



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTEMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT**

**COUNTRY OWNERSHIP AND AID
EFFECTIVNESS IN ETHIOPIA**

**BY
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Addis Ababa, Ethiopia

June 2015



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This is certify that the thesis prepared by Muluken Chanie, entitled Country Ownership and Aid Effectiveness in Ethiopia, which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP), complies with the regulation of the university and meets the accepted standards with respect to originality and quality.

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Abstract

Country Ownership in designing and managing development assistance is critical for achieving sustainable development and promoting effective development cooperation between recipient and donor countries. However, there is a widespread misconception and lack of comprehensive studies on country ownership in Ethiopia. The objective of the thesis is to examine the country ownership comprehensively including Government of Ethiopia (GOE)'s ability to exercise effective leadership over its development policies and strategies; aid coordination and negotiation practices in Ethiopia; donors' use of country's system in aid delivery; and GOE's ability to mobilize finance for development. The Study uses primary and secondary data collected through interviews and document reviews. While there are strong and functional joint government-donors aid coordination structures in Ethiopia that support country leadership over its development policies and strategies, nearly half of the development assistance in 2013 was disbursed outside the country financial and procurement system, which undermines country ownership and sustainability of the development efforts. In a bid to increase donors' use of host country system in Ethiopia, the joint government-donors Development Effectiveness Taskforce calls for the donors to set individual targets on use of host country systems. However, the Study found out that public sector capacity constraints are hindering more use of host country systems in Ethiopia. In this regard, the writer suggested for rolling-out the Global Alliance for Vaccines and Immunization (GAVI) - Civil Society (CSO) Support model for aid delivery across sectors. The GAVI - CSO Support model minimizes public sector burden by providing aid funds that were channeled through the government system to local and international None-Governmental Organizations (NGOs). As the model uses GOE's financial and procurement systems in disbursing aid funds, the government remains in charge in designing and managing the development assistance, while the NGOs play a mere implementation roles. The Study also argued that some authors' fear of western donors' continued dominance in aid partnership and dialogue with recipient country is no longer the case because Western countries' Official Development Assistance is no more the only source of development finance. Domestic revenue, south-south cooperation, foreign direct investment, non-concessional private lending, private foundations, and remittance became additional and increasingly important sources of finance for development in developing counties including Ethiopia. With this new development finance landscape, a vibrant country ownership is emerging that both developing countries and their development partners must embrace and uphold it.

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Abbreviations and Acronyms

AfDB	Africa Development Bank
AGP	Agricultural Growth Program
AMP	Aid Management Platform
ATA	Agricultural Transformation Agency
ChSA	Charities and Societies Agency
CPIA	Country Policy and Institution Assessment
CSO	Civil Society Organization
CSP	Charities and Societies Proclamation
DAC	Development Assistance Committee
DAG	Development Assistance Group
DBS	Direct Budget Support
DFID	UK Department for International Development
DP	Development Partner
FDI	Foreign Direct Investment
FfD	Finance For Development
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GEQIP	General Education Quality Improvement
GOE	Government of Ethiopia
GPEDC	Global Partnership for Effective Development Cooperation
GTP	Growth and Transformation Plan
HLF	High-Level Forum
HSDP	Health Sector Development Program
HCS	Host Country System
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MDPF	Multi-Donor Pulled Fund
MDTF	Multi-Donor Trust Fund
MOFA	Ministry of Foreign Affairs
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
MOWIE	Minister of Water, Irrigation and Energy
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PBS	Protecting Basic Services

PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PSNP	Productive Safety Net Program
SIDA	Swedish International Development Cooperation Agency
SLM	Sustainable Land Management
SWAps	Sector-Wide Approaches
SWG	Sector Working Group
TWG	Technical Working Group
UNDP	United Nations Development Programme
USD	United States Dollars
WaSH	Water, Sanitation and Hygiene
WSWG	Water Sector Working Group

CHAPTER ONE

INTRODUCTION

1.1 Background

At the Monterrey Conference on Financing for Development in 2002, both donor and recipient countries emphasized shared responsibilities for achieving the Millennium Development Goals (MDGs) to combat poverty. Developed countries have pledged to increase development assistance to 0.7% of their national income, and in return developing countries have committed themselves to take concrete steps to improve governance, establish development priorities, and adopt sound policies for growth (Rocha and Mulley, 2006:2)

Donors also recognized that the 1980s and 1990s policy conditionality is not working. According to Collier (2007:108-110), “ex ante policy conditionality”, which is providing aid if government promised to reform, was a “failure” because it has psychological problem (being told to do something develops resistance), undermines government accountability (recipient countries blamed donors for any policy failures “they are not our reforms, they are the IMFs”), and puts donors in awkward position as they had to keep disbursing aid even though promises were not met. World Bank and other donors realized this limitation and largely switched to disbursing aid on the basis of attained level of policies rather than on promises of improvements. However, this “ex post conditionality” appears to squeeze aid out of countries that have the biggest problem.

Thus, donors began a partnership approach that underpins recipient countries ownership in designing and managing development assistance. The Poverty Reduction Strategy Paper (PRSP) was introduced in 1999 by the World Bank to provide a basis for concessional lending and for debt relief under the enhanced highly indebted poor countries (HIPC) initiative (Africa Development Bank, 2006:64). PRSP became widely accepted as a shift from policy conditionality to a joint-planning approach where donors, NGOs, civil society, and private sector engage in dialogue with recipient government to develop a national plan. Regional initiatives like the New Partnership for Africa’s Development (NEPAD) was also launched in October 2001, an

African peer review mechanism to encourage collective action to promote standards for good governance and sound economic management (Africa Development Bank, 2006:114-115).

Under the partnership approach, recipient countries take a lead on their own development endeavor including foreign aid; both recipients and donors embraced the principle of managing for results; donors begun harmonizing their aid delivery systems and aligning their assistance to recipient country's development strategy; and both recipients and donors were committed for inclusive partnership, aid transparency and accountability. The 2005 Paris Declaration, the 2008 Accra Agenda for Action and the 2011 Busan Partnership for Effective Development Cooperation underpin recipient countries' leadership of their development and encourage donors to use recipient countries' public financial management and procurement systems in aid delivery. According to the Busan High Level Forum report (OECD/UNDP, 2014:44), using host countries' own institutions and systems in delivering aid is central to efforts to build country ownership and sustainable development because "public sector institutions play a strong role in supporting development by fostering growth, providing services, reducing inequalities and creating an enabling political and social environment for sustainable development".

At country level, Ethiopia has been a focus country for implementing aid effectiveness agenda since the start of the PRSP, and aid coordination mechanisms has evolved through various stages that led to the establishment of the Development Assistance Group (DAG) in 2001. DAG coordinates OECD donor countries and multilateral agencies and works with the Ministry of Finance and Economic Development (MOFED), which is mandated to coordinate development aid in Ethiopia. Various government-donor dialogue structures were also established including the High Level Forum, Joint Aid Effectiveness Taskforce, and Joint Sector Working Groups to advance country ownership and aid effectiveness in Ethiopia.

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) developed aid effectiveness monitoring framework to measure the Paris, Accra and Busan commitments of aid effectiveness and conducts monitoring survey every two year. The survey was conducted globally including Ethiopia for years 2006, 2008, 2011 and 2014. The OECD/DAC aid effectiveness monitoring framework provides a common agenda for

both global and country level dialogue on aid effectiveness and have catalyzed for greater recipient country ownership in designing and managing development aid (Chandy, 2011).

Fraser and Whitefield (2008:6) also developed a “Simplified Model of Aid Negotiations” to explain donor-recipient aid relationship, which considers the ability of each side to achieve their preferred outcomes given the conditions under which they meet and the negotiating strategies they adopt in response to those conditions and their expectations of each other’s behavior.

Using their model, Fraser and Whitefield examined how aid was negotiated in eight African countries including Ethiopia, and they concluded that Ethiopia has largely defined its “sovereignty” in terms of ownership of its development strategy and negotiating with donors only at the “margins”. According to them, the Government of Ethiopia (GOE) has largely succeeded in controlling the pace and degrees of reform and only adapt those policy prescriptions from donors when it finds acceptable to its own development agenda (Fraser and Whitefield, 2008:9).

Recently, the aid landscape has significantly shifted with south-south cooperation, foreign direct investment, non-concessional private lending, private foundations, and remittance increasingly became important sources of finance for development. This shift has brought “new opportunities and challenge for both recipient and donor countries in managing the aid relationships” (Greenhill et al, 2013:14).

At the end of the day, a good donor-recipient countries partnership should not just recognize developing country ownership of their development endeavor, but also empowering them in controlling the pace and degree of reforms, and allowing them to mobilize and use development finance including foreign aid in their priority sectors through their financial and procurement systems.

1.2 Statement of the Research Problem

The country ownership concept covers all aspects of the joint efforts of the recipients-donors partnership including recipient countries ability to exercise effective leadership over their development policies and strategies; how aid is negotiated and coordinated; donors' use of recipient countries' system in aid delivery; and developing countries ability to mobilize finance for development.

The review of existing studies and literature on country ownership revealed that the concept of country ownership encompasses the following issues:

- i) Recipient countries ability to exercise effective leadership over their development policies and strategies and effectively co-ordinate various actors working in the country;
- ii) Donors' use of recipient countries system in aid delivery; and
- iii) Recipient countries ability to mobilize finance for development.

However, there is a widespread misconception and lack of comprehensive studies on country ownership in Ethiopia. For example, Fraser and Whitefield (2008) define ownership as the "degree of control" recipient governments are able to exercise over policy design and implementation and concluded that Ethiopia largely succeeded in defending its development policies and controlling the reform agendas in aid negotiation with donors. DAC's Aid Effectiveness Monitoring Framework (Wood et al., 2011; OECD/UNDP, 2014), on the other hand, emphasize donors' use of host country system as an important indicator in measuring Paris, Accra and Busan global commitments to advance country ownership for aid effectiveness. Thus, it is important to examine the use of host country system dimension, but not just "degree of control" to arrive at better conclusion on the status of country ownership in advancing aid effectiveness in Ethiopia.

The ability of recipient countries to mobilize finance for their priority development programs is also another dimension in assessing country ownership. Greenhill et al. (2013), in their case study including, Ethiopia concluded that "more options and more finance" is one of the benefits of the new development finance landscape. This thesis will take that study a step further by

assessing the impact of the new development finance landscape on country ownership in Ethiopia.

The lack of a comprehensive approach in the existing studies on country ownership in Ethiopia inspired me to take up the Study. The Study provides inclusive and evidence-based information that will contribute to increased knowledge on aid relationship between recipients and donors in advancing country ownership and aid effectiveness.

1.3 Objective of the Study

The main objective of the Study is, therefore, to examine country ownership comprehensively, and provide some suggestion on how the existing joint government-donors aid coordination structures in Ethiopia could advance country ownership for effectively managing foreign aid for achieving sustainable development. Specifically, the Study has the following objectives:

- Assess the role of existing aid coordination mechanisms in promoting country ownership in designing and managing development aid programs.
- Review government-donors aid negotiation practices in Ethiopia, and assess whether or not the country exercises leadership in aid negotiations and dialogues with donors.
- Assess the status and identify impeding factors on donors' use of host country system in Ethiopia.
- Assess the impact of the new development finance landscape on country ownership.

1.4 Research Questions

Derived from the above objectives, the following research questions were identified:

1. What are aid modality and practices in Ethiopia? To what extent do the existing government-donors aid coordination mechanisms in Ethiopia advance country ownership in designing and managing development aid programs?
2. To what extent does the GOE exercise leadership over its development policies and strategies in aid negotiation and dialogue with donors?

3. To what extent does the GOE exert influence on donors to use host country system in aid delivery? What are the factors impeding more use of host country system in Ethiopia?
4. What is the progress of donors and GOE in meeting aid effectiveness targets related to country ownership in Ethiopia?
5. What are the sources of finance for development in Ethiopia? What is the impact of the new development finance landscape on country ownership?

1.5 Significance of the Study

GOE recognizes the importance of foreign aid to support the implementation of its Growth and Transformation Plan (GTP). In 2013, Ethiopia received \$3.8 billion in Net Official Development Assistance, which was 8.1% of the country's Gross National Income (World Bank, 2015). The coordination and management of these significant aid resources is challenging and requires extensive studies.

