



Development Assistance Group - Ethiopia
DAG Pooled Fund

Annual Report 2004



DFID



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Partnership for Accelerated Growth and Poverty Reduction in Ethiopia

The adoption of the Sustainable Development and Poverty Reduction Programme (SDPRP) as the common platform for accelerating growth and fighting poverty in Ethiopia was a turning point that has resulted in a number of positive developments including: i) Putting growth and poverty reduction at the forefront of the national development agenda; ii) A reinvigorated partnership and mutual accountability between the Ethiopian Government, national stakeholders and the international donor community towards the achievement of the long-term Millennium Development Goals; iii) Alignment of development assistance around the SDPRP and the MDGs and enhanced development dialogue; iv) Harmonisation for enhanced aid effectiveness and increased aid volumes; v) Promotion of participatory approaches to development, decentralization and empowerment and vi) Enhanced local ownership.

The DAG pooled fund, which was set up under UNDP direct execution in 2001 in response to Government's request for coordinated donor support to the SDPRP process, has been instrumental in promoting this new partnership for accelerated growth and poverty reduction in Ethiopia. On behalf of the contributing donors, strategic support has been channelled through the pooled fund to areas such as the participatory consultation process, analytical work, institutional strengthening and coordination. In June 2004, the financing agreement was reconfirmed and extended into the next SDPRP cycle through the signing of a joint Memorandum of Understanding by MOFED on behalf of the Government of Ethiopia and the contributing DAG members.

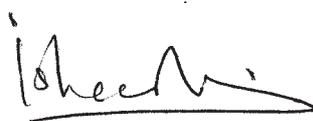
Starting from 2004, the pooled fund includes a major earmarked component for long-term support to the strengthening of the SDPRP monitoring and evaluation system. This is expected to yield reliable data for tracking progress in poverty reduction and provide relevant information for more evidence based policy making and more effective programme implementation. A pooled operational programme for strategic support to the Education Sector Development Programme and strategic support to strengthening the private sector component in the SDPRP are in process. Ethiopia launched the MDG needs assessment exercise and established innovative partnerships between regional authorities and civil society as well as operationalizing a government-donor partnership architecture at the federal level. In the context of the broader partnerships, the Government and its partners also took bold steps aimed to address some of the root causes for poverty in Ethiopia, including focus on chronic food insecurity, empowerment of women and gender mainstreaming and strengthening of rural-urban linkages.

While recognizing the challenges ahead, we remain confident that through deepening and expanding our partnerships, Ethiopia will continue firmly on the path of sustainable development and poverty reduction. In this regard, we acknowledge with deep appreciation the demonstrated commitment of the development partners and Government institutions to align with and harmonise around the SDPRP and MDGs, towards better results for the benefit of the poor and sustainable growth in Ethiopia.



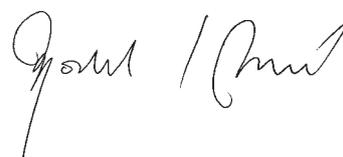
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1 Overall Status of the SDPRP Implementation and Monitoring and the Harmonisation Agenda in Ethiopia

This report covers the period from January 2004 to December 2004 and summarizes the activities undertaken as well as the results achieved through the work of the DAG. Technical and financial support for these activities has been channelled through the SDPRP pooled fund, which is managed by UNDP on behalf of the contributing DAG members. The modality is UNDP direct execution through the overall programme – “Donor support to the SDPRP process in Ethiopia” (00012462) and its sub-components.

2004 was the second year of SDPRP implementation and the third year of operations for the pooled donor fund. In April, Ethiopia obtained USD 1.3 billion in debt relief under the enhanced HIPC initiative, as well as an additional USD 700 million in “topping up” due to the exogenous shocks affecting the economic prospects. In June, Government and donors signed a renewed memorandum of understanding for continued cooperation in the implementation and monitoring phase, including a five-year agreement for support to monitoring and evaluation. In early July, Ethiopia presented its first MDG report and at the same time formally launched the MDG Needs Assessment exercise which once finalised would feed into the future SDPRP. An interim-APR for the second year was released in September, while the full draft annual progress report for 2004 was discussed in a partnership forum in early 2005.

2004 was the second year of SDPRP implementation and the third year of operations for the pooled donor fund

Major SDPRP related initiatives undertaken include the strengthening of the SDPRP monitoring and evaluation system, including support to civil society inputs; work initiated on the MDG Need Assessment and alignment with the SDPRP; and regional SDPRP/MDGs sensitisation and planning workshops conducted. Several important policy agendas have also been forwarded including the mainstreaming of gender equality, urban development, safety nets, rural growth and private sector development and the broadened engagement of stakeholders.

The harmonisation agenda progressed further in the course of 2004, although it remains challenging to translate commitments into action. The harmonisation task force was revitalized and a country level harmonisation action plan formulated. Ethiopia also continued to contribute to the international harmonisation agenda as a partner country in the OECD-DAC Task Team on Harmonisation and Alignment and with the Strategic Partnership with Africa. The implementation of the Government-donor partnership architecture advanced further, with three high level forums being conducted, agreement reached on nine joint groups at the sectoral and thematic level, and operationalization of the secretariat in MOFED. This resulted in further enhancement of the policy dialogue.

The Development Assistance Group (DAG) continues to actively engage in the SDPRP implementation and monitoring through the meetings of the DAG and its technical working groups. Joint Government and donor dialogue has intensified in the context of the partnership architecture, as well as specific thematic/sector reviews and workshop discussions. The DAG secretariat, housed in UNDP, serves to coordinate and facilitate the donor coordination and the Government-donor policy dialogue. Moreover, the DAG secretariat is managing information flows and servicing visiting donor missions. The DAG secretariat is also responsible for the day-to-day operations of DAG support channelled over the pooled fund.

