

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF SOCIAL SCIENCES
DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL RELATIONS**



**CHALLENGES AND OPPORTUNITIES OF THE AID MANAGEMENT SYSTEM OF
ETHIOPIA SINCE 2000**

**BY
SHALOM GEBREDINGEL BERHE**

**ADDIS ABABA, ETHIOPIA
MAY 20, 2025**

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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS
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THESIS APPROVAL

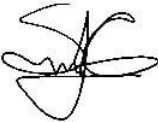
APPROVED BY THE BOARD OF EXAMINERS

This is to certify that the dissertation prepared by Shalom Gebrebdingel Berhe entitled “Challenges and opportunities of aid management system of Ethiopia since 2000” submitted in fulfilment of the requirements for the master of arts degree in political science, complies with the regulation of the university and meets the accepted standards for the originality and quality.

Statement of Author

I hereby declare that this dissertation is my original work. It has not been submitted to obtain an academic degree in this or any other university. All the resources used for this dissertation have been fully acknowledged.

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Acronyms

International and Multilateral Organizations

AfDB – African Development Bank

CAADP – Comprehensive Africa Agriculture Development Programme

DAC – Development Assistance Committee (OECD)

DFID – Department for International Development (UK)

EU – European Union

FAO – Food and Agriculture Organization

FCDO – Foreign, Commonwealth & Development Office (UK)

GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development Cooperation)

IBRD – International Bank for Reconstruction and Development

IDA – International Development Association

ILO – International Labour Organization

IMF – International Monetary Fund

OECD – Organisation for Economic Co-operation and Development

SPA – Strategic Partnership with Africa

UN – United Nations

UNDP – United Nations Development Programme

UNESCO – United Nations Educational, Scientific and Cultural Organization

USAID – United States Agency for International Development

WB – World Bank

WHO – World Health Organization

Donor Groups and Coordination Platforms

DAG – Development Assistance Group

DPG – Development Partners Group

EDCTF – Effective Development Cooperation Task Force

SWG – Sector Working Group

JEOC – Joint Electoral Operations Center

HoA – Heads of Agencies

ExCom – Executive Committee

HLF – High-Level Forum on Aid Effectiveness

HLPF – High-Level Political Forum

Ethiopian Government Institutions

GoE – Government of Ethiopia

MOF – Ministry of Finance
MOFED – Ministry of Finance and Economic Development
MoPD – Ministry of Planning and Development
MOA – Ministry of Agriculture
MOE – Ministry of Education
MOH – Ministry of Health
MOWE – Ministry of Water and Energy
NDRMC – National Disaster Risk Management Commission

National Development Plans

GTP I – Growth and Transformation Plan I
GTP II – Growth and Transformation Plan II
PASDEP – Plan for Accelerated and Sustained Development to End Poverty
SDPRP – Sustainable Development and Poverty Reduction Program
TYDP – Ten-Year Development Plan
HGER – Homegrown Economic Reform
MEFF – Macroeconomic and Fiscal Framework

Aid Modalities and Financial Mechanisms

AMP – Aid Management Platform
GBS – General Budget Support
SBS – Sector Budget Support
PBS – Protection of Basic Service Program
PSNP – Productive Safety Net Programme
DSA – Decentralization Support Activity
PSCAP – Public Sector Capacity Building Program
PFM – Public Financial Management
DBS – Direct Budget Support
RBS – Regional Budget Support
MOU – Memorandum of Understanding

Programs and Sector Initiatives

AGP – Agricultural Growth Program
GEQIP – General Education Quality Improvement Program
HSDP – Health Sector Development Program
ESDP – Education Sector Development Program
SLMP – Sustainable Land Management Program
DPMES – Development Planning, Monitoring and Evaluation System

International Development Frameworks

MDG – Millennium Development Goals
SDG – Sustainable Development Goals
SAPs – Structural Adjustment Programs
PRSPs – Poverty Reduction Strategy Papers
PRGF – Poverty Reduction and Growth Facility
SWA – Sector-Wide Approach
MTR – Mid-Term Review

VNR – Voluntary National Review
APR – Annual Progress Review
M&E – Monitoring and Evaluation
HRD – Humanitarian Requirements Document

Political Entities and Groups

EPRDF – Ethiopian People's Revolutionary Democratic Front
TPLF – Tigray People's Liberation Front

Countries and Regions

USA – United States of America
UK – United Kingdom
USSR – Union of Soviet Socialist Republics

Other Abbreviations

BRICS – Brazil, Russia, India, China, and South Africa
GDP – Gross Domestic Product
GNP – Gross National Product
ID – Identification Document
COVID – Coronavirus Disease
ECF – Extended Credit Facility
DG – Development Gateway

Abstract

This thesis explores the evolution, challenges, and opportunities of the aid management system in Ethiopia since 2000, a period marked by significant reforms and increased aid inflows. Drawing on policy analysis, institutional review, and stakeholder interviews, the study examines how Ethiopia has navigated the complexities of aligning donor support with national development priorities. Key focus areas include the effectiveness of the cooperation platforms, the Aid Management Platform (AMP), coordination between government and development partners, and the impact of shifting global aid paradigms. While external assistance has played a crucial role in financing development and building institutional capacity, issues such as fragmented aid flows, weak monitoring systems, and limited ownership continue to undermine aid effectiveness. The research concludes that strengthening country systems, enhancing transparency, and fostering genuine donor-government partnerships are essential for maximizing the developmental impact of aid.

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Chapter One

I. INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

The history of international aid dates back to the early 20th century, with its modern framework emerging after World War II through initiatives like the Marshall Plan, which marked the beginning of bilateral aid. Over the decades, aid expanded with the involvement of various bilateral and multilateral donors, including international financial institutions like the World Bank and the IMF. By the post-Cold War era, aid priorities shifted towards economic development, poverty alleviation, and promoting governance reforms, especially in developing countries.

Ethiopia, being one of the largest and most populous countries in Africa, has long grappled with major development hurdles such as persistent poverty, political unrest, and frequent environmental disasters. As a result of these enduring challenges, Ethiopia has become significantly dependent on foreign aid to fund key sectors of its economy. Ethiopia's history of donor relations dates as far back as the early 1940s, beginning with major bilateral partners such as the United States, the United Kingdom, and Sweden, along with multilateral organizations including the World Bank, FAO, WHO, and UNESCO. (Dessalegn Rahmato and Meheret Ayenew, 2004)

The issuance of Poverty Reduction Strategy Papers (PRSPs) under IMF and World Bank guidance marked a large and growing inflow of concessionary loans and grants that has occurred since 2001. In addition to the UN system, five development partners have played prominent roles: the African Development Bank (AfDB), the European Commission (EC), the International Development Association (IDA) of the World Bank Group, the UK Department for International Development (DfID), and USAID. (Abegaz, 2013)

Aid and development assistance are disbursed using different modalities or using different 'channels'. Channel 1 support involves direct donor transfers to the Ministry of Finance through the national treasury, with funds disbursed via the government's public financial management system and subject to standard government rules, either as tied or untied aid. Channel 2 support

involves direct donor transfers to sector ministries or sub-national entities, bypassing the Ministry of Finance, which allows targeted assistance but risks misalignment with national priorities and the creation of parallel management and reporting systems. Channel 3 support involves donors implementing projects through parallel structures without direct fund transfers to the government, often hiring their staff and delivering services directly, with limited guarantees of alignment to national priorities or inclusion in government budgets.

Moreover, the development partners' support is provided in different modes, ranging from Loans, Direct Budget Support (DBS), Regional Budget Support (RBS), support to the Public Sector Capacity Program, and Protection of Basic Services (PBS). (Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

Ethiopia has not adopted a standalone national Aid Policy; instead, the management and coordination of foreign aid are guided by broader national development frameworks. Key strategic documents, including the Sustainable Development and Poverty Reduction Program (SDPRP) (2002–2005), the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005–2010), the Growth and Transformation Plans I and II (GTP I & II) (2010–2020), and the current Ten-Year Development Plan (2021–2030), have served as the main references for aligning donor support with national development priorities. These plans outline Ethiopia's development goals and provide a structure for coordinating external assistance. However, the degree of alignment between donor support and national priorities has varied across sectors and among development partners. (Kenea Duresa, 2022)

From the side of development partners, efforts to improve aid coordination and alignment with Ethiopia's national priorities led to the establishment of the Development Assistance Group (DAG) in 2001. Designed as a high-level platform, DAG was tasked with promoting policy dialogue, enhancing donor harmonization, and strengthening the effectiveness of external assistance. Over the years, DAG has played a critical role in facilitating joint programming, supporting sector-wide approaches, and conducting collective assessments of development support efforts. Nevertheless, its influence and operational effectiveness have fluctuated, shaped by changing political dynamics, evolving donor-government relationships, and periodic challenges in ensuring consistent coordination and mutual accountability. (Development Assistance Group (DAG), 2014)

Since 2018, Ethiopia's government–donor relations have undergone significant shifts, influenced by the country's political transition and evolving development priorities. The coming to power of Prime Minister Abiy Ahmed ushered in a period of political reform, economic liberalization, and renewed engagement with the international community. Initially, these changes were met with strong support from development partners, leading to increased aid commitments, new partnerships, and expanded dialogue on governance and economic transformation. However, the outbreak of conflict in the Tigray region in late 2020 and the broader security and humanitarian crises that followed strained relations with many donors. Concerns over human rights, access to humanitarian assistance, and political stability led to a re-evaluation of aid modalities, with some partners redirecting support toward humanitarian channels and imposing conditions on development assistance. Despite these challenges, dialogue between the government and donors has continued, with efforts focused on balancing humanitarian imperatives with longer-term development cooperation. The post-2018 period thus reflects a more complex and cautious relationship, marked by both opportunities for renewed collaboration and heightened tensions around governance, accountability, and human rights issues.

The changes that began in 2018 necessitate a comprehensive assessment of Ethiopia's aid management system, making it timely and essential to closely examine the challenges and opportunities that have shaped the system since the 2000s. Thus, this study will undertake a comprehensive assessment of Ethiopia's aid management system since the 2000s, critically examining the challenges and opportunities within it.

1.2 Background of the Study

The history of international aid can be traced back to the early 20th century, though its foundations were laid even earlier with charitable efforts by governments, churches, and philanthropists.(Khallaf *et al.*, 2014) The modern system of foreign aid, however, began to take shape after World War II, when the devastation of the conflict necessitated large-scale reconstruction efforts, particularly in Europe. (Wood, 1986) The Marshall Plan (1948-1952) is often cited as one of the earliest and most significant forms of foreign aid, where the United States provided economic assistance to European countries to help rebuild their economies and prevent

the spread of communism. (Wood, 1986) This marked the beginning of what became known as bilateral aid, where one country directly supported another.

By the 1960s, foreign aid had expanded significantly, with multiple bilateral and multilateral donors emerging, including Japan, West Germany, and various international financial institutions such as the World Bank and the International Monetary Fund (IMF). (Tsidi M. Tsikata, 1998) In the post-Cold War era, the focus of aid shifted more toward economic development and poverty alleviation, especially in countries in sub-Saharan Africa, Asia, and Latin America, which were still grappling with the legacies of colonialism, poverty, and weak institutions. (Cumming, 2001) The rise of non-governmental organizations (NGOs) in the 1980s and 1990s further broadened the landscape of aid, bringing more diverse actors into the process and emphasizing issues like human rights, health, education, and environmental sustainability. (Schmitt, 2020)

However, the 1980s witnessed economic crises in many developing countries, leading to the implementation of Structural Adjustment Programs (SAPs) that redefined the role of aid, shifting its focus toward market liberalization and reducing state intervention. But SAPs did not seem to have succeeded. According to critics, they increased poverty, partly because the preconditions for receiving loans were that governments reduced public spending, which impedes accessibility of public services to the poor. (Helawi, 2019)

Endorsed by the International Monetary Fund (IMF) and the World Bank in 1999 as an alternative to conditionality for debt relief and access to their loans, Poverty Reduction Strategies (PRS) were the central policy instrument to address poverty reduction in many developing countries. Hence, almost 70 low and middle-income countries have completed a full PRS, and many others have achieved an interim PRS (Gagnet, Cathy (editor), 2005). And in 1999, the World Bank and the IMF introduced their Poverty Reduction Strategy Papers – better known as PRSPs.

Under the IMF's Poverty Reduction and Growth Facility (PRGF) and the World Bank's International Development Association (IDA), countries seeking financial assistance were required to develop PRSPs as a prerequisite for receiving loans and debt relief. (Helawi, 2019)

A Poverty Reduction Strategy Paper (PRSP) is a national strategy drawn up by governments of low-income countries for targeting government expenditure on measures to reduce poverty. A PRSP starts from a diagnosis of the causes of poverty, then identifies the poverty reduction

outcomes a country wishes to achieve and the key public actions – policy changes, institutional reforms, programs and projects – needed to achieve these outcomes. It should establish targets, indicators and monitoring systems.(World Bank, 2002) The PRS prescription devised by the IMF and World Bank had (and still has) some distinctive features which are worth noting. It proposes to tackle poverty through intervention in four priority areas: macroeconomic stability and structural policies to support economic growth, sectoral policies and programs to address human capital (in particular its education and health-related attributes), infrastructure development, and good governance and healthy institutions. Five underlying principles should guide the PRS process: country-driven and owned, results-oriented, comprehensive in scope (recognizing the multidimensional nature of poverty and the strategies to alleviate it), participatory and partnership-oriented, based on a medium and long-term perspective on development and poverty reduction. Once a country's PRSP has been completed and approved by the World Bank and the IMF, the country qualifies for debt relief and concessional lending.(Helawi, 2019)

Among such countries, Ethiopia is the major aid recipient in the world, for it produced a sustainable development and poverty reduction strategy document in 2002 with the help of the World Bank and the IMF. The PRSP was developed through extensive, transparent, and inclusive consultations with multi-stakeholders from the woreda, regional, and federal levels. These include NGOs, the private sector, communities, and development partners.(Helawi, 2019)

A large and growing inflow of concessionary loans and grants has occurred since 2001, following the issuance of the first poverty reduction strategy paper (known as the Sustainable Development Poverty Reduction Program) from 14 multilateral sources—mainly IDA, EC, the Global Fund, and the African Development Fund and more than 30 bilateral sources—mainly the USA, UK, Italy, Canada, Germany, Ireland, Japan, Netherlands, Norway, and Sweden.(Adane, 2015)

The EPRDF Government, since its coming to power in 1983, has started to reform the state by introducing its political-economic policies, programs, and strategies to enhance the well-being of society such as SDPRP, PASDEP, GTP I and II, and the Ten Year Development plan, to guide and manage the overall development of the country in alignment with the Millennium Development Goals (MDG).

In addition to the above nationwide programs and strategies, there were also sector-specific detailed strategies to attract donor support, including the Health Sector Development Programs

(HSDPs) and Health Sector Transformation Plans (HSTPs), the Education Sector Development Programs (ESDPs), and the Agricultural Growth Program (AGP). These strategies utilize sector-wide approaches, pooling donor funds and promoting harmonized frameworks. This has improved coordination, joint monitoring, and the use of shared performance indicators, making aid more predictable and focused on results.(Haile, 2015)

Established in 2001, DAG plays a central role in facilitating dialogue, promoting harmonization of donor activities, and ensuring that foreign aid is aligned with Ethiopia's national development priorities. The group is composed of donor agencies, international organizations, and development partners who provide financial and technical assistance to Ethiopia.(Development Assistance Group (DAG), 2014)

In the context of Ethiopia's aid management system, DAG plays a critical role in fostering donor coordination and ensuring that external assistance complements national development plans. By acting as an intermediary between donors and the government, DAG facilitates the alignment of donor support with national priorities, which is especially important for managing aid flows efficiently and ensuring transparency.(Ministry of Finance, 2019)

While DAG has been instrumental in improving donor coordination, its influence has fluctuated over time due to various political and institutional factors. One key challenge is the evolving donor-government dynamics, which have sometimes been affected by political sensitivities, both within Ethiopia and between Ethiopia and its donors. Political changes, especially since 2018, have led to shifting priorities and a reassessment of foreign aid and development assistance. Another limitation is the divergence in donor interests. Despite these challenges, DAG remains an essential mechanism for promoting dialogue and improving the coordination of aid.(Ministry of Finance, 2023)

Despite progress in Ethiopia's aid management system, several challenges remain. The absence of a unified aid policy results in ad hoc coordination, often dependent on sectoral leadership. Additionally, the fragmented implementation of sector strategies can cause duplication or misalignment of aid efforts. Weak enforcement mechanisms for alignment commitments further complicate coordination, particularly in politically sensitive or emergency-driven contexts. Moreover, donors are often hesitant to fully utilize the country's systems due to concerns over

fiduciary risks.(Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

Given the central role of foreign aid in Ethiopia's development trajectory, compounded by the global decline in Official Development Assistance (ODA) and substantial shifts in the national political landscape since 2018, it is imperative to critically assess the functionality of the country's aid management system. A thorough assessment of the system's challenges and opportunities will provide valuable insights to enhance coordination, inform policy, and advance Ethiopia's development objectives, particularly in light of the evolving global domestic contexts.

1.3 General objective of the study

The general objective of this study is to assess the challenges and opportunities within Ethiopia's aid management system since the 2000s.

In line with this, the following are specific objectives that the study aims to address.

1. To assess the aid Ethiopia's Aid management system since the 2000s
2. To analyze the key challenges faced by Ethiopia's aid management system since the 2000s.
3. To explore the opportunities within Ethiopia's aid management system for improving coordination and effectiveness.

1.4 Significance of the study

This study holds significant importance for several reasons. First, it addresses a critical gap in both academic and policy literature by providing a thorough and systematic assessment of Ethiopia's aid management system, an area that has largely been overlooked despite the country's long-standing dependence on foreign aid. While numerous studies have examined the outcomes of aid in terms of economic growth, poverty reduction, and sectoral development, there has been limited focus on how aid is managed, coordinated, and aligned with national priorities in Ethiopia. This research aims to bridge that gap and offer a holistic understanding of the aid management process.

Second, by focusing on the period since 2000—a time marked by notable shifts in both Ethiopia's political landscape and the broader international aid architecture—this study offers valuable insights into the evolving dynamics of aid management. The changes in Ethiopia's internal political

structure and its relationship with global development actors over this period are crucial for understanding how these transformations have shaped the efficiency and effectiveness of the aid management system. This research captures these shifts, providing a clearer picture of how the system has adapted to the changing global and domestic contexts.

1.5 Literature Review

Foreign aid is a World War II phenomenon aimed at achieving the following twin contradictory objectives. The first objective was to promote long-term growth and poverty reduction in developing countries; the underlying motivation of donors was a combination of altruism and a more self-interested concern that, in the long term, their economic and political security would benefit if poor countries were growing. The second objective was to promote the short-term political and strategic interests of donors.(Wood, 1986)

Since its formalization after World War II, most notably through the Marshall Plan, aid has evolved into a multifaceted instrument involving bilateral and multilateral donors, international financial institutions, and non-governmental organizations. Over the decades, aid has supported health, education, infrastructure, governance, and climate resilience, especially in low- and middle-income countries, with initiatives such as the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) shaping its direction.(Dr. Murad Ali, and Dr. Alam Zeb, 2016)

Foreign aid has also been a central feature of Africa's development journey since the post-colonial period, supporting critical sectors such as health, education, infrastructure, and governance. Throughout the decades, aid to Africa has evolved from Cold War-influenced bilateral assistance to complex networks involving multilateral institutions, philanthropic actors, and emerging donors like China. Aid in Africa is used to finance several types of activities: discrete investment projects; technical assistance (which is at times part of investment projects but frequently free-standing); budget support, often through funding associated with macroeconomic and sectoral reform programs; and debt relief, through the cancellation of debt. The various aid modalities have been changing over time, presumably towards more effective modalities.(Samuel Wangwe, 2006)

The foreign aid landscape in Africa is shaped by a complex interplay of factors. On one hand, African governments seek external resources to support their development goals and manage ongoing financial crises. On the other hand, aid donors aim to provide assistance while simultaneously pursuing their own diplomatic and strategic interests, often driven by bureaucratic pressures to increase aid volumes and fully allocate available funds. Additionally, African political actors may leverage foreign aid to expand patronage networks and gain symbolic or political advantages. This intricate matrix of motives and interests highlights the multifaceted nature of aid relationships on the continent.(Samuel Wangwe, 2006)

Ethiopia, being one of the largest and most populous countries in Africa, has long grappled with major development hurdles such as persistent poverty, political unrest, and frequent environmental disasters. In his article *Anatomy of Aid*, Adugna Lemi highlights pivotal periods in Ethiopia's history that triggered substantial international humanitarian assistance efforts.(Lemi, 2007) As a result of these enduring challenges, Ethiopia has become significantly dependent on foreign aid to fund key sectors of its economy.

