear in part due to the timing of the Ethiopian fiscal calendar and in part because the PRSP contained few clear programmes. This link gradually became stronger. A joint review initiated in 2004 looks at the budget, aid and development outcomes.



Aligning Aid Behind the National Agenda

Overall, the first PRSP process went a long way toward defining a common agenda and collaborative processes. This greater coherency fostered a climate of constructive dialogue on Ethiopia's remaining policy weaknesses and capacity constraints. It also strengthened the partnership among the Government, the UN and donors.

Donors pledged \$3.6 billion for the three-year period of the PRSP, an amount that topped expectations. They stressed their commitment to increase aid and to improve coherency in policies related to trade, investment and debt relief. Certain partners, including UNDP, also advocated for increased longer-term and more predictable aid. Ethiopia received less aid per capita than the Sub-Saharan African average, and a vast share of that went to short-term humanitarian assistance.

The 2002 PRSP simultaneously opened room for more coordinated aid approaches, including direct budgetary support. The Government strongly advocated that multiple donor procedures place heavy burdens on its offices. Ethiopia agreed to serve as a pilot country for harmonization, a new approach to aid and UN system work. In 2003, the Government and donors established quarterly high-level forums, a joint secretariat based in the Government, and expert thematic groups⁴, all as means to follow up on PRSP implementation and the MDGs. (See Figure 1, box 9.) With donor support, the Government also installed a holistic computerized aid management system.

Several approaches also helped to improve donor participation and activities. The donor consortium continued to provide technical and financial support to the Government and civil society on monitoring progress, policy reviews, and programme implementation. UNDP built on its concurrent roles as Chair of the donor consortium, UN Humanitarian Coordinator and UN Resident Coordinator. For example, it helped to set up a national coalition on food security that sought to bridge the gap between emergency responses and sustainable food production.

When a serious drought struck in 2003, the coalition presented a programme for funding in conjunction with the first PRSP Annual Progress Report. As a result, the Government increased its allocations to food security and donors supported new programmes on rural development, livelihoods and the environment.

Synchronized Monitoring and Reporting

Synchronization of monitoring approaches further integrated the PRSP and the MDGs. Monitoring the PRSP and the MDGs require similar data. The Government saw that in duplication monitoring would impose on Ethiopian resources and advocated one system. The donor consortium proposed linking the annual targets and performance indicators of the PRSP policy matrix, which form the basis of the annual progress reports, with MDG indicators. The policy matrix was incomplete when the PRSP went to the World Bank and International Monetary Fund Boards in late 2002. Codifying the PRSP's objectives into a work plan of concrete actions and measurable progress indicators proved to be a time-consuming task. By December 2003, concerted efforts had produced a matrix that is a sound basis for poverty monitoring. Many of the 100 indicators are linked to the MDGs. (See Table 3.)

⁴ The groups included experts from the Government, donors and the UN, and cover education, health, water, roads, food security, gender, HIV/AIDS, public sector capacity building and public finance management. Groups on private sector development and trade, environment and governance were set up in late 2004.



Table 3: Excerpt from the 2002-2005 PRSP Policy Matrix

Source: SDPRP Policy Matrix, Ministry of Finance and Economic Development, 2003.

Corresponding MDG Indicator	Objectives A. Theme Goal B. Outcome C. Outputs D. Inputs/Action	Indicators	Targets and Key Actions			Responsible/ Implementing Agency
			2002-03	2003/04	2004/05	
			Progress to Date	Planned Targets	Planned Targets	
MDG 5, Indicator 17: reduce maternal mortality	(2.2.C.1) Improving the Family Health Services	Proportion of deliveries attended by trained personnel	15%	20%	25%	Federal Ministry of Health, regional health bureaus
MDG 6, Indicator 8: halt and begin to reverse the spread of HIV/AIDS	(2.3.B.1) Halt and begin to reverse the spread of HIV/AIDS	HIV prevalence among 15-24 year old pregnant women	12%	11%	10%	All stakeholders