Overall, there has been substantial progress in the second year of SDPRP implementation, particularly in terms of consolidation of strategies and programmes, and in the strengthening of the overall SDPRP monitoring and evaluation system. There have also been positive developments in terms of the Government-donor partnership and the continued momentum of the participatory processes and engagement of civil society. In addition, around 20% of total ODA was delivered as joint budget support in 2003/04 and it is expected to be increasing up to around USD 347 million or an estimated 36% of ODA for 2004/05 .

However, major bottlenecks and challenges still remain, including coordination among sectors and institutional capacity issues. Limited Government and civil society capacity at federal, regional and local levels remains key for continued development and strengthening – and will likely be a critical area for the pooled fund also in the future. Some reflections on challenges and lessons learned are presented in the concluding parts of this report.

The current SDPRP runs until June 2005, and according to Government the second more MDG-ized SDPRP would be finalized by August 2005 and have a five-year timeframe

2 SDPRP Implementation and Monitoring: Overview of Activities Undertaken and Results Achieved

As per the defined objectives of the programme and the continued guidance of the DAG, the pooled fund has channelled support to Government, civil society and private sector partners for a range of strategic activities contributing towards the enabling environment for successful SDPRP implementation and progress towards the MDGs. This section provides an overview of the various activities of the pooled fund and a summary of the outputs and results achieved. Specifically it describes the support in the areas of monitoring and evaluation; Government institutional strengthening; civil society engagement; enhancement of the gender perspective; urban development and the private sector profile of the SDPRP respectively; and the support to the incorporation of the MDG perspective in the SDPRP. An overview of results achieved is provided in annex 1.

2.1. SDPRP Monitoring and Evaluation

The SDPRP monitoring and evaluation (M&E) has been increasingly profiled as a core element in the SDPRP policy and work plan agenda throughout 2004. Joint dialogue, planning and programme activities on the SDPRP M&E have been undertaken through a number of interrelated processes including the DAG M&E Working Group and a number of other DAG Technical Working Groups (e.g. HIV/AIDS, Gender and Food Security). The Joint Budget Support programme has enabled a regularized dialogue with Government on M&E and facilitated several agreements on priority work areas. The SDPRP M&E was also discussed in the High Level Forum in February 2004.

The formulation and agreement on a common support programme for strengthening the overall functioning and outputs of the SDPRP M&E system represented a major step forward. The main contents and principles of the joint work on M&E are reflected in the DAG Common Framework for Support to the SDPRP M&E document. An earmarked component has been established within the SDPRP pooled fund and a joint Government-Donor MOU was signed in June 2004, covering a five-year period, with a total resource envelope of around USD 8 million in donor support. A number of priority work areas identified in the Government SDPRP Action Plan have been implemented during the reporting period including statistical work, work related to data access, dissemination and research, and the incorporation of outputs from the M&E system in the context of the SDPRP Annual Progress Report.

With a view to broadening participation by non-state actors and enhance their input to the SDPRP M&E, the SDPRP pooled fund has supported two initiatives with civil society partners. These include the Citizen Report Card, being executed by the Poverty Action Network Ethiopia and the Older People's Poverty Monitoring Project with Help Age International, Hundee and Rift Valley Women and Children Association.

The pooled fund has channelled support to Government, civil society and private sector partners

Support activities

Statistical work, Central Statistical Authority (CSA): During the reporting period, support was provided for the implementation of the Welfare Monitoring Survey (WMS) and the Household Income Consumption and Expenditure Survey (HICES). Inputs included technical assistance for strengthening the survey instruments in response to the core set of indicators contained in the SDPRP policy matrix (done in partnership with the ILO Statistics Office) and; support for consultation with stakeholders (CSA Workshop in March 2004).

Results: The preparation phase for the WMS and HICES is completed with strengthened data instruments and training. Data collection for the WMS is completed and data is currently being processed. The first round of data collection for the HICES is also completed, while the second round is ongoing as of end December 2004.

Data and information management system development: An initial assessment for CSA was undertaken on the data and dissemination environment and to identify requirements and solutions (including capacity building). This exercise was completed as of end December 2004. The Welfare Monitoring Unit (WMU), MoFED has also initiated preparations for work on the development of an Information Management System and which is planned to interface with the CSA system. These initiatives are part of the MoFED/CSA proposal for strengthening data collection, analysis and data dissemination on poverty monitoring and the MDGs.

Results: The major output is a detailed implementation plan for the data and information management system development, which includes mechanisms for data archiving, data processing, database and dissemination (DEVINFO) and capacity building. In addition to a senior team of international experts financed through the pooled fund, CIDA has fielded a long term Statistics Canada Adviser to provide ongoing support for the implementation of the plan and to bolster current capacity limitations .

Citizen Report Card: This service delivery user assessment is being carried out on behalf of the Poverty Action Network Ethiopia (PAN/E) with technical support from the Public Affairs Foundation, India. The exercise focuses on citizens' rating of pro poor services across primary health and education, water, sanitation and agricultural services.

Results: Stakeholders and survey staff have been trained, the survey instrument and sampling framework have been designed and the data collection completed . Currently, the implementation is in the data cleaning and processing phase. It is expected that the data analysis and reporting will be finalized by end March 2005.

Older Person's Poverty Monitoring Project: This pilot initiative in monitoring and evaluation at the local level is being undertaken by HelpAge International, HUNDEE and Rift Valley Women's and Children's Organization. The first phase of the project has been completed in two woredas in Oromiya region.

Results to date include: the completion of awareness raising and training in the SDPRP and participatory monitoring methods; establishment of older people's poverty monitoring committees; identification and prioritization of community needs; and joint community and local government dialogue and planning forums (including public expenditure and budget planning). Progress reports are available from UNDP Ethiopia. See also box below.