This Study on country ownership will help strengthen the partnership between government-donors in effectively managing development aid in Ethiopia by identifying issues that impede country ownership and providing policy recommendation to address them. The study will also be useful as it explores how Ethiopia could take advantage of the new development finance landscape to mobilize much needed resources to finance its development - GTP. The study will contribute to increased knowledge on aid effectiveness in Ethiopia by looking at issues beyond the DAC's monitoring framework on aid effectiveness, and may also motivate other researchers to undertake other complex design studies to explore more on mobilizing finance for development in Ethiopia.

1.6 Scope and Limitation of the Study

As discussed in the Background Section, donors shifted away from policy conditionality and expressed their commitment to aid partnership approach since late 1990s. In particular, the 2011 Busan agreement brought together heads of states, ministers and representatives of developing and developed countries; heads of multilateral and bilateral institutions; and representatives of

different types of public, civil society, private, parliamentary, local and regional organizations aiming to forge inclusive partnership that were broader and more inclusive than ever before (Busan Partnership Document, 2011: 1). Though the Busan partnership agreement emphasizes inclusive partnership, this thesis focuses on the partnership between government and donors, and their interactions through the existing aid coordination structures.

Aid effectiveness involves a range of issues including country ownership, managing for results, inclusive partnership, aid transparency and accountability, etc. However, this study examines only the country ownership dimension of the aid effectiveness agendas. It is, therefore, beyond the scope of this research to look at other aspects of aid effectiveness such as donor's aid transparency and accountability. However, given some, if not all, of aid effectiveness components are interrelated to each other, it won't be easy to single-out and analyze only country ownership aspect of aid effectiveness.

To overcome this limitation, the writer of this thesis identified the three areas of country ownership discussed in page 4 and 24. This helped in conducting a focused analysis, identifying issues impeding country ownership in Ethiopia and providing plausible policy recommendations to address them.

1.7 Organization of the Study

The introductory part of the Study has been discussed in the preceding section. The remaining of the paper is organized as follows: Chapter 2 and 3 discusses literature review and methodology, respectively. Research findings are presented in Chapter 4. Finally, Chapter 5 of the paper presents conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Foreign Aid – Overview

States of developed countries are responsible above all for the security and wellbeing of their citizens. Why then they provide their own scarce public resources to other countries? Foreign aid began after World War II to respond to threats that emerged as the result of cold war. The 1947, U.S. aid to Greece and Turkey marked the first foreign aid in world history, and “it was a temporary expedient to bolster the economies of Greece and Turkey in the face of communist pressure”. This was immediately followed by a Marshall Plan, a four year \$13 billion, to help stabilization and recovery of Europe (Lancaster, 2007:28).

As the cold war spread to developing world in 1960s, U.S. pressured governments of Western Europe, Japan and Canada to start giving aid and create their own aid programs. Most of these governments had also national interest reason for giving aid, which includes managing decolonization, gaining access to strategic raw materials, and expand export markets. Regardless of its purpose, aid in 1960s was used to finance economic infrastructure (Lancaster, 2007:213).

In 1970s, foreign aid took a more human approach that focused on provision of social services such as health, education, income distribution, and gender. The UN and the World Bank conceded that the old model of development aid had made little impact on social indicators of poverty such as life expectancy, infant mortality rates, income distribution and education levels, and took a more human approach in aid programming (Emmerij, 2002: 147-152)

In the 1980s and 1990s, aid was being used as an instrument to bring about policy reform in recipient countries in line with structural adjustment policies of World Bank and International Monetary Fund (IMF). The structural adjustment policies of the World Bank, IMF and regional development banks force major economic reforms through privatization and deregulation in the developing world, which led to an ever complex conditionality regime, including donors attempt

to transform the administrative and political systems in recipient countries through ‘governance’ conditions (Fraser and Whitefield, 2008:12).

Throughout its history, foreign aid underwent through controversies. According to Lancaster, the controversies center around the “ volume of aid” and issues related to its “ impact on development”. Aid’s critics complain that aid has been ineffective and should be cut. Aid’s advocates argue that aid should be dramatically expanded on moral and practical grounds. Another area of controversy, often forgotten, is the mix of the purpose for which aid is provided, which includes, developmental, humanitarian, commercial, cultural, promoting democracy, mitigating conflict, and addressing global issues such as climate change and communicable diseases (Lancaster, 2007:2-14).

Country ownership in designing and managing foreign aid became an important part of the debate on aid effectiveness since the mid-90s, after an embarrassing series of failed cases of the World Bank and IMF’s structural adjustment program (Edgren, 2003:1).

2.2 Country Ownership and Aid Effectiveness Debate

The failure of aid conditionality system resulted in a new paradigm of aid effectiveness with partnership and country ownership became leading concepts in the international aid cooperation. As quoted by Hauck and Land, Saxby (1999) and Fowler (2000) captured the reason for transition of aid system from conditionality to partnership approach as follows:

One explanation is that partnership has been presented by Northern donors as a panacea for improving aid effectiveness, and, in so doing, for salvaging the industry from the current wave of aid fatigue (Saxby, 1999). According to Fowler (2000), partnership represents a ‘relational preference’ which is ‘politically correct’ at a time when the overall aid system has come under fire for non-performance. Hauck and Land (2000:2)

The 1980s and 1990s policy conditionality was considered as the “lost decade of development” as it became clear that development cooperation too often failed to meet its objectives. Fraser and Whitefield (2008:4) criticized conditional aid mainly on the ground that its ‘one-size-fits-all’ economic policies implemented under donor-dominant conditions are widely understood to have

enjoyed little success in promoting growth. According to them, poor countries were unable to resist conditionality aid because:

The World Bank and IMF initially sought to promote an adjustment that they typically sided with a section of the ruling party or regime that they identified as supportive, and described them as 'reformers'. The Bank and Fund also pushed for the dismantling of planning departments in countries where they still functioned, such as Mali and Zambia, and tried to prevent the re-establishment of a planning department in Ghana. The sometimes secretive nature of the adjustment process also tended to exclude bureaucratic and representative institutions and to avoid public debate on the objectives of reform (Fraser and Whitefield, 2008:13).

Collier also criticized aid conditionality whether it comes in the form of ex ante or ex post conditionality. For Collier, ex ante policy conditionality, which is providing aid if government promised to reform, was a failure because it has psychological problems (being told to do something develops resistance), undermining government accountability (recipient countries blamed donors for any policy failures "they are not our reforms, they are the IMFs"), and puts donors in awkward position as they had to keep disbursing aid even though promises were not met. World Bank and other donors realized this limitation and largely switched to disbursing aid on the basis of attained level of policies rather than on promises of improvements. However, this ex post conditionality appears to squeeze aid out of countries that have the biggest problem. Collier (2007:108-110)

Then, what is it precisely that partnership offers? According to Hauck and Land (2000:2), a key proposition in a partnership is that donors-recipients partnership should help to build local capacities so that recipient countries can do things for themselves on the basis of locally-defined development strategies formulated as a result of a dialogue. It also implies the need to redress the power asymmetry between recipient countries and donors, and to progressively transfer responsibility and ownership to the former. Terminology such as 'donor' and 'recipient' has accordingly been replaced by terms like 'development partners', suggesting a more equitable relationship based on a shared agenda for change.

Ownership is heavily influenced by the quality of the government-to-government partnership within which the projects emerge, and where ownership can grow. As cited by Edgren (2003:5), the Weeks et al. study on Swedish International Development Cooperation Agency (SIDA) projects in East Africa found that “partnership was particularly strong in Tanzania, where it had enabled SIDA and its Ministry counterparts to develop innovative approaches that were owned by government. By contrast, the partnership with Kenya was strained, which was reflected in several programs and in the approach of working extensively through NGOs.”

Another scholar Disch emphasized the linkage between partnership and aid coordination. Disch (1999:11) applauded the 1969 Pearson Commission report, which defined partnership as “reciprocal rights and obligations between donors and recipients”, and added that partnership is operationalized through aid coordination. According to Disch (1999:17), “the partnership concept provides the framework within which aid coordination is to take place. But while the structure and principles of partnership are important, it is largely the practical experiences of aid coordination that are giving content to the partnership concept.”

Disch (1999:17-19) also developed a aid coordination model by de-composing the aid coordination concept by level of coordination into international, country, regional and sectoral levels. In terms of the degree of commitment, he said that aid coordination may take the form of “consultation”, “cooperation”, and “collaboration”. Disch further de-composed aid coordination by content, which includes aid coordination for policy dialogue or for harmonization of donors’ procedures. [This study will use some aspects of Disch’s de-composition of aid coordination to explore how aid coordination in Ethiopia advance country ownership for designing and managing development assistance].

Under the partnership aid modality, donors began a new aid modality that underpins recipient countries ownership in designing and managing development assistance. The partnership approach to development is centered on the Poverty Reduction Strategy Paper (PRSP) process, which were introduced in 1999 by the World Bank to provide a basis for concessional lending and for debt relief under the enhanced highly indebted poor countries (HIPC) initiative (Africa Development Bank, 2006:64). Initially, PRSPs are intended to be documents prepared by governments through a participatory process involving civil society and development partners.

They form part of an attempt by the World Bank and other donors to base their aid programming on nationally-owned poverty reduction strategies. PRSP became widely accepted as a shift from policy conditionality to a joint-planning approach where donors, NGOs, civil society, and private sector engage in dialogue with recipient government to develop a national plan.

In addition, regional initiatives like the New Partnership for Africa's Development (NEPAD) was also launched in October 2001, an African peer review mechanism to encourage collective action to promote standards for good governance and sound economic management (Africa Development Bank, 2006:114-115).

On the side of donors, the Development Assistance Committee (DAC) of the OECD has stated its commitment to support NEPAD and to promote the 'good governance' of aid. At the Monterrey Conference on Financing for Development in 2002, both donor and recipient countries emphasized shared responsibilities for achieving the Millennium Development Goals (MDGs) to combat poverty. Developed countries have pledged to increase development assistance to 0.7% of their national income, and in return developing countries have committed themselves to take concrete steps to improve governance, establish development priorities, and adopt sound policies for growth (Rocha and Mulley, 2006:2).

Critics on aid partnership approach argued that the structural inequalities on donor-recipient countries relationships deterred the effectiveness of the much anticipated partnership approach. Hauck and Land summarized criticism on partnership approach as follows:

Perhaps the strongest and most consistent criticism of partnership is that it is predicated on the notion of common interest and a relationship among equals. However, such 'genuine' partnership is rare if ever attained. Critics challenge the assumptions behind partnership as being naïve and unrealizable even if desirable, because of deep-rooted structural constraints. Several commentators argue that 'genuine' partnerships imply cannot be realized under conditions of structural inequality where the North (whether in the form of nations or organizations) retains a financial, technological and institutional advantage over the South. (Hauck and Land, 2000:4)

In the absence of a level playing field, the terms and conditions of partnership will be negotiated to the advantage of the stronger partner, who will also remain in the proverbial ‘driver’s seat’ in terms of the day-to-day management of the relationship. The partnership language does not therefore face up to reality, and in so doing raises false expectations (Hauck and Land 2000:16).

Fraser and Whitefield in their paper “The Politics of Aid: African Strategies for Negotiating with Donors” also challenged the partnership approach by suggesting that recipient ownership as codified by the 2005 Paris Declaration on Aid Effectiveness “continues to legitimize external conditionality and surveillance” as it obscures power relationships. For them aid relationships are not partnerships, but retain important elements of negotiation, and change is much more likely to flow from changes in the wider context in which those talks occur. They argued that ownership is not a commitment to a pre-determined policy set, but ownership is a control over implemented policies that is achieved through negotiation. They defined ownership as follows:

Ownership is the degree of control recipient governments are able to exercise over policy design and implementation, irrespective of the objectives they pursue. [...] Proposing ownership as control thus involves urging donors to end conditionality and encouraging recipients to identify their own priorities, to establish their own systems to coordinate donors, and only to accept aid that comes on their terms. (Fraser and Whitefield, 2008:3-4). [For details, see Section 2.3 Aid Negotiation Model]

Country ownership takes another twist in the aid effectiveness debate as the High-Level Forum in Paris, Accra and Busan recognized that using host countries’ own institutions and systems in delivering aid is central to efforts to build country ownership and sustainable development because “public sector institutions play a strong role in supporting development by fostering growth, providing services, reducing inequalities and creating an enabling political and social environment for sustainable development” (OECD/UNDP, 2014:44). [For details, see Section 2.4 DAC/GPEDC’s Aid Effectiveness Framework]

Recently, the development finance landscape has significantly shifted as the non-traditional donors including south-to-south cooperation, domestic revenue, remittance, foreign direct investment, and philanthropy organizations etc., have increasingly become important contributors of finance for development in developing countries (OECD, 2014:5-8). With the

new development finance landscape, country ownership takes another level in the aid effectiveness debate as developing countries are provided with multiple financing options beyond the traditional official development assistance. [For details, see Section 2.5 the New Aid Landscape]

2.3 Aid Negotiation Model

Fraser and Whitefield developed a “Simplified Model of Aid Negotiations” to explain donor-recipient aid relationship, which consider the ability of each side to achieve their preferred outcomes given the conditions under which they meet and the negotiating strategies they adopt in response to those conditions and their expectations of each other’s behavior.