Ethiopia's history of donor relations dates as far back as the early 1940s, beginning with major bilateral partners such as the United States, the United Kingdom, and Sweden, along with multilateral organizations including the World Bank, FAO, WHO, and UNESCO.(Dessalegn Rahmato and Meheret Ayenew, 2004)

Although Ethiopia received relatively low levels of development assistance during the Cold War, primarily due to its shifting political alliances, the scale and nature of aid flows have changed significantly in the years that followed. Post-Cold War, Ethiopia experienced a substantial increase in external assistance, reflecting both evolving geopolitical interests and the country's growing development needs. However, even during the Cold War period, humanitarian aid—particularly famine relief—was a notable exception, with significant resources being channeled largely toward emergency assistance rather than long-term development initiatives.(Lemi, 2007)

As a result of the change in political regime in 1991 and the adoption of the structural adjustment program in 1992/93 in particular, the country has enjoyed a significant amount of aid. A large and growing inflow of concessionary loans and grants has occurred since 2001, following the issuance of the first poverty reduction strategy paper (known as the Sustainable Development Poverty Reduction Program) from 14 multilateral sources—mainly IDA, EC, the Global Fund, and the

African Development Fund and more than 30 bilateral sources—mainly the USA, UK, Italy, Canada, Germany, Ireland, Japan, Netherlands, Norway, and Sweden.(Getnet Alemu, 2009)

While aid has contributed to progress, especially in humanitarian and public health outcomes, in Ethiopia and across the globe, it has also sparked widespread debate regarding its effectiveness, sustainability, and long-term impact. Therefore, there is a global conviction to enhance the effectiveness of aid through various global frameworks such as the Paris Declaration, Millennium Development Goals, and the Sustainable Development Goals (SDGs).

Moreover, the effectiveness of foreign aid remains a key policy issue to many developing countries also given their financial constraints to promote economic development. While proponents argue that aid promotes economic growth by addressing capital shortages, critics claim it fosters dependency and reduces domestic savings.(Gebresilassie, Legesse and Gebre, 2023)

A paper published by the African Development Bank highlights that the effectiveness and impact of aid are closely tied to how it is managed. Historical examples reinforce this point: the Marshall Plan, which successfully supported the reconstruction of post-war Europe, was underpinned by strong aid management mechanisms; in East Asia, countries like South Korea and Taiwan effectively utilized aid to fuel rapid economic growth and development; and in Africa, nations such as Botswana and Mauritius are often cited as success stories where aid was strategically managed to support long-term progress. These cases collectively demonstrate that effective aid management is a critical factor in ensuring that external assistance contributes meaningfully to national development objectives—and, ultimately, in enabling countries to transition away from aid dependency.(Samuel Wangwe, 2006)

Aid management in Ethiopia has long been a shared concern for both the government and development partners. Rather than taking a unique trajectory, Ethiopia's approach to aid management has evolved gradually, gaining traction with the introduction of the Poverty Reduction Strategy Papers (PRSPs) in the early 2000s. These frameworks marked a shift toward more structured and strategic engagement with external assistance. Given the country's high dependency on foreign aid, the Ethiopian aid management system reflects both the promise and the complexity of administering diverse funding streams from multiple actors.

Aid in Ethiopia is primarily disbursed through three channels: Channel 1, which channels funds through the national treasury using the government's public financial management systems; Channel 2, which directs aid to sector ministries or regional authorities; and Channel 3, which allows donors to directly manage projects and technical assistance outside government systems. While Channel 1 promotes greater alignment with national priorities and enhances accountability, Channels 2 and 3 often risk fragmentation and reduce government oversight. Nevertheless, hybrid mechanisms such as the Protection of Basic Services (PBS) and the Productive Safety Net Programme (PSNP) have attempted to blend these channels, aiming to support development goals while fostering transparency, local ownership, and results-based delivery. (Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

On the donor side, coordination efforts are led by the Development Assistance Group (DAG), co-chaired by the UNDP and the World Bank, which works closely with government counterparts through technical and sectoral working groups. However, parallel coordination structures and thematic donor groups occasionally undermine coherence.

These issues point to a broader concern: the fragmented and inconsistent use of aid modalities continues to hinder effective coordination, alignment, and impact. Government reports underscore persistent challenges such as the unpredictability of aid flows, limited visibility on expected and actual disbursements, and delays in reporting through the Aid Management Platform (AMP). These issues constrain the government's ability to allocate resources effectively across regions and sectors. At the same time, development partners face their own constraints—political shifts, donor-driven priorities, and misaligned timelines often disrupt coordination and limit responsiveness to national strategies. (Ministry of Finance and Economic Cooperation, 2017)

A substantial body of research has examined foreign aid in Ethiopia, focusing on its historical trajectory, effectiveness, and contribution to economic growth. Many of these studies have been sector-specific, often commissioned by government agencies or research institutions, to draw actionable lessons and inform policy. In parallel, rich literature from the fields of development economics has explored the correlation between aid and macroeconomic performance. Contributions from the social sciences have further broadened the discourse by analyzing the architecture of aid delivery and examining cross-cutting themes such as democratic governance, humanitarian assistance, and social development. Despite the depth and breadth of these analyses,

most tend to engage with the aid management system only tangentially, lacking a holistic or systemic perspective on how aid is administered, coordinated, and aligned with national priorities. This research seeks to address that gap by providing a comprehensive assessment of the challenges and opportunities of Ethiopia's aid management system since 2000, a period characterized by rising aid inflows and evolving development frameworks both globally and domestically. Thus, it aims to lay a foundation for future academic inquiry and support ongoing efforts to improve the effectiveness, coherence, and accountability of aid management in Ethiopia.

1.6 Statement of the Problem

Despite the pivotal role that foreign aid has played in Ethiopia's development over recent decades, the challenges and opportunities within the country's aid management system remain inadequately studied and poorly understood. While numerous sector-specific and thematic studies have assessed the impact of aid on economic growth, service delivery, and governance, there has been a notable lack of comprehensive evaluations that address the systemic challenges and opportunities of the aid management framework. Existing research often engages with aid management only tangentially, neglecting a thorough analysis that could offer critical insights for future improvements. Moreover, Ethiopia has undergone significant political, economic, and global transformations since 2000, which have fundamentally altered both the flow of aid and national development strategies. Despite these shifts, the aid management system itself has remained under-researched, preventing the identification of long-term challenges and missed opportunities. This research gap hampers the ability of policymakers, development practitioners, and international partners to optimize aid utilization and enhance coordination. Therefore, a thorough, contextualized examination of Ethiopia's aid management system is essential to uncover both internal and external dynamics, identify emerging opportunities, and propose actionable strategies for improved governance and better development outcomes.

1.7 Organization of the paper

The structure of the research paper will be as follows: The first chapter will summarize the proposal section, including a brief literature review, the problem statement, objectives, and the study's

significance. The second chapter will outline the theoretical framework that will be applied to analyze the data gathered during the research.

The Third Chapter presents the Research Methodology in detail, explaining the qualitative approach, data collection methods, and the overall research design. The fourth chapter presents the history and essence of foreign aid, offering a comprehensive overview of the history of foreign aid in the third world and as well as in Ethiopia. Giving a brief context of other countries' aid management systems, we will go deeper into the evolution of the aid management system in Ethiopia. Chapter five discusses the Findings and Data Analysis, where the results from the interviews and document analysis are presented and analyzed thematically. Finally, chapter six concludes the study, summarizing the key insights of the research.

Chapter Two

II. THEORETICAL FRAMEWORK OF THE STUDY

2.1 Introduction: International Relations Theories and Foreign Aid

Foreign aid has long been a central feature of the international system, serving as a key instrument for addressing global inequality, supporting development, and advancing strategic interests. While traditionally studied through economic and development lenses, foreign aid is equally political, deeply intertwined with global power structures, ideological contestations, and normative commitments.

Understanding foreign aid through the lens of International Relations (IR) theories provides a structured framework to examine the motives, mechanisms, and consequences of aid in global politics. While foreign aid is often framed in economic or humanitarian terms, it is inherently a political act—shaped by power dynamics, normative commitments, and perceptions of international responsibility. IR theories offer competing explanations for why states provide aid, how it is structured, and what it aims to achieve.

This section explores the dominant theoretical perspectives—Realism, Idealism (Liberalism), and Constructivism—to illustrate how each conceptualizes the purpose and practice of foreign aid.

2.2 Realism and Neo-Realism about Foreign Aid

Realism, one of the foundational theories in the study of International Relations, views the international system as anarchic, where sovereign states act primarily in pursuit of their own national interest, power, and survival. In the study of foreign aid, realism has also been the dominant lens through which foreign aid, particularly during the Cold War, has been understood. Rooted in the idea that international relations operate in an anarchic system, realism frames foreign aid as a strategic tool of statecraft.(Burchill, 2005)

Within this framework, foreign aid is not merely an act of altruism or humanitarian goodwill, but rather a deliberate strategic instrument wielded by donor states to further their geopolitical, economic, and security interests. Aid is allocated not primarily to foster development or alleviate

poverty in recipient countries, but to strengthen alliances, secure influence, open markets, and contain rivals in the ever-shifting landscape of international relations.(Malacalza, 2019)

From the perspective of many realist scholars, foreign aid is deeply embedded in the structural power dynamics of the international system, shaping interactions between nations through calculated resource allocation. As Baldwin asserts, aid functions as a tool of statecraft, much like diplomacy, propaganda, or military intervention. It serves multiple political and economic objectives—promoting diplomatic ties, ensuring stability in strategically significant regions, expanding export markets, securing vital imports, and enhancing a donor state's reputation in global forums.(Baldwin, 1966) Additionally, aid can provide moral or rhetorical justification for a donor's actions, reinforcing its position within the broader framework of international legitimacy and influence.

Hans Morgenthau, widely regarded as the founding father of classical realism, was instrumental in shaping the understanding that foreign aid serves as a strategic tool—one that nations deploy when their interests abroad cannot be secured through military force or traditional diplomacy. He categorizes foreign aid into six distinct types: humanitarian, subsistence, military, bribery, prestige, and economic development aid. Among these, Morgenthau argues that a significant portion of what is labeled as foreign aid is, in reality, a form of bribery—a means of influencing recipient nations under the guise of economic support. He further notes that, following World War II, such bribery became justified as a mechanism to promote economic development in weaker states(Morgenthau, 1962).

Morgenthau and other classical realists saw foreign aid as an extension of statecraft, akin to diplomacy or military power, serving to influence state behaviour, maintain spheres of influence, and secure strategic footholds in contested regions. They also questioned aid's effectiveness in achieving genuine development or democracy, arguing that it primarily serves donor interests rather than recipient needs.(Malacalza, 2019)

Neorealism, or structural realism, developed most prominently by Kenneth Waltz, builds on the core realist assumptions but shifts the emphasis from human nature to the structure of the international system. According to neorealists, the distribution of power (i.e., the international polarity) dictates how and why states behave the way they do, including their aid policies. In a unipolar or bipolar world, foreign aid is often used by great powers to maintain systemic stability

or balance rivals. For instance, during the Cold War, aid was extensively used by both the United States and the Soviet Union to gain the allegiance of developing countries, reflecting a neorealist logic of power balancing and influence projection(Malacalza, 2019).

Additionally, aid conditionality has emerged as a strategic instrument for donors, legitimizing efforts to shape political and economic structures in recipient countries. As Adane illustrates how donor states have used aid to promote democratic governance and free-market economic reforms, often under the guise of development assistance, but ultimately serving geopolitical objectives.(Adane, 2015)

Realists and neo-realists have proved very useful in explaining the historical and systemic roots of foreign aid policies by examining states as rational actors who engage in cost/benefit analysis of their actions within an anarchical international system.

This realist lens highlights the conditional nature of aid, often tied to political compliance, economic reforms, security cooperation, or other forms of alignment with donor objectives. The flow of aid is therefore not determined by the level of need or developmental urgency, but by the strategic calculus of the donor.(Sasongkojati, Hiu and Subono, Nur Iman, 2023)

Moreover, realists argue that the recipients of aid are not passive actors; they may also strategically accept or leverage aid to enhance their own national interests. This can lead to what is sometimes called “strategic bargaining,” where aid is negotiated in ways that reflect the power dynamics between the donor and the recipient.(Westerfield, 1960)

In both realism and neorealism, the motivations behind foreign aid are largely self-interested and strategic rather than normative or developmental. Aid may be tied to conditions that benefit the donor economically (such as requiring procurement from donor-based firms) or politically (such as supporting alignment in international forums). Even when aid contributes to development outcomes, from a realist view, such outcomes are secondary to the donor’s strategic calculations.

Though realism has been influential in highlighting the power dynamics and strategic motivations behind aid, it has been criticized for oversimplifying states as unified actors and for failing to clearly define "national interest," leaving key concepts vague and limiting its ability to account for internal political dynamics within donor countries. Moreover, realism falls short in capturing the complex, non-monolithic nature of states, where multiple domestic actors—including political

institutions, interest groups, and bureaucratic agencies—compete for influence, resources, and decision-making power. These internal dynamics play a significant role in shaping national interests and determining how aid policies are formulated and implemented, a nuance that realist theory tends to overlook.(Malacalza, 2019)

2.3 Liberalism Neo Liberalism views about Foreign Aid

From the late 1970s to the early 1980s, liberal and neoliberal institutionalist theories emerged as influential alternatives to the dominant realist and neo-realist interpretations of the international system. Rooted in Enlightenment principles and the belief in human progress, these approaches—often associated with idealism or liberal internationalism—emphasize that international cooperation, moral values, and the pursuit of the common good can shape state behavior. Drawing particularly on Immanuel Kant’s vision of a peaceful world order, liberal theorists argue that democracies, shared norms, and institutionalized cooperation can foster enduring peace and collective development. Unlike realists, who view the international system as anarchic and driven by power politics, liberals and neoliberal institutionalists believe that interdependence, international organizations, and rule-based regimes can transform global relations toward more stable and cooperative outcomes.(Burchill, 2005)

Liberalism presents foreign aid as both a moral imperative and a strategic instrument, emphasizing cooperation, development, and global stability. Rooted in Enlightenment ideals and Kantian philosophy, liberal thought argues that aid is an expression of global solidarity, advancing human rights, democratic governance, and economic prosperity while fostering shared norms, values, and mutual interests among nations.(Pankaj, 2005)

From an idealistic perspective, aid is not merely charity, but a vehicle for promoting peace and stability by addressing poverty, inequality, and the structural causes of conflict. Wealthier nations, in this view, have a moral obligation to assist less developed countries, ensuring human dignity and global justice. Furthermore, idealists contend that aid should reinforce democratic institutions, strengthen civil society, uphold the rule of law, and safeguard individual freedoms to enhance long-term political stability.(Nigatu H, 2015)

A critical feature of liberal aid policy is its emphasis on multilateralism and institutional coordination. International bodies such as the United Nations, World Bank, and frameworks like the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) exemplify efforts to ensure transparency, inclusiveness, and fairness in aid distribution. By facilitating long-term partnerships and interdependence, aid becomes a mechanism for cooperative international engagement rather than an extension of donor dominance.(Malacalza, 2019)

Ultimately, liberalism underscores the mutual benefits of aid, advocating for a system in which economic and political development abroad contributes to global security and prosperity. Unlike realist approaches that view aid through the lens of self-interest and power politics, liberalism envisions a world where states engage in meaningful collaboration to address global challenges through foreign assistance.(Pankaj, 2005)

Neoliberal institutionalism, championed by scholars such as Robert Keohane and Joseph Nye, argues that while states are rational and self-interested, they can achieve mutual benefits through international institutions, norms, and regimes. Cooperation emerges from complex interdependence, where economic, political, and social ties necessitate policy coordination to achieve national goals.(Malacalza, 2024) Scholars like Krasner and Ruggie conceptualized international regimes—structured sets of rules, norms, and procedures—as mechanisms guiding state behavior in areas such as finance and foreign aid. However, critics contend that the aid regime remains weak, with Western donor behavior often deviating from their stated commitments, rendering aid inconsistent and politically driven rather than purely developmental.(Pankaj, 2005)

Neoliberalism, while supporting international cooperation, places stronger emphasis on market forces, economic interdependence, and institutional efficiency. Neoliberal institutionalists such as Keohane argue that aid can enhance cooperation among self-interested states by reducing transaction costs, promoting predictable norms, and reinforcing institutionalized governance structures. Unlike idealists, neoliberals do not frame aid primarily in humanitarian terms. Instead, they advocate for aid as a mechanism for governance reform, capacity building, and economic liberalization, encouraging trade, investment, and structural adjustments to integrate developing countries into the global economy. From this perspective, aid serves as a strategic instrument to align recipients with market-oriented policies, fostering long-term development through self-sufficiency rather than dependence.(Hagelsteen, 2024)

Liberalism is often criticized for romanticizing donor motives, assuming that aid is driven purely by ethical concerns, while overlooking strategic, political, and economic interests that influence donor decisions. This leads to concerns about selective and inconsistent aid allocation, which often aligns with geopolitical agendas rather than objective developmental needs.

Moreover, critics argue that liberal aid can foster dependency, weakening local institutions and undermining recipient states' autonomy and capacity for self-sustained development. Aid, when poorly designed, can inadvertently diminish incentives for domestic governance reforms, creating a reliance on external assistance rather than fostering robust, locally driven solutions.

Another critique of liberal aid is its selective application of humanitarian principles. While aid is often justified on moral or ethical grounds, its actual distribution is frequently shaped by political calculations, leading to inconsistencies in implementation and raising doubts about the universality and neutrality of aid interventions.(Malacalza, 2019)

Additionally, neoliberal perspectives often reject direct financial assistance in favour of "Aid for Trade" programs, which seek to integrate developing economies into the global market. However, critics argue that these trade-oriented policies primarily serve donor interests, reinforcing existing global power imbalances rather than genuinely fostering sustainable development in recipient nations.

2.4 Constructivist View of Foreign Aid

Constructivism, as a theory of international relations, focuses on how ideas, norms, identities, and discourse shape the behavior of states and other actors.(Burchill, 2005) Unlike realism and liberalism, which emphasize material interests and institutional structures, constructivism asserts that foreign aid is driven not only by economic or strategic considerations but also by socially constructed values, perceptions of responsibility, and normative commitments. It highlights how the meaning and practice of aid are shaped by collective beliefs, historical narratives, and inter-subjective understandings between donors and recipients. Constructivists argue that aid reflects international norms such as humanitarianism, global solidarity, and development cooperation. Donor countries often act not only out of self-interest but also because providing aid has become an expected behavior or moral obligation within the international community.(Pankaj, 2005)

Constructivist perspectives on foreign aid emphasize its ethical and moral justifications, viewing aid as shaped by both material and discursive power dynamics. Narratives of social justice and altruism play a key role in influencing aid practices at both the domestic and international levels, reinforcing intersubjective meanings that define global structures. Moral conceptions and domestic influence are significant factors; as Nigatu suggests, aid policies are shaped by domestic attitudes toward justice and poverty, which are transferred to the international sphere through social and moral dialogue. Additionally, normative meanings within aid regimes reinforce the principle of assisting those in need.(Nigatu H, 2015)

The idea of humane internationalism, particularly in North-South relations, underscores how aid policies have been shaped, notably in Scandinavian nations, Canada, and the Netherlands. These countries, with strong welfare traditions, align their foreign aid commitments with human rights.(Gates and Hoeffler, 2004) Similarly, domestic political ideologies, especially those rooted in social democracy, influence how states extend social justice norms through foreign aid, linking domestic welfare policies to global assistance (Noël and Thérien, 1995).