The Government took a second step on synchronized monitoring when it aligned the timing of the MDG report with the PRSP's Annual Progress Report. This would encourage incorporation of MDG-based recommendations into the PRSP, as well as increase efficiency and use of data collection and analysis. The Welfare Monitoring Unit coordinates both reports, compiling inputs from sector ministries. The donor consortium used the pooled fund to support the preparation of the first MDG report, and provided technical assistance on the PRSP progress report. Stakeholders discussed the drafts of both reports in national, Government-sanctioned forums, but the formal nature of most statements and short time limited dialogue and constructive feedback.

The Government issued the first Annual Progress Report on the PRSP in late 2003. The report included analysis of progress in relation to the longer-term MDGs, but could not be as rigorous as intended because implementation of the PRSP had only just begun. Motivated by the prospect of debt relief, the Government moved ahead. The report helped Ethiopia to qualify under the enhanced highly indebted poor country (HIPC) initiative for US\$3.3 billion in additional relief, which will reduce debt service from 10% to 5% of the annual budget until 2015.

The Government launched the first national MDG report in July 2004. While the report states that "targets related to poverty, hunger, education and health are well articulated [in the existing PRSP] and nearly consistent with the MDGs", understanding had grown that Ethiopia's strategies lacked specific, scaled up actions able to achieve the MDGs by 2015.

The MDG Report points out that despite recent increases in aid, Ethiopia did not have enough resources. Official development assistance would need to double, at least, for Ethiopia to reach the MDGs, and a greater share of expenditure would need to go to longer-term investments in agriculture, education and health.⁵

In related efforts, the Government sought to integrate the MDGs into a strengthened poverty monitoring system. This is expected to lead to more effective policies by helping to identify areas and rate of progress, and continued needs. The Ethiopian Central Statistical Authority and the Welfare Monitoring Unit, with support from the donor consortium, crafted a proposal to strengthen the national monitoring and evaluation system, including data production and dissemination. In May 2004, donors pledged nearly the entire US \$8 million budget until 2008, which will be channeled through the donor pooled fund. (As of early 2005, \$6 million had been committed or delivered.) As part of this initiative, the Government, with UN Country Team support, adapted and installed DevInfo software, which tracks development data based on the MDGs and makes data readily available to non-technical audiences.

Preparing an MDG-based PRSP

Despite this notable progress, Ethiopia was still off-track to achieve the MDGs by 2015. A major shift in mid-2004, coupled with the MDG Report, the established Government-donor partnership and other steps discussed above, enabled Ethiopia's planning and action to escalate to a new level.

Concurrently, a couple of high-level events, also in July 2004, reinforced the salience of the MDGs to Ethiopia's prospects. The Prime Minister, UN Secretary-General, six other heads of state and more than 500 leaders of the African and global agricultural, science and aid communities gathered in Addis Ababa to discuss innovative approaches to meet the hunger MDG in Africa in a conference convened by the Government and the UN Millennium Project. Soon thereafter, the Millennium Project and UN Country Team facilitated the participation of the State Minister for Finance and Economic Development in a meeting of the Organization for Economic Cooperation and Development (OECD) on achieving the MDGs. Both events indicated the value of the MDGs in attracting international attention to Ethiopia and as a means for directing increased aid.

⁵ The Ethiopia MDG Report's calculations are based on growth estimates, current budget configurations and non-aggregated figures. In comparison, the Millennium Project's estimates of required per capita aid for similar Sub-Saharan African countries are two to three times more. See Footnote 6.

Sector Needs Assessments

In July 2004, the Government, with support from the UN Country Team, including the World Bank, and the Millennium Project, began a detailed assessment of what is required to achieve the MDGs in Ethiopia and how much it will cost. Ethiopia became one of seven pilot countries working closely with the Millennium Project and UN Country Teams to conduct this analysis.