**A Community Initiative to Monitor the Poverty Reduction Strategy
- Linking Traditional Institutions and the Modern Woreda Administration**

Older Persons' Poverty Monitoring Project is a pilot initiative being undertaken by HelpAge International and two local NGOs, Hundee and Rift Valley Children and Women Development Association, to monitor the SDPRP at local level. It aims to address issues of planning and accountability at woreda level in the context of SDPRP. It will do so through a combination of service delivery monitoring by older people in selected Peasants' Associations and capacity building of woreda staff to involve citizens in planning and implementation of service delivery in a more participatory and accountable way. A fund for community-initiated projects, in cooperation with the woreda administrations, will provide the initial incentive for improved cooperation and practical experience of joint planning.

The initiative is an intersection between the roles of traditional institutions where older people command respect from community members and have important roles in the day-to-day affairs of the community, and the modern administrative structure. Though not yet completed, important lessons are already being drawn from the initiative. It has shown that local participation promotes effective resource utilization, enhances downward accountability and empowerment and that older people are good at representing the interest of their communities. It provides a useful case in popular community monitoring of local government.

Government Institutional Strengthening: A number of support activities have been undertaken to strengthen the institutional capacity with reference to the WMU, MOFED in its capacity as the SDPRP Secretariat. In particular, technical assistance has been provided for the formulation of the SDPRP Annual Progress Report 2003/04 (APR). Support has also been channelled for administrative and financial personnel and equipment purchase.

Results: timely preparation of the second SDPRP APR and overall assessment as a better quality product over the previous year.

2.2. Civil Society Engagement in the SDPRP Implementation and Monitoring

Support to the engagement of civil society organisations (CSOs) and other non-state actors in the SDPRP implementation and monitoring has continued to be an agenda of the DAG and was reaffirmed in the DAG revitalization process in the last quarter of 2004. A number of initiatives, relating mainly to concretizing CSO inputs to the SDPRP M&E system have been initiated and implemented with support through the pooled fund . Reference is made to the Citizen Report Cards, implemented by the Poverty Action Network; and the Older Person's Poverty Monitoring Project, implemented by Help Age International, Hundee and Rift Valley Women and Children Association. The implementation of the regional SDPRP/MDG awareness raising and strategy planning workshops on behalf of the Poverty Action Network in partnership with regional Governments and the WMU, MOFED demonstrates another successful initiative to broaden and deepen participation.

Results: Four regional workshops conducted with strong involvement of regional governments and civil society networks. The workshops have served to mobilize interest in the SDPRP implementation at regional level and resulted in the establishment of joint government-civil society forums for follow up. See also results section under 3.1 on civil society monitoring initiatives.

2.3. Mainstreaming of Gender Issues in the SDPRP

Throughout the reporting period, there has been an intensified focus on mainstreaming of gender issues into the SDPRP implementation and monitoring. Key processes include the joint budget support programme in support of the SDPRP, the SDPRP monitoring and evaluation work and the MDG Needs Assessment. The DAG has been closely engaged in this work in collaboration with the Joint Donor Group for Gender Equality, the Women's Affairs Office under the Prime Minister's Office and the Women's Affairs Department of MOFED. Two main initiatives: the formulation of the national action plan for gender equality and the gender budget analysis are being supported through the SDPRP pooled fund.

National Action Plan (NAP) for Gender Equality: The formulation was initialized in June 2004 with the set up of a steering committee and technical committee and the hiring of a consultancy team. Government commitment to the exercise is seen through the incorporation of the NAP formulation as an output target and indicator in the SDPRP policy matrix.

Results: A baseline study based on literature review has been undertaken and regional consultations have been conducted in five regions. The timeframe for NAP finalisation and approval by the Cabinet is set for end 2005.

Gender Budget Analysis: Related to the national action plan for gender equality, a gender budget analysis, specifically looking at education, health and agriculture in the federal accounts would be done.

Results: The team of international and national consultants was hired and a scoping exercise (with awareness raising and training component) completed in October 2004. The first draft of the gender budget analysis was completed and disseminated through a workshop held with Government in December 2004. The draft gender budget analysis is currently being reviewed internally and would consequently be revised and disseminated to a broader stakeholder group. It is expected that the results will feed into the budget formulation as well as the SDPRP Annual Progress Report.

2.4. Urban Development

The main support activity for addressing the urban agenda in the SDPRP has been channelled through an earmarked component, financed by the Government of Italy. In particular, the analytical work for the secondary cities: urban poverty participatory action research initiative has been completed during the reporting period. The broad aims of this study are related to deepening the understanding of urban poverty in five participating municipalities and the formulation of municipal actions plans to address priority needs. The research adopted a balanced approach on urban poverty and also the potentials of urban centres as growth poles and implications for rural-urban relations. The participatory approach of the initiative relied on multi stakeholder dialogue and consultations with municipal governments, civil society, private sector and communities.

Results: The analytical work has produced in-depth urban profiles of the five participating municipalities, which are focused on urban governance, service delivery and empowerment, gender, environment and sanitation and local economic development. To complement the analytical work, five municipal actions plans have been formulated, consultations have been held and agreement is reached with partners. As a result of this process, multi stakeholder task forces, chaired by the respective municipality authorities, have been established to guide the implementation of the

action plans in each municipality. In addition to the municipal level focus, a national report has been prepared which captures the overall findings, give a comparative perspective and makes key recommendations. A national workshop to present the research findings, consolidate feedback and make recommendations for the next phase of implementation was held in May 2004 with federal government (Ministry of Federal Affairs), representatives of participating municipalities and donors.

Future Work: Implementation of the municipal action plans.

A proposal for facilitation and support has been drafted and shared with interested donors for their consideration.