Another critical dimension of constructivism is the securitization of aid, a concept introduced by the Copenhagen School.(Buzan, Waever and Wilde, 1998) Scholars argue that donor states often justify aid based on security concerns, framing it as a tool for maintaining national or global stability rather than as a purely humanitarian objective.(Brown, Grävingholt and Raddatz, 2016) Constructivism rejects the idea that state interests are fixed. Instead, it posits that a state's identity—whether as a responsible global actor, a development partner, or a humanitarian leader—both influences and is influenced by its aid policies. For example, Nordic countries are known for their generous aid contributions, driven by their self-perception as champions of peace and equity.(Gates and Hoeffler, 2004)

International aid practices are also shaped by evolving norms and global discourses, such as those surrounding the Sustainable Development Goals (SDGs), gender equality, and climate justice. Constructivists examine how these ideas spread, gain legitimacy, and ultimately influence donor behavior, shaping aid agendas. States and international organizations may provide aid not only for material gains but also to gain legitimacy, build trust, and reinforce their international standing. In

this sense, aid becomes a tool for social approval and norm compliance, rather than merely a means to achieve material goals.(Malacalza, 2024)

Constructivism further emphasizes how donor and recipient identities are mutually constructed through aid relationships. For example, aid conditionalities often reflect assumptions about what a “good recipient” should do, reinforcing certain power dynamics and narratives in global aid interactions.

Despite its analytical strengths, constructivist perspectives on foreign aid face several methodological challenges. Critics often point to an over-reliance on Western donor cases, which may not fully capture the diversity of global aid practices. This Western-centric focus limits the applicability of constructivist insights across different contexts. (Lundsgaarde and Moe Fejerskov, 2018) Another criticism is that constructivism, while providing valuable insights into the ideational dimensions of foreign aid, lacks predictive power. By focusing on the influence of norms and ideas, constructivism does not offer clear, testable predictions about aid outcomes.

In conclusion, the theoretical discussion of foreign aid through the lenses of realism, idealism, and constructivism provides a comprehensive understanding of the diverse motivations, values, and dynamics that shape aid practices.

Chapter Three

III. METHODOLOGY

3.1 Introduction

Three types of research genres are classified based on the process they follow: quantitative, qualitative, and mixed methods.(Creswell, 2016) According to Creswell, qualitative research methods have been recognized mainly since the mid-1900s and have been extensively used in the social and behavioral sciences over the past 40 years.(Creswell, 2016)

This chapter presents the research methodology used in the current study. So, it briefly discusses the selection of the research method, target population, research participants, sampling strategies, hired instrumentation, data collection procedure through an in-depth interview, and data analysis technique.

3.2 Research Design

This research design serves as the blueprint for both data collection and analysis, providing a structured framework to guide the research process. It outlines the systematic steps the researcher will take, from formulating research questions to interpreting and analysing the findings.(Lune and Berg, 2017) Given the exploratory and descriptive nature of the data obtained through in-depth interviews, a descriptive research design was chosen to capture nuanced insights, identify patterns, and provide a comprehensive understanding of the subject matter. This approach ensures that the study remains contextually grounded and methodologically rigorous, allowing for a detailed examination of key themes and stakeholder perspectives.(Cooper and Schindler, 2014)

3.3 Research Approach

This research primarily employs a qualitative approach, which is well-suited for capturing nuanced insights and deeper contextual understanding. Qualitative research focuses on non-numerical, verbal data, allowing for in-depth exploration of perspectives and experiences.(Berg, 2001) Through interviews, participants provide detailed responses that address the research objectives, offering rich, interpretive insights rather than statistical measurements. This approach ensures a comprehensive analysis of themes, patterns, and underlying factors, making it particularly effective for understanding complex social and contextual dynamics related to the study.

Qualitative research seeks to gain a deep understanding of a specific situation, group, or interaction by examining its context over time.(Creswell, 2016) Rather than focusing on numerical data, qualitative methods explore the underlying reasons, motivations, and meanings behind behaviours and actions. This approach is particularly valuable when the researcher aims to uncover patterns, perspectives, and social dynamics, providing rich, interpretive insights into human experiences and decision-making processes.

In the context of assessing the challenges and opportunities of Ethiopia’s aid management system, qualitative research provides a critical framework for examining the underlying motivations, attitudes, and institutional dynamics that shape aid allocation and implementation. Given the complex interplay of domestic and international actors, qualitative methods allow for an in-depth exploration of stakeholder perspectives, ensuring a contextually grounded analysis of Ethiopia’s evolving aid strategies.

3.4 Population, sample size, and sampling technique

3.4.1 Population

A population refers to the group of elements from which a study draws data and makes inferences.(Cooper and Schindler, 2014) The target population for this study comprises key stakeholders involved in aid management and development cooperation. This includes Government officials and experts in different Ministry offices, but particularly those who set the national development plans at the Ministry of Planning and those who coordinate and lead finance at the Ministry of Finance. Furthermore, representatives from bilateral and multilateral development partner organizations, and the Secretariat office of the Development Partners Group (previously DAG) are the target population of the study. The target population within the two types of institutions (Gov’t and Dev’t Partner) can have differences in structure, decision-making power, and expertise; however, they will resemble in their role concerning development cooperation between the two parties.

No	Organization	Key Informant Respondent Position
Government Organization		
1	Ministry Of Finance	Bilateral <i>And the Multilateral Cooperation Department</i>
2	Ministry Of Finance	Aid Management Platform Coordinator

3	Ministry of Finance	<i>Sr. Advisor to the Minister</i>
4	Ministry of Health	Advisor to the Minister
5	Ministry of Trade	Minister (former state Minister at the MOF)
6	Ministry of Planning and Development	State Minister at the Ministry
7	Ministry of Agriculture	Advisor to the Minister
8	Ministry of Planning and Development	Former State Minister at the Ministry
9	Ethiopian Disaster Risk Management Commission (NDRMC)	Commissioner at the EDRMC
10	Development Bank of Ethiopia	Resource Mobilization Team
Development Partners		
1	Development Assistance Group (DAG/DPG)	DAG/DPG Secretariat Head
2	IMF	Cooperation Head/ Program Manager
3	AfDB	Cooperation Head/ Program Manager
4	USAID	Cooperation Head/ Program Manager
5	World Bank/ IDA	Cooperation Head/ Program Manager
6	United Nations Resident Coordinator	Cooperation Head/ Program Manager
7	UNDP	Cooperation Head/ Program Manager
8	European Union	Cooperation Head/ Program Manager
9	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Cooperation Head/ Program Manager
10	UK/ Foreign Development Commonwealth Office	Cooperation Head/ Program Manager

Table 1: List of Organizations for Data Collection

3.4.2 Population, Sample size, and sample design

The logic of using a sample of subjects is to make inferences about some larger population from a smaller one, i.e., the sample. Such inferences succeed or fail according to how well the sample represents the population.(Lune and Berg, 2017) In a qualitative study, the sample size is determined by several factors: the complexity of the phenomenon being studied, the type of qualitative design we use, and others.(Creswell, 2016)

Population

The population for this study consists of individuals involved in the negotiation, management, coordination, implementation, and oversight of aid in Ethiopia. This includes those who directly

review the cooperation framework, policy document, prepare development assistance documents, review the report, those who are involved in project management and decision-making activities related to aid flow management.

Sample Size

Given the qualitative nature of the study, the sample size is intentionally kept relatively small to facilitate an in-depth exploration of key stakeholders' perspectives and experiences. A targeted sample of 20 participants was selected, ensuring a robust foundation for qualitative inquiry. This sample size is deemed sufficient for qualitative research, particularly when employing semi-structured interviews, as it enables nuanced, context-rich engagement with participants.

to achieve a balanced representation, the study utilized a quota sampling technique, ensuring equal distribution in each organization. Data collection was conducted using a carefully developed instrument, designed to capture the depth and diversity of insights required for a comprehensive analysis.

Sample Design

The study adopts a purposive (or judgmental) sampling approach, a method widely used in qualitative research to ensure that participants possess specific expertise and direct involvement relevant to the research topic. This strategy facilitates the selection of individuals with substantial knowledge and experience regarding the aid management systems implemented by the government of Ethiopia. By focusing on these key stakeholders, the study ensures that insights gathered are both rich and contextually grounded.

3.4.3 Data source and type

This research will utilize primary data sources to ensure a comprehensive analysis of aid management in Ethiopia. The primary data will be collected through in-depth interviews with key stakeholders directly involved in aid management, supplemented by a review of relevant official documents. The objective is to gather firsthand, qualitative data that captures the experiences, perceptions, and insights of those actively engaged in the operational and strategic aspects of Ethiopia's aid management system.

3.5 Data Collection Method and Instrument

Qualitative primary data was collected from the target population through a semi-structured, face-to-face interview technique, guided by open-ended questions designed to elicit in-depth responses

relevant to the research objectives. The data collection process employed three key tools: (1) in-depth semi-structured face-to-face, phone, Zoom interviews, (2) researcher reflection notes documenting participants' insights immediately after each interview, and (3) digital recordings of interviews, which were transcribed verbatim for accuracy and depth of analysis.

To accommodate participants' linguistic preferences, interview questions were conducted in both Amharic and English, with responses transcribed verbatim. While direct quotations were not included in the final presentation, relevant and significant insights were paraphrased and structured according to thematic relevance, ensuring a comprehensive yet coherent representation of participants' perspectives.

The interview framework consisted of 11 questions, organized into four thematic categories. The first set of three questions explored the historical development, role, and engagement of the aid management system. The second group focused on challenges faced during critical periods in the political and development cooperation landscape, capturing respondents' observations of key shifts and obstacles. The third category examined the prospects within the aid management system, aiming to derive strategic insights and recommendations for future improvements. Finally, a closing question was presented for the participants to recommend where challenges and opportunities can also be reflected.

3.6 Method of data analysis and presentation

According to Creswell (2016), qualitative data analysis consists of several key stages: preparing the data, coding it for thematic analysis, employing qualitative software or manual techniques, and validating the accuracy of the final report. In this study, data analysis commenced immediately after the completion of data collection, ensuring a seamless transition between gathering and interpreting information. Interviews were transcribed verbatim, allowing for a precise and detailed representation of participants' responses. Once transcription was finalized, the analysis began, systematically linking categories and themes to establish a logical chain of evidence. This structured approach enabled the researcher to identify overarching patterns and thematic insights, which formed the basis for further discussion and interpretation of findings.

3.7 Limitations of the Study

This study was deliberately confined to employees of selected federal institutions, with a geographic focus on Addis Ababa, the capital city, where most governmental agencies,

international organizations, and NGOs are concentrated. Regional offices and rural areas were excluded, primarily due to logistical and resource constraints. While this approach allowed for a more focused and manageable scope, it limits the generalizability of findings, as the role and implementation of aid management systems may differ significantly in decentralized or rural contexts. Additionally, the study employed purposive sampling, selecting participants based on their knowledge and experience with the aid management system. This method enabled the collection of rich, in-depth insights from key stakeholders, but it may introduce a degree of selection bias. Specifically, individuals with strong familiarity or opinions about aid management system may be overrepresented, while the experiences of those less engaged or critical of such platforms may be underrepresented. The sample size of twenty participants, while small, was strategically determined to balance depth of analysis with the constraints of time and resources.

Given the complexity and evolving nature of aid management systems, future research should expand both the geographic scope and institutional diversity of the sample. Including regional offices, rural stakeholders, and a broader range of perspectives would help to develop a more comprehensive and representative understanding of AMPs across various administrative levels and contexts in Ethiopia.

3.8 Ethical considerations

This study adhered to established ethical standards to ensure the rights, dignity, and privacy of participants. Key ethical principles considered included informed consent, confidentiality, anonymity, and the accurate and responsible handling of information.

Prior to each interview, informed consent was obtained. Respondents were clearly and adequately briefed on the purpose of the study, which was conducted to fulfill academic requirements, and informed about who would have access to the data. They were assured of their voluntary participation and their right to withdraw from the study at any point without any negative consequences.

Building trust was a central component of the data collection process. The researcher employed a consistent protocol during interviews to foster openness and reliability, and to reinforce the

commitment to confidentiality. During data analysis, all information was anonymized, and findings were reported in a manner that protected individual and institutional identities.

Chapter Four

IV. THE ESSENCE AND HISTORY OF AID

4.1 Introduction to the literature review

The history of international aid is closely tied to the evolution of human societies. Before formal aid institutions, assistance was largely driven by religious missions and colonial ventures, often for extractive purposes. Modern foreign aid emerged post-World War II with the Marshall Plan, aimed at rebuilding Europe. During the Cold War, it became a geopolitical tool for the U.S. and the Soviet Union to influence global alliances.(Wood, 1986)

By the 1960s, aid expanded with new bilateral donors like Japan and West Germany, alongside multilateral institutions such as the World Bank and the IMF. Initially infrastructure-focused, aid later prioritized social development, including poverty reduction, education, and healthcare. Economic crises in the 1980s led to Structural Adjustment Programs (SAPs), promoting market liberalization and reducing state involvement.(Ogola, 2025)

In the 1990s, aid shifted toward democratization, good governance, and human rights, with the Millennium Development Goals (MDGs) in 2000 and Sustainable Development Goals (SDGs) in 2015 reaffirming poverty reduction as a priority. Despite its continued role in international relations, debates persist on aid's effectiveness, transparency, and alignment with recipient needs.(UNDP, 2011)

Official Development Assistance (ODA) has grown, shaped by frameworks such as the MDGs, SDGs, and agreements like the Paris Declaration (2005) and Busan Partnership (2011), which aim to enhance coordination and accountability. Challenges such as donor fragmentation and limited institutional capacity remain, fuelling debates over aid dependency versus the need for stronger recipient institutions, transparency, and local ownership for sustainable development.(Glennie and Sumner, 2016)

Ethiopia has long been a major recipient of foreign aid in Sub-Saharan Africa, shaped by political transitions, economic instability, and humanitarian crises. Since the late 1940s, its engagement

with international donors has fluctuated due to regime changes and global dynamics. Aid in the 1970s and 1980s was largely emergency-focused, responding to severe famines, but after 1991, the emphasis shifted to long-term development cooperation.(Nigatu H, 2015)

Ethiopia's aid management system has evolved significantly over the decades, shaped by political transitions, economic challenges, and global development frameworks. Historically, aid coordination in Ethiopia was fragmented, relying on paper-based tracking systems that led to inefficiencies in data collection, transparency issues, and donor fragmentation. In response to these challenges, the Ethiopian government implemented reforms to improve aid management, aligning with international commitments such as the 2005 Paris Declaration on Aid Effectiveness.(Ministry of Finance and Economic Cooperation, 2017)

Despite various improvements, Ethiopia continues to face challenges in aid coordination, including donor fragmentation and the complexities of managing diverse funding sources. However, ongoing efforts to strengthen institutional capacity and improve data-driven decision-making have contributed to more effective aid utilization. The government's commitment to reducing aid dependency through economic reforms, such as the Homegrown Economic Reform Agenda, further reflects Ethiopia's evolving approach to managing external assistance.

4.2 Types of Foreign Aid

Foreign aid has been defined in various ways. Chenery and Strout describe it simply as the inflow of external resources. White, however, defines aid as any resource transfer from rich to poor countries, assessed—whether sincerely or not—based on its benefit to the recipient. According to White, aid qualifies as such only if it is effective, meaning it has demonstrably contributed to development; otherwise, it cannot be considered aid(Dr. Murad Ali, and Dr. Alam Zeb, 2016)

George Ball critiques foreign aid as a misleading term encompassing diverse programs with varying motives(Wood, 1986). Mosley, however, defines aid as government-to-government transfers on concessional terms, featuring extended grace periods, longer maturity, low interest rates, and occasionally inconvertible currency repayment(Dr. Murad Ali, and Dr. Alam Zeb, 2016).

The Development Assistance Committee (DAC) of the OECD defines Overseas Development Assistance (ODA) as grants or loans to developing countries that are: (i) provided by the donor country's official sector, (ii) primarily aimed at economic development and welfare, and (iii) offered on concessional terms with at least a 25% grant element (Wood, 1986). ODA also includes technical cooperation but excludes military-related grants, loans, and credits.

Given the complexity of foreign aid as outlined above, examining its various types offers a more nuanced understanding of its mechanisms, objectives, and broader impact on international development. Each form of aid serves distinct purposes, shaped by economic, political, and humanitarian considerations.

Hans Morgenthau Wrote in his article, A Political Theory of Foreign Aid, that “A viable foreign aid policy must first acknowledge the diversity of policies categorized under this term. While all forms of aid share the common feature of transferring money, goods, or services between nations, they serve distinct purposes.(Morgenthau, 1962) He provides a unique classification of foreign aid by emphasizing the motives behind the transfer of the money in any form. Broadly, foreign aid can be classified into six types: humanitarian aid, subsistence aid, military aid, bribery, prestige aid, and economic development aid.

Among these, humanitarian aid stands apart as inherently nonpolitical, typically provided in response to natural disasters such as floods, famines, and epidemics. Subsistence foreign aid—provided to governments unable to maintain basic public services—as a tool to uphold order and prevent societal collapse, while politically serving to preserve the status quo without necessarily improving regime viability. By Bribery, it refers to the historical use of foreign aid as a form of political bribery, where states openly exchanged money or favors for influence. In contrast, modern foreign aid, often justified under the banner of economic development, serves similar political purposes but is masked under complex bureaucratic systems. Prestige aid has in common with modern bribes the fact that its true purpose, too, is concealed by the ostensible purpose of economic development or military.(Morgenthau, 1962)

Hans Morgenthau's classification of foreign aid offers a foundational perspective on its strategic functions, emphasizing political and security considerations. However, as global development

norms evolved, modern classifications expanded to incorporate economic, humanitarian, and multilateral frameworks, reflecting the increasing complexity of international aid dynamics

Foreign aid comes in various forms, each serving different purposes and reflecting the nature of the relationship between donor and recipient countries. One of the most common distinctions is between bilateral aid and multilateral aid. Bilateral aid refers to assistance given directly from one government to another, often guided by diplomatic relations and strategic interests. Nations provide financial resources, technical expertise, and infrastructure development to strengthen partnerships and support economic growth.(Benson Chibuzor Tuotamuno and Kingdom E. Orji, 2023)

Beyond bilateral efforts, multilateral aid pools resources from multiple donor countries, channelled through international organizations like the World Bank, the United Nations, the African Development Bank, and the International Monetary Fund (IMF). This type of aid allows for large-scale development projects, fostering cooperation and coordinated responses to global challenges. These institutions pool resources from multiple countries and redistribute them to developing nations, often according to collective priorities or needs assessments.(Viktor Brech and Niklas Potrafke, 2013)

Another major category is humanitarian aid, also known as emergency aid. This type of assistance is typically short-term and provided in response to natural disasters, armed conflicts, or health emergencies. During crises, it becomes essential, delivering emergency relief in the form of food, medical supplies, shelter, and logistics to countries facing natural disasters, conflicts, or health emergencies. This form of aid prioritizes immediate needs, aiming to alleviate suffering and stabilize affected communities.(Heyse, 2006)

Unlike humanitarian aid, development aid focuses on long-term growth and poverty alleviation. It remains a cornerstone of international assistance, targeting infrastructure, education, healthcare, governance reform, and agricultural development, aiming to build sustainable livelihoods. By investing in sustainable development projects, donor countries and institutions aim to empower recipient nations and reduce long-term dependency on external support. As a crucial component of development aid, economic aid specializes in fostering economic stability. It provides financial

support—through grants, loans, and trade incentives—to strengthen developing economies and promote sustainable growth. Some initiatives prioritize debt relief, enabling financially strained nations to reallocate resources toward essential services, infrastructure, and long-term development efforts, ultimately enhancing their economic resilience.(Benson Chibuzor Tuotamuno and Kingdom E. Orji, 2023)

Within development aid, there are specific subtypes such as project aid and program aid. Project aid is directed toward clearly defined initiatives, like constructing a road or setting up a school, whereas program aid supports broader reforms, such as education sector improvements or budgetary support to national governments. Program aid often takes the form of General Budget Support (GBS) or Sector Budget Support (SBS), offering greater flexibility to recipient governments in how the funds are used.(Samuel Wangwe, 2006)

Military aid is another significant yet often contentious form of assistance, involving the provision of security resources, weaponry, and training to allied governments. This support extends to defence training, advanced military equipment, and strategic partnerships, typically driven by geopolitical and national security interests rather than humanitarian or developmental objectives. While such aid bolsters the recipient nation's security infrastructure, it also plays a pivotal role in shaping global alliances and influencing power dynamics in international relations.(Benson Chibuzor Tuotamuno and Kingdom E. Orji, 2023)

Technical assistance, sometimes referred to as capacity building, is another important form of aid. Rather than focusing on financial resources, it emphasizes the transfer of knowledge, skills, and technology. Experts may be sent to help develop public institutions, train local staff, or provide policy advice, helping countries strengthen their internal capabilities.(Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

Aid can also be categorized based on procurement conditions. Tied aid requires the recipient to purchase goods or services from the donor country, often limiting the effectiveness of the support. On the other hand, untied aid allows recipients to source goods and services from any provider, which generally increases efficiency and cost-effectiveness.(Stephen Knack and Nicholas Eubank, 2009)

Together, these various types of aid demonstrate the complexity of the foreign aid landscape. Understanding them is essential for evaluating how aid flows are managed and how effectively they contribute to development goals and humanitarian outcomes.