Ethiopia's second PRSP needs several things to be linked to the MDGs in a meaningful way. It needs clear actions able to achieve the MDGs by 2015 and a timeline. It needs to ensure that targets are ambitious enough and that key parts of the population are reached, and to recognize fully the multidimensional nature of poverty and the interdependence of sector policies. It needs to address the challenges of strengthening governance and institutional capacity.

The Millennium Project needs assessment approach involves simultaneous research and modeling in many sectors. In Ethiopia, analysis began with activities listed in the existing PRSP in critical sectors of health, education, rural development and food security, water and sanitation, population, urban development, HIV/AIDS, gender and private sector development and trade strategies. For each, sector teams sought to:

- align targets with achievement of MDGs by 2015;
- identify and add target groups for each activity in order to meet needs across the country, which includes identifying target demographic groups for pertinent MDG indicators;
- identify activities needed to achieve the targets, and specify their scope and duration;
- add a detailed time line for activities and achieving interim and final indicators until 2015;
- translate activities into the shorter-term PRSP time frame;
- cost out each activity for the five years of the PRSP and to 2015 to the level of fully achieving the MDG targets;⁶
- calculate human resource and infrastructure needs for the PRSP timeline and the 2015 horizon; and
- add additional strategies to each sector as required or as recommended by Government Ministries, UN Country Team or World Bank.

The needs assessment also examined cross-cutting issues that underpin sector performance, including transportation infrastructure, energy and demographic trends. The UN Country Team and donors, through the pooled fund, carried out additional studies on private sector development, trade and gender. The Women's Affairs Office, based in the Office of the Prime Minister, undertook preparation of a national action plan for gender equity.

⁶ The Millennium Project needs assessment methodology calculates costs based on interventions required to reach the MDGs, using growth estimates only to project the share of domestic resources. It recognizes that current budgets may not reflect real needs, and aggregates cost estimates across sectors to capture in part synergies among the goals and to estimate total MDG needs.

As the process began in August 2004, partners reviewed approaches and assumptions. The World Bank advocated analysis that considers policy and programme options in light of the actual financial, human and institutional resources available in Ethiopia, an approach referred to as constrained analysis. The Government, however, proposed that the analysis first focus on the full set of actions needed to achieve the MDGs by 2015, and then shift to how different programmes would be prioritized, implemented and sequenced under the scenario of limited resources and capacities.

The MDG Task Force oversaw the needs assessment. As with the other MDG and PRSP work, the Ministry of Finance and Economic Development coordinated within the Government, while individual Ministries were responsible for relevant sector needs assessments. The Government assigned a consultant to each Ministry to assist with the technical work and to coordinate with the UN Country Team.

The UN played a crucial role in facilitating the needs assessment. UNDP worked to pull the UN Country Team, donors and partners together behind the initiative and to reach broad agreement on approaches. At the start, UNDP and the Millennium Project trained all consultants on issues in Ethiopia and the needs assessment methodology. The Millennium Project provided the methodology to assess needs and to cost actions, including sample outlines of sector reports and spreadsheets with complex formulas. UNDP provided a framework for each sector, and the UN Country Team provided operational tools for doing the analysis, financial support and technical assistance. For some sectors like health and education, Ministries used World Bank methodology adapted to an MDG basis. Both the UN Country Team and the Millennium Project provided funding for the sector consultants. Ministries and consultants conferred with the World Bank and the International Monetary Fund to varying degrees.

The close collaboration established by the donor consortium yielded benefits beyond having opened the door to this approach. For half of 2004, a critical period in this story, UNICEF and the World Food Programme each acted as Resident Coordinator while there was no UNDP Resident Representative; the UN Country Team continued to work effectively. Despite disagreements on approaches, partners agreed that the UN Country Team and the Millennium Project would lead on some supporting the sector analysis, while the World Bank would lead on support in the second, synthesis phase. Some partners felt, and to a certain degree still feel, that the Government could have shared more information and was slow to open up the review of the policy framework. Others disagree about pieces of the analysis, and question why calculations of required resources are so large. The work was able to move forward, however, because certain partners, including the World Bank and International Monetary Fund, were publicly very supportive and raised questions in private.