2.5. Private Sector

Study on high-value agricultural products. With earmarked support from Japan, product studies on high-value agricultural products have been undertaken in cooperation with the Dutch Centre for Promotion of Imports from Developing Countries (CBI). The studies were part of a wider set of product studies of potential export winners identified by the Ethiopian Export Promotion Agency's Integrated Institutional Export Development Programme (IIEPD). The IIEPD activities fit within the framework of the DTIS recommendations identified by the IF Technical Committee. The product studies were presented at a workshop at the Ministry of Trade and Industry (MoTI) on 3 February 2005.

Following an extensive consultation and validation process, MOTI finalized the "Action Plan for Prioritised Diagnostic Trade Integration Study (DTIS) Recommendations" at the end of 2004. MOTI has requested its development partners to contribute to making the prioritised recommendations a reality.

Future Work: Possibly channel coordinated donor support to the IF process through the pooled fund as per draft concept note .

2.6. Incorporation of the long-term MDGs perspective in the SDPRP

The MDGs continue to provide the overarching framework for the longer-term outcomes of the medium term SDPRP. The MDG Needs Assessment has been a major area of the work, through sector specific analytical work on the core MDG indicators, assessment of capacity levels and policy environment and costing projections. A portion of the technical assistance to the sector ministries and the respective sector and thematic papers has been financed through the pooled fund.

Results: A series of eight sector studies has been prepared, discussed and finalized. A national workshop was conducted in November 2004 to present the draft reports and receive feedback. The DAG Thematic Working Groups reviewed the draft reports, with the aim of further enriching and deepening the analysis and its usefulness for SDPRP implementation. The synthesis report is being finalized in the first half of 2005.

**The MDGs
continue to
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3 Donor Coordination and the work of the DAG, Harmonisation and Government – Donor Partnership

3.1. The work of the DAG and the DAG Secretariat

Work of the DAG. There continued to be a strong commitment and interest in the joint work through the DAG throughout the year. DAG provided the forum for briefings and interaction with high-level donor missions and with non-state stakeholders. DAG meetings also served as a preparatory function before the policy dialogue with Government. Among the key pieces of joint work coordinated through the DAG, it is worth mentioning the consolidated input and interaction with the joint budget support missions in March and September. DAG also engaged in successful lobbying, communicating a joint message to donor capitals and Executive Directors in the World Bank and IMF, which contributed to the “topping up” of Ethiopia’s debt relief with an additional USD 700 millions. The joint review of the second SDPRP annual progress report was initiated, while the report was released early 2005. A more detailed overview of the activities of the DAG during 2004 is provided in annex 2.

DAG Revitalization. In the autumn, work was initiated to revitalize the DAG structure. This resulted in establishment of a DAG Executive Committee, consisting of three bilaterals besides the DAG co-chairs. Although much appreciation was expressed to the value of weekly meetings, it was agreed to change the frequency to monthly regular meetings, with additional ad-hoc meetings as required. It was also agreed that the DAG core group for SDPRP will be subsumed under the overall DAG. Moreover, work was initiated to further streamline the work of the DAG Thematic working groups and the relationships between the overall DAG and its technical working groups. The new DAG Excom met with the chairs of DAG TWGs and it was agreed to start with quarterly reports from 2005. The need for two-way communication was stressed and agreed.

DAG Secretariat. The work of the DAG is coordinated and facilitated through the DAG Secretariat in UNDP. The DAG Secretariat team is responsible for facilitating the programme of work, coordination of DAG meetings and workshops, and information management and dissemination. The DAG Secretariat serves as a main liaison with stakeholders, including Government, civil society, private sector, as well as UN and donor agencies. The DAG Secretariat functions as a de facto service unit for the donor community, facilitating dissemination of information and frequently interacting with donor missions. As it was recommended to strengthen the capacity of the DAG secretariat to handle the ever increasing portfolio of coordination and joint work through the pooled fund, two new positions were advertised in November and a full-time financial and administrative officer and a programme officer – poverty reduction are taking up duty in early 2005.

3.2. Harmonisation and Alignment Around the SDPRP

Joint GOE- DAG Harmonisation Task Force: During 2004, efforts have been made to move one step ahead from harmonisation commitment towards action and realized results. The Joint Government-donor task force was revitalized in January 2004 and new donor representatives were nominated, including Canada, DFID, Ireland, Sweden and USAID, increasing the number of donor representatives from three to five. The DAG co-chairs serve as facilitators. The task force provided updates in the DAG meetings and harmonisation was also a regular item in the High Level Forum meetings.

Results: Work progressed well on the harmonisation action plan formulation, also thanks to a staff secondment from CIDA. A first draft was presented to the third High Level Forum in May 2004.

This draft was enriched with joint comments from the DAG and finalised following the fourth HLF at the end of the year. A joint MOU was drafted and would be finalised for signature incorporating elements from the Paris declaration in early 2005. The harmonisation task force has also played a useful role in the follow-up on the partnership architecture.

International Harmonisation Pilot. As an OECD-DAC pilot country Ethiopia participated in the OECD-DAC survey on progress in harmonisation. A full-day DAG harmonisation workshop was organised in April on the occasion of the field-testing mission. In conjunction with the OECD-DAC survey, SPA also did a survey on harmonisation of budget support. The response rate and engagement was very good. Ethiopia also participated in the regional harmonisation workshop in Tanzania in November and provided briefings and valuable contributions as well as benefiting from it as a valuable learning event.

Results: The findings of the harmonisation survey and the recommendations from the regional forum will feed into the Paris high-level forum on harmonisation in February 2005, informing the international harmonisation agenda, as well as serving to inform the implementation at the country level.