4.3 The History of Aid Post WWII

Keenleyside claims that the history of international aid is as old as the history of interrelationship between organized human communities. According to Hjertholm & White, before the establishment of formal development aid structures, assistance was provided primarily through religious missions, such as Islamic charities and Christian missionaries, where food, health care and humanitarian aid were provided. Furthermore, European colonial powers, particularly the British, French, and Dutch empires, provided economic support and investment in infrastructure to their colonies, though they were primarily extractive they were an early form of aid. Lastly post-war reparations and reconstruction efforts after conflict were also found in history that expounded the early form of aid: Germany's payment under the treaty of Versailles and other instances. (Hjertholm & White 2000)

The period after the Second World War led to the birth of foreign aid in its modern form, with large-scale initiatives aimed at economic recovery and geopolitical stabilization. The United States, under the US Secretary of State, General George Marshall, has elaborated a long-detailed program for the reconstruction of the war-ravaged Europe, which was named as Marshall Plan. (Glennie and Sumner, 2016)

The Marshall Plan which was undoubtedly a huge success in putting the war-ravaged European economy on the right track has also served to preserve and enhance the financial and security interests of the US, by keeping the momentum from the end of WWII. The US ended the War in a dominant economic and military position, hence, the Marshall Plan was used to construct an international order that preserved and enhanced its own financial and security interests. (Hjertholm and White, 2000)

On the other hand, the Union of Soviet Socialist Republics (USSR) developed its own aid program from mid-1950s in response to the growth of US aid and as part of a desire to assist countries in a

transition to socialism, especially developing countries. Thus, foreign aid was an explicit motive and stimulus to win the allegiance of newly independent countries.(Cumming, 2001)

By the mid-fifties, discontent was growing in the US over the aid programs due to, if efforts to stave off communism were successful, then the benefits from this effort accrued to all members of the Free World so that there should be an equal sharing of the burden amongst those countries.(Dr. Murad Ali, and Dr. Alam Zeb, 2016) Such “aid fatigue,” named by some authors, paved the way for the establishment of multiple bilateral aid programs and the formation of the Development Assistance Committee (DAC) to monitor aid performance.(Hjertholm and White, 2000)

In the early 1960s, Japan, West Germany, the Netherlands, and Scandinavian countries also entered the arena of international aid as significant donors. The USSR also expanded its aid programs from its own sphere of communist states to Egypt, Indonesia, India, Cuba, Afghanistan, and Yemen. Also, various African colonies of Britain and France won independence thus leading to the expansion of aid programs, during the later years of the 1950s and the beginning of the 1960s.(Griffin, 1991)

In 1960's with the coming of many bilateral aid donor actors and with changing their strategy as well as amount the provision of development assistance to have become a 'norm' in international politics. (Hjertholm and White, 2000)

With the establishment of Bretton Woods Institution in 1944: the International Bank for reconstruction and Development (IBRD) later named as the World Bank and the International Monetary Fund (IMF) and its regional branches comprising Inter-American Development Bank, the African Development Bank, and Asian Development Bank, as well as the Development Assistance Committee for ODA, the provision and receipt of foreign aid has become institutionalized internationally by elevating beyond a single country scope. In line with this some countries has established their own institutions to support the provision of foreign aid. For instance US. Agency for International Development established by US, and Department for International Development (DfID) established by Britain.(Jayathilaka and Bandara, 2009)

Following decades of foreign aid, the 1980s saw a major debt crisis and financial imbalances across developing regions in Africa, Asia, and Latin America. Rising deficits and interest rates threatened

the global financial system, marking the decade as a "lost" one for development.(Dr. Murad Ali, and Dr. Alam Zeb, 2016) In response, the basic needs-focused strategies of the 1970s gave way to structural adjustment programs (SAPs) led by Bretton Woods institutions. These reforms prioritized economic stabilization, liberalization, and reduced government intervention. Consequently, aid increasingly bypassed states, flowing instead to the private sector, civil society, and NGOs, thereby diminishing the role of the state in the economy (Ogola, 2025).

In the 1990s, foreign aid declined significantly—from 0.6% of GNP in 1961 to just 0.24% in 1999—while concerns over aid dependency emerged as a development issue. A key reason for the drop was the end of the Cold War, which removed much of the geopolitical motivation for aid. The U.S., once the largest donor providing 60% of total OECD aid in the 1960s, saw its share fall to just 13% by the 1990s.(OECD, 1998)

In addition to the end of the Cold War, Dr. Murad and Dr. Alam attribute the decline in foreign aid to budget constraints in donor countries and growing disillusionment over aid effectiveness. Criticism mounted over aid's limited impact, while the 1990s saw a rise in conditionalities tied to democratization, human rights, anti-corruption, good governance, rule of law, press freedom, and capacity building..(Dr. Murad Ali, and Dr. Alam Zeb, 2016)

Following the decline in aid and rise in conditionality, the late 1990s and early 2000s saw a surge in humanitarian aid demands driven by conflicts and state failures. This renewed focus highlighted poverty and inequality as root causes of violence and instability. (Dr. Murad Ali, and Dr. Alam Zeb, 2016) As a result, donors, aid agencies, and NGOs made poverty reduction a top priority. Key international conferences set new development targets, emphasizing goals like halving extreme poverty, universal education, and gender equality. The Millennium Development Goals (2000–2015) and later the Sustainable Development Goals (2015–present) further anchored global aid efforts with a strong focus on poverty reduction. (UNDP, 2011)

The rise and fall of actors and aid volumes has made foreign aid a key aspect of modern international relations. For many developing countries, especially aid-dependent ones, foreign assistance is vital for delivering public services. For donor nations, particularly in the West, aid serves strategic goals such as gaining allies, opening markets, countering terrorism, and shaping

global governance. However, aid remains controversial, with ongoing debates about its effectiveness and calls for donors to be more generous, transparent, and coordinated in their approach.

4.4 Aid Management in Third-World Countries

Foreign aid continues to play a pivotal role in the development trajectory of Third World countries, offering critical support for poverty alleviation, infrastructure development, and crisis response. However, the effectiveness of this aid depends not only on the volume of resources provided but also on how well it is managed. In recent decades, the focus of development discourse has shifted from aid quantity to aid quality, emphasizing the importance of efficient coordination, national ownership, and alignment with development priorities.(Samuel Wangwe, 2006)

Aid management has been a persistent concern due to the challenges associated with ensuring that aid effectively contributes to development objectives. A substantial body of research has sought to understand why aid often fails to achieve its intended impact, highlighting both recipient country characteristics and donor behaviour as key factors.(Stephen Knack and Nicholas Eubank, 2009)

The public in developing countries also questions their governments about how well these resources are being managed through the lenses of corruption, mismanagement of aid resources, debt crises, and transparency of these resources. (Addison and Tarp, 2015) Hence, recipient countries' aid management strategies are shaped by these concerns, as they strive to enhance the effectiveness, coordination, and transparency of aid flows. Efforts often focus on improving institutional capacity, aligning aid with national development priorities, mitigating economic distortions, and ensuring predictable and sustainable funding. Strengthening accountability mechanisms and fostering better donor-recipient collaboration are also key to optimizing aid's impact.(UNDP, 2002)

The African Development Bank (AfDB) Conference Background Paper on Foreign Aid in Africa presents a comprehensive and critical reflection on the continent's aid experience. It situates aid within broader historical and institutional contexts and offers nuanced recommendations for reforming aid relationships and enhancing development outcomes. It traces the historical and conceptual foundations of foreign aid from post-World War II reconstruction efforts to its current

role in poverty reduction and sustainable development. Early aid models focused heavily on stimulating economic growth through GDP expansion and infrastructure investment. Over time, however, the focus broadened to include more nuanced goals such as balance of payments support, income distribution, and the promotion of good governance and institutional stability.(Samuel Wangwe, 2006)

The paper acknowledges that foreign assistance has contributed to macroeconomic and fiscal stability in many African countries. However, the effectiveness of aid is often shaped by the quality of domestic policy environments, governance systems, and institutional capacity.

The UNDP, through its Arab States and Sub-regional Resource Facility, reviewed aid coordination across multiple countries, highlighting key lessons. By the 1970s and 1980s, foreign aid faced mounting criticism as donors pursued fragmented approaches, often neglecting sectoral interdependence and recipient needs. A comparative study on African aid effectiveness further exposed these shortcomings, showing that aid consistently failed to meet expectations.(UNDP, 2002) Crucially, it asserts that effective aid management should transcend mere resource allocation and instead embody the principles of partnership, both between donors and recipient governments and among donors themselves. Such an approach recognizes the multifaceted relationships between internal and external stakeholders and underscores the need for greater coordination, transparency, and alignment with national priorities to optimize developmental impact.

Another report by UNDP, “Empowering Developing Countries to Lead the Aid Partnership,” presents a compelling argument that for foreign aid to be truly effective and sustainable, developing countries must be empowered to take ownership of the aid management process. The authors challenge the longstanding donor-driven nature of the global aid system, emphasizing that while external assistance remains vital, its full potential is often undermined by misalignment with national priorities, excessive conditionalities, and fragmented delivery mechanisms.(Johnson Alison and Matthew Martin, 2005)

It compiled results of an assessment administered among the recipient governments on alignment, predictability, flexibility, and procedural efficiency. Findings from this assessment showed that while multilateral aid tends to be better aligned with national goals, bilateral aid, although often

more concessional, is more fragmented and harder to coordinate. Many developing countries continue to experience disbursement delays, poor predictability of funding, and limited influence over how aid is allocated or delivered.

Nonetheless, the report highlights promising examples of recipient leadership. Countries like Tanzania and Uganda have established formal frameworks to manage donor engagement and improve alignment with their development strategies. India, on the other hand, has strategically limited bilateral donors to reduce fragmentation and enhance control over its development agenda. These examples demonstrate that developing countries can reshape donor behavior by asserting clear priorities, setting standards for aid quality, and building institutional mechanisms to coordinate assistance.

The African Development Bank (AfDB) Conference Background Paper on Foreign Aid in Africa addresses emerging approaches to aid management by exploring a range of reforms, including general budget support, sector-wide approaches (SWAp), and capacity-building initiatives. It highlights the promise of multi-donor budget support programs for improving coordination and reducing duplication, while also acknowledging the limitations, such as excessive donor conditionalities and occasional misalignment with national priorities. The paper calls for a more balanced approach that integrates donor support with institutional strengthening and policy autonomy. (Samuel Wangwe, 2006)

Various research devoted to evaluating aid modalities notes that many developing countries favor general or sectoral budget support, which allows greater integration of aid into national planning and financial management systems. However, while multi-donor budget support programs have helped improve coordination in countries like Ethiopia, they are not without challenges. These include heavy administrative burdens, risks of collective donor withdrawal, and persistent donor reluctance to fully use national systems. (Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

Seconding reports of donor agencies (AfDB, UNDP), the research challenges the blanket application of conditionality, emphasizing that outcomes are more favorable when aid is situated within stable, accountable national policy frameworks. Several recurring issues that hinder aid

effectiveness in recipient countries were identified, such as burdensome conditionalities, lack of donor harmonization, procurement procedures that bypass local systems, and a general lack of transparency regarding donor performance. Many governments also struggle to influence how donors operate within their borders, leading to a situation where aid, while substantial, does not always contribute effectively to national development goals.(Nigatu H, 2015)

On the contrary, a book on Aid Dependence and Aid Governance by Deborah Bräutigam presents a critical and nuanced analysis of the detrimental effects of aid dependence in low-income countries, particularly where institutions are fragile and political commitment to reform is weak. While foreign aid can be highly effective in countries with strong governance frameworks, in contexts of institutional weakness, high levels of aid may actually undermine development goals. Rather than motivating governments to pursue reform, aid can become a tool for maintaining political patronage, eroding accountability, and discouraging domestic ownership of development agendas. This dynamic leads to a situation where aid sustains existing power structures rather than challenging them, weakening the roles of legislatures, compromising fiscal discipline, and stalling institutional development.(Brautigam, 2000)

Similarly, the African Development Bank (AfDB) Conference paper raised a concern about the challenge of aid dependency and institutional weakness. Long-term reliance on aid has the potential to undermine domestic revenue generation, distort government priorities, and weaken accountability structures. Hence, there is a need for strong domestic leadership in aid coordination and cautions against donor-driven development models that erode recipient ownership. When governments are empowered to direct aid in line with their national strategies, aid tends to be more aligned, efficient, and impactful.

Deborah raises the notion of a “cozy accommodation with dependency,” where governments grow accustomed to using aid as a means of political survival rather than an instrument for transformation. This dependency diminishes incentives to strengthen national planning systems, manage public finances responsibly, or retain skilled personnel within the public sector. Over time, it contributes to the erosion of public institutions and the collapse of budgetary credibility. These governance challenges are compounded by systemic flaws in the international aid architecture, including high transaction costs, fragmented donor efforts, and a persistent lack of recipient country ownership. Although these issues are widely recognized, they continue to persist due to

entrenched incentives across the aid system. Much like the “tragedy of the commons,” where individuals act in self-interest despite harming the collective good, both donors and recipients remain reluctant to change a system that serves immediate interests, even if it undermines long-term effectiveness.(Brautigam, 2000)

On the other hand, the AfDB paper argues, the need for a strategic transition away from aid dependence, by stressing. on the importance of developing domestic financing mechanisms, promoting foreign direct investment, and expanding export capabilities. The case of Botswana is offered as an example of successful transformation, illustrating how sound fiscal management, strong institutions, and prudent aid utilization can pave the way for sustainable development and reduced reliance on external support. The fact that the paper framed aid not as a permanent solution but as a temporary catalyst for self-sufficiency has an overarching message that aid should empower recipient countries, not entrench cycles of dependency. This vision calls for a shift in both donor and recipient behavior toward partnerships rooted in trust, aligned objectives, and mutual accountability.(Collaborative Africa Budget Reform Initiative (CABRI) and Strategic Partnership with Africa (SPA), 2008)

4.5 Foreign Aid in Ethiopia

Ethiopia, as one of Africa’s largest and most populous nations, has faced significant development challenges, including chronic poverty, political instability, and recurrent environmental crises. These challenges have led Ethiopia to become heavily reliant on foreign aid in terms of financing its critical economic sectors. Over time, there has been a shift in aid, with an increasing emphasis on development cooperation rather than emergency relief.

Ethiopia began receiving aid in the late 1940s, with gradual increases in the 1950s and 1960s. Under the Emperor Haile Selassie, in the 1950s, foreign aid was provided largely in the form of technical assistance and capital investment from Western countries, including the United States and various European donors. However, the 1974 revolution that ousted Emperor Haile Selassie disrupted aid. During the Derg regime (1975–1990), aid remained low due to Western concerns over the government’s ideology and human rights record, though the government maintained control over its agenda. This period saw aid used largely for military and ideological support rather than for development.(Kenea Duresa, 2022)

The devastating famines of the 1970s and 1983–1985 marked a critical turning point in Ethiopia’s aid landscape, drawing unprecedented international attention and humanitarian support. These crises, particularly the 1980s famine, galvanized a global response through media exposure, international NGOs, and landmark events like *Live Aid* and *Live 8*, which mobilized millions in donations. As Adugna Lemi notes, such moments awakened global humanitarian consciousness and underscored the dual role of foreign aid—not only as a tool for long-term development but also as an essential lifeline during emergencies. However, this period also revealed significant challenges, including aid mismanagement and the politicization of relief efforts under the Derg regime, highlighting the complex dynamics between humanitarian response and political context.(Lemi, 2007)

Following the Derg’s overthrow in 1991, Ethiopia’s People’s Revolutionary Democratic Front (EPRDF), which came to power in the same year, ushered in a period of greater economic reforms and international engagement. With its adoption of market-oriented reforms, the country’s relationship with foreign aid grew more initialized and structured, which increased aid levels, particularly in the mid-1990s.

Foreign aid has become increasingly focused on development goals such as poverty reduction, infrastructure, health, and education. Foreign aid during this period has been directed toward sectors such as education, health, infrastructure, and poverty reduction. (Tadesse, 2011) Despite progress in areas like health and education in these years, Ethiopia remained highly dependent on foreign aid for its national budget, accounting for approximately 30-40 percent of the government's total budget.(Gebresilassie and Gebre, 2020)

However, the 1998 Ethiopia-Eritrea war led to a withdrawal of bilateral aid, damaging donor-government relations and fostering distrust. Although aid resumed after peace was restored in 2000, rebuilding trust between Ethiopia and donors took considerable time.(Lemi, 2007) Ethiopia joined the World Bank and IMF-led Poverty Reduction Strategy Paper (PRSP) framework in the early 2000s, which aimed to better align donor support with national development strategies.

Between 2002 and 2005, Ethiopia experienced a significant increase in aid, driven by the Millennium Development Goals (MDGs) and a growing recognition among donors that the

country required higher levels of assistance. Several bilateral donors designated Ethiopia as a priority country, leading to a doubling of aid inflows between 2000 and 2004. This period also saw a shift toward untied budget support and new frameworks for managing donor-government relations. However, following civil unrest after the 2005 national elections, many donors withdrew direct budget support, once again disrupting aid flows and straining relations between the government and donors. (Xavier Furtado and W. James Smith, 2007)

Ethiopia's Growth and Transformation Plans (GTP I and II) further expanded the role of aid in financing large-scale development projects. Major bilateral and multilateral donors—including the World Bank, USAID, DFID (now FCDO), and the African Development Bank—supported infrastructure, agriculture, basic services, and institutional capacity building. Aid modalities became more diversified, with a mix of project support, budget support, and pooled funding mechanisms such as the Productive Safety Net Programme (PSNP) and Protection of Basic Services (PBS). (Assefa and Yemane, 2017)

Since the political transition in 2018 and the rise of Prime Minister Abiy Ahmed, Ethiopia's relationship with development partners has faced new dynamics. Initial optimism brought increased aid commitments and diplomatic engagement. However, conflicts in Tigray and other regions since late 2020 led to international concerns over human rights and governance, prompting some donors to reassess or suspend parts of their assistance. Despite this, humanitarian aid and essential sectoral support have continued, though often under stricter conditions and increased scrutiny.