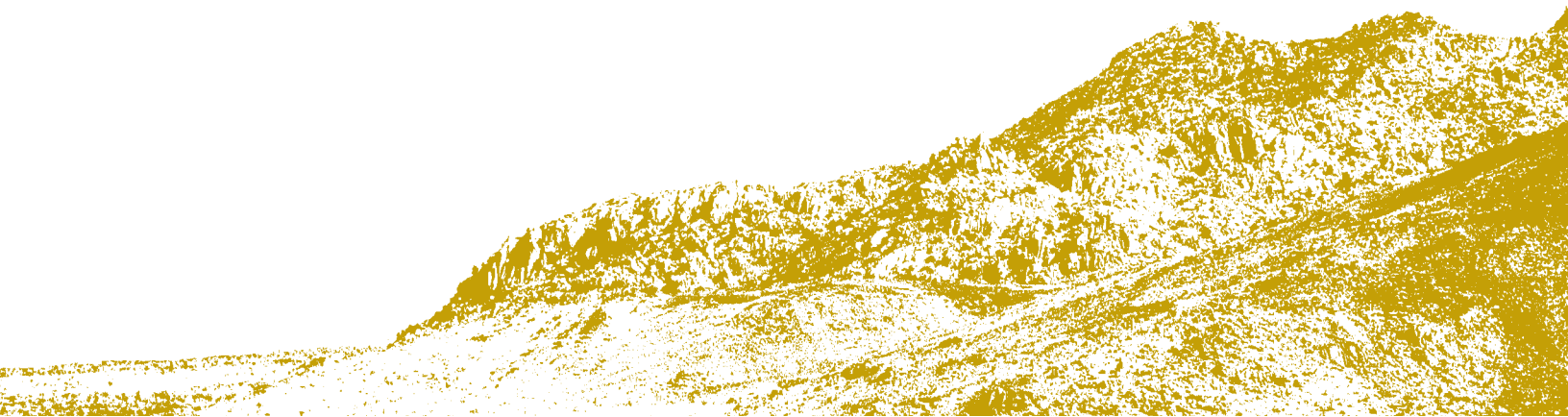
Participation & Outreach to Integrate the MDGs into the PRSP

As the needs assessment progressed, on-going and new processes sought to support stake holder participation and the integration of the MDGs into the PRSP. These include the Government-led Task Forces on the PRSP, thematic working groups, and a focus on monitoring, as discussed above. The second Annual Progress Report on the PRSP, finalized in early 2005, emphasized the need for more meaningful consultations and focused on giving more information on progress toward the poverty targets.

Networks of civil society organizations have been instrumental in Ethiopia in raising attention to poverty, hunger and other needs and rights. Only more recently, however, did they become more closely involved in Government-led poverty reduction processes. More than 40 civil society organizations came together in March 2004 to form the Poverty Action Network Ethiopia, an evolution of the earlier NGO Task Force for the PRSP. With Government understanding and support from the donor consortium, the Network has:

- prepared a civil society monitoring and evaluation framework and pilot initiatives, including community monitoring and evaluation groups, and structures for dialogue with district Governments;
- formed sub-national chapters in order to deepen local participation;
- carried out national and local awareness raising and planning workshops on the PRSP and MDGs in collaboration with Government PRSP institutions; and
- implemented a Citizen Report Card in five regions to provide independent user ratings of basic services including primary education, health, water, sanitation and agriculture. The Report Card will help to cross-check Government data on poverty and development for the whole country, and is expected to feed into the next PRSP and to be used in sub-national development planning.

The Government is also planning to revitalize the PRSP Secretariat to organize national and sub-national consultations with stakeholders on the second PRSP. Expected for the second half of 2005, these consultations will help to regularize the means through which the Network and other civil society actors contribute views and analysis. The donor consortium will support this process and civil society organizations.