Fraser and Whitefield (2008) identified the following variables to derive a conclusion about the recipient government’s degree of control over the policy agenda and implemented outcomes:

- To examine the material, ideological, political and institutional context for a country’s aid relationship, tracing them through the past to the present;
- To outline changes in the government’s formal and informal practices of negotiating aid and dealing with donors, as well as changes in aid practices driven by donors and how the government responded;
- To put together a picture of recent government strategies for dealing with donors and managing aid generally; and
- To use strategic cases of negotiations over specific policies to interrogate the general picture.

Using their model, Fraser and Whitefield (2008) examined how aid was negotiated in eight African countries including Botswana, Ethiopia, Ghana, Mali, Mozambique, Rwanda, Tanzania and Zambia. The study concluded that the governments of Ghana, Mali, Mozambique, Tanzania and Zambia still have little control over implemented policy. Rwanda has only slightly more sovereignty. Their economies remain weak, as do the development visions of their political classes. Ownership of policy proves hollow. Recipients are permitted to ‘own’ only those policies that meet donor approval – a concern that triggers yet more intrusive aid conditions,

In response, both donors and recipients have made series of commitments including the 2003 Rome Declaration on Harmonization, the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Partnership for Effective Development Cooperation. These commitments embraced the principle of recipient countries taking a lead in designing and managing their own development endeavors; donors harmonizing their aid delivery systems and aligning their assistance to recipient country's development priorities; donors use of host country public financial management and procurement systems; managing for results; and both recipients and donors were committed for inclusive partnership, aid transparency and accountability (OECD/UNDP, 2014:16).

All of the mandates and commitments between donors and recipient governments on both sides of the aid partnership emphasize the need for a systematic review and monitoring of mutuality of commitments. The DAC has developed aid effectiveness monitoring framework that includes a series of commitments from both donor and recipient countries to measure progresses of the Paris Declaration for aid effectiveness. This framework includes five principles: Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability (Wood et al., 2011:22).

Recognizing changes in the global economy and new development finance landscape, the aid effectiveness monitoring framework was revised in Busan. The Global Partnership for Effective Development Cooperation (GPEDC), which was established to foster engagement and knowledge exchange and to provide support for regular monitoring of progress in implementation of the Busan commitments, embodies this shift with its four principles for achieving common development goals: ownership of development priorities by developing countries, a focus on results, inclusive development partnerships, and transparency and accountability. GPEDC has also revised the performance indicators to uphold global accountability for Busan commitments as follows:

Table 1: DAC/GPEDC Aid Effectiveness Monitoring Framework

Indicator #	Description
Principle 1&2: Ownership and results of development co-operation	
Indicator 1	Development co-operation is focused on results that meet developing countries' priorities
Indicator 6	Aid is on budgets which are subject to parliamentary scrutiny
Indicator 9	Effective institutions - developing countries' systems are strengthened and used
Indicator 9a	Quality of developing country public financial management systems
Indicator 9b	Use of public financial management and procurement systems
Indicator 10	Aid is untied
Principle 3: Inclusive development partnerships:	
Indicator 2	Civil society operates within an environment that maximizes its engagement in – and contribution to – development
Indicator 3	Engagement and contribution of the private sector to development Engagement and contribution of the private sector to development
Indicator 8	Gender equality and women's empowerment
Principle 4: Transparency and accountability for development results	
Indicator 4	Information on development co-operation is publicly available
Indicator 5	Development co-operation is more predictable
Indicator 5a	Annual predictability
Indicator 5b	Medium-term predictability
Indicator 7	Mutual accountability among co-operation actors is strengthened through inclusive reviews

Source: OECD/UNDP (2014)

Country ownership is critical in the recipient-donor relationships, which stood out as one of the three critical issues that need to be accelerated in the Accra Agenda for Action on High Level Meeting on September 4, 2008, which stated that:

Developing country governments will take stronger leadership of their own development policies, and will engage with their parliaments and citizens in shaping those policies. Donors will support them by respecting countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.

Country ownership is best measured by Indicators 1, 6 and 9. Indicator 1 emphasized that country ownership in development cooperation is the ability of host country to exercise effective leadership over their development policies and strategies and effectively co-ordinate development actions. Country ownership means that development processes are led by developing countries themselves so that actions are tailored to their specific contexts and needs.

Indicator 6, Aid on Budget measures domestic accountability of using aid resources and results and creates incentives for stronger budget processes, better alignment to country priorities, greater accountability to legislatures and citizens, and better country ownership in aid design and management.

Indicator 9 measures use of host country's public financial management and procurement systems. It is also about strengthening developing countries' systems so that timely achievements of results are not compromised. It encompasses Indicator 9a: Quality of developing country public financial management systems and Indicator 9b: To strengthen and increase the use of country systems Donors reaffirmed their commitment to more use of host country systems in the Accra High Level Meeting and agreed to take the following actions (OECD, 2008):

- a) Donors agree to use country systems as the first option for aid programs in support of activities managed by the public sector.
- b) Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will

transparently state the rationale for this and will review their positions at regular intervals. Where use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.

c) Developing countries and donors will jointly assess the quality of country systems in a country-led process using mutually agreed diagnostic tools. Where country systems require further strengthening, donors will support these reforms and provide capacity development assistance.

d) Donors will immediately start working on and sharing transparent plans for undertaking their Paris commitments on using country systems in all forms of development assistance.

e) Donors recollect and reaffirm their Paris Declaration commitment to provide 66% of aid as program-based approaches. In addition, donors will aim to channel 50% or more of government-to-government assistance through country fiduciary systems.

In Busan, development partners reaffirmed that they will use country systems “as the default approach” and set targets to disburse 57% of their assistance through host country systems by 2015. For development co-operation efforts to be most effective, donors need to respond to developing countries’ priorities and be provided in a way that uses and strengthens developing countries’ own institutions and systems. Experience shows that when aligned to developing countries’ priorities and systems, development co-operation efforts can provide incentives and momentum to help strengthen capacity, enhance accountability and contribute to more sustainable institutions (OECD/UNDP, 2014).

Every two years, DAC/GPEDC in consultation with partner countries has conducted monitoring survey on the implementation of commitments for aid effectiveness in Paris, Accra and Busan. The survey was conducted globally including Ethiopia for years 2006, 2008, 2011 and 2014. [This researcher will collect and analyze the results of these surveys for selected indicators related to the principle of country ownership of development priorities in Ethiopia]

The aid effectiveness monitoring framework provides a common agenda for both global and country level dialogue on aid effectiveness and have catalyzed for greater recipient country ownership in designing and managing development aid. The establishment of a monitoring framework and an agreed set of performance indicators under the Paris Declaration has injected an element of rigor for measuring aid effectiveness, and has promoted greater accountability and learning within the aid system (Chandy, 2011:2).

2.5 The New Aid Landscape

It is to be recalled that developed countries have pledged to increase development assistance to 0.7% of their national income at the Monterrey Conference on Financing for Development in 2002 to finance the MDGs. Few countries such as Norway, Sweden, Denmark, and Netherlands met this target. More importantly, the aid landscape has significantly shifted as the non-traditional donors including China, philanthropy organizations, remittance, etc., have increasingly become important contributors of finance for development. According to the Greenhill et al, (2013:9-13), the non-traditional sources of development assistance has increased from 8.1% in 2000 to 30.7% in 2009 using their lower-bound estimates and from 22.8% in 2000 to 43.8% in 2009 using their upper-bound estimates.

Comparing the private inflows including foreign direct investment (FDI) with Official development assistance from DAC members and multilateral organizations, OECD-supported study on “The New Development Finance Landscape” (2004:5-6) showed that the private inflows – either profit-driven, as in the case of foreign direct investment (FDI) and portfolio equity flows, or for personal motives, as in the case of remittances – represented 64% of total flows to developing countries in 2000. Concessional resources from DAC members and multilateral organizations represented 17% of total flows. Looking at the picture in 2012, the contribution of concessional financing declined to approximately 13% of total flows, while private inflows reached a share of 75%.

These shifts in aid landscape and complex architecture for development co-operation brought “new opportunities and challenges in aid relationships” (Greenhill et al, 2013:14). Several

country case studies were conducted to explore the challenges and opportunities developing country governments experience in managing this new aid landscape resulted from an ever increasing and complex financing options. The finding of OECD-supported country case studies in Ghana, Senegal and Timor-Leste is summarized as follows (OECD, 2014:3):

- More options and more finance are welcome.
- Countries may not (yet) have a strategic approach to managing development finance, and there is limited interest in involving non-traditional development partners in coordination mechanisms.
- Governments have similar preferences regarding the characteristics of development finance flows, but different approaches to concessionality. They value flexibility and the use of country systems (e.g. budget support, Eurobonds), speed of delivery, and alignment to their national strategies.
- Little is known about philanthropic assistance, and climate finance is demand-constrained.

Greenhill et al had obtained similar results from the case studies on Cambodia, Ethiopia, Zambia conducted in 2013. The only major difference was that this study found that Ethiopia and Cambodia are taking a strategic approach to the division of labor between different groups of development assistance providers. The finding of the study by Greenhill et al (2013:28) revealed that Ethiopian government had formed an implicit division of labor between donors. Traditional DAC donors are channeled mainly into the social sectors (with the exception of the World Bank and the ADB) and non-DAC donors into infrastructure, and “the government treats different donors in different ways and adapts its language and strategy accordingly”.

In Cambodia, some evidence suggested that funds from China are bolstering government confidence in dealing with traditional donors.

One example of such assertiveness relates to reports by an official that the government intends to phase out infrastructure lending from the World Bank as a result of frustration with the Bank’s 2011 decision to suspend lending to Cambodia following disputes over land evictions around Boeung Kak Lake (McCartan, 2011). A second example is the decision of the government to cancel the biannual Cambodia Development Cooperation

Forum, which reviews progress against conditionalities, among other objectives, which some interviewees attributed to disputes with the World Bank (Greenhill et al., 2013:29)

In response to the emerging new aid landscape, developed countries are adopting a new aid strategy that encourages allocation of significant foreign aid resources for supporting their private sector in investing in Africa. Some of the instruments launched under the new donors' strategy include the G8's New Alliance for Food Security and Nutrition, U.S. Power Africa Initiative, and British's new aid strategy, which stressed on economic development as a key to eradicating poverty. As part of this global move, Canada and Australia are merging their development aid agencies with their foreign affairs and trade ministries.

Ten African governments, including Benin, Burkina Faso, Ethiopia, Ghana, Ivory Coast, Malawi, Mozambique, Nigeria, Senegal, and Tanzania were committed in May 2012 to change dozens of their laws, policies and regulations to make their countries more attractive to the private sector under the G8's New Alliance for Food Security and Nutrition (New Alliance) initiative (Provost et al., 2014).

The Ethiopian Government agreed to undertake 15 policy commitments under the New Alliance initiative. Ethiopia said it would refine its policies on agrochemical imports and revisit its land law to encourage long-term land leasing. It also pledged to ratify a new seed law and implement policies to secure ownership and trade rights for commercial farms. The government said it would encourage international seed companies to operate in the country and revisit regulations to stimulate private sector engagement in livestock production (Provost, 2014).