The EFY 2014 (2022-2023) Development Cooperation Report outlines Ethiopia's aid landscape during a year marked by post-conflict recovery, economic uncertainty, and growing humanitarian needs. During this period, Ethiopia signed USD 2.7 billion in aid commitments across 95 projects and received USD 3.2 billion in disbursements—an indication of continued donor support despite a volatile environment. The report also highlights a strategic move to use aid more catalytically—to boost domestic revenue, promote private sector development, and reduce long-term dependency. This included donor support for tax reforms, SME development, and integrated agro-industrial parks.

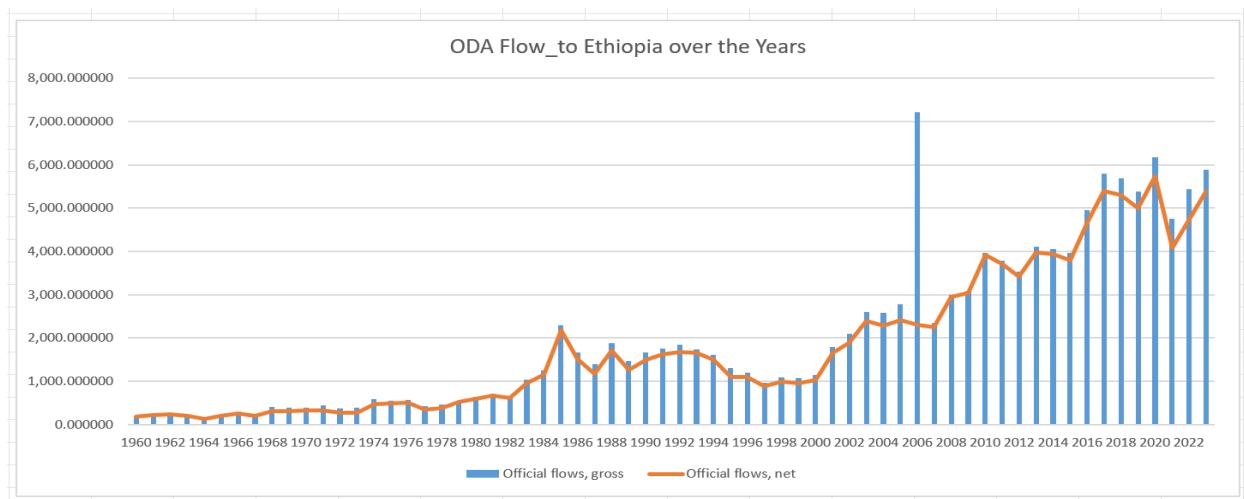


Figure 1: ODA Flow to the country from 1960 – 2022 (Source: ODA Database OECD)

The Ethiopian government views foreign aid as vital for filling public investment and budgetary gaps, especially given its limited domestic revenue base and high public debt. While appreciating continued support, the government expresses concern over the declining use of national systems, which undermines ownership, coordination, and long-term sustainability. The report calls for stronger alignment of aid with national development priorities, better coordination mechanisms, and greater transparency and accountability to ensure that aid acts as a catalyst for inclusive and sustainable growth, not a source of dependency.

The history of foreign aid in Ethiopia reflects a complex interplay of geopolitical interests, domestic needs, and shifting development paradigms. From Cold War alliances to humanitarian crises and development planning, aid has been both a lifeline and a contested tool in Ethiopia's national journey. Today, the country remains aid-dependent, but also increasingly focused on strengthening domestic resource mobilization, enhancing aid effectiveness, and asserting greater ownership over its development agenda.

Chapter Five

V. FINDINGS AND ANALYSIS

5.1 Introduction

Effective aid management is fundamental to ensuring that development assistance aligns with national priorities, fosters transparency, and strengthens coordination among stakeholders. This section presents a comprehensive assessment of findings derived from primary data sources. Given that development partners and government institutions are the primary drivers of aid management, data collection focused on representatives from both sectors to capture a balanced perspective. Accordingly, data was collected from 17 respondents out of 20 sample size. Thus, information was collected from representatives of the following organizations.

No	Organization
1	Ministry of Finance
2	Ministry of Finance
3	Ministry of Finance
4	Ministry of Planning and Development
5	Ministry of Planning and Development
6	Ministry of Agriculture
7	Ministry of Health
8	Ministry of Trade
9	Development Bank of Ethiopia
10	Development Partners Group
11	United Nations Development Program
12	European Union
13	Deutsche Gesellschaft für International Zusammenarbeit (GIZ)
14	USAID
15	United Nations Resident Coordinator
16	IMF
17	WB/IDA

Table 2: List of Key Informant Interview Respondents

Three respondent representatives from NDRMC, AfDB, and FCDO (UK) were inaccessible, resulting in missing critical information that could not be obtained despite multiple attempts through all available channels. Their unavailability hindered the ability to incorporate their perspectives, leaving gaps in the assessment of key institutional insights.

This section presents the key findings of the study based on the collected data, organized under three major thematic areas. First, it traces the evolution of Ethiopia’s aid management system from 2000 to 2025, using a five-year breakdown to highlight major developments, policy shifts, and structural reforms over time. Second, it examines the challenges that have affected the effectiveness and efficiency of aid coordination and utilization, including institutional, technical, and governance-related constraints. Finally, the section explores the future opportunities that Ethiopia can leverage to strengthen its aid management architecture, improve alignment with national development priorities, and enhance the sustainability and impact of external assistance. This thematic approach enables a comprehensive understanding of how the aid management system has progressed, where it currently stands, and what strategic pathways lie ahead.

5.2 The Evolution of the Aid Management System

Ethiopia’s aid management system has evolved in response to shifting global development priorities, domestic policy transformations, and the country's growing emphasis on recipient-led coordination. Initially shaped by donor-driven frameworks, Ethiopia’s approach to aid management has transitioned towards greater ownership, alignment with national development strategies, and improved mechanisms for transparency and effectiveness.

Historically, Ethiopia’s aid architecture was largely influenced by external actors, with bilateral and multilateral donors playing a dominant role in shaping funding priorities. However, with the introduction of strategic frameworks such as the Aid Management Platform (AMP) and the country’s engagement with international commitments—including the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership—Ethiopia has worked to strengthen coordination, harmonization, and results-based aid implementation.

5.2.1 Period of Strategic Alignment: 2000–2005

This period was marked by a stable political environment, fostering confidence in governance and enabling consistent policy implementation. The prevailing stability created favourable conditions for economic growth, social development, and institutional reforms. Hence, the country has witnessed a significant proliferation of both multilateral and bilateral donors, reflecting growing international engagement and support. This expansion enhances access to diverse funding sources, strengthening development efforts and fostering strategic partnerships for sustained progress.

Nonetheless, formerly, the country was receiving much assistance related to post-war reconstruction and humanitarian intervention-focused assistance, hence, there was as such coordinated aid management system

that addressed the national development priorities and coordinated the donor agencies.(Bereket Fissehatsion, 2025) The new government structure was undergoing a critical test, laying the foundation for enhanced performance and institutional effectiveness. This phase served as an opportunity to refine governance processes, strengthen policy implementation, and drive optimal outcomes for national development. As a result, the government has demonstrated a strong commitment to ambitious development goals, prioritizing economic growth, infrastructure expansion, and social progress. Its determination to drive sustainable development reflects a strategic vision aimed at fostering long-term prosperity for the nation. (Fantu Farris Mulleta, 2025)

Donors demonstrated unwavering commitment, providing sustained financial support and strategic assistance to help advance the country's development goals. Their dedication underscores a long-term partnership aimed at fostering economic growth, stability, and progress. The relationship between donors and the government was mutually beneficial. Given the country's geopolitical significance, donors pursue political interests and strategic gains through their engagements. Meanwhile, the government, driven by its ambitious development aspirations, has a substantial need for financial support, making this partnership essential for both parties.(Bereket Fissehatsion, 2025)

As aid flows into Ethiopia increase with the poverty reduction strategy papers, the government is strategically consolidating its efforts to coordinate a comprehensive response to the growing pressures arising from complex aid modalities and distribution channels.(Yonas Getahun, 2025). Initially, it was managed with Excel, with individuals working in the multilateral and bilateral cooperation departments at the Ministry of Finance, where reports were generated on a demand basis, and huge inconsistencies as well as flaws in the dataset were observed.

The Development Assistance Group (DAG) has engaged in discussions with the government to draft a Memorandum of Understanding (MoU) designed to enhance collaboration and address mutual concerns between the government and development partners. This agreement seeks to optimize joint budget support by promoting donor alignment with the national financial calendar, encouraging multi-year commitments where feasible, and ensuring that bilateral agreements remain streamlined, avoiding unnecessary additional processes beyond the MoU's established framework. Strengthening these mechanisms will contribute to greater predictability, efficiency, and coherence in aid coordination. (Yasmin Wolderehabib, 2025)

The aid allocation process within the national budget follows a structured planning and budgeting cycle, ensuring alignment with fiscal priorities and development objectives. This process involves systematic assessments, resource allocation frameworks, and periodic reviews to enhance transparency and efficiency.

By integrating aid flows into the broader budgeting mechanism, the government seeks to optimize financial planning, improve predictability, and strengthen coordination between donors and national institutions.

Initially, MOF develops a national budget plan based on the national development plans and sectoral requests. Based on the budget plan, it will mobilize external resources with sectoral offices or allocate the committed budget from the development partners. Once it is finalized, it will be submitted for review by the Council of Ministers. Once approved and accepted by the Council of Ministers, it will be presented to the House of People Representatives. With the endorsement of the House of People Representatives, only the budget will be approved for utilization. With this context Ministry of Finance (then it was the Ministry of Finance and Economic Development (MoFED) ensured the alignment of mobilized resources with national development plan priorities, as per its mandate.(Yasmin Wolderehabib, 2025)

Based on the data from the Excel tool, the Ministry of Finance was publishing a quarterly bulletin. During this time, the biggest challenges were a lack of access to technology, computers, and the internet nationally at sectoral bureaus, which hampered the data quality and timeliness. However, organizing these datasets was not weighted properly within the day-to-day routines; rather treated as one of the job descriptions of an individual working in a specific donor-based project or program within the government office. Which lays the ground for less accurate data, human-based, and open to error. (Yonas Getahun, 2025)

With the endorsement of a three-year national development program, the Sustainable Development and Poverty Reduction Program (SDPRP), and the pressure of challenges of previous years aid data management system, the Ministry strives to bring a solution, when a technical team was established to develop a home-grown web-based application, and it was at the design stage, especially since 2002.(Tsadikan Hailu, 2025)

The other picture in the scene is the collaboration and coordination among development partners, both with one another and with the government. Hence, the establishment of the Development Assistance Group (DAG) marked a pivotal moment in fostering more strategic, cohesive, and impactful development efforts. By bringing various platforms and structures onboard in collaboration with the Ministry of Finance, such as the ExCom, the High-Level Political Forum (HLPF), the Sector Working Group (SWG), and the Heads of Agencies (HoA) to strengthened alignment on policies, optimized resource allocation, and enhanced the effectiveness of development initiatives, ultimately driving sustainable progress.(Pau Blanquer, 2025)

Furthermore, the sustained implementation of key sectoral programs—such as the Health Sector Development Program II (HSDP II), the Education Sector Development Program II (ESDP II), and the Comprehensive Africa Agriculture Development Program (CAADP)—continues to garner strong commitments from multilateral and bilateral donors. In response, donors channel their contributions

through the Government Financial System, commonly known as Channel 1, enabling the government to flexibly manage and allocate resources across regions and sectors, ensuring targeted support and impactful program delivery. (Meron Tekola, 2025)

The disbursement of development assistance follows distinct modalities, commonly referred to as channels. Channel 1 involves a direct cash transfer from donors to the Ministry of Finance via the national treasury, ensuring alignment with government priorities and integration within national financial systems. In contrast, Channel 2 allows direct transfers to sectoral ministries, such as the Ministry of Health, or sub-national government entities, such as regional governments or regional Bureaus of Health, bypassing the Ministry of Finance. However, the government has expressed concerns over the Channel 2 approach, as it poses risks of misalignment with national priorities and lacks integration into the country's financial systems, potentially impacting coordination and oversight. (Tsadikan Hailu, 2025)

Additionally, Channel 3 entails the full administration of financial resources by the development partner through various mechanisms: (1) hiring technical assistance within existing government structures, (2) directly providing goods and services to sector bureaus, and (3) transferring funds to non-governmental organizations (NGOs) for program implementation. However, significant challenges persist, including the risk of misalignment with national priorities, duplication of efforts, and the absence of comprehensive data integration within government systems, potentially undermining coordination and long-term effectiveness. (Yonas Getahun, 2025)

5.2.2 Deepening Engagement and Strategic Shifts (2005–2010)

In 2006, the Government enacted the Accelerated and Sustained Development to End Poverty (PASDEP) program, which began a restructuring of agricultural arrangements to increase exports with the stated purpose of improving food security. This Ethiopia's second-generation PRSP, the PASDEP has now been costed for all sectors and aligned with Ethiopia's Macroeconomic and Fiscal Framework (MEFF) – a three year rolling federal framework - for the life of the PASDEP (2005/6 – 2009/10).

This plan serves as the foundation for aligning donor support with national priorities. It also reinforces the government's strengthened ownership of the process while highlighting the increased cooperation and commitment from development partners. (Nemera Gebeyehu (Ph.D.), 2025) Along with this, national development program, Health, Education, and Agriculture sectoral development plans were also developed to continue the momentum that was once created in the development trajectory.

However, there is still a weak connection between the strategic planning process and budget allocation, which undermines effective resource distribution, leading to misaligned priorities and inefficiencies in

implementation. Strengthening this link is essential to ensuring that financial resources are allocated in a manner that supports long-term goals and sustainable development. (Salami Adekele, 2025)

The donor remains unwavering in its commitment to the PASDEP, demonstrating steadfast support and sustained engagement to ensure the successful realization of its objectives. By maintaining active collaboration and alignment with strategic goals, the donor continues to play a pivotal role in advancing the program's long-term vision. (Naod Mengistu, 2025)

The government was also vigorously championing a multi-year commitment, emphasizing the need for sustained support, long-term stability, and strategic planning to drive impactful and sustainable development. By fostering a consistent and predictable funding framework, it aimed to strengthen institutional capacity, enhance project continuity, and ensure alignment with national priorities for lasting progress. (Yohannes Girma, 2025)

By this time, Ethiopia had been a signatory and participant in major global aid effectiveness commitments, such as the Paris Declaration (2005) and the Accra Agenda for Action (2008). Hence, both the Government and the development partners show a strong commitment to enhancing the overall aid management system from a fragmented and expert-level managed Excel system. To support the development of a new web-based tool aimed at modernizing the dataset management system, the Ministry of Finance (MOF) hosted a workshop to gather insights and best practices for optimizing the Aid Management Platform. Taking it from the best practice workshop, the Government of Ethiopia, in cooperation with its DAG, developed a tailored tool called the Aid Management Platform (AMP). Hence, since 2007, AMP has been used as an official database by the government and DAG, and its database is maintained by Development Partner focal points and MOF (MoFEC) experts. (Yonas Getahun, 2025)

The system comprises six modules, namely: *the Aid Management Module* – which enables all partners to manage their portfolios, provide timely information, and also management of that information; *the Reporting Module* – allowing the creation of standardised and customised reports for all stakeholders; *the Monitoring and Evaluation Module* – allowing results based impact evaluation of projectized interventions; *the Planning Calendar* – allowing the coordination of missions and key events in the aid budget calendar; *The Document Management Module* – allowing access to a centralised database of key documents; and *the Budget Integration Module* – allowing the sharing of information between the AMP and the budget system. (Hanna Tequale, 2025)

Furthermore, since its implementation, the AMP has played a crucial role in modernizing Ethiopia's aid management processes. It has provided a centralized database for tracking aid inflows and expenditures,

enabling better planning and reporting. The platform has also aimed to improve communication and information-sharing between the Ethiopian government and its development partners.(Pau Blanquer, 2025)

While improvements in data coverage and quality are needed, the Statistical Bulletin generated by MOF since the implementation of AMP provides valuable insights for stakeholders. Development partners can use it to identify sectors needing support for SDGs and GTP II goals, while researchers, government institutions, and NGOs can utilize it for analysing Official Development Assistance to Ethiopia. (Salami Adekele, 2025)

But unfortunately, the AMP is not being used to its full potential. Progress has been made in terms of developing the AMP as a functional internal system, and is being used to generate reports for internal GoE use, and as the basis of externally supplied information. Nonetheless, input of data from donor agencies is limited, and accessibility to the system is constrained to being able to examine inputs from that stakeholder agency only. Donors can't access the system in such a way as to see the aid picture in the round, with information disclosed in respect of all donor agencies.(Pau Blanquer, 2025)

Aid delivery modalities have grown increasingly complex within both programs and multilateral or bilateral donor arrangements. Disbursement for national programs and sector-specific programs employs mixed modalities, further illustrating the intricate layering and convergence of aid channels within Ethiopia's aid management system. However, determining the exact volume of development assistance Ethiopia receives is challenging, as a significant portion of funding is channelled through unofficial avenues rather than formal government structures.(Yasmin Wolderehabib, 2025)

In the aftermath of the 2005 election, Ethiopia's relations with its international partners, severely strained with fostering tensions over governance, human rights, and democratic integrity. Concerns over political instability and accountability led to heightened scrutiny from development allies, prompting reassessments of diplomatic and financial support. Restoring trust required renewed dialogue, policy adjustments, and tangible commitments to transparency and reform. (Nemera Gebeyehu (Ph.D.), 2025)

Despite the government's persistent advocacy for a long-term, multi-year agreement to ensure stability and sustained support, donor confidence has waned, leading to hesitancy in fully committing to the proposed framework. Recognizing this challenge, the government prioritized restoring trust and realigning interests as a fundamental step toward fostering effective and enduring collaboration. (Tsadikan Hailu, 2025)

Further concerns arose regarding the timeliness of aid data and information flows, as well as the extent to which donors could make predictable commitments to enhance aid flow stability. The government emphasized the necessity of such predictability, asserting that reliable and timely data would enable more meaningful integration into the planning process. Consequently, in an attempt to heal the strained relationships, the Government has made an effort to change that information should be supplied in September preceding the start of the financial year in July, and by raising the issue at the High-Level Forum (the forum where high-level dialogue takes place between DAG members and government). However, DAG members feel that the proposed change cannot be accepted, as it is too early in the budget calendars of many donors to give firm commitments this early. (Hanna Tequale, 2025)

Given the complexity of Ethiopia's planning and budgeting systems, where regional budgets are dependent on federal subsidies, these uncertainties have the potential for serious 'knock-on' effects. (Bereket Fissehatsion, 2025)

On the other hand, there have also been issues around the reconciliation between costed plans for the PASDEP and disclosed receipts of aid. There have been huge discrepancies between what the Government has disclosed as the figure needed to operationalise the PASDEP, and the amounts donors say have been disbursed to the government, with donor records showing more funds disbursed than are disclosed in government records. (Fantu Farris Mulleta, 2025)

Development partners often delay the decision of their support until receiving guidance from their country's ambassador representatives regarding the transfer of development cooperation. Following this, many opted for the Channel 2 disbursement method over Direct Budget Support (DBS) via Channel 1, signaling a shift in trust and a departure from previous funding practices. (Fantu Farris Mulleta, 2025)

While the Ethiopian government's aid management system has evolved to accommodate increasing complexities and technological demands, the trajectory of Official Development Assistance (ODA) flows continues to encounter obstacles carried over to the following periods.