Future Work: Support implementation of the country-level harmonisation action plan and the Rome & Paris declarations through the further sensitization of relevant Government and donors, facilitation of harmonised donor actions, support to workshop discussions and harmonisation activities as required.

3.3. Enhancing Government-Donor Policy Dialogue

The partnership architecture with Government was further implemented in the course of the year and the policy dialogue is gradually enhancing. Three high-level forum meetings were conducted in February, May and December. In the May meeting agreement was reached on nine joint GOE-DAG sectoral and thematic groups. Progress varies from group to group, but several of them have revisited their TORs in the course of the year, laying the foundation for enhanced functioning. The operationalization of the secretariat was pursued with a technical advisory position being advertised through local and international channels. A joint Government-donor recruitment panel conducted the selection process and the technical advisor, who is financed over the pooled fund, entered on duty in October.

Future Work: Facilitate a deepening of the policy dialogue through the partnership architecture, through more attention to the functioning of the joint sectoral/thematic groups as well as consolidation of the High Level Forums. Provide financial support and technical backstopping for the Secretariat in MOFED, including the establishment of good mechanisms for information sharing.

Moving Towards Harmonisation and Alignment – the Ethiopian approach

(Excerpt from the OECD-DAC survey on harmonisation and alignment)

“The Ethiopian Consultative Group Meeting in December 2002 led to a striking level of agreement between the government and donors about the need for enhanced dialogue structures. It was agreed that the PRSP offers opportunities for both to work from a common platform, although with different obligations: the government will lead while donors support. The PRSP presents the possibility for each party to hold each other accountable for meeting their obligations. The basic model for Ethiopia comprises: (i) high-level government-donor forum (HLF); (ii) subsidiary joint groups covering sectors and process; and (iii) a permanent secretariat. The HLF will be the key structure for enabling mutual accountability and better policy dialogue, held via quarterly meetings and aiming to take an overall view and to facilitate ongoing government-donor dialogue with its agenda structured around three sessions: PRSP implementation, harmonisation and policy discussion. “

4 Emerging Areas for Future Work

As a rolling instrument, the SDPRP pooled fund has increasingly broadened its programming areas and related support activities. The current formulation of the SDPRPII offers a strategic entry point for expanding and deepening the partnerships with Government (federal and regional levels), non-state actors and parliamentarians. A number of emerging areas for potential future work are suggested inter alia as follows:

- 4.1. Education Pooled Support Programme:** At the request of the DAG Thematic Working Group on Education, an earmarked component has been established within the SDPRP pooled fund in support of strategic upstream activities for the Education Sector Development Programme (ESDP). A framework has been developed and agreed and to date funds have been committed by the Netherlands, DFID and DCI. A work plan is currently under preparation and it is expected that activities will be initiated in early 2005, particularly in support of the annual education joint review mission.
- 4.2. Integrated Framework Process:** As indicated in 3.6, the Ministry of Trade and Industry has requested coordinated donor support to implement the action plan following from the diagnostic trade integration study. A concept note for DAG support proposes to look at channelling support aimed at building and strengthening human, institutional and policy capacity in Ethiopia for effective participation in multilateral and other international trade negotiations, and for formulating and implementing trade and related policies to achieve poverty reduction and higher levels of human development.
- 4.3. Evaluating the Impact of SDPRP Related Policies:** Recent discussions amongst Government and donors have identified the need to take up evaluation work to assess the impact of policies on development and growth. In particular, the Ethiopian Development Research Institute (EDRI) is preparing a proposal on macro modelling, which will be submitted to the pooled fund. As a next step, discussions will be held with EDRI and interested donors.
- 4.4. Strengthening MOFED Capacity:** Dialogue has been initiated with MOFED on capacity gaps and prioritized requirements within the Ministry. MOFED submitted a preliminary request for assistance for DAG consideration in November 2004. This request is being further refined, including through the development of TORs for the proposed technical assistance inputs. The pooled fund is being considered as an appropriate financing instrument.
- 4.5. Broadening Participation and Empowerment:** The SDPRPII formulation offers an opportunity to build on the progress made and to deepen and broaden participation by non-state actors and parliamentarians. In this context, expanding partnerships and facilitating innovative and strategic interventions have strong potential as programme activities. However, capacity constraints and existing mechanisms for channelling support to stakeholders could benefit from a more intensified, strategic and systematized approach. With a view to developing a strengthened operational environment, a draft framework for a Challenge Fund was prepared and disseminated for feedback from donors. In addition, a national programme officer has been recruited to the DAG Secretariat/UNDP to facilitate the pooled fund operationalization, including support to non-state stakeholders.

5 Challenges and Lessons Learned

The second year of the SDPRP implementation has resulted in progress across a number of areas as described above. However, remaining constraints in the policy framework, implementation capacities and limited financial resources continue to delay the progress towards the full implementation of the SDPRP and progress towards the MDGs.