The 2011 Busan High Level Meeting also recognized this new aid landscape. The world has more complex architecture for development co-operation, characterized by a greater number of state and non-state actors, as well as co-operation among countries at different stages in their development, many of them middle-income countries. South-South and triangular co-operation, new forms of public-private partnership, and other modalities and vehicles for development have become more prominent, complementing North-South forms of co-operation. According to the Busan report "two key factors served to create a paradigm shift in the nature of development

co-operation – the realization that aid alone is not enough to achieve our shared development goals, and the recognition of an evolving and increasingly complex development “architecture” characterized by a greater variety of actors, country contexts and new forms of partnership” (OECD/UNDP, 2014)

2.6 Approach of the Study

The country ownership concept covers all aspects of the joint effort of the recipients-donors partnership including the recipient countries ability to exercise effective leadership over their development policies and strategies; how aid is negotiated and coordinated; donors’ use of country’s system in aid delivery; and developing countries ability to mobilize finance for development.

However, there is a widespread misconception and lack of comprehensive studies on country ownership in Ethiopia. For example, Fraser and Whitefield define ownership as the degree of control recipient governments are able to exercise over policy design and implementation. DAC/GPEDC’s Aid Effectiveness Framework, on the other hand, emphasizes donors’ use of host country system as an important aspect in analyzing country ownership. The Recipient countries ability to mobilize finance for their priority development programs under the new development finance landscape is also another dimension in assessing country ownership.

Thus, the country ownership concept requires careful analysis. This Study will analyze country ownership in the following three areas:

- i. Recipient countries ability to exercise effective leadership over their development policies and strategies and effectively co-ordinate various actors working in the country;
- ii. Donors’ use of recipient countries system in aid delivery; and
- iii. Recipient countries ability to mobilize finance for development.

Firstly, the Study will evaluate the adequacy of Fraser and Whitefield’s conclusion on country ownership in Ethiopia by looking at the aid coordination and negotiation practices in Ethiopia.

Secondly, while the DAC/GPEDC aid effectiveness monitoring survey reports, which are conducted every two years, provided data on donors' use of recipient countries system in aid delivery, the reports did not provide full account of the reasons behind the number obtained in the surveys. In this regard, the Study will explore why donors' use of recipient countries system in Ethiopia is high or low? The Study will also assess whether or not Ethiopia's existing aid modalities and disbursement channels are conducive for aid delivery.

Finally, the Study will assess whether or not the new global development finance landscape trends exists in Ethiopia, and assess how it affects the relationships between donors and GOE in advancing county ownership.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The Study used a mixed methods design. In the mixed methods design, the researcher used both qualitative and quantitative research methods to generate qualitative and quantitative data which together provided a better understanding of the unit of analysis, country ownership, than what each type does by itself.

Specifically, the qualitative research designs included a semi-structured interview with the five Sector Working Groups (SWGs), an unstructured interview with key informants, and a documentary analysis method. The qualitative research design allowed an intensive study on the three key areas of country ownership identified on page 24 and it also helped to generate detailed and contextual information on country ownership and aid effectiveness in Ethiopia.

The quantitative research designs used descriptive statistical techniques such as percentage and mean to analyze the quantitative data to better measure donors' use of host country system in Ethiopia over the period of 2005, 2007, 2010 and 2013.

The mixed methods design allowed the researcher to triangulate and complement results obtained from different research methods. Most of the information obtained through different sources was complementary. But, at times, the key informants provided a different sort of information than the SWGs particularly on whether government-donors dialogue was open and frank, which helped in triangulating information obtained from different sources.

3.2 Data Type and Source

In this study, both qualitative and quantitative data were collected from primary and secondary sources. The writer of this thesis approached both MOFED and the DAG secretariat office to take stock of the existing joint government–donor aid coordination structure, and identified the following: The High Level Forum, the Development Effectiveness Taskforce, the Sector

Working Groups (SWGs), and the Cross-cutting Thematic Working Groups. In addition, there are in-country donor only group – Development Assistance Group (DAG) and MOFED's External Resource Mobilization and Management pillar, which are engaged in aid design, negotiation and management in Ethiopia. These structures were the main sources of primary and secondary data for this thesis.

Through the semi-structured interview with the SWGs, primary data was obtained in aid coordination and negotiation practices in Ethiopia including types of policy issues discussed in government-donors fora, type and magnitude of aid disbursed through multi-donor trust/pooled funds systems, and opinions on the factors that hinder advancement of country ownership in the country. The key informants provided vital information on why donors provide aid to Ethiopia, and in-depth discussions were held with them on what works and what doesn't work.

The writer of this thesis also reviewed many documents including MOFED's unpublished documents on aid coordination and management for sharing Ethiopian experience to Djibouti, Paris/Accra/Busan aid effectiveness monitoring survey reports, the DAG annual reports, SWG terms of reference/minutes/reports, joint government-donor Aid Effectiveness Taskforce reports, evaluation report of GAVI-CSO Support model, etc.

Secondary data was obtained from OECD/DAC statistics, MOFED, National Bank of Ethiopia and the World Bank on magnitude of aid, number and amount of multi-donors trust/pooled funds, development financing sources such as Foreign Direct Investment, Remittance, and Public Borrowing, etc.

In addition, participant observation method was used, which helped to get some more insight on how government and donor officials interact in joint meetings. For example, the writer of this thesis participated in the G8 New Alliance for Food Security and Nutrition joint review meeting and on policy forum on Post 2015 Development Agendas.

3.3 Data Collection Instruments

Given their mandate, the Sector Working Groups (SWGs) were identified as key source of primary data and thus semi-structure interviews were administered with all the five SWGs established in the areas of Agriculture, Water, Health, Education and Transport Sectors. Semi-structured interview guide was prepared (Annex 1) and interviews were conducted with the secretariat representatives for Water and Agriculture SWGs and with the SWG members for Health, Transport and Education SWGs.

In addition, key informants interview guide was prepared (Annex 2). Using the guide as a framework, the key informants identified from MOFED's Secretariat Office for High Level Forum, the Development Assistance Group (DAG) Secretariat Office at UNDP, and the Bill & Melinda Gates Foundation Ethiopia Office were interviewed.

MOFED's Secretariat Office plays a critical role in coordinating development assistance in Ethiopia and works with the donors group (Development Assistance Group) in setting joint agendas for a biannual High Level Forum, supports SWGs, and coordinates and maintains the aid management database system. Thus, an in-depth interview was conducted with a senior staff working in the Secretariat Office at MOFED. A senior Aid Effectiveness Advisor in the DAG's Secretariat Office at UNDP was also a key informant of the Study who provided valuable information based on the experience gained from coordinating the 27 bilateral and multilateral donor agencies on aid effectiveness agendas. The Bill & Melinda Gates Foundation is the largest among the philanthropy donors in Ethiopia, and the researcher was fortunate to conduct in-depth interview with the head of its Ethiopia office. Consultation was also made with the World Bank staff to gather information on procedures and processes for establishing multi-donor trust funds by the World Bank.

There was no observation checklist prepared. However, the writer of this thesis noted and used some of the observation obtained from participation of relevant meetings. The list of meetings attended is provided in Annex 3.

3.4 Data Analysis

Once the primary and secondary data was gathered from different sources, the next question was how do you take this to the next level? Secondary data were organized in a form of tables and charts to simplify data analysis and presentation. In addition, some of the information obtained through the semi-structured interviews with the SWGs was tabulated, which includes Number of Development Partners providing aid to Ethiopia, Mandates of the SWG, etc.

Once the qualitative and quantitative data were organized, content analysis method was used to analysis and interprets the existing realities and data to establish facts and insights around the key research questions. Using the content analysis method, the researcher identified relevant research findings and groups them under thematic areas including aid coordination structure, aid negotiation and dialogue, use of host country system, and finance for development. However, at the analysis stage, a new thematic area emerged. It appeared that it was difficult to understand the concept of use of country system unless you know about types of aid modalities and disbursement channels used in the county. Then, aid modality and disbursement channels became one of the thematic areas and thus additional efforts were made to get more information on aid modality through additional consultation with MOFED and document reviews.

The content analysis method helped to think thoroughly keeping in mind all the data and insights observed including those generated from key informant interviews. More importantly, Textboxes were used to highlight key observations and lessons learned from both primary and secondary sources.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

The findings are presented based on the three issues identified for analyzing country ownership in designing and managing development assistance in Ethiopia on page 24. Sections 4.1 and 4.2 addresses the first issue: recipient countries ability to exercise effective leadership over their development policies and strategies and effectively co-ordinate various actors working in the country; Sections 4.3 and 4.4 addresses the second issue: donors' use of recipient countries system in aid delivery; and Section 4.5 addresses the third issue: the recipient countries ability to mobilize finance for development.

4.1 Aid Coordination and Management in Ethiopia

There are a large number of donors in Ethiopia and their aid delivery system is also complex. According to MOFED, the structure of partnership framework varies from one donor to other donor. The UN Development Assistance Framework is the common five year strategic framework for the operational activities of the UN System in Ethiopia; the European Development Fund provides assistance through a five-year Country Strategy Papers; and the World Bank Group and Africa Development Bank (AfDB) use a replenishment system within a three year cycle. Bilateral donors including Canada, DFID, Finland, Germany, Ireland, Japan, Norway, Sweden, and United States sign country assistance strategies with GOE for providing their development assistance to Ethiopia (MOFED, 2014).

Table 2: Number of Development Partners (DPs) Providing Aid to Ethiopia in Selected Sectors

Sector	No of DPs
Health	65
Agriculture and Food Security	22
Education	21
Water Supply, Sanitation and Hygiene	19
Transport	6

Source: Compiled from SWG semi-structure interview responses

How does Ethiopia coordinate and manage these large numbers of donors with their complex aid delivery system? Based on the secondary data and interviews conducted with aid coordination secretariats at MOFED and UNDP/DAG, the aid management structure in Ethiopia is presented in three categories: i) GOE's Aid Management Structure, ii) Government-Donors Aid Coordination Structure, and iii) Development Assistance Group (donors-alone) Structure.

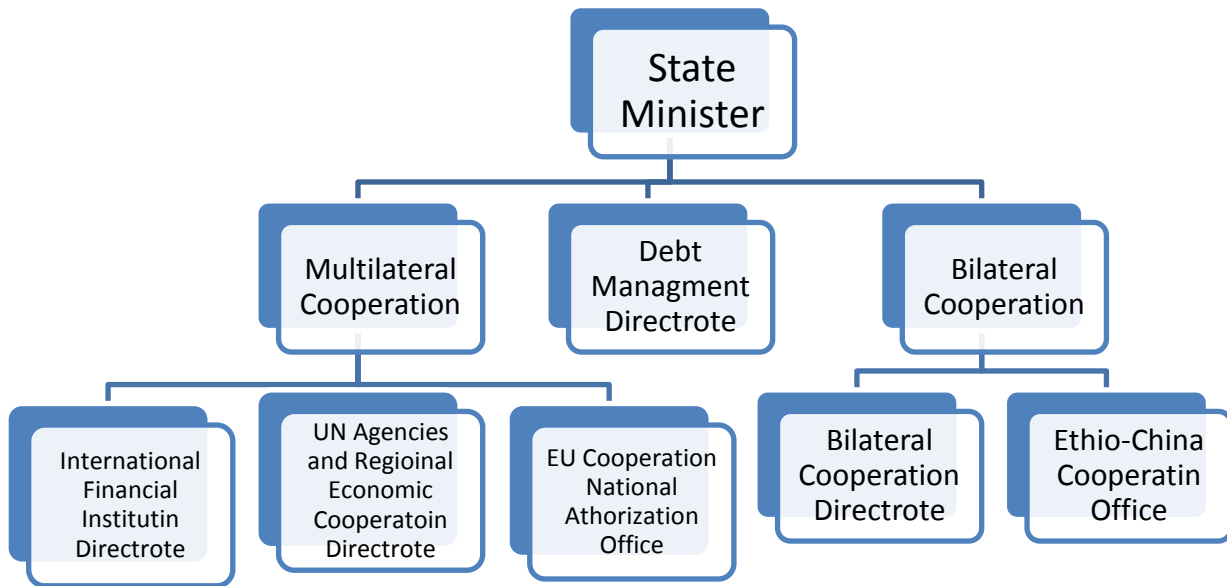
i) GOE's Aid Management Structure

The Proclamation No. 691/2010 gave MOFED mandates to mobilize, negotiate and sign foreign development aid and public loans, and manage and coordinate the bilateral cooperation as well as the relationship with international and regional organizations set-up for economic cooperation. MOFED is the focal point of the Government for all communications and coordination of development assistance including grants and loans. This includes responsibility of mobilizing financial resources that are necessary for achieving the National Development goals and coordinating the preparation of Country Cooperation Frameworks and Country Program Documents and sign them on the behalf of GOE. MOFED reviews and approves program documents and work Plans received from Sector ministries/institutions and Regional governments, and is responsible for monitoring and evaluation of the implementation of aid

programs. In addition, MOFED coordinates quality assurance and annual program/project audit activities (Federal Negarit Gazette, Proclamation No 691/2010).