5.2.3 Institutional Reform and Growth (2010–2015)

Exhibiting a robust ability to attract significant foreign assistance, the Ethiopian government strategically advanced its developmental agenda by building upon prior initiatives through the formulation of the 2010-2015 Growth and Transformation Plan (GTP), underscoring its dedication to long-term economic progress and structural transformation. With GTP I the government has aimed to achieve middle-income status through targeted reforms, strategic investments, and effective aid utilization. (Nemera Gebeyehu (Ph.D.), 2025)

Ethiopia has received an average of \$3.5 billion annually in Overseas Development Assistance (ODA) from international donors in recent years, representing between 50% and 60% of its national budget. It has consistently ranked among the top five global recipients over the past decade. The entities that have provided the most substantial development aid for the last decade are the US (through USAID and the State Department), the World Bank Group, and the UK. (Ministry of Finance and Economic Cooperation, 2017) This substantial inflow of aid plays a critical role in supporting the country's ambitious economic development agenda. (Tsadikan Hailu, 2025)

Alongside GTP I, the fourth-generation sector plans for health, education, and agriculture were formulated and put into operation. These plans were designed to serve as strategic entry points for development partners, facilitating targeted interventions and alignment with national development priorities. However, the integration of Public Financial Management (PFM) and planning systems remained underdeveloped, limiting their ability to effectively address key financial oversight and strategic alignment needs. This gap posed challenges in ensuring coherence between fiscal policies, budget execution, and long-term development planning, highlighting the need for enhanced coordination and system refinement. (Nemera Gebeyehu (Ph.D.), 2025)

During this period, line ministries and regional bureaus played a crucial role in project implementation and reporting, though capacity and coordination varied. Strong institutional frameworks enabled efficient reporting in some entities, while others faced resource constraints, technical gaps, and coordination challenges, affecting overall effectiveness. These disparities underscored the urgent need for adaptive coordination mechanisms to enhance aid management and ensure efficient donor-funded project execution. (Naod Mengistu, 2025)

At the same time, the utilization of the government's Integrated Financial Management System (IFMS) remained inconsistent, further complicating efforts to streamline financial oversight and enhance transparency. (Tsadikan Hailu, 2025)

The post-2005 election challenges in ODA disbursement served as a turning point for the government, shaping critical reflections incorporated into GTP I. While reinforcing domestic financing as key to economic resilience, it strategically leveraged external assistance to sustain large-scale infrastructure and social programs, ensuring steady sectoral progress and optimized resource utilization. The plan also realigned the aid management system with international effectiveness principles, emphasizing coordination, transparency, and resource mobilization. (Awoke Tilahun, 2025)

The government sought to enhance donor coordination and minimize fragmentation in aid flows, ensuring that external assistance aligned with national priorities rather than shaping them. However, several challenges emerged, including concerns about donor dependency, the efficiency of aid utilization, and the long-term implications of large-scale borrowing on Ethiopia's economic stability. Additionally, some donors voiced reservations about the state-led development model, raising questions about whether aid was being allocated effectively within Ethiopia's governance framework and whether it fostered sustainable growth and institutional capacity. (Christian Mesmer, 2025)

Ethiopia has a well-established history of successful public financial management reforms, marked by continuous advancements in fiscal oversight and expenditure control. Among these efforts, the government has implemented key initiatives to enhance financial governance and institutional efficiency, notably through expenditure management and civil service reforms. These programs have been integral to broader capacity-building efforts, forming part of a multi-sector initiative backed by a US\$400 million pooled fund, supported by both the government and development partners. Through this framework, Ethiopia has strengthened institutional capacity, reinforced financial accountability, and improved overall public sector performance, reflecting its commitment to effective governance and sustainable development. (Pau Blanquer, 2025)

Institutional capacity within the civil service has been progressively strengthened through sustained engagement with development partners and the strategic utilization of Official Development Assistance (ODA) financing. This process has driven notable improvements in administrative efficiency, optimized resource management, and fostered greater alignment between external assistance and national development priorities, reinforcing a more responsive, effective, and sustainable governance framework.

Strong leadership continues to guide these efforts, with well-defined support modalities under PSCAP enhancing institutional capacity and governance effectiveness. However, persistent bottlenecks hindered the timely and efficient mobilization of funding. (Bereket Fissehatsion, 2025)

The Decentralization Support Activity (DSA) project, which has brought meaningful improvements in key governance and administrative areas, also implies that its success hinges on the continued availability of adequate time, financial resources, and committed partner support. (Fantu Farris Mulleta, 2025)

Within the government, it was notably recorded that the implementation of AMP has yielded notable efficiency within the ministry and the overall government functions system. However, its integration with Ethiopia's Public Financial Management (PFM) and national planning systems remains limited. A fully integrated system would enable aid data to be incorporated into the national budget, improving

transparency, strengthening fiscal oversight, and ensuring that external funds are strategically aligned with national development priorities.(Yonas Getahun, 2025)

The sudden passing of Prime Minister Meles Zenawi caused significant disruption in the political landscape and strained cooperation with development partners. However, Ethiopia's well-established and widely supported national development programs played a crucial role in maintaining stability, allowing key initiatives to remain focused and ensuring continuity in governance and economic planning. (Nemera Gebeyehu (Ph.D.), 2025)

This period saw a deepening partnership between the government and donors, leading to significant advancements in the public sector. However, these gains came at the cost of heightened dependency, limiting the government's ability to pursue autonomous policy decisions and sustainable domestic financing.

5.2.4 Responding to Instability and Volatile Landscape (2015 – 2020)

Drawing from past experiences, GTP II sustained continuity in the long-term development trajectory through a structured framework, built upon GTP I's annual progress assessments and final-term evaluation reports. The evaluation showcased economic and infrastructure gains in energy, transport, and telecommunications, while highlighting challenges in macroeconomic stability, aid coordination, and governance, requiring targeted reforms

The momentum of collaboration between the government and development partners has been sustained, reinforcing a strong foundation for joint efforts. The government has reaffirmed its steadfast commitment to implementing both global and national development agendas. Moreover, it has assured development partners that the well-established and enduring partnership built over the years will be further strengthened to create space for dialogue under existing platforms such as the High-Level Forum (HLF) and sector working groups.(Awoke Tilahun, 2025)

However, development partners have raised concerns about the State of Emergency declaration. Following the resignation of former Prime Minister Haile Mariam Desalegn's former Minister of Finance Dr. Abraham Tekeste engaged with development partners once again in 2018, providing a detailed briefing on the prevailing political and economic landscape. (Leul Habte Abdi, 2025)

Political shifts have profoundly impacted the implementation of Growth and Transformation Plan II (GTP II), particularly in governance, where leadership changes and efforts to restructure government institutions have reshaped administrative frameworks. These transitions have also influenced donor coordination, with

some development partners reassessing their support strategies. Furthermore, fiscal and monetary reforms in economic policy have directly affected the availability and allocation of development financing, shaping the broader trajectory of Ethiopia's development agenda. (Bereket Fissehatsion, 2025)

The annual progress review meetings faced setbacks due to delayed regional reports and security challenges. However, the Mid-Term Review (MTR) of GTP II was successfully conducted across all regions in 2018, evaluating progress, achievements, and challenges in the plan's two-and-a-half-year implementation.

However, persistent instability and political uncertainties, coupled with concerns over the government's capacity to sustain the momentum of development and reform initiatives introduced in previous periods, posed significant challenges. These factors contributed to delays in policy implementation, affecting progress across multiple sectors and necessitating renewed efforts to reinforce institutional resilience and governance effectiveness. (Nemera Gebeyehu (Ph.D.), 2025)

During this period, the High-Level Forum (HLF) experienced a temporary hiatus, with no sessions convened between 2016 and 2018. This disruption was primarily attributed to governmental instability, alongside other factors that impeded high-level dialogue and coordination efforts. However, in 2018, the HLF was reestablished, fostering renewed discussions that emphasized the critical need for a long-term strategy to address persistent humanitarian challenges. Additionally, subsequent deliberations centered on expanding and diversifying development financing sources while safeguarding macroeconomic stability. Discussions also addressed the synergy between the Humanitarian Requirement Document (HRD) and the Productive Safety Net Programme (PSNP), the ongoing crisis in the Somali region, and strategies for resilience building to mitigate the impacts of climate-induced drought.

Once again, the HLF was not held between July 2020 and June 2021, due to a combination of factors, including the COVID-19 pandemic and shifting national priorities related to the Tigray conflict. (Pau Blanquer, 2025)

In the meantime, DAG members conducted field visits to regional cities to assess the country's current situation firsthand. These visits aimed to evaluate both the humanitarian needs on the ground and the effectiveness of government-led aid delivery, ensuring a more informed and responsive approach to assistance. Furthermore, sector working groups conducted research and presented findings at regular DPG Heads of Agencies (HoA) meetings, providing development partners with critical insights. These efforts aimed to enhance informed decision-making and strengthen coordinated support in response to emerging needs. (Meron Tekola, 2025)

The Development Partners Group (DPG) plays a vital role in enhancing policy dialogue, implementation and monitoring of the Sustainable Development Goals (SDGs), which are integrated into the GTP II and the government's broader reform agenda yet further refinement is needed to sharpen the strategic focus of discussions through rigorous analytical work.

Leveraging increased negotiation power, development partners imposed stringent conditionalities and pressed the government on critical reform measures, leading to delays in aid disbursement. Many donors insisted on substantial structural and policy adjustments before committing further assistance, reshaping the dynamics of external financing and influencing the course of government-led development initiatives.(Yasmin Wolderehabib, 2025)

The country's security situation deteriorated, with an increase in local conflicts in several areas, particularly following the passing of the last prime minister. This period of instability exacerbated governance challenges and heightened tensions, posing significant obstacles to maintaining social cohesion and implementing development initiatives effectively.(Yohannes Girma, 2025)

Amid volatility, the government worked to enhance data reliability, inclusiveness, and stakeholder engagement, integrating emerging donors for more coordinated and sustainable development. Additionally, in 2017, the government carried out a Voluntary National Review (VNR), during which the draft report was extensively shared and deliberated with stakeholders.

The 2018 government reform garnered swift backing from development partners, signaling renewed confidence in Ethiopia's reform trajectory. Notably, after a prolonged disengagement, the IMF re-engaged alongside the World Bank, marking a pivotal shift in international financial institutions' commitment to supporting Ethiopia's economic and governance transformation. (Bereket Fissehatsion, 2025)

In response to growing concerns over the country's political landscape, development partners acknowledged the need for a dedicated mechanism to navigate these evolving dynamics effectively. Consequently, the High-Level Forum was restructured into two specialized entities: the High-Level Development Forum (HLDF) and the High-Level Political Forum (HLPF), each strategically focused on its respective domain to ensure a more targeted and comprehensive engagement. To further strengthen coordination, tailored sub-working group structures were established within the development partners group, including the Joint Electoral Operational Centre (JEOC) and other specialized units. Additionally, the government agreed that the State Minister of Finance would co-chair the Development Partners Group (DPG) Heads of Agency (HoA) meetings on a bi-monthly basis, enhancing negotiation leverage between the Government of Ethiopia (GoE) and the DPG, thereby fostering more structured and effective dialogue. (Hanna Elisabeth Schmitt, 2025)

Additionally, by 2021, the Aid Management Platform (AMP) was transitioning towards an exit strategy from Development Gateway (DG), with full ownership and management being transferred to the Government. This shift encompassed not only administrative control but also financial responsibility, including covering operational costs.(Hanna Tequale, 2025)

The complexities of Ethiopia's federal system and the recurrent interregional conflicts were key topics of deliberation, highlighting challenges in governance, resource distribution, and political cohesion. These discussions underscored the need for institutional mechanisms to address disputes and foster more effective coordination between regional administrations.

The development partners and donor coordination landscape has been marked by instability and unpredictability, affecting the consistency of external assistance and policy alignment. Fluctuations in donor engagement, shifting priorities, and evolving geopolitical dynamics have contributed to uncertainty in aid flow and coordination, posing challenges for sustained development planning and effective resource mobilization. (Yohannes Girma, 2025)

Amid growing uncertainties, the outbreak of internal conflict with the Tigray People's Liberation Front (TPLF) severely disrupted Ethiopia's re-engagement with development partners, fundamentally reshaping the trajectory of external support. The crisis triggered a realignment of donor priorities, prompting a reassessment of aid commitments and intensifying concerns over governance and stability. As a result, the momentum of previously advancing reform initiatives slowed considerably, with strategic partnerships and policy objectives undergoing significant recalibration. (Nemera Gebeyehu (Ph.D.), 2025)

5.2.5 Strategic Reforms and Development Trends (2020–2025)

At the conclusion of the GTP II period, the government, building on lessons learned from the two preceding Growth and Transformation Plans and implementing key reform measures, formulated and launched Ethiopia's Ten-Year Development Plan (2021–2030). This comprehensive strategy is designed to foster sustainable economic growth while addressing critical challenges by prioritizing several strategic pillars, including macroeconomic stability, structural transformation, and social development.(Nemera Gebeyehu (Ph.D.), 2025)

However, the outbreak of conflict between the Ethiopian government and the TPLF led to significant disruptions in development cooperation, causing the suspension of various assistance programs and derailing coordinated efforts on poverty reduction and infrastructure development. Development partners shifted focus toward humanitarian response efforts as conflict intensified. (Hanna Elisabeth Schmitt, 2025)

On the other hand, development assistance and capital loans provided in previous years to finance infrastructure projects and public investments have significantly increased the country's debt burden. The strain on financial resources has been further compounded by the suspension of development assistance projects due to internal conflict, along with a decline in exports, a drop in Official Development Assistance (ODA), and reduced loan disbursements, exacerbating economic pressures. (Bereket Fissehatsion, 2025)

High-level dialogues experienced a three-year hiatus due to the COVID-19 pandemic and political instability, disrupting structured engagements. As a result, individual discussions between the government and development partners—primarily with major financial contributors—became the dominant mode of dialogue, shaping development cooperation during this period. (Meron Tekola, 2025)

In both bilateral and multilateral discussions, key standing topics remained central to dialogue between the government and development partners. These included Election 2021, the COVID-19 response, post-conflict humanitarian assistance, financial support to sustain ongoing reforms and national reconciliation and reconstruction, all of which were crucial in shaping governance, stability, and development efforts during this period. (Leul Habte Abdi, 2025)

Expanding on the earlier discussion of the exit strategy, the Aid Management Platform (AMP) has faced significant challenges regarding utilization and acceptance. Development partners have consistently rated its effectiveness as poor, viewing it as a redundant effort that overlaps with OECD-DAC reporting rather than complementing locally sourced official data, which carries its own distinct value addition. Moreover, multiple users have raised concerns about the system's complexity, describing it as overly cumbersome and counterproductive to efficient business processes. (Hanna Tequale, 2025)

The signing of the Pretoria Agreement (2022), ended the prolonged internal conflict, marked a turning point in cooperation between the government and development partners. This agreement paved the way for revived development assistance, strengthened governance cooperation, and the gradual resumption of suspended projects. Dialogue between stakeholders intensified, with renewed focus on reconstruction, humanitarian aid, and long-term economic stabilization. (Hanna Elisabeth Schmitt, 2025)

In pursuit of sustainable peace and institutional stability, Ethiopia continues to implement comprehensive reform measures, including transitional justice, which addresses historical grievances and ensures accountability, and national dialogue, which fosters inclusive deliberations to build national consensus. These reforms remain crucial, receiving strong support from development partners and evolving through enhanced cooperation between the government and international stakeholders, reinforcing a collaborative approach to governance and reconciliation. (Salami Adekele, 2025)

However, the aftermath of the Tigray conflict profoundly impacted development and humanitarian assistance, prompting development partners to establish standalone structures for humanitarian aid delivery—a move reflecting diminishing trust in the government's system. This shift has reshaped the landscape of development cooperation, with increasing emphasis on the humanitarian-development nexus, particularly through peace corridors and the active engagement of international actors operating in fragile regions.(Yasmin Wolderehabib, 2025)

At the same time, Ethiopia's growing demand for development support, coupled with declining commitments from traditional donors, has led the government to explore alternative financing options. In line with the Addis Ababa Action Agenda on Financing for Development, Ethiopia is actively seeking sustainable financing mechanisms to ensure long-term viability and impact, strengthening its economic and institutional resilience in an evolving global aid environment. (Tsadikan Hailu, 2025)

Prolonged engagements between development partners and the government have brought systemic challenges to light, particularly at the regional level, where decentralization efforts have been constrained by limited capacity and an underdeveloped governance framework. Further complicating the development landscape, political and institutional turbulence—marked by structural shocks in 2012, 2018, and 2021—has exacerbated concerns about governance stability. Nevertheless, in response to these complexities, the government's executive body has undertaken comprehensive restructuring, redefining its structure and functions to enhance governance efficiency, strengthen policy implementation, and reinforce institutional accountability, culminating in the enactment of Proclamation No. 1263/2021. (Nemera Gebeyehu (Ph.D.), 2025)

The government remains actively engaged with development partners, seeking their continued and unwavering support for critical macroeconomic and governance reforms outlined in the Ten-Year Development Plan (TYDP) and Medium-Term Development and Investment Plan (MTDIP). These reforms are essential in mitigating the lasting effects of COVID-19 and internal conflict-induced economic shocks, strengthening the country's resilience, and advancing a sustainable recovery trajectory. (Christian Mesmer, 2025)

Nonetheless, persisting foreign currency shortages have necessitated comprehensive macroeconomic reforms aimed at stabilizing Ethiopia's financial landscape, restoring external debt sustainability, and fostering private sector-led growth, reinforcing the country's commitment to long-term economic resilience. As part of these efforts, in July 2024, the International Monetary Fund (IMF) approved a four-year financing arrangement under the Extended Credit Facility (ECF),

amounting to approximately US\$3.4 billion, to support Ethiopia's Homegrown Economic Reform (HGER) Agenda, ensuring continued progress in addressing macroeconomic imbalances and strengthening financial stability. (Jotework Gudeta Ayele, 2025)

After a period of political turbulence and COVID-19-related disruptions, high-level discussions have resumed, driving the Development Partners Group to restructure its platform and integrate the Mutual Accountability Framework. This initiative seeks to foster greater inclusivity and effectiveness, ensuring a more responsive and adaptive approach to the country's evolving development landscape. (Pau Blanquer, 2025)

Building on efforts to explore sustainable financing options, the inaugural High-Level Business Forum (HLBF) was held in 2025, bringing together foreign investors to strengthen Ethiopia's local private sector. The forum emphasized collaborative investment approaches, enabling local enterprises to effectively provide essential services and inputs that support and sustain foreign investment.

While internal dynamics continue to evolve, external geopolitical events have further complicated the global aid architecture. The Russian-Ukrainian war has profoundly reshaped international assistance, with resources increasingly diverted toward conflict-related expenditures. As a result, funding flows to other countries, including Ethiopia, have been disrupted, forcing a recalibration of donor priorities and resource allocations. This shift has directly impacted development financing, necessitating strategic adaptations to secure alternative support and sustain progress in ongoing initiatives. (Awoke Tilahun, 2025)

Meanwhile, the United States election has significantly influenced the Productive Safety Net Program (PSNP), altering policy priorities and funding commitments. The resulting changes have triggered spillover effects across the European Union (EU) and other donor nations, prompting governments to reassess their strategic focus. As global dynamics continue to shift, increasing emphasis is placed on security and defense measures, further redefining the contours of international development cooperation. (Meron Tekola, 2025)

To sum it all the cooperation between development partners and the government has undergone significant transformation, shaped by evolving geopolitical dynamics, economic shifts, and governance reforms. While challenges such as funding reallocation, institutional restructuring, and external shocks have tested the resilience of this partnership, sustained engagement has reinforced adaptive strategies and fostered a more inclusive and accountable framework.