Initial Outcomes & Next Steps

The Government first articulated results of the sector needs assessment in workshops with civil society and donors in November 2004 and February 2005. Reactions were mixed, reflecting in part the mixed quality of the studies themselves as well as the range of cost estimates yielded by different methods, such as in the national MDG Report. The latest results suggest that Ethiopia will require US \$122 billion to meet the 2015 MDG deadline, including US \$33.4 billion for rural development and food security, and US \$13.1 billion for health. This translates to about US \$125 per capita per year. Assuming that the Government can mobilize domestic resources for half, nearly US \$62 per capita per year in aid would still be needed. In 2003, aid to Ethiopia was just US \$21.50 per capita per year. At present, the Government and donors have agreed on a cost estimate of US \$50 billion for 10 years or US \$75 per capita per year, with the Government expected to mobilize US \$35.

In early 2005, the Government began the second phase of uniting assessments and activity plans into a single document that reflects the Government's priorities, the total costs, and how much the Government will finance. This synthesis will provide a basis for the second PRSP, which is expected in September 2005. The synthesis involves: conducting a macroeconomic analysis based on sector costs; calculation of costs that recognizes the synergies from sequenced action and progress in multiple sectors; formulation of a ten-year plan; and, preparation of a comprehensive financing strategy. Many expect that the Government will present both the full set of actions needed to achieve the MDGs by 2015 and a constrained scenario, a step to which the World Bank has tentatively agreed.

The synthesis document will be shared broadly with Ethiopian and international stakeholders to build consensus on the content of the new PRSP. Plans also include further decentralization of planning, and steps to align regional and district planning, management and budgeting processes with the PRSP and MDGs. The UN Country Team plans to base its framework for development assistance (UNDAF) on the new PRSP, and to time its programme cycle with the PRSP cycle.

The needs assessment experience in Ethiopia is also helping to change the global approach to the PRSP. The Millennium Project incorporated the early results in its final recommendations, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. Moreover, there is increasing support that PRSPs should be based on the actual MDG needs of countries.

In Ethiopia, however, the future challenge is to match higher ambitions with measures that address limited capacity, policy weaknesses and financing constraints. Ongoing policy reforms combined with demonstrated Ethiopian and international commitment seem poised to move the country in this direction and to break the poverty trap.

Lessons Learned

- **The PRSP and MDG processes can catalyse broad-based partnerships and more effective aid, and lead to more sustainable development results.** For more than 70 of the poorest countries,⁷ the PRSP is becoming the primary vehicle for strategies to reach the MDGs. The possibility of debt relief has made it a top priority in many nations. In Ethiopia, both the Government and the UN Country Team leveraged these opportunities successfully to bring diverse stakeholders and donors together around the common PRSP and MDG agenda, and to harmonize aid delivery mechanisms. This has increased the efficacy of development cooperation strategies.
- **Vesting responsibility for PRSP and MDG planning and monitoring in the same government office can increase coordination, planning and pro-poor outcomes.** In Ethiopia, the Ministry of Finance and Economic Development led both processes. The Ministry's Welfare Monitoring Unit coordinated with other Ministries, and existing PRSP structures were used for most MDG activities.
- **Synchronizing PRSP and MDG implementation and reporting strategies can streamline actions, reduce transaction costs and improve results.** The Government of Ethiopia chose the PRSP as the primary means to plan to achieve the MDGs. The Government maximized synergies by establishing common monitoring systems, which facilitated incorporation of MDG recommendations into the PRSP.
- **Tying indicators and targets in the PRSP to the MDGs is an important consideration in linking the frameworks.** The indicators of Ethiopia's PRSP policy matrix are linked to the MDGs. This enables a common MDG and poverty monitoring system. Over time, this can help to demonstrate which policies are most effective.
- **United donor positions and actions can pave the way for more continuous dialogue and maximize contributions to pro-poor policies.** A well coordinated donor platform and work on harmonization helped to deepen the relationship with the Ethiopian Government. This led to routine discussions on policy challenges and solutions, and opened the door for collaboration on MDG-based policy planning. Cooperation between the World Bank and the UN Country Team in Ethiopia and at headquarters contributed to these outcomes, as did maintaining unity in public while sorting out disagreements in private.
- **The creation of a donor consortium with pooled funds can enhance coordination and effective partnerships with government and civil society.** The trust that now underlies the donor consortium evolved over time, and was bolstered by proven capabilities, ongoing efforts to encourage inclusiveness, and time-intensive coordination. A pooled fund enabled the donors to extend timely and proactive support. One benefit was the identification of entry points to promote the MDGs.