In order to discharge these responsibilities entrusted on it, MOFED organized its External Resource Mobilization and Management pillar as shown in the following chart:

Chart 1: MOFED’s External Resource Mobilization and Management Organogram



Source: MOFED’s Billboard (2014)

MOFED in collaboration with the Development Partners has also established an aid information system called Aid Management Platform (AMP) to record and monitor the contribution of aid to the implementation of the GTP.

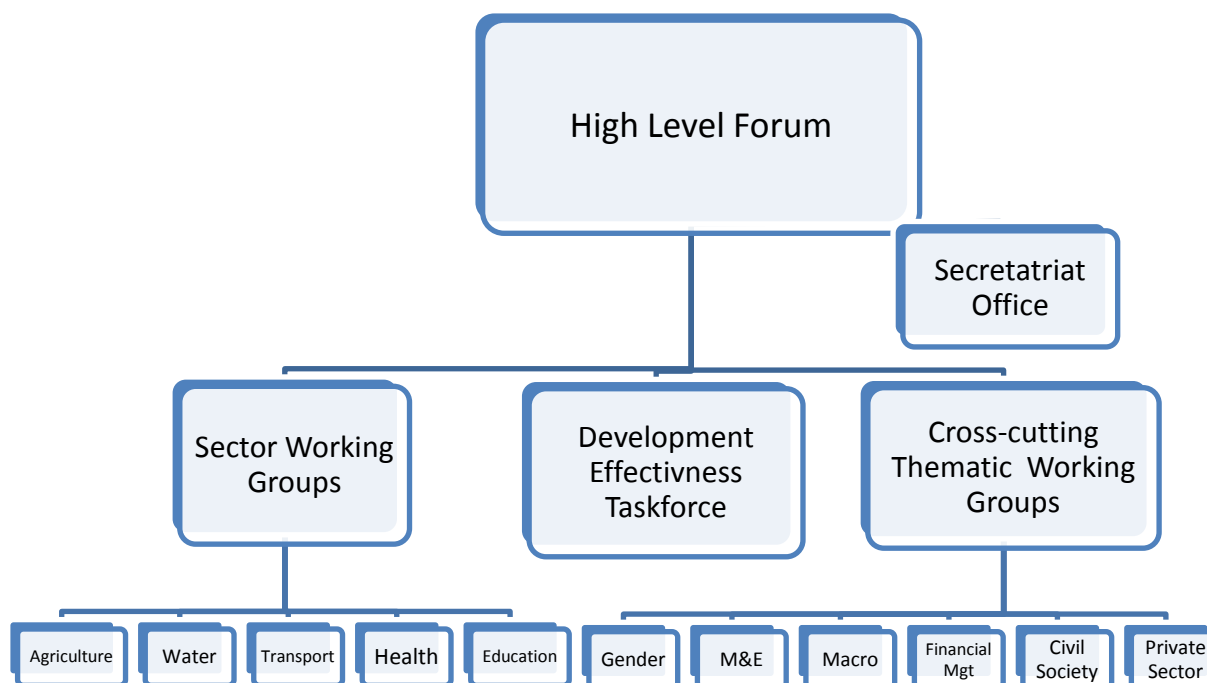
A key informant who knows the AMP system expressed that compliance of donor s and government sector ministries in updating the AMP database was not “satisfactory” in its first few years of implementation. Nevertheless, MOFED began generating aid data from the AMP system and published annual Aid data in 2011/12 and 2012/13 and was finalizing the release of 2013/14 aid data at the time of this thesis writing. The good news, according to the key informant, was that as MOFED began publishing aid data, donors has shown increased interest in updating the system to ensure their development assistance is not under reported.

Not only MOFED, but also the Ministry of Foreign Affairs (MOFA), Charities and Societies Agency (ChSA), sector ministries and regional governments play critical roles in coordinating, managing and implementing development assistance programs in Ethiopia. A key informant explained that MOFA through its diplomatic channels assists in mobilizing finance for development including aid, loan, foreign direct investment, and remittance through aggressive economic diplomacy in and outside the country. The ChSA directs and monitors the work of NGOs. Sector ministries and regional governments lead the implementation of programs and projects and are responsible for delivering results. Also, upon delegation from MOFED, sector ministries and regional governments negotiate and sign development assistance agreements with donors (MOFED, 2014).

ii) Government-Donors Aid Coordination Structure

The joint government-donor coordination structure in Ethiopia consists of the High Level Forum, the Development Effectiveness Taskforce, Sector Working Group, and Cross-Cutting thematic Working Groups.

Chart 2: Joint Government-Donors Aid Coordination Structure



Source: Own Illustration (after consultation with MOFED and DAG)

The High-Level Forum (HLF): HLF is the highest formal coordination body for dialogue between the GOE and the DAG focusing on policy and strategic issues. The HLF meets bi-annually, is chaired by the Minister of MOFED and co-chaired by the Chair of the DAG. All Heads of the DAG participate in the meeting. Up to the time of data compilation of this Study, a total of 17 High Level Fora were conducted and discussed on a variety of issues. Recent Forums covered themes ranging from private sector development, civil society, aid effectiveness and resilience building (DAG, 2013).

According to a key informant, HLF has a secretariat office, which is housed at MOFED under its “UN Agencies and Regional Economic Cooperation Directorate”. The HLF secretariat office closely coordinates with the donors group - Development Assistance Group - in setting agendas for a HLF, supports SWGs, and coordinates and maintains the aid management database system.

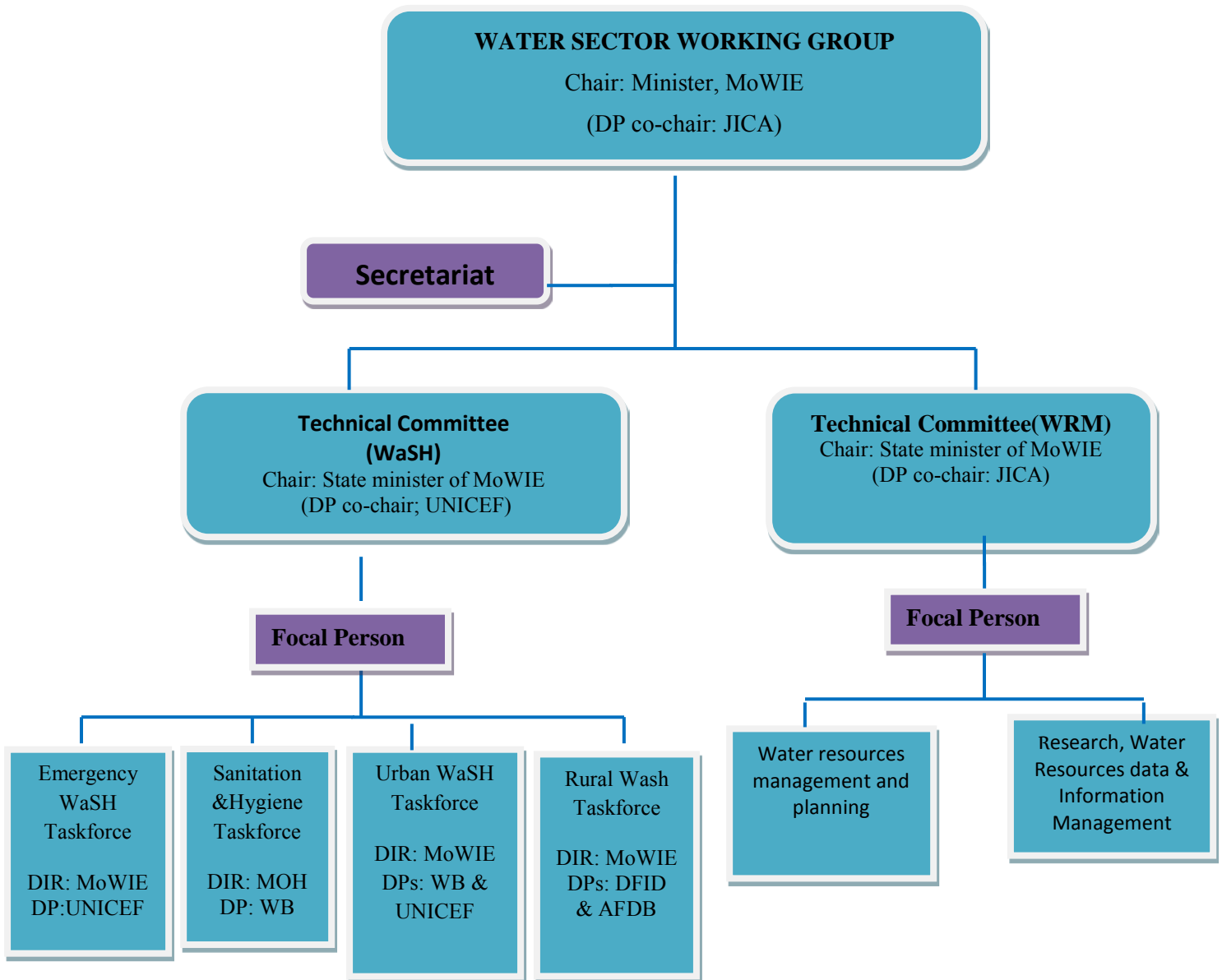
The Development Effectiveness Taskforce: Focuses on improving the aid effectiveness within the frameworks of global declarations and action plans such as the Rome (2003) and Paris (2005) Declarations, the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Co-operation (2011). The Taskforce is chaired by MOFED and has donor representatives from the European Union, Italy, the World Bank and the United Nations Development Program. The Taskforce meets regularly to assess donors and GOE progress on aid effectiveness commitments, and prepare agendas for the bi-annual meetings of the High-Level Forum. In 2014, the Taskforce coordinates the preparation, validation and submission of Ethiopia's progress on Busan Commitments on five indicators including: Aid predictability, Aid on budget, Mutual accountability, Gender equality, and use of country systems (DAG, 2013).

The Sector Working Groups (SWGs) are a key entry points for the data collection for this thesis because it coordinates and harmonizes the efforts of various development partners at the sectoral level, which is critical for advancement of country ownership in designing and managing development aid. The SWGs also deals with sectoral strategic, programmatic and implementation issues to advance the GTP objectives and targets. (Water Sector Working Group Secretariat Office: Terms of Reference of Water Sector Working Group, 2014).

There are five government-donor Sector Working Groups that were established in five sectors where aid is significant. These includes: Agriculture, Water, Transport, Health and Education. Data was collected from all these five SWGs mainly through interviews. The results obtained from interviews of the SWGs are presented under Section 4.2 Aid Negotiation and Dialogue in Ethiopia and Section 4.4 Use of Host Country System.

By design, a SWG is chaired by Ministerial level, a Technical Working Group (TWG) under the SWG chaired by State ministerial level, and a Taskforce under TWG chaired by Directorate level. The DAG facilitates the assignment of Development Partners' representative as a co-chair at each level. The following organogram for Water Sector Working Group (WSWG) provides a good example demonstrating how a typical SWG organized.