5.3 Challenges of the aid management system

The long-standing cooperation between development partners and the government, spanning over two decades, has undergone significant transformation. Shaped by evolving geopolitical dynamics, economic shifts, and governance reforms, this partnership has presented both challenges and opportunities, requiring adaptive strategies to sustain collaboration and drive meaningful progress.

A persistent challenge, repeatedly emphasized by the government and observed at various historical junctures, is the lack of predictability in development assistance. It remains a critical challenge, hindering the country's national development progress and disrupting long-term planning. The absence of a consistent commitment from development partners further exacerbates these uncertainties, requiring strengthened coordination and adaptive financing strategies to ensure sustainable and effective implementation of development priorities.

The challenge of meeting conditionality remains another significant barrier to effective development implementation, primarily due to capacity constraints within the public sector. These limitations contribute to delayed reporting and late fund disbursement, disrupting project timelines and overall progress. Furthermore, balancing dependency and sustainability remains a crucial challenge in development efforts. Overreliance on external assistance can undermine long-term resilience, while ensuring sustainable development requires strategic investments, capacity-building, and strong institutional frameworks.

The collaboration between the government and development partners has also shaped policy decisions, yet it has also resulted in limited independence and autonomy in policymaking. While this partnership has facilitated resource mobilization and institutional support, it has, at times, constrained the government's ability to independently set priorities and strategies.

On another hand the increasing presence of multiple actors in the development process poses significant challenges, compromising value for money and diverting resources away from actual implementation. This inefficiency results in wasted funds, weakening project effectiveness and diminishing the impact of development assistance.

Certain projects were initiated or approved primarily to address the country's urgent hard currency needs, often resulting in contingent effects that shaped economic and financial dynamics. While these projects provided short-term liquidity relief, they also introduced long-term trade-offs, including shifts in investment priorities, potential misalignment with national development goals, and challenges in ensuring sustainable economic impact.

Thus, ensuring the development assistance aligns with national priorities remains a significant challenge, often constrained by rigid conditionalities and a lack of flexibility in funding mechanisms. Limited

institutional capacity, multiple competing priorities, and fragmented leadership further complicate efforts to effectively tailor assistance to pressing national needs.

With regards to the Aid management platform, the limited utilization and acceptance, largely due to its lack of widespread recognition, continues to hinder its effectiveness. Additionally, inconsistent, delayed, and low-quality data entry by development partner agencies' focal points remains a persistent challenge, compromising the credibility and reliability of AMP data.

Since 2016, ongoing conflict and security challenges across various regions have significantly disrupted the implementation of planned activities, including the Annual Progress Review (APR) consultations for GTP II. These setbacks have particularly impacted regional engagements, delaying key assessments, policy adjustments, and developmental progress.

From the development partners' perspective, internal conflict, restructuring, and instability have profoundly disrupted cooperation with the government, undermining the sustainability of assistance, project continuity, and the durability of long-term partnerships. Furthermore, the surging demand for humanitarian assistance, driven by internal conflict and political instability, has compelled development partners to reallocate resources, prioritizing urgent, emerging needs over long-term sustainable development initiatives.

Conversely, the persistent deficiencies in Ethiopia's monitoring and evaluation (M&E) framework—including the absence of an independent oversight structure, a shortage of skilled M&E professionals, and the lack of a reliable national database—have raised significant concerns among development partners. These structural weaknesses have directly influenced future collaboration, shaping development assistance project decisions and strategic resource allocations. Compounding these challenges, the limited technical capacity, particularly in gender mainstreaming and results-based management, has undermined the quality of reports submitted by line ministries, resulting in inconsistent reporting standards, reduced data reliability, and ineffective performance tracking.

Following the conclusion of GTP II, the absence of an immediate national framework resulted in a time lag, during which there was no clear focus on priority areas. This transitional gap persisted until the three-year medium-term plan was formulated and shared by the government, leading to disruptions in coordination and a lack of strategic engagement among development partners. The uncertainty during this period hindered effective collaboration, resource alignment, and policy continuity, emphasizing the need for smoother transition mechanisms to sustain momentum in future national planning cycles.

The disruption of continuous dialogue between development partners and the government, driven by various factors, has significantly weakened collaboration and coordination efforts. This challenge is further

exacerbated by the absence of a structured information exchange mechanism and the non-functionality of the Effective Development Cooperation Task Force (EDCTF), both of which have significantly restricted structured dialogue, strategic coordination, and policy alignment. Additionally, the current dialogue mechanism remains incomplete, failing to fully reflect the scope of external cooperation provided by the international community to Ethiopia. The exclusion of non-traditional partners further narrows engagement diversity, limiting opportunities for inclusive dialogue, alternative financing, and broader strategic collaboration.

Resource mobilization remains another critical challenge, largely influenced by fluctuations in global Official Development Assistance (ODA) financing and broader global events. Shifts in donor priorities, economic downturns, and geopolitical uncertainties have impacted the availability and predictability of development funding, creating constraints for long-term planning and sustainable implementation. Strengthening diversified financing mechanisms and enhancing domestic resource mobilization will be essential to mitigating these risks and ensuring development continuity despite global uncertainties.

5.4 Opportunities for the aid management system in Ethiopia

Despite the prevalence of challenges, this era has also ushered in significant opportunities for enhanced collaboration and cooperation. Shifting global dynamics, evolving development priorities, and the growing emphasis on multilateral engagement have opened new pathways for strategic partnerships, knowledge exchange, and innovative resource mobilization.

Ethiopia's robust economy and substantial investment in development assistance have established a strong foundation for sustained growth, stability, and regional influence. With these structural frameworks already in place, development assistance can continue to accelerate national development priorities while reinforcing peace and security across the broader region. Given Ethiopia's central role in East Africa, its stability and sustainable development are critical for shaping economic resilience, regional security, and cross-border collaboration. As a strategic anchor, Ethiopia's ability to uphold political stability and drive sustainable growth directly impacts neighbouring economies and enhances collective development efforts. To sustain this momentum, continued development assistance remains vital in strengthening institutional capacity, advancing infrastructure development, and promoting peace-building initiatives, ensuring long-term regional stability and prosperity.

Market-oriented reforms—including the national ID system, comprehensive digitization efforts, and macroeconomic policies—play a pivotal role in bringing the government closer to citizens, fostering transparency, and strengthening accountability. These initiatives not only enhance public service efficiency but also align with the priorities of development assistance, facilitating better information flow, streamlined

governance, and data-driven decision-making. By capitalizing on these reforms, alongside institutional capacity-building and governance enhancements, the country can lay the groundwork for greater trust, expanded investment, and sustained economic modernization. Strengthening the synergy between development cooperation and government will be essential in ensuring that these reforms translate into inclusive growth, effective policy implementation, and long-term stability.

Furthermore, the Aid Management Platform (AMP) holds significant potential, and if strategically enhanced to address existing concerns, it can serve as a highly effective tool in aid coordination and oversight. By providing real-time data, AMP offers timely insights into aid flows and project implementation, presenting a substantial advantage over the OECD DAC database, which operates with a two-year data lag. Additionally, AMP's capability to integrate specific spatial information enables granular, project-specific analysis, strengthening transparency, operational efficiency, and evidence-based decision-making in aid management. Fully leveraging these features through system refinements and stakeholder engagement will be key to maximizing its impact on development effectiveness.

On the other hand, in the pursuit of effective cooperation between development partners and the government, the establishment of various dialogue platforms has played a pivotal role in fostering a shared understanding, facilitating common analysis of key issues, and enabling joint assessments. These platforms have significantly strengthened collaboration and policy alignment, ensuring that development efforts are more coherent and strategically coordinated. Building upon this progress by enhancing existing mechanisms and expanding participation to include a broader spectrum of stakeholders presents a valuable opportunity to further diversify perspectives, improve resource allocation, and maximize development impact.

The evolving aid landscape presents significant opportunities for diversified funding, alternative partnerships, and expanded development cooperation. The rise of nontraditional donors alongside private financing initiatives offers avenues to enhance capital inflows, drive economic diversification, and strengthen global investment networks. By fostering foreign investment through high-level business forums and cultivating an enabling environment for private sector engagement, Ethiopia can advance innovation, competitiveness, and sustainable development while addressing funding gaps in priority sectors.

Moreover, the global Official Development Assistance (ODA) agenda provides additional leverage, particularly in climate action and peace and security. Ethiopia's early commitment to the green economy positions it as a regional leader in sustainability, opening doors for investment, technology transfer, and multilateral partnerships to support climate resilience. Similarly, the increasing emphasis on peace and security aligns with Ethiopia's strategic priorities, creating opportunities for enhanced cooperation,

capacity-building, and stabilization initiatives that reinforce regional and global security. Effectively harnessing these emerging opportunities will be crucial for long-term development, sustainability, and greater international collaboration.

The introduction of a Mutual Accountability Framework, with clearly defined indicators to be formalized within Sector Working Groups, will serve as a strategic tuning tool to enhance transparency, accountability, and performance tracking. By ensuring that both development partners and the government uphold their commitments, this framework will facilitate more efficient implementation of development initiatives, aligning priorities with measurable outcomes.

Although still in its early stages, the Digital Planning and Monitoring and Evaluation System (DPMES) holds significant potential to enhance development cooperation by generating timely, high-quality, and realistic data. With targeted improvements, it can serve as a crucial tool for informed decision-making, optimizing aid effectiveness, and ensuring strategic alignment with national development priorities. Complementing these efforts, the Public Investment Management Information System, currently under development, aims to strengthen government capacity by improving project monitoring and tracking mechanisms. This system will facilitate more effective priority-setting, enhance resource alignment, and minimize duplication of efforts, ensuring a more coordinated and efficient approach to development planning.

Nonetheless, the donor-driven nature of development assistance stems from limited negotiation power and weak implementation capacity, largely influenced by information gaps and decentralization challenges. Addressing these structural issues requires a comprehensive enhancement of the national planning, monitoring, and evaluation system, which will serve as a catalyst for informed decision-making, improved resource allocation, and strengthened institutional autonomy.

Furthermore, reforming capacity-building programs to focus on strengthening public institutions is essential for fostering long-term development effectiveness. Rather than shifting in a new direction, designing a national program that builds upon existing progress will ensure continuity, institutional memory, and strategic alignment.

As the economy evolves and the country strengthens its position, the transition toward private sector engagement and profit-driven strategies introduces new complexities in development planning and resource allocation. However, the public sector's limited institutional capacity to effectively manage and respond to the demands of this new partnership modality presents governance and policy risks. The absence of formalized operational frameworks, poor information flow, and underdeveloped systems further hampers effective decision-making, increasing the likelihood of inefficient resource distribution, where less

impactful programs may be prioritized over strategic, high-impact initiatives. Without targeted institutional strengthening, the misalignment between policy objectives and resource allocation could undermine long-term development outcomes and reduce the overall efficiency of aid management and investment strategies.

At the same time, the evolving role of BRICS offers a potential avenue for future engagement, even amid its current limited activity and short-term stagnation. While challenges persist, there remains an opportunity for strategic dialogue, gradual policy alignment, and economic collaborations that could reinvigorate investment flows and strengthen trade partnerships over time. Proactive engagement with emerging economic blocs, coupled with institutional and governance reforms, will be crucial in navigating shifting global dynamics while ensuring that development priorities remain aligned with national interests and regional stability.

5.5 Analysis

This section presents a comprehensive analysis of the findings derived from both primary and secondary data collection, aiming to uncover the deeper structural and contextual factors that have shaped—and will continue to influence—the broader aid management system and international cooperation frameworks. By examining historical trends, emerging challenges, and prospective opportunities, the analysis seeks to provide a nuanced understanding of the dynamic forces at play in global aid governance.

Tracing the evolution of aid management practices since 2000 offers valuable insights into the persistent difficulties faced by recipient nations, donor agencies, and multilateral institutions. Understanding these developments enables a more precise evaluation of how past experiences inform present strategies and how future trajectories in global cooperation can be anticipated. This retrospective and forward-looking approach equips policymakers, researchers, and practitioners with the necessary tools to refine aid effectiveness and improve coordination mechanisms.

Grounded in the theoretical frameworks of international relations—particularly realism, neoliberal institutionalism, and constructivism—this analysis interrogates how power structures, institutional regulations, and ideational shifts have shaped the efficiency and effectiveness of aid delivery. Realism highlights the strategic interests underpinning donor-recipient interactions, neoliberal institutionalism explains the role of regulatory frameworks and multilateral cooperation in improving aid coordination, while constructivism sheds light on the evolving narratives and perceptions that influence policy decisions. By integrating these theoretical perspectives with empirical observations, this study seeks to refine our understanding of Ethiopia's aid management system, elucidating its broader implications for international development and cooperation.

This analysis critically examines five interrelated thematic areas that shape Ethiopia's aid management landscape and broader international cooperation dynamics.

First, *From Dependency to Sustainability: Rethinking Ethiopia's Aid Framework* explores the complexities of Ethiopia's reliance on foreign assistance and the strategic pathways for transitioning toward self-sustained development. Second, the *Politics of Aid* interrogates the underlying motivations shaping donor-recipient relationships. Far from being a purely developmental tool, aid serves as an instrument of geopolitical influence, strategic alignment, and economic leverage.

Third, the *Sovereignty Trade-Off in Aid Management* analyses the tension between policy autonomy and external influence. While development assistance provides financial and technical resources, it often comes with conditions that restrict a recipient country's ability to independently dictate its priorities.

Fourth, *Fractured Cooperation* investigates the challenges within donor-recipient partnerships. Misaligned priorities, trust deficits, and inefficiencies in coordination have strained Ethiopia's relationships with development partners, affecting aid effectiveness. This section evaluates the factors contributing to deteriorating partnerships and potential strategies for rebuilding trust and collaboration.

Finally, *Weakening Foundations: The Decline of Public Service Capacity* examines the erosion of institutional effectiveness, particularly in governance and administrative sectors. Despite continued investments, Ethiopia has faced growing constraints in maintaining an efficient public service structure. This section assesses the root causes of this decline and explores pathways for strengthening institutional capacity.

By rigorously engaging with these themes, this study provides a holistic perspective on Ethiopia's evolving aid management system, highlighting the political, economic, and institutional dynamics that shape development outcomes.

From Dependency to Sustainability: Rethinking Ethiopia's Aid Framework

By increasing administrative reach and responsiveness, decentralization support efforts have greatly enhanced the accessibility of government services. Over the years, the long-term development assistance has also helped to systematically strengthen the infrastructure development for key public services. Tangible improvements in service delivery and governance effectiveness have been witnessed with these sustained efforts addressing the critical foundational gaps.

Furthermore, as the country's economy continues to expand, the demand for imports has surged to support sustained growth and development. This sharp increase in import requirements has intensified the need for

hard currency, creating a persistent gap due to limited export capacity. In this context, development assistance has played a crucial role in alleviating foreign exchange shortages, consistently supplementing the country's hard currency reserves to balance the disparity between high import demand and constrained export earnings.

With the growing sustainability dilemma, the Ethiopian government has realized how long-term external support has led to deep-seated dependency and mounting debt. In order to address the issue of sustainability and self-sufficiency, the government has implemented specific changes in both the long-term perspective national plan and current reform actions.

Morgenthau and other classical realists saw foreign aid as an extension of statecraft, akin to diplomacy or military power, serving to influence state behaviour, maintain spheres of influence, and secure strategic footholds in contested regions. They also questioned aid's effectiveness in achieving genuine development or democracy, arguing that it primarily serves donor interests rather than recipient needs.(Malacalza, 2019) Lisak underscores that foreign aid is not merely an economic transaction but a calculated move in the broader geopolitical chess game, where states seek to consolidate influence, maintain dominance, and shape global political structures to their advantage.(Westerfield, 1960)

The entrenched dependency on external assistance, the pressing concern of sustainability, and the urgent search for alternative financing methods to meet the needs of developing countries can be examined through the broader lens of international relations, as scholars argue. Over time, donor countries have systematically positioned themselves to consolidate influence and maintain leverage over recipient nations, perpetuating the cycle of dependency. While aid was initially framed as a tool for development support, its distribution and conditions were often shaped by the strategic interests of donor organizations rather than solely by the needs of recipient countries. This dynamic not only dictates aid policies but also profoundly impacts governance structures, economic autonomy, and the long-term development trajectory of recipient states, raising critical questions about sovereignty, sustainability, and equitable international cooperation.

Additionally, as Adane mentioned, the emergence of aid conditionality as a strategic instrument for donors aimed at legitimizing their efforts to shape political and economic structures in recipient countries. He added how donor states have used aid to promote democratic governance and free-market economic reforms, often under the guise of development assistance, but ultimately serving geopolitical objectives.(Adane, 2015)

Similarly, the persistent foreign currency shortages Ethiopia has recently experienced that have led the country to comprehensive macroeconomic reforms, along with the Pretoria Agreement, which brought an end to the prolonged internal conflict, serves as evidence of how donor countries can leverage development assistance to shape and influence the economic and political landscape of recipient nations, through the realism perspective.

Even though Official Development Assistance (ODA) has grown significantly in recent years, recent figures indicate that global disruptions, including the economic effects of COVID-19, the geopolitical unrest brought on by the conflict between Russia and Ukraine, and the recent change in USAID policy, have had an impact on aid flows and distribution strategies. However, despite these challenges, the aid architecture has continued to evolve, with an increasing number of actors engaging in development initiatives under the banner of enhanced coordination and efforts to address unmet needs. This increasing diversification of aid stakeholders, coupled with the persistent dependency of recipient countries, not only broadens the scope of international assistance but also reconfigures the dynamics of global cooperation. As new actors enter the aid landscape, they bring competing interests, strategic alignments, and varied approaches to development, ultimately influencing decision-making processes and reshaping the balance of power within international development governance.

Conversely, liberalism presents foreign aid as both a moral imperative and a strategic instrument, emphasizing cooperation, development, and global stability. They added, democracies, shared norms, and institutionalized cooperation can foster enduring peace and collective development. Likewise, the discussion on sustainability and alternative sources of development financing can be closely linked to the liberalist perspective, which emphasizes the role of donor countries in promoting long-term global stability and peace through the economic and institutional development of recipient nations.

Nonetheless, while this perspective highlights a critical aspect of the issue, it only presents a partial view of the problem without addressing the underlying motivations behind donor countries' pursuit of long-term stability, peace, and cooperation.

The Politics of Aid: What Drives Donors and Recipients in International Cooperation

Ethiopia, as a large and economically significant nation, plays a pivotal role in regional stability. If left underdeveloped for an extended period, its economic stagnation and systemic vulnerabilities could pose substantial risks to peace and security, not only within the Horn of Africa but also for the broader international community. A lack of development could exacerbate socio-political tensions, deepen

economic fragility, and heighten the likelihood of humanitarian crises—factors that often contribute to regional instability, forced migration, and security threats that extend beyond national borders.

Hans Morgenthau, a significant portion of what is labelled as foreign aid is, in reality, a form of bribery—a means of influencing recipient nations under the guise of economic support. (Morgenthau, 1962) Likewise, development partners prioritize regional stability in the Horn of Africa, framing economic assistance as a means to maintain the existing order and prevent further destabilization. By channelling aid under the banner of economic support, donors aim to mitigate crises that could escalate into broader security threats, posing risks not only to the region but also to global stability.

In this regard, it aligns with the principles of liberal institutionalism, which asserts that maintaining global peace and stability is a fundamental objective of foreign aid. While realism and liberal institutionalism diverge in their motivations for assisting, both recognize that aid can serve as a strategic tool for preserving the international order. Realists view aid primarily as an instrument for advancing national interests and securing geopolitical influence, whereas liberal institutionalists emphasize cooperation, interdependence, and the strengthening of global governance mechanisms. Despite these differing perspectives, both schools of thought can explain the cooperation between development partners and the government by acknowledging the crucial role played by foreign aid in mitigating instability and ensuring a more secure and stable international system.