⁷ As of 29 April 2005, 45 countries have prepared full PRSPs; 24 countries, including Ethiopia, have prepared their first Annual Progress Report; 11 countries have completed their second Annual Progress Report; 3 countries have completed their third year of PRSP implementation.

- **Provision of consolidated written inputs from networks can be influential in policy processes.** Comments coordinated by the Ethiopian Chamber of Commerce contributed to the inclusion of 10 pages on private sector issues in the 2002 PRSP. Policy suggestions from donors also had more impact on the PRSP and MDGs when consolidated, written and coordinated.
- **The preparation of an MDG needs assessment and MDG-based PRSP can reframe the debate and boost development outcomes.** In Ethiopia, this work has helped to shift the discussion from ‘Can the MDGs be achieved?’ to ‘How can Ethiopia achieve the MDGs by 2015?’ The needs assessment analysis has resulted in debate about the best sequence of policies and programmes, the means to scale up national capacities quickly, and the amount of required resources for Ethiopia to achieve the MDGs by 2015.
- **The UN system can support government-led MDG-based planning by providing methodologies and technical expertise to assess needs, prepare a ten-year action plan able to achieve the MDGs, and cost actions.** In Ethiopia, the UN Country Team, including the World Bank, and the UN Millennium Project supported the Government with detailed economic and sector models, sector experts, report outlines, and trainings.
- **PRSP and MDG planning can be time consuming.** In Ethiopia, codifying the first PRSP’s objectives into a work plan of concrete actions and measurable progress indicators aligned with the MDGs took nearly one year. The Government and partners, however, did not let this impede initiation of projects.



Further Information

This case is one in a series of good practices prepared by the Bureau for Resources and Strategic Partnerships/MDGs Unit in conjunction with the Regional Bureaux and Country Offices. For information see the website below, or send an email to mdgsfeedback@undp.org.

Case written by: Kristin Seljeflot and Amina Tirana

Series Editor: Amina Tirana

UNDP Contacts

Vinetta Robinson, Economic Advisor, UNDP Ethiopia. email: vinetta.robinson@undp.org

Kristin Seljeflot, Economist, UNDP Ethiopia & Development Assistance Group Secretariat.

email: kristin.seljeflot@undp.org

Selamawit Alebachew, Coordinator MDG Needs Assessment, UNDP Ethiopia, e-mail: selamawit.alebachew@undp.org

Web Sites and Reference Documents

UNDP Ethiopia: <http://www.et.undp.org/>

MDGNet: www.undg.org

Development Assistance Group Ethiopia: www.dagethiopia.org

Additional cases in this Good Practice series: www.undp.org/mdg/goodpractices.html

UN Millennium Project: www.unmillenniumproject.org

Poverty Reduction Strategies and PRSPs: www.worldbank.org/poverty/strategies/index.htm

PRSP Ethiopia: <http://poverty.worldbank.org/prsp/index.php?view=ctry&id=58>

2004 Annual Report, Development Assistance Group: www.dagethiopia.org

Copyright UNDP 2005.

UNDP

UNDP is the UN's global development organization, a network advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges. As they develop local capacity, they draw on the people of UNDP and our wide range of partners.



United Nations Development Programme
One United Nations Plaza
New York, NY 10017
Tel: 1-212-906-5000

www.undp.org