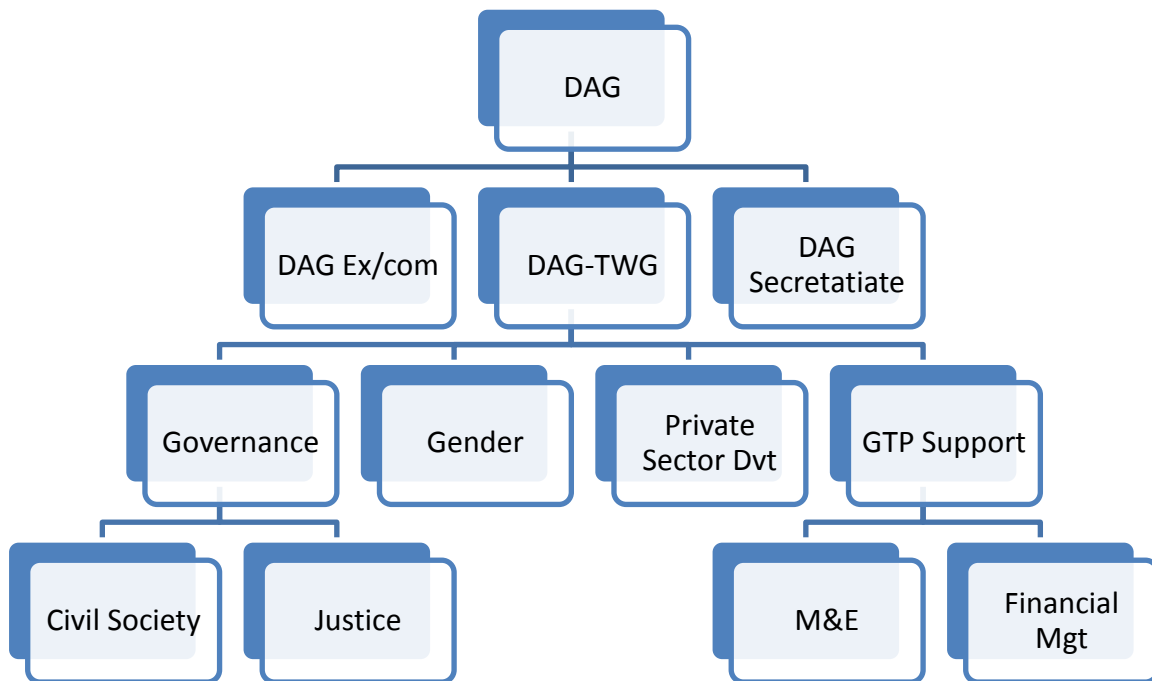
Chart 3: Water Sector Working Group Organogram



Source: Water Sector Working Group Secretariat Office (2014)

iii) Development Assistance Group (DAG) Structure: DAG, which comprises 27 bilateral and multilateral development agencies providing assistance to Ethiopia, is an important donor forum established in 2001 initially to share and exchange information and later became an effective collective donors voice that engages with the government through the donor-government sector working groups, and it also uses the High Level Forums and Effective Development Cooperation Taskforce to dialogue at senior policy level (DAG, 2014)

Chart 4: Development Assistance Group Structure in Ethiopia (donors group)



Source: Development Assistance Group, Annual Report 2013-2014

According to a key informant in DAG Secretariat Office, the structure of DAG evolves several times since its establishment in 2001. The major overhaul was when it decided to phase out some of its sectoral working groups as it helped establish joint government-donor SWGs described above. As the result, DAG abolished its donor-alone sector working groups in the areas of health, education, water, and macroeconomic analysis.

However, DAG still has parallel donor-alone working groups in cross-cutting areas including Gender, Civil Society, Monitoring and Evaluation, Private Sector Development, and Public Financial Management. DAG has also a broader Governance TWG, which provides a forum for donors for information exchange and reflection for continuous peer-learning on technical issues evolving political process, for example, elections.

What is not included in the DAG or the joint government-donor aid structure discussed above was China. According to a key informant in the DAG secretariat office, Government of China is reluctant to join DAG club or DAG organized events, while non-OECD/DAC countries such as India and Turkey became a member of the DAG in Ethiopia. However, a key informant at MOFED said that there is no need to include China in the GOE-DAG aid coordination structures because the nature of Ethio-Chinese cooperation is different from the Official Development Assistance delivered by OECD/DAC countries. China resources came to Ethiopia largely in the form of loans (concessional and non-concessional) with limited and highly specialized technical assistance associated with the projects financed by the loan.

MOFED established a separate China office in order to coordinate China's significant resource inflow to Ethiopia for financing public infrastructure projects, while coordinating all other bilateral donors' assistance under a single office, as shown in Chart 1, above.

The participation of private foundations in the government-donor coordination structure is so far limited. The Bill & Melinda Gates Foundation, the biggest private donor in Ethiopia, opened its country office in Ethiopia two years ago. According to the country representative of the Foundation, it is gearing up to fully participate and be represented in the agriculture and health sectors working groups. The Foundation is also attending DAG organized events when invited.

However, the Foundation is reluctant to join with a full membership status in the DAG because of the DAG's engagement in issues that are beyond the mandates of the Foundation.

In summary, there are strong and functional joint government-donors aid coordination structures in Ethiopia, which includes the High Level Forum, the Development Effectiveness Taskforce, Sector Working Groups, and Cross-cutting Thematic Working Groups. These structures not only helped in managing the complex aid system in Ethiopia, but also are important forums in bringing both government and donors on table for effective aid negotiations and policy dialogues.

4.2 Aid Negotiation and Dialogue in Ethiopia

As discussed in literature review, one of the key aspects of country ownership in development cooperation is the ability of host country to exercise effective leadership over their development policies and strategies and effectively co-ordinate various actors working in the country.

When asked to explain the concept of country ownership, most respondents consider country ownership as GOE's ability to "push back" policy options that tend to diverge from its own development vision and strategy. To mention a few, GOE adopted developmental state policy as opposed to liberal democracy subscribed by western donors; GOE refused to open-up selected sectors such as banks and telecommunication services for foreign private sector; no private land ownership; and GOE ratified Charities and Societies Proclamation regardless of donors concern on some of the provisions including exclusion of local NGOs with more than 10% of foreign sources from democracy and human right activities.

Then, what is the purpose of the joint government-donors aid coordination structures discussed in Section 4.1 above? Are the joint government-donors aid coordination and dialogue structures open and frank and help advance country ownership? The response from the semi-structured interviews with the SWGs on major factors that hinder country ownership (see Textbox 7) showed that lack of frank and open discussion between government and donors was not a problem implying that there is open, frank and transparent discussion and dialogue between government and its development partners in the joint government-donors SWGs meetings.

However, interviews with key informants revealed that common agendas and issues addressed at SWG level are only those that both government and donors have already established consensus, and the discussion at the SWGs focused rather on operational and implementation details (see Textboxes 2&3).

Sensitive policy issues that tend to diverge from GOE's development vision and strategy like described above are beyond the mandate of the SWG. Sensitive policy issues are handled at the Prime Minister Office level, outside the formal joint government-donor aid coordination structures. Aid agencies have to pull their ambassadors at country level and high level official at their home office for dialogue on sensitive policy issues. All interview respondents acknowledged the difficulty of policy dialogue with GOE on sensitive policy issues. Then, why do donors provide aid to Ethiopia?

Textbox 1: Why are donors providing development assistance to Ethiopia?

Ethiopia is a relatively stable country in the horn of Africa (surrounded by conflict ridden countries including Somali, Eritrea and Sudan), a key ally in global counter-terrorism efforts, and an exemplary African country with a high economic growth promising to eradicate poverty. Donors feel that “value for money” is justified in Ethiopia. According to a key informant, these are the reasons why western donors continued to provide significant development assistance to Ethiopia even at the time of economic difficulties at their home.

In addition, donors regarded GOE as one of the few African countries that is possible “to-do business with”. For example, in the 2013-2014 annual progress review workshop on G-8 New Alliance for Food Security and Nutrition, the writer of this thesis, who participated in the workshop, noted that donors highly commended GOE's willingness for policy changes in agriculture, food security and nutrition through its newly established Agricultural Transformation Agency (ATA).

Bill & Melinda Gates Foundation Country Representative, Haddis Tadesse, who attended an initial meeting between the late Prime Minister, Meles Zenawi and Melinda Gates, described ATA's establishment as follows:

Some 6 years ago, the late Prime Minister Meles asked the Bill & Melinda Gates Foundation to support a diagnostic study in agriculture sector. After in-depth study of the sector for two years, the Foundation with the help from McKinsey & Company Consulting submitted the diagnostic study, which recommends, among other things, for an establishment of an independent units similar to that of Asian countries Green Revolution. The new approach requires a systematic and multi-stakeholder unit to identify and prioritize the main drivers of transformational change. The GOE accepted the recommendation and established ATA in 2010, which is governed by the Agricultural Transformation Council led by the Prime Minister with members from MOA, MOFED, MOWI, Ethiopian Institute of Agriculture Research, and regional representatives from Amhara, Oromiya, South and Tigray regions. Since its establishment in 2010, ATA was able to mobilize about \$100 million from several donors, and with its flexible structure and result oriented function, ATA began to drive significant agricultural technologies and innovations in Ethiopia.

Apart from the sensitive policy issues described above, the responses from semi-structure interview on the involvement of the SWGs showed that donors through the SWGs are actively engaged in designing of host country development strategy/sector/program; joint program review, monitoring and evaluation of multi-donor trust/pooled funded programs; assisting in mobilization of finance for development; and policy dialogue.

Textbox 2: Involvement of joint government-donors Sector Working Groups

Strong in	Weak in
<ul style="list-style-type: none"> • Participate in designing of host country development strategy/sector/program • Joint program review, monitoring and evaluation of multi-donor trust/pooled funded programs • Mobilization of finance for development • Policy dialogue 	<ul style="list-style-type: none"> • Choice of aid delivery modality • Engaging civil society • Engaging non-DAC donors such as China

Source: Compiled from SWGs semi-structure interview responses

Looking the policy dialogue at SWGs more closely, it is largely focused on operational level and implementation details. For example, the Transport SWG assisted analytical work in transport sector and helped shaping Road Sector Development Program.

Textbox 3: Policy Dialogue in Transport Sector Working Group

2013/14 Achievements with the help of the Transport SWG:	Issues currently under discussion with Transport SWG:
<ul style="list-style-type: none"> • Approval of Road Sector Development Program V • Analytical Work in Transport Sector • Capacity building for Ethiopia Road Authority • Road Fund (since 1997, there have been important investment to expand and modernize road network) 	<ul style="list-style-type: none"> • Road safety • Integrating transport system • Supervision and quality of works • Procurement capacity • Logistics, unit price analysis, maintenance and socio-economic impact of completed and on-going road and railway projects

Source: Compiled from SWGs semi-structure interview responses

However, the level of participation was an issue in health sector. While Ministry of Health (MOH) began formulation of the next phase of Health Sector Development Program (HSDP) V about a year ago, donors have not yet actively involved in the drafting of this document. MOH confirmed that the document has not yet been shared with donors group at the time of writing this thesis. The MOH is taking its time in debating on HSDP V priorities internally between federal and regional governments and preferred to internally “digest” the document before any of the draft document is shared with donors for comments. This is exactly what donors do not like because they want to engage in drafting of the document, not just commenting on finished products. Experience shows that donors want to involve in drafting of host country strategy and program documents (directly or through a consultant) to bring their policy agendas on table and to exert influence.

Looking at the secondary data obtained from the DAC's aid effectiveness monitoring survey report, World Bank rated Ethiopia's ability to exercise effective leadership over their development policies in 2010 as "B" in a five-point scale, which runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010 (OECD, 2012). Ethiopia by scoring B met the 2010 targets. Textbox 4, below, provides the justification for the rating.

Textbox 4: World Bank's rating on Ethiopia's ability to exercise effective leadership over their development policies in 2010

According to the World Bank assessment, the government's vision for development has solidified over successive national development strategies to create a consistent and coherent approach. There is linkage between the GTP and sector strategies as well as use of the GTP by policy makers as a reference point to inform their planning and resource allocation decisions. The GTP has prioritized targets and it also integrates the Millennium Development Goals (MDGs) and cross-cutting themes. The GTP is well costed and linked to the budget through a medium-term fiscal framework, which provides forecasts of the revenue, budget expenditure and allocations at the federal level over a three-year period.

Source: OECD (2012) Aid Effectiveness 2011: Progress in Implementing the Paris Declaration, Better Aid, Volume II Country Chapters: Ethiopia.

Recent assessment related to this indicator also demonstrated that the country has a clear development strategy and has a strong level of government ownership over the national development agenda. Ethiopia's 2014 country report on post-Busan monitoring results revealed that "although Ethiopia does not have an aid policy or partnership policy, DAG and MOFED have previously agreed on an aid effectiveness action plan with clear indicators to measure progress. In addition, the Government and the DAG jointly monitor the GTP and have identified 80 indicators to track progress. The annual High Level Forums (HLF), together with various sector working group and program meetings, regularly discuss the implementation of sector strategies and national priorities".