As both literature and statistical data explicitly illustrate, Ethiopia has consistently ranked among the top five recipients of Official Development Assistance (ODA), with a significant portion of aid allocated to humanitarian assistance and emergency relief programs. However, if development partners were primarily driven by a genuine commitment to long-term economic progress rather than immediate crisis response, the distribution of ODA would likely reflect a different pattern, prioritizing more strategic and sustainable interventions aimed at fostering economic resilience, infrastructure development, and institutional capacity-building. This disparity underscores a core assumption of the realist school of thought—that states are rational actors driven primarily by national interest. In this context, aid allocation is shaped not by altruistic development goals but by broader political considerations, where donor states prioritize strategic advantages, geopolitical influence, and immediate stability over long-term transformational development. This approach often results in short-term crisis management rather than sustained investment in structural economic progress, reinforcing the realist view that international relations are dictated by power dynamics rather than cooperative idealism.

Moreover, realists argue that the recipients of aid are not passive actors; they may also strategically accept or leverage aid to enhance their own national interests. This can lead to what is sometimes

called “strategic bargaining,” where aid is negotiated in ways that reflect the power dynamics between the donor and the recipient.(Westerfield, 1960)

The strategic motivations of donor countries, geopolitical significance, have, in turn, played a crucial role in shaping Ethiopia’s approach to development partnerships. Recognizing its position as a regional hub with significant influence in security, trade, and diplomacy, the Ethiopian government has actively leveraged this geopolitical status to attract international collaborators. By framing its development aspirations as essential to broader regional stability and economic integration, Ethiopia has positioned itself as a pivotal actor in international cooperation, aligning its domestic priorities with global interests to secure sustained support and investment.

Furthermore, while foreign assistance is often framed as a tool for economic growth and development, it was used to serve political purposes, to leverage aid as a means to reinforce political legitimacy, consolidate authority, and secure electoral success, as it was seen in the case of DSA, PBS (protection of basic services) assistance programs. Maintaining the status quo could also be one objective of the government, especially since 2018, as the country has become increasingly unsustainable, and the global landscape undergoes continuous and unpredictable shifts.

Therefore, the realist viewpoint, which sees assistance dynamics as motivated by strategic interests rather than solely altruistic goals, provides the best understanding of the underlying motivations in both donor and recipient countries. While realism provides a framework for analyzing these interactions as deliberate responses to shifting global power structures, liberal institutionalism and constructivism primarily focus on the surface-level manifestations of international cooperation and normative influences rather than the deeper strategic motivations driving state behavior.

The Sovereignty Trade-Off in Aid Management

The absence of a structured aid management strategy or a formal cooperation framework has often been framed as a pursuit of autonomy. However, without clearly defined regulations—and compounded by weak institutional capacity in the public sector—the aid landscape has become an open arena where various actors, driven by their strategic interests, can maneuver to shape policies and influence outcomes in ways that serve their agendas. This unregulated environment not only undermines effective coordination but also deepens power asymmetries, enabling external players to dictate terms that may not always align with national development priorities or long-term economic sustainability.

In the absence of a formal aid management framework, national development plans have consistently served as guiding documents that define national priorities for development actors. However, since the preparation

of Poverty Reduction Strategy Papers (PRSPs), it has become evident that development partners exert significant influence and involvement in shaping these plans. This level of external engagement has increasingly challenged the notion of policy autonomy, making it difficult for the government to fully dictate its development agenda without external considerations shaping subsequent national targets and priorities.

The constructivist IR theory on foreign aid emphasizes its ethical and moral justifications, viewing aid as shaped by both material and discursive power dynamics. It added that the meaning and practice of aid are shaped by collective beliefs, historical narratives, and inter-subjective understandings between donors and recipients. Building on this explanation, the absence of a structured national framework has allowed the aid management architecture to evolve organically over time, shaped by historical shifts and external influences, often at the expense of national sovereignty. Within a constructivist lens, sovereignty is understood as a fluid and evolving concept, shaped by historical processes, international norms, and cooperation dynamics rather than as a fixed or absolute state.

Furthermore, weak institutional capacity within the public service presents a significant challenge, particularly for programs and projects financed through Channel 2, as these are typically executed at the sector bureau level. Limited administrative efficiency, technical expertise, and coordination mechanisms significantly hinder the effective implementation of these initiatives, leading to compromises in national priorities and a centralized aid coordination approach. The absence of a centralized authority and legal framework for aid data management has severely weakened the country's ability to track funding flows and assess project impact at the national level. As a result, both the government and development partners rely on donor agencies for official data, effectively shifting control over aid transparency and governance to external entities. This reliance compromises national sovereignty, as decision-making processes and strategic priorities are increasingly shaped by external actors rather than being fully determined by domestic institutions.

Another critical way in which national sovereignty is compromised is the project selection process for aid financing at the national level. The absence of an integrated information-sharing system and a fluid decision-making framework has resulted in an aid landscape where projects are accepted based on external influences rather than solely on strategic national priorities. As a result, the government consistently integrates both types of programs—those with modest funding but strong alignment with development priorities, and those with large financial backing but limited strategic value. While the former ensures efficient resource utilization and contributes to long-term progress, the latter often leaves a lasting imprint on the political economy without significantly advancing core national objectives. This dynamic reflects

the complex trade-offs in aid management, where political, economic, and strategic considerations shape government decisions, leading to a broad embrace of external assistance despite its uneven effectiveness.

Liberals and neoliberal institutionalists argue that interdependence, international organizations, and rule-based regimes can reshape global relations toward more stable and cooperative outcomes. They present foreign aid as both a moral obligation and a strategic tool, emphasizing its role in promoting cooperation, development, and global stability. Unlike realists, who focus on state autonomy, liberal institutionalists shift the discussion to the global arena, where international order and security take precedence over absolute state sovereignty. Within this framework, instances of compromised sovereignty are not viewed as a loss of national control but rather as necessary adjustments in pursuit of collective stability. Liberal institutionalists argue that states benefit from participating in structured international cooperation, as the long-term advantages of maintaining global order often outweigh concerns over national autonomy.

Fractured Cooperation

Periods of intense external and internal turbulence have significantly influenced the evolution of the aid management system, disrupting the stability of cooperation between development partners and the government. These fluctuations—driven by economic shocks, political instability, and shifting donor priorities—have created an inconsistent and often fractured partnership, characterized by cycles of engagement and withdrawal. As a result, the aid landscape has lacked sustained alignment with national priorities, undermining coordinated efforts and reinforcing uncertainty in long-term development planning.

The formation of tailored sector working groups within the development partners group was intended to adapt to the evolving political landscape and address sector-specific priorities. However, the intermittent field visits by DAG members to Somali and northern regions—conducted at different times—alongside disruptions to dialogue platforms, have contributed to a fragmented and inconsistent cooperation framework. These interruptions have weakened coordination mechanisms, reducing opportunities for inclusive engagement among all development actors. Consequently, this vacuum has allowed bilateral dialogues to be dominated by major financial contributors, enabling the government to sustain cooperation but primarily with large donors, potentially sidelining smaller stakeholders and limiting the diversity of perspectives in development planning.

This disruption can be analysed through the realist school of thought, which asserts that foreign aid is fundamentally driven by national interest rather than altruism. Within this framework, disruptions in aid cooperation arise primarily from shifting political calculations, evolving donor priorities, and changing power dynamics, rather than from purely developmental concerns. These fluctuations are mirrored in the

interactions between governments and development partners, where aid decisions are often shaped by strategic interests, geopolitical alignments, and broader global influence rather than a singular focus on long-term development. As a result, aid flows become subject to external pressures and competing agendas, reinforcing the realist perspective that foreign assistance is fundamentally a tool for advancing national and international interests.

The lack of transparency regarding critical information and systems, such as the Aid Management Platform (AMP), the Development Planning, Monitoring, and Evaluation System (DPMES), and the results frameworks for the ten-year and three-year development plans, has exacerbated existing mistrust in the aid management process. The government's reluctance to disclose or share these key mechanisms has fueled skepticism, particularly during periods of dialogue interruptions, reinforcing concerns about accountability and inclusivity in decision-making. This opacity not only weakens stakeholder confidence but also creates gaps in coordination and policy alignment, further complicating efforts to establish a coherent and effective aid governance system.

Following the conclusion of GTP II, a significant time lag emerged, during which there was a lack of clear focus on national priority areas. This period of uncertainty persisted until the government finalized and shared the three-year medium-term plan, leaving a temporary void in policy direction and strategic coordination. As a result, the overall aid landscape suffered from fragmentation, with development partners struggling to align their interventions due to the absence of a structured framework. The delay in establishing national priorities not only weakened cooperation but also hindered the continuity of ongoing programs, further exacerbating challenges in effective aid governance.

For mega projects, donors seek clear financial transparency, including total project costs and a breakdown of funding contributions before committing resources. These critical financial details are typically discussed in dialogue platforms, where stakeholders assess feasibility, funding gaps, and donor commitments. The government, through bilateral engagements, discloses key information regarding funding sources and major contributors, ensuring clarity in financial planning. However, the effectiveness of these discussions depends on structured coordination, as fragmented information-sharing can hinder comprehensive decision-making and alignment between development partners.

These fractured cooperation dynamics, compounded by a lack of transparency, can be analyzed through the realist perspective, which views foreign aid as a strategic instrument for exerting influence over recipient countries. In this framework, aid is not merely a mechanism for development but a tool for advancing the geopolitical and economic interests of donor states. Consequently, recipient nations—operating within the logic of self-preservation—perceive external assistance as both an opportunity and a potential threat to

sovereignty. In response, they navigate these influences strategically, either accepting aid conditionally, negotiating terms, or seeking alternative alliances, all in an effort to safeguard their national interests and mitigate external pressures.

Weakening Foundations: The Decline of Public Service Capacity

In 2000, the number of civil servants was approximately 100,000, which resulted in a centralized governance system that kept the government distant from the public. However, with the decentralization process and the introduction of a federalist structure, the government became more accessible, facilitating stronger local engagement. This transformation was actively supported by development partners, who played a crucial role in structuring governance frameworks, including the creation of local government structures and the expansion of local service delivery mechanisms, ultimately enhancing administrative efficiency. The persistent reliance on external support has left the civil service and institutional capacity in a fragile state, rendering them unable to function effectively without foreign aid, not merely in terms of budgetary assistance, but also in human capacity.

The civil service workforce expanded dramatically—from 100,000 employees in the early 2000s to over 500,000 today. Despite this growth, the government faces budgetary constraints, limiting its ability to offer competitive salaries while attributing inefficiencies within the civil service to structural limitations. It has been further hampered due to the increasing competition for talent from emerging development partners and the private sector. Top professionals and skilled civil servants are actively recruited into more lucrative positions outside the public service, by NGOs, private sector actors, and development partners, leading to inefficiencies in the country's ability to autonomously steer its development agenda.

Moreover, the Technical Assistance (TA) model—originally designed to enhance public sector capacity—has inadvertently contributed to the formation of parallel structures within government systems. Instead of reinforcing existing institutional frameworks, development partners have established independent operational mechanisms, creating fragmented governance, weakening autonomy, and fostering institutional disunity. The mistrust between civil servants and technical assistance providers has manifested in overly cautious bureaucratic procedures, often characterized by excessive clearance requirements, restricted access to critical data, and heightened reluctance in information sharing. This climate of institutional hesitation hinders effective collaboration, slowing down policy implementation and obstructing efficient decision-making. The lack of mutual confidence between stakeholders has reinforced barriers to transparency, impeding the fluid exchange of knowledge and limiting the impact of technical assistance on strengthening public institutions.

The recent civil service reform program, jointly co-financed by development partners and the government, is designed to strengthen institutional capacity within public services by systematically identifying and addressing critical gaps. While it holds the potential to achieve its objectives—building a modern, efficient, and competent civil service—its heavy reliance on development assistance raises concerns about long-term sustainability. Moreover, the financial implications for the national treasury risk hampering its effectiveness, as continued external support may limit domestic ownership of reform initiatives.

From a realist perspective, the weakening of public service capacity reflects the government's dependence on external funding, which places it in a subordinate role to donor countries and institutions. Foreign aid often serves as a tool for exerting influence, allowing donors to shape the policies of recipient states in line with their own interests. Although civil service reform programs are designed to strengthen institutional capacity, they may unintentionally undermine state sovereignty by fostering reliance on external actors rather than building resilient domestic systems. Realists contend that the government's limited ability to fund its own civil service diminishes its bargaining power, reinforcing an unequal donor-recipient relationship that constrains autonomous policy decisions.

From a constructivist perspective, sovereignty is not a fixed concept but one that evolves through social interaction, international norms, and patterns of cooperation. In this view, the civil service reform program goes beyond being a technical intervention; it represents a broader process of shaping administrative identity and enhancing governance effectiveness. The government's reliance on donor assistance is seen as part of an adaptive process in which external knowledge and development standards are internalized to reform domestic institutions. Rather than interpreting aid solely as a form of external control, constructivists highlight its transformative potential, where government bodies engage with development partners, learn from them, and gradually reshape their governance approaches. Ultimately, the program's sustainability depends on how effectively the government adopts and integrates this external support into its own governance framework.

Liberal institutionalists view the civil service reform program through the lens of cooperation and interdependence, emphasizing the importance of shared governance practices and institutional development for sustainable progress. The co-financing arrangement illustrates a collaborative approach to policy-making, where both donors and recipient governments jointly work to improve administrative performance and public service delivery. Although the financial strain on the national budget presents a challenge, liberal institutionalists contend that such partnerships contribute to stronger governance by promoting knowledge sharing, setting common standards, and reinforcing institutional resilience over time. Rather than seeing sovereignty as diminished, they argue it is being reshaped in a global context, where aligning national policies with international development norms leads to positive, reciprocal outcomes.

On the other hand, looking closer to the Aid Management platform (AMP), web web-based tool, the lack of accessibility and clarity has significantly hindered its effective utilization in planning and coordination efforts. Government officials, including key policymakers, have noted that they have never accessed the system and do not fully understand its function, leading to disconnects in policy implementation. The system currently lacks a centralized coordinating role, preventing the government from ensuring that development assistance programs and projects are properly integrated into national strategic plans. This issue is exacerbated by insufficient data capture and delays in processing critical information, making it difficult to establish an accurate and timely picture of aid allocations and their expected impact.

One pressing challenge is the absence of clear projections regarding expected foreign assistance, apart from limited insights through channel 1 and channel 2 funding, which still contain gaps. The inability to capture comprehensive data and utilize it for policy decisions weakens fiscal planning, as demonstrated in the case of USAID assistance withdrawal, where its impact on the government's fiscal function and long-term budget strategy remains unclear due to a lack of precise figures.

Additionally, the system is not designed to provide a holistic view of the political economy surrounding aid management, restricting the government's ability to anticipate shifts in donor engagement and financial flows. This lack of integration weakens policy coherence and prevents effective long-term planning. Beyond its structural deficiencies, the aid management system is not sufficiently popularized among government entities, resulting in limited awareness and engagement. Without stronger institutional buy-in and capacity-building efforts, the system will continue to operate as an underutilized tool rather than a comprehensive mechanism for development planning and aid coordination.

The continued weakening of institutional capacity within the country has reinforced structural dependency on external assistance, undermining the ability to develop self-sustaining governance frameworks, and limiting the government's ability to strategically negotiate aid terms and set long-term policy directions independently.

The emerging aid landscape is marked by constant change, rendering traditional models increasingly inadequate. In this dynamic and still-unsettled environment, the rules of engagement are not yet fully defined, reflecting an ongoing transformation in policies, stakeholder roles, and governance structures. The lack of a fully established framework underscores that aid management remains a work in progress—demanding flexible, responsive strategies to effectively manage shifting priorities and complex relationships among development actors. Navigating this evolving context will require continuous learning, innovation, and strengthened collaboration between donors and recipient countries.

Chapter six

VI. CONCLUSION

6.1 Conclusion

This study has explored the evolution, challenges, and opportunities of Ethiopia's aid management system since 2000, with particular emphasis on cooperation frameworks, donor–recipient dynamics, and the shifting political landscape that has influenced the effectiveness of aid coordination and utilization. Over the past two decades, Ethiopia has consistently ranked among the top recipients of Overseas Development Assistance (ODA), receiving substantial external financing aimed at addressing development priorities in key sectors such as health, education, agriculture, and infrastructure. However, the effectiveness of this aid has been closely tied to the country's capacity to coordinate, manage, and align donor support with its national development strategies.

The findings reveal that while Ethiopia has made notable strides, such as the adoption of the Aid Management Platform (AMP) and the establishment of structured dialogue mechanisms with development partners, critical challenges remain. Fragmented donor practices, limited institutional capacity, weak public financial management systems, and inadequate transparency and accountability continue to undermine the efficiency of aid utilization. Furthermore, inconsistent alignment and harmonization of donor support with national systems often lead to high transaction costs and reduce the developmental impact of aid.

Nonetheless, the study also highlights promising opportunities. Strengthening digital infrastructure, investing in institutional capacity building, and reinforcing donor coordination mechanisms can substantially improve aid transparency, reduce inefficiencies, and promote results-oriented management. Moreover, enhancing domestic ownership of the aid agenda and ensuring alignment with Ethiopia's broader development frameworks—such as the Growth and Transformation Plans (GTP I & II) and the Homegrown Economic Reform Agenda—will be crucial to ensuring the sustainability and relevance of external assistance.

In conclusion, effective aid management in Ethiopia is both a critical need and an achievable goal. By addressing systemic weaknesses, promoting mutual accountability, and embracing innovation, Ethiopia can develop a more coherent, transparent, and impactful aid management system. Such progress will not only accelerate the country's development ambitions but can also offer valuable lessons for other aid-reliant nations striving to strengthen the governance and effectiveness of development cooperation.

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Annex: Semi-Structured Interview Guide

General Questions on the Aid Management System

1. How would you describe Ethiopia's aid management system and its evolution since the 2000s? And the role of different actors, development partners, government, etc., in decision-making and the overall process.
 - In your opinion, how well does the aid management system adapt to changes in Ethiopia's political, economic, or institutional contexts?
 - Who is the key decision-makers in the aid management system in Ethiopia, and how are decisions made?
 - How does political leadership in Ethiopia impact decision-making in the aid management process?
2. How does the aid management system align with Ethiopia's national development priorities?
 - How would you assess the communication and collaboration between the Ethiopian government and development partners?
3. How well do you think development assistance efforts, projects, and programs are coordinated in Ethiopia?
 - Are there any specific mechanisms or tools to ensure alignment between donor initiatives and Ethiopia's national development priorities?
 - What mechanisms exist for information sharing and transparency between the government, donors, and other stakeholders?

Questions on Aid Management System Challenges

4. What challenges have you observed/ encountered in the Ethiopian aid management system/coordination?
 - What do you believe are the main inefficiencies in the country's aid management system?
 - What are some of the challenges in aligning the priorities of donors with those of the Ethiopian government?
5. What improvements would you suggest that make the aid management system more efficient and effective?

- Have there been any challenges in building partnerships and fostering collaboration among stakeholders in the aid management system?

Questions on Opportunities on the Aid Management System

6. In your opinion, what changes are necessary to make the aid management system more flexible and responsive to national development priorities?
7. What strategies would you propose to improve coordination and collaboration within Ethiopia's aid management system?
8. What improvements could enhance the current aid management system and improve transparency and accountability by fostering trust and efficiency in aid allocation?
9. What mechanisms can Ethiopia adopt to shift from donor-driven aid allocation to recipient-led management?
10. How can Ethiopia strengthen its human resources capacity for managing and monitoring aid flows and negotiate better terms with donors to ensure more flexible and responsive aid programs

Closing Questions

11. "What specific strategies can the Ethiopian government implement to enhance its leadership and ownership in the aid management process, ensuring better alignment with national priorities and reducing donor-driven fragmentation?
 - How can Ethiopia improve donor coordination to ensure aid aligns more effectively with national development priorities?
 - What policy reforms could strengthen Ethiopia's oversight of foreign aid to enhance transparency and accountability?