- **Government-Donor Policy Dialogue:** Attempts have been made to have an open and regularized dialogue on governance issues as well as the rural economic development. There is a recognized need to continue the dialogue on the pre-requisites to growth and poverty reduction and innovative ways forward.
- **SDPRP M&E:** Progress has been made, but more work remains on strengthening overall institutional coordination and capacity levels, particularly within the WMU, MOFED. As more disaggregated data is available, another challenge would be to ensure closing of the circle, that findings feed into policy making and budget processes.
- **Budgeting process, Joint Budget Support etc.:** As budget support increases, there is a need for more clarity on the block grants to the woreda level. The joint budget and aid review will follow the budget process closely. The early lessons from the gender budgeting exercise should also be mainstreamed. Moreover, it would be important to ensure the predictability of budget support.
- **Regional and local planning.** In the context of the SDPRPII, it is hoped that the regions would actively engage in adoption of the framework in their strategic planning and budgeting processes. The challenges associated with information, dissemination, awareness and capacity will need to be addressed as a first step. However, the lessons from the PAN/E regional workshops indicate that there is a strong interest and commitment at the local levels to take up the SDPRP implementation and monitoring. Furthermore, there have been positive experiences with the cooperation between PAN/E and regional governments. Building on this constructive approach, there is a need to take this pilot initiative to the other regions and if possible also establish more institutionalized interaction and dialogue.
- **Local level capacity:** The devolution of power to the woreda level was consolidated in the current year, but there are still multiple challenges, particularly related to the capacity at the local level. A large number of woreda posts are vacant, which will likely impact negatively on service delivery.
- **Implementation of the Harmonisation Action Plan:** A country level harmonisation agenda has been formulated as a living document. The move into action will require the efforts of both donors and government and more clarity on the status of Government systems would be required.
- **SDPRPII and MDGs:** It will be important to ensure a broad based consultation to secure buy-in and support from national non-state actors and the international donor community. Drawing lessons from the first SDPRP and on insights from the monitoring and evaluation. The ODA trends have increased over the last few years and openness and responsiveness of Government is critical to continue on that path.

DAG continues to provide strategic direction and guidance for the programming of the pooled fund

6 Management of the Pooled Fund

The pooled fund for DAG support to the SDPRP process in Ethiopia is managed by UNDP Ethiopia through direct execution. The DAG continues to have the lead role in providing strategic direction and guidance for the programming of the pooled fund, as well as continuously monitoring the implementation.

The DAG Secretariat housed in UNDP takes care of the day-to-day management of the pooled fund in close collaboration with Government counterparts, civil society and DAG members and under the overall supervision of the UNDP Resident Representative and DAG co-chair. As the scope and size of the pooled fund keeps on growing, a full-time financial and administrative officer has been recruited to the DAG secretariat, in line with the DAG recommendation to further strengthen the secretariat function. This will enable a close follow-up and technical backstopping of new implementing partners, including the Central Statistical Authority, Women Affairs' Office and the Poverty Action Network Ethiopia.

UNDP globally launched a new web-based integrated management solution in January 2004, which will enhance the management of the pooled fund. Named Atlas, (Peoplesoft) it provides new functions in terms of real time information, custom made reports and management opportunities. It will also enable results based budgeting and reporting and possibility to interface directly with implementing partners. While 2004 was a transition year between the previous and new system, it is expected that the full benefits would be reaped in 2005.

7 Financial Status

For the year 2004, total expenditures from the pooled fund amounted to USD 2,988,849. Of this the larger part, USD 2,315,378 has been advanced to the Central Statistical Authority and the Welfare Monitoring Unit in MOFED for the new component on SDPRP monitoring and evaluation with earmarked funds. Further details are found in the expenditure report below.

As seen from the overview of donor contributions below, new signed donor contribution agreements for 2004-2007 amount to USD 6,866,498. Of this amount, the larger share, USD 4,624,328 is earmarked for the work with CSA/WMU on monitoring and evaluation, which will be running until 2008. USD 1,004,808 is earmarked for the new component in support of donor coordination around the education sector development programme, USD 184,062 for the work on gender and USD 70,350 for the work on private sector.

Total revenue available for 2005-2007 is 4,591,959. In terms of future financing needs, there are still some financing gaps. For the M&E component, donors have committed to mobilize a total of USD 8.04 million over the period. Euro 1 million is in the pipeline from the European Commission, leaving a remaining financing gap of around USD 2.1 million.

The draft concept note for coordinated support to the integrated framework process estimates financing requirements to around USD 1.5 million. Additional resources would also be required should the DAG decide to channel funds for technical assistance in MOFED through the pooled fund.

8 Overview of Donor Contributions and Expenditures by Activity

Preliminary Information as of 11 April, 2005

SUMMARY OF DONOR CONTRIBUTIONS

Output	Donor	(USD)	Estimated Future Revenues			Total
		2004	2005	2006	2007	
12462 General pooled fund	Netherlands	122,830	€ 100,000			
	Norway	102,041	kr 700,000			
	Ireland	148,333				
	Ireland	253,943				
	Austria	50,000				
	Canada		\$64,324			
	Sub total - General		\$677,147	\$305,802		
Gender	Netherlands	37,500	\$12,500			
	Canada	34,260				
	Ireland	34,867				
	Sweden	64,935				
	Sub total - Gender		\$171,562	\$12,500		
36147 M&E	DFID	1,821,500	£250,000	£250,000		
	USAID	500,000				
	CIDA	89,717				
	Ireland	1,269,715				
	Sub total - M&E		\$3,680,932	\$471,698	\$471,698	
38877 Private Sector	Japan	28,140	\$42,210			
	Sub total - PSD		\$28,140	\$42,210		\$70,350
41179 ESDP	DFID	113,208	£60,000			
	Netherlands	67,330	€ 150,000	€ 100,000	€ 100,000	
	Ireland	132,626				
	UNESCO		\$5,000			
	Sub total - ESDP		\$313,164	\$314,286	\$188,679	\$188,679
Additional contributions (USD)		4,870,945	1,146,497	660,377	188,679	6,866,498

SUMMARY OF CONTRIBUTIONS AND EXPENDITURES BY COMPONENT

	Balance from 2003	Additional Contributions	Expenditures in 2004	Available
SDPRP general	714,311	982,949	497,837	1,199,423
Gender		184,062	147,287	36,775
M&E		4,624,328	2,315,378	2,308,950
Private Sector		70,350	28,347	42,003
ESDP		1,004,808		1,004,808
Total	714,311	6,866,498	2,988,849	4,591,959

Summary of 2004 Expenditures by Activity

Overall SDPRP Implementation (12462)