In summary, GTP serves as a key resource mobilization tool and all development partners' resources are mobilized, planned and implemented in alignment with the GTP priorities and

targets showing that Ethiopia exercised effective leadership over its development policies and strategies, and effectively co-ordinates various actors working in the country. Looking at this dimension of country ownership, the writer of this thesis concurs with the Fraser and Whitefield's conclusion that Ethiopia has "largely succeeded in controlling the pace and degrees of reform and only adapt those policy prescriptions from donors when it finds acceptable to its own development agenda".

4.3 Aid Modalities and Disbursement Channels

Ethiopia accepts aid in a variety of ways including General Budget Support to the Treasury, Sector-Wide Approaches (a multi donor program to support a specific sector), Project Support, Technical Assistance, and Food Aid. According to MOFED (2014), there are three aid disbursement channels:

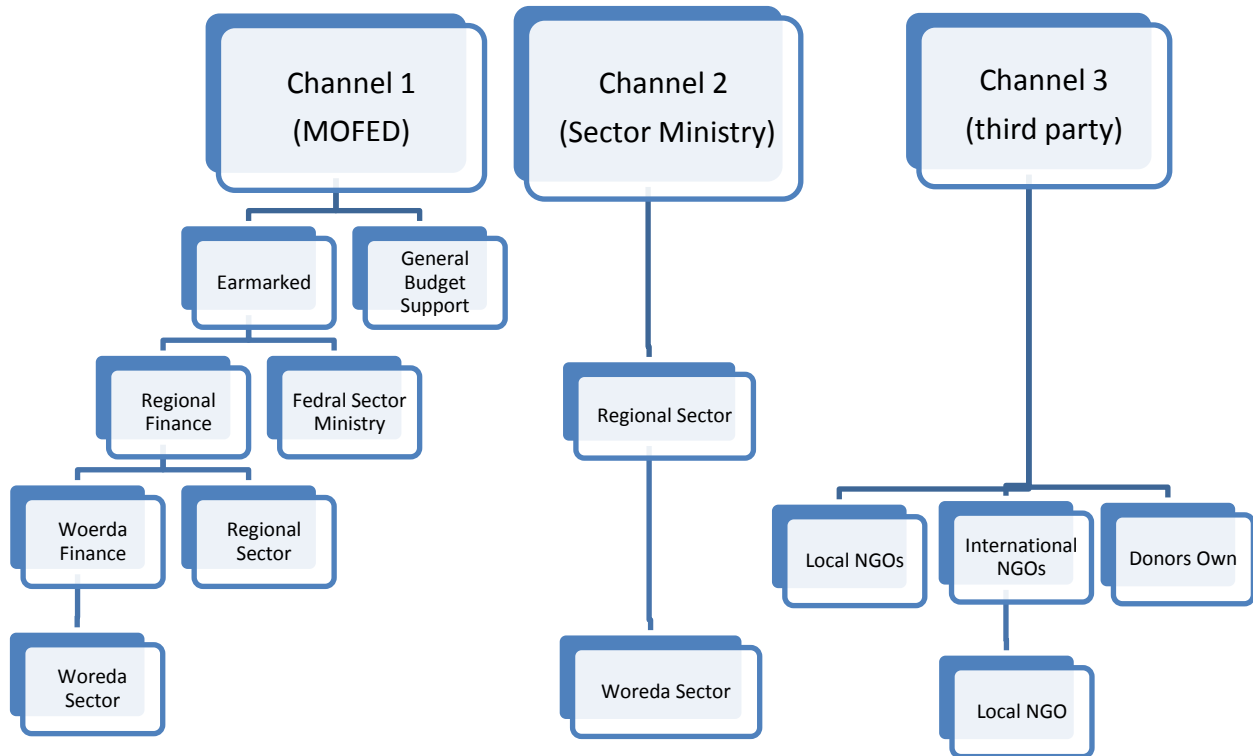
Channel 1: Donors release funds to government treasury (MOFED), which includes:

- General Budget Support (from treasury funds will be allocated to any activity), and
- Earmarked (from treasury funds transferred to specific program)

Channel 2: Donors release funds directly to sector ministries

Channel 3: Donors release funds directly to third party or implement activities by themselves.

Chart 5: Aid Disbursement Channels



Source: Own Illustration (after consultation with MOFED)

4.3.1 General Budget Support (DBS): DBS is an un-earmarked donor's financial support to Ethiopia's treasury, and can be used for any activity (MOFED, Operational Guideline for Aid Management Platform, 2011). Thus, it gives host country an absolute ownership in programming of aid funds. From donors' side, DBS is a means of pushing government to undertake some policy changes. For example, the conditionality for DBS could require government to allocate certain level of government budget for basic services and pro-poor activities.

However, donors terminated providing DBS in Ethiopia after the violence which followed the 2005 election, and DBS was later replaced by a multi-donor trust fund for Protecting Basic Service program (MOFED, Protecting Basic Services, Phase II Completion Report, 2013)

Textbox 5: Why was Direct Budget Support replaced by Protecting Basic Service Program?

After the violence which followed the 2005 elections, donors were unwilling to continue DBS, although all the conditions for Protecting Basic Service program (DBS) disbursement were fulfilled at the time. Instead, a multi-donor trust fund for PBS program was established and implemented to continue targeted support for basic services that would prevent ordinary Ethiopians from being the victims of disagreement between the government and donors in the areas of democracy and human rights. PBS continued to provide a harmonized framework for aid, avoiding a return to fragmented bilateral project activities, and making appropriate use of country systems. PBS has been one of the most important flows of aid funds since 2006.

Source: MOFED, Protecting Basic Services, Phase II Completion Report, 2013

4.3.2 Sector-Wide Approaches (SWAs): SWAs were designed to increase donor alignment with government policy and expenditure framework. SWAs usually requires i) an approved sectoral policy document and overall strategic framework with defined government priorities; ii) a medium-term expenditure framework for the sector; and iii) a coordinated process such as a joint government-donor SWG, led by the government. (MOFED, Operational Guideline for Aid Management Platform, 2011).

Responses obtained from the semi-structured interviews with the SWGs revealed that there are a wide range of instruments being used by different SWGs for different programs in Ethiopia. MOFED uses a Multi-Donor Trust Fund (MDTF) via a World Bank channeled through treasury (Channel I Earmarked) for Protecting Basic Services program. Education and Agriculture SWGs use MDTFs via World Bank channeled through their sector ministries (Channel II) for General Education Quality Improvement (GEQIP) and Agricultural Growth Program (AGP), respectively. All the World Bank's MDTF programs are discussed in detail under Section 4.3.2.1, below. Unlike the formers who relied on World Bank's coordination, MOH established and is managing a Multi-Donor Pooled Fund (MDPF) for its Health MDG Pooled Fund program, which is discussed in details under Section 4.3.2.2. In MOH case, all donors (both bilateral and

multilateral) participating in in the Health MDG Pooled Fund program directly disburses aid funds to MOH.

Responses from the semi-structured interviews with the SWGs and consultation with the World Bank staff revealed that donors and GOE currently have 8 Multi-Donor Trust Funds via World Bank and 2 Multi-Donor Trust/Pooled Fund MDPFs via Sector Ministries.

4.3.2.1 World Bank's MDTF: According to the World Bank's Trust Fund Handbook, the Bank establishes MDTF in consistent with IDA's concessional loan purposes and mandates. The Bank and the GOE develops a strategic approach to mobilizing concessional financing, identify programmatic areas needing support within the GTP, ensure financial disciplines and sound financial management system, and reach a clear understanding of the respective roles, and accountabilities of the government and the Bank for concessional resources (World Bank, Trust Fund Handbook, 2013).

The Trust Fund Handbook further explained that once the Bank and GOE approves and signs IDA concessional lending agreements, other donors are invited to contribute to the programs through trust funds. Trust fund activities are thus aligned with the Government-Bank's strategic development priorities and programs. Not all concessional loans are supported with trust fund. Currently, there are 8 programs jointly funded by concessional loan from IDA and trust funds from other donors (World Bank, Trust Fund Handbook, 2013).

**Table 3: List of Existing Multi-Donor Trust Funds by Commitment and Disbursement
(In million USD)**

S/N	Name of Program	Approval Date	End Date	IDA Loan		Grant (All Donors)	
				Net Commitment	Disbursed To date	Commitment	Disbursed To date
1	Protecting Basic Service (PBS) - III	25/9/12	07/11/18	600	486	605.4	604.4
2	General Education Quality Improvement (GEQIP) - II	12/11/13	07/07/18	130	55.2	150	114.4
3	Productive Safety Nets Project (PSNP)- III	29/3/12	30/6/15	850	840	163.4	105.4
	Productive Safety Nets Project (PSNP)IV	30/9/14	31/12/20	600	0	TBD	
4	Agricultural Growth Program (AGP)	30/11/11	31/3/16	150	100.6	84.7	57.7
5	Sustainable Land Management (SLM) Project	22/11/13	07/10/19	63	8	55.3	39.1
6	Competitiveness and Job Creation Project	13/5/14	30/6/20	250	11.2	1.4	1.1
7	Ethiopia Statistics for Results Project	30/5/14	30/6/17	10	1	10.1	1
8	Women Entrepreneurship Development project	24/5/12	31/12/17	50	31.9	5.82	3.52

Source: Compiled from World Bank Country Dashboard data (Accessed on December 18, 2014)

According to the World Bank's Trust Fund Handbook, disbursement of trust funds can be made to recipient government ministries, NGOs, and/or executed by the Bank itself in exceptional circumstances. The Bank executes activities under a MDTF on behalf of recipient countries upon written request of the recipient government. In such cases the Bank avoids execution of activities

where such execution undermines country ownership (World Bank, Trust Fund Handbook, 2013).

Almost all World Bank's MDTFs in Ethiopia are channeled through treasury (Channel I Earmarked) such as PBS and PSNP, or through a Sector Ministry (Channel II) such as GEQIP and AGP. In Ethiopia, Government requests Bank's execution of activities (Channel III) are limited to training, workshops and consultancy services for sector analysis, program design and evaluation. As shown in the table below, the proportion of World Bank's own execution from the total trust funds disbursed was too small in all MDTFs with the exception of the Competitiveness and Job Creation MDTF. In the Competitiveness and Job Creation MDTF, the World Bank disbursed all funds directly to non-government actors for private sector development. This is a newly established MDTF for private sector development, which makes sense to use third party mechanisms.

Table 4: Proportion of World Bank's Execution from Total Trust Funds Disbursed In Million USD

S/N	Name of Program	Trust Fund (TF) Disbursed To date	World Bank Execution (WBE)	% of WBE from TF Disbursed
1	Protecting Basic Service (PBS) - III	604.4	2	0.3%
2	General Education Quality Improvement (GEQIP) - II	114.4	0.2	0.2%
3	Productive Safety Nets Project (PSNP) - III	105.4	16.2	15.4%
4	Agricultural Growth Program (AGP)	57.7	0.9	1.6%
5	Sustainable Land Management (SLM) project	39.1	0.6	1.5%
6	Competitiveness and Job Creation Project	1.1	1.1	100.0%
7	Ethiopia Statistics for Results Project	1	0	0.0%
8	Women Entrepreneurship Development project	3.52	0.1	2.8%

Source: Compiled from World Bank Country Dashboard data (Accessed on December 18, 2014)

4.3.2.2 Multi-Donor Pooled Fund (MDPF): MDPF is an aid modality that pools donor funds to the government’s accounts. The government manages and accounts for these funds, preferably using standard budget procedures indistinguishable from those used for government revenues. The most famous program that used MDPF arrangement in Ethiopia is the Health MDG Pooled Fund, which is managed by Ministry of Health (MOH) using GOE financial and procurement procedures under “One-Plan-One-Budget and One-Report” concept. MOH signed a joint financing arrangement (JFA) with donors providing funds to the health MDG pooled Fund. The JFA sets out procedures for managing the pooled fund including planning; governance and decision making framework; program monitoring, evaluation, and reporting; while it utilizes GOE’s financial management, procurement and auditing systems.