Description	Expenditure (USD)
Activity 1. Institutional Strengthening and Coordination	
DAG Facilitator	90,000
International consultants	27,933
Local Consultants	12,362
Travel & DSA (local & international)	16,731
Equipment & Furniture	3,595
DAG Meeting costs and DAG Secretariat supplies	12,250
Sub-total	162,872
Activity 2. Harmonisation	
DAG Facilitator - Harmonisation	25,611
Technical Advisor Secretariat MOFED	32,355
Travel & DSA	882
Equipment & Furniture	3,341
Miscellaneous	266
Sub-total	62,455
Activity 3. MDG Needs Assessment	
Team of Local consultants	33,670
International Consultants	6,160
Travel & DSA	1,641
Sub-total	41,471
Activity 4. Urban Poverty Action Research	
Travel & DSA	15,661
International Consultants	5,000
Local Consultants	149,772
Miscellaneous	1,669
Sub-total	172,102
Activity 5. Civil Society Engagement	
Older Peoples' Service Monitoring Initiative (Helpage)	29,349
Technical Assistance for Citizen Report Card (PAN/E)	5,881
Sub-total	35,230
Activity 6. National Action Plan for Gender Equity	
National consultants	60,000
Travel and DSA	12,130
Workshops (advance)	40,000
Sub-total	112,130
Activity 7. Gender Budget Analysis	
International Consultant	7,008
Local Consultant	2,354
Travel & DSA	18,645
Miscellaneous	136
Sub-total	28,143
Service Fee	30,720
Grand Total Output 1	645,124

SDPRP M&E (36147)

Description	Expenditure (USD)
Activity 1. Institutional Strengthening (WMU)	
International Consultant (APR)	5,046
Travel	6,420
Training & workshops	4,000
Equipment & Furniture	20,581
Support for local personnel	8,829
Sub-total	44,876
Activity 2. Statistical Work (Central Statistical Authority)	
Field Work (Advanced to woreda for survey activities)	1,872,062
Operation & Equipment Maintenance	107,711
Training	5,802
Equipment	83,403
Miscellaneous	189
Sub-total	2,069,166
Activity 3. Data Management and Information Systems (CSA+WMU)	
International Consultants	2,612
Local Consultant (WMU)	1,200
Remaining balance to be reallocated*	87,268
Sub-total	91,080
Service Fee	110,256
Grand Total Output 2	2,315,378

*Funds initially allocated to WMU for the APR, but unused.

SDPRP Agenda on PSD & Trade (38877)

Description	Expenditure (USD)
Activity 1. Analytical Work High-Value Agricultural Products	
International consultant	26,463
Sub-Total	26,463
Activity 2. Facilitation of DAG/GOE Dialogue on Trade & PSD	
International consultant	416
Miscellaneous	144
Sub-Total	560
Service Fee	1,351
Grand Total Output 3	28,374

9 Concluding Remarks

The drive for coordinated DAG support and engagement around the SDPRP remains strong and the DAG pooled fund continues to be a useful mechanism. This has paved the way for the introduction of major new support areas and a re-energised partnership with the Government of Ethiopia, civil society and increasingly also private sector. Important progress has consequently been made across a number of areas as reflected in this report.

While it is recognized that continued efforts are required for further strengthening the enabling environment for successful SDPRP implementation and progress towards the MDGs, the DAG and the pooled fund will provide continued support to Ethiopia's SDPRP process into the second cycle. The respect for national ownership and home grown solutions as well as globally agreed principles for harmonisation, alignment and aid effectiveness will guide the development of a prioritized and feasible work agenda also for 2005.

Annex 1. Overview of Support Areas and Results Achieved through the SDPRP pooled fund in 2004

Main Areas of Work	Support Activities	Results Achieved	Future Work (2005 and beyond)	DAG Partners
Strengthening the SDPRP policy framework	<ul style="list-style-type: none"> Gender Equality Urban Development Private Sector Development 	<ul style="list-style-type: none"> Drafting National Action Plan for Gender Equality and initiation of gender budgeting Secondary cities urban poverty action research conducted and municipal plans prepared Draft study on high-value agricultural products 	<ul style="list-style-type: none"> Implementation of National Gender action plan and gender budgeting Implementation of municipal action plans Coordinated donor support to the IF process Input to ESDP/III 	WAO, MOFED, MOFA and municipalities MOTI and private sector MOE
Strengthening the SDPRP M&E system	<ul style="list-style-type: none"> Statistical work: Welfare Monitoring Survey, Household Budget Survey (CSA) Development of data and information management systems (CSA and WMU) Holistic SDPRP M&E system Civil society: <ul style="list-style-type: none"> Citizen Report Card Older Person's Monitoring Initiative in 2 pilot weredas 	<ul style="list-style-type: none"> WMS and HICES: survey instruments strengthened and data collection completed Citizen Report Card Survey launched in 5 pilot regions Pilot participatory poverty monitoring initiated with communities and local governments (Older Persons' Monitoring Initiative) 	<ul style="list-style-type: none"> Continued support to the implementation of the M&E Action Plan Impact of policies (macro model) 	Central Statistical Authority (CSA) Welfare Monitoring Unit (WMU), MOFED Ethiopian Development Research Institute (EDRI) Poverty Action Network Ethiopia (PAN/E), HelpAge International, Hundee and Rift Valley Women and Children Association
Promoting broad based national participation in the SDPRP process	<ul style="list-style-type: none"> Civil society engagement 	<ul style="list-style-type: none"> SDPRP/MDGs awareness raising workshops conducted Regional Poverty Action Network/Ethiopia-Govt. cooperation established 	<ul style="list-style-type: none"> Strengthening CS capacity Expansion of Govt.-CS partnerships to all regions Support CS engagement in regional strategic planning and monitoring 	Poverty Action Network/Ethiopia MOFED and BOPEDs
Facilitating donor coordination, harmonisation and alignment around the SDPRP	<ul style="list-style-type: none"> Work of the DAG and the DAG Secretariat Partnership Architecture Harmonisation Agenda 	<ul style="list-style-type: none"> Joint DAG input and review work done (SDPRP policy matrix, Annual Progress Report) Policy dialogue gradually enhanced Country-level harmonisation action plan formulated 	<ul style="list-style-type: none"> Continued support to DAG Secretariat Operationalization of the Secretariat, MOFED Seed money for implementation of the HAP 	DAG Secretariat, MOFED