Table 5: Health MDG Pooled Fund Disbursement (in USD)

List of Donors	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
GAVI						33,420,034
World Bank						35,393,073
Netherlands Embassy					5,714,275	7,142,827
Australia Embassy				7,445,900	12,561,360	4,973,250
WHO		664,303	300,969	698,773	0	148,337
UNICEF			500000	1000000	1500000	
UNFPA		1000000	1000000	995189	0	2,000,000
Spanish Aid		6,210,964	7,351,996	6,846,500	4,547,543	2,022,548
Italian Cooperation				3,793,853		
Irish Aid		1,924,660	2,217,960	3,484,285	2,447,777	5,523,618
DFID	4,407,268	12,934,392	43,314,566	81,577,544	106,964,000	142,558,200
Total	4,407,268	22,734,319	54,685,491	105,842,044	133,734,955	233,181,887

Source: Health Sector Development Program IV, Annual Performance Report 2013/14, MOH, February 2014.

In addition, the Minister of Water, Irrigation and Energy (MOWIE) along with development partners adopted a One Water Supply, Sanitation and Hygiene (WaSH) program. The Program will be implemented as a joint effort between Government, development partners, NGOs, training institutions, the private sector, community members and other stakeholders. As part of

this effort, donors including World Bank, AfDB, and UNICEF have expressed interest in supporting the Program through contributions to a Consolidated WASH Account, which was recently established at MOFED.

4.3.3 Project Support: A form of aid to finance specific activities with a limited objective, budget and timeframe to achieve specific results. The project approach is based on the identification of a specific area of intervention for donor involvement, and the targeted use of funds for specific activities for which the objectives, outputs and inputs have been defined (MOFED, Operational Guideline for Aid Management Platform, 2011).

Project support uses both Channel II through sector ministries and authorities and Channel III through direct contract with private entities or grant to NGOs. World Bank's projects support includes: rural road construction project, geothermal development project, and rural electrification project. Several bilateral donors also delivering aid in Ethiopia through project support. Responses obtained from MOFED key interview informant and interviews with SWGs revealed that project support is the least preferred aid modality particularly when it uses parallel system and Channel III disbursement mechanism.

Textbox 6: GOE's Preferred Aid Modality

Project support is the least preferred aid modality particularly when it uses parallel system through direct contract with private entities or direct grant to NGOs because of its high transaction cost and it leads to aid fragmentation. It requires individual project management and monitoring and evaluation arrangements. It also undermines country ownership by relying on donors own system rather than use of the country's financial and procurement systems.

In absence of direct budget support, the number one preferred aid modality by GOE is aid disbursement to the government sector through multi-donor trust/pool fund program.

4.3.4 In-kind Aid: Food aid and technical co-operation are also important in-kind assistance in Ethiopia. Development food aid in Ethiopia accounts 8% of the 3.4 billion gross ODA in 2011-2012 average (DAG Annual Report 2013-14). Development food aid is highly integrated with

other development activities through a relief-to-development initiative under the highly successful Productive Safety Net Program (PSNP). PSNP helps vulnerable population to graduate from relief and humanitarian assistance and become productive in on- and off-farm activities.

In summary, the Study found that establishments of several multi-donors trust/pooled funds were critical in advancing country ownership through the use of the country's financial and procurement systems and reduce transaction costs in program design, management, monitoring, reporting and evaluation.

4.4 Use of Host Country System

As discussed in the literature, the use and strengthening of developing countries' systems remain central to efforts to build effective institutions. Public sector institutions in developing countries play a strong role in supporting development by fostering growth, providing services, reducing inequalities and creating an enabling political and social environment for sustainable development. The High-Level Forums in Paris, Accra and Busan recognized that using countries' own institutions and systems is central to efforts to build sustainable and effective institutions. In the Busan Forum, Development Partners reaffirmed that they will use country systems "as the default approach" for development co-operation, and set targets that require donors to disburse 57% of the ODA through recipient countries' systems by 2015. The target may vary from country to country depending on the quality of financial management and procurement systems such that reduce the gap in the use of country systems by two-thirds where Country Policy and Institutional Assessments (CPIA) score is ≥ 5 ; or by one third where CPIA score is between 3.5 and 4.5 (OECD/UNDP, 2014).

According to the 2014 progress report on implementation of Busan commitment, donors' use of the country's systems in Ethiopia represents 51% of the 2013 ODA disbursed to the Government Sector. The 51% use of host country system in 2013 was lower than that of the 2010, which was 66%.

Table 6: Donors' Use of Host Country System (HCS) in Ethiopia (in Million USD)

Year	ODA	Country Program-able Aid	Disbursement for Gov. Sector	Budget Execution	Financial Reporting	Auditing	Procurement System	% of budget that used HCS
a	b	c	d	e	f	g	h	(Average of e,f,g,h)/d
2004	2370	1528						
2005	2500	1407	1048	609	473	338	132	37%
2006	7376	1633						
2007	2755	2174	1723	1015	601	798	712	45%
2008	3456	2158						
2009	4125	3138						
2010	3774	2669	2777	1770	2050	1958	1526	66%
2011	3641	2670						
2012	3410	2580						
2013	3826	3198	1956	1167	1158	1188	511	51%

Notes:

1. Global aid effectiveness surveys including Ethiopia were conducted in 2006, 2008, 2011 and 2014 for development assistance provided in years 2005, 2007, 2010 and 2013, respectively.
2. The 2005, 2007 and 2010 figures on percentage of aid that used host country system was revised to correspond to the 2013 methodology.

Source:

OECD/DAC statistics, Trends in Aid: Ethiopia (b&c)

2006 Survey on Monitoring the Paris Declaration, Ethiopia, OECD (2007)

2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010, OECD (2008)

2011 Survey, Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration, OECD (2011)

2014 Survey, Making Development Cooperation More Effective: 2014 Progress Report, OECD/UNDP 2014.

Compared with global results, the 51% use of host country system in Ethiopia is higher than the global average of 49%. According to the 2014 Global Business Monitoring Report, 49% of disbursements for the government sector in 2013 used PFM and procurement systems across all 38 countries reported to the Global Partnership Monitoring Survey. Reaching the target for this indicator will require that donors use country PFM and procurements systems for 57% of their disbursements for the government sector. However, Ethiopia is not among the best performer countries. Use of PFM and procurement systems is high in the following countries (more than 60%): Bangladesh, Côte d'Ivoire, Jamaica, Kenya, Kiribati, Marshall Islands, Federated States of Micronesia, Nepal, Niue, Palau, Peru, Philippines, Rwanda, Samoa, United Republic of Tanzania and Viet Nam.

Though Ethiopia has been a pilot country for implementation of the Paris Declaration for aid effectiveness, donors' performance on the use of host country system in Ethiopia was not satisfactory. Nearly half of the development assistance in 2013 was disbursed outside the country financial and procurement system and the country is experiencing a declining trend for the first time from 66% in 2010 to 51% in 2013. What are the major factors impeding use of host country system in Ethiopia? While the DAC/GPEDC aid effectiveness monitoring survey reports provided data on donors' use of recipient countries system in aid delivery, it did not provide the full account of the reasons behind the numbers. This Study found out that the following are major reasons that are impeding the use of host country system in Ethiopia, but at different degree:

i) Public Financial Management (PFM) System: Strong financial and procurement systems of host country are pre-requisites to ensure that Development Partners will disburse their funds through them, rather than using third party or donor's own parallel systems (OECD/UNDP, 2014). Not surprisingly, Ethiopia is a dominant public sector economy coming from the adoption of its developmental state policy. GOE has carried out a civil service reform including the Expenditure Management and Control Program in 1996, and since then the GOE has achieved significant strides in strengthening public sector capacity in the country. MOFED has recently piloting a state of the art Integrated Financial Management Information System (IFMIS), which is designed to replace the locally developed Integrated Budget Expenditure System throughout

federal and regional government apparatus in phasing. Through IFMIS, Ethiopia aims to support public bodies and regions to generate accurate, accessible, and timely government-wide financial information and reports which contribute to the improved quality of the nation's financial decision making.

Per World Bank's Country Policy and Institutional Assessments (CPIA), Ethiopia scored 3.5 on a scale of 1-low to 6-high in 2013, which was the same as that of the 2010 CPIA. Globally, according to the 2014 global Busan Monitoring Report, of the 33 countries reporting to the Global Partnership Monitoring Framework in 2013 for which CPIA scores are available, only 3 countries (Côte d' Ivoire, Honduras and Sudan) moved up by one measure since 2010; 3 countries have seen a decline by one measure since 2010 (Madagascar, United Republic of Tanzania and Viet Nam); and 27 reported the same score as in 2010. Countries with a strong score (4.0 and above) includes Armenia, Burkina Faso, Cabo Verde, Kosovo, the Republic of Moldova, Mozambique and Rwanda.

World Bank's CPIA has three dimensions including: 1) a comprehensive and credible budget, linked to policy priorities, 2) effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way, and 3) timely and accurate accounting and fiscal reporting, including timely and audited public accounts and effective arrangements for follow up (OECD/UNDP, 2014).

According to Ethiopia country report on 2014 post-Busan monitoring results, Ethiopia did not validate the World Bank's 2013 CPIA rating as it did not capture the progress made since the 2010 survey such as IFMIS piloting.

Regardless of controversies on World Bank's CPIA rating, Ethiopia's public financial management system has been justified through a series of separate joint government-donors Public Expenditure and Financial Accountability Assessments (PEFAs). 2014 was the third time that PEFA is being conducted in Ethiopia. It was up on the positive determination of the PEFAs that the donors mainly the World Bank and DFID provided decades of assistance to Ethiopia through the country systems notably the direct budget support and series of multi-donor trust funds in various sectors. In addition, a joint government-donor working group on Public

Financial Management has been established to address issues identified in financial management and procurement at a country and program levels. The conclusion is that though the country's financial management systems still need improvements, it is good enough for donor's use of country systems in aid delivery, and it is not as such the main reason for less use of country systems.

ii) Implementation capacity: Responses from the semi-structured interviews with the SWGs revealed that lack of local capacity to implement projects was by far the greatest factor that hinders country ownership in effectively designing and managing aid.

Textbox 7: Factors that hinder country ownership in designing and managing aid.

Major Problem	Minor Problem	Not a Problem
<ul style="list-style-type: none"> • Lack of local capacity to implement projects 	<ul style="list-style-type: none"> • Lack of effective aid coordination mechanism • Lack of coordination between federal and regional governments • Donors unwilling to finance government priority programs and projects • Lack of transparency from donors side • Donors take driver seat in setting policy agendas 	<ul style="list-style-type: none"> • The country has no clear development strategy and program • Lack of frank and open discussion from government side

Source: Compiled from SWG semi-structure interview responses

All the five SWGs unanimously responded that lack of local capacity to implement projects was the number 1 problem for more use of host country system in their sector. All the five SWGs also unanimously responded that the country has clear strategy/program and is open for discussion with donors that these factors are not a problem at all. The results on other factors were mixed. For example, few SWGs said that aid coordination was a major problem though the majority considered it as a minor problem, so it was coded as a minor problem.

The SWGs overwhelming response on the lack of local capacity as the number 1 problem for use of host country system was not a surprise as many past studies identified capacity constraint as major problem in Ethiopia. The 2012 DAG assessment on the performance of selected multi-donor trust funded programs including PBS and PSNP identified capacity constraints in financial management, delay in procurement, high staff turnover, and lack of credible monitoring and evaluation systems as some of implementation problems.

Recognizing public sector implementation capacity constraints, Ministry of Health (MOH) accepted disbursement of Global Alliance for Vaccine and Immunization (GAVI) funding to local and international civil society organizations (CSOs). According to MOH's guideline for GAVI-CSO support, MOH solicits application/proposal within the GAVI programmatic areas from local and international CSOs registered in the country through open and competitive bidding processes. Once a successful applicant is selected, the Ministry signs an agreement and disburses aid funds to the CSOs. MOH has established a Grant Management Unit to effectively execute GAVI - CSO support model.

As described in Textbox 8, below, Cambridge Economic Policy Associates' evaluation of GAVI support to CSOs in Ethiopia informed that channeling of funds to CSOs through government financial and procurement system is commendable:

Textbox 8: Is GAVI - CSO Support Model Working?