Annex 2. Summary Overview of DAG / DAG CG Activities in 2004

Month	Topics Discussed	Workshops and Working Meetings	Interaction with Visiting Missions	Other Events
JANUARY	<ul style="list-style-type: none"> Parliamentarians Democratic Governance Harmonisation National Action Plan for Gender Equity 	15: DAG CG 21: Civil society wg 29: DAG Luncheon 23: Governance Dialogue 30: HTF	Parliamentary Network of WB PSCAP mission	15: NGO workshop: Institutionalizing CS engagement in SDPRP
FEBRUARY	<ul style="list-style-type: none"> First APR for Ethiopia "Topping up": input to WB/IMF discussion on SDPRP and APR Revitalization of the Harmonisation Task Force Promoting the MDGs Governance Indicators Donor coordination around Private sector development and trade (Civil Service Reform) 	5: DAG CG 6: M&E wg 12: DAG 13: HTF 17: HLF 18: DAG lunch with J. Sachs 26: DAG CG	17-19: Jeffrey Sachs and the UN Millennium Project UNDP Assessment of Development Results	17 and 25: WB/IMF Board Discussion on Ethiopia
MARCH	<ul style="list-style-type: none"> Aid Management Platform Democratic Governance Donor coordination around Private sector development and trade 	4: DAG CG 18: DAG CG 19: HTF	AMP mission	10-11: PER Workshop 30-31: DBS Retreat Joint Group on Gender New DAG TWG on RED & FS
APRIL	<ul style="list-style-type: none"> Field Testing OECD-DAC Harmonisation Indicators DAG common framework for support to M&E 	1: DAG CG 8: DAG CG 15: Harmonisation workshop 16: HTF 21: M&E working group	1: IMF/WB Expenditure Tracking mission	
MAY	<ul style="list-style-type: none"> M&E Action Plan HIV/AIDS Partnership Architecture; joint groups at sectoral and thematic level SDPRP implementation and Budget Support 	10: DAG TWGs workshop with 20: DAG 21: GOE- DAG CG M&E workshop 27: HLF	28: JBS pre-appraisal mission	
JUNE	<ul style="list-style-type: none"> Coordinated strategic support to SDPRP implementation, and monitoring and evaluation 	3: DAG CG 17: Governance dialogue 17: DAG CG 21: MOU Signing DAG-GOE 24: DAG CG	JBS pre-appraisal mission	

Month	Topics Discussed	Workshops and Working Meetings	Interaction with Visiting Missions	Other Events
JULY	<ul style="list-style-type: none"> National MDG Report and long term planning Launching of MDG Needs Assessment Exercise Food Security Civil society Engagement in sub-national implementation and monitoring of SDRPP/MDGs 	<p>4: Launch of Ethiopia's MDGR</p> <p>15: DAG CG</p>		<p>AU Summit</p> <p>2: MDGs National Workshop</p> <p>5: Innovative Approaches to Eliminating Hunger</p> <p>8: Ethiopia participation in OECD-DAC Millennium Consultation in Paris</p> <p>PAN-E regional workshops</p>
AUGUST	<ul style="list-style-type: none"> DAG comments to Harmonisation Action Plan Aid Management Platform 	<p>HTF: Recruitment of technical advisor Secretariat</p> <p>19: DAG CG</p>		<p>28-30: Stiglitz visits on alternative economic policies</p>
SEPTEMBER	<ul style="list-style-type: none"> DAG Revitalization SDPRP implementation Review of the SDRPP policy matrix Direct Budget Support 	<p>2: DAG Luncheon to welcome M. Toure, new DAG co-chair</p> <p>9: DAG Revitalization wg</p> <p>20: DAG Revitalization wg</p> <p>29: DAG Luncheon</p>	<p>20-4: JBS appraisal mission</p>	<p>17: Farewell to Ton Broek, DAG co-chair a.i.</p>
OCTOBER	<ul style="list-style-type: none"> MDGs in Ethiopia DAG Revitalization DAG response to strengthening of institutional capacity MOFED 	<p>7: DAG Revitalization working group</p> <p>11-12: MDG Workshop with GOE and stakeholders</p> <p>12: DAG Luncheon with WB Chief Economist</p> <p>28: DAG</p>	<p>12: Francois Bourguignon, Chief Economist WB</p>	<p>6-14: Beijing +10 forum in Addis</p> <p>11-15: ADF IV on Governance for a progressive Africa</p> <p>13-15: CHGA Africa</p> <p>21-22: PAN-E SDRPP/MDGs awareness workshop in Adama</p>
NOVEMBER	<ul style="list-style-type: none"> MDG Needs Assessment APR Key Issues Link between DAG and DAG TWGs 	<p>12: DAG Excom</p> <p>22: DAG TWGs and DAG Excom discussion</p> <p>25: DAG</p> <p>29-1: MDG NA Workshop</p>	<p>7-19: AMP mission</p>	
DECEMBER	<ul style="list-style-type: none"> Food Security and Rural Economic Development APR review preparations and process towards SDRPP II Harmonisation Action Plan 	<p>7: HTF</p> <p>9: HLF</p> <p>23: DAG</p>		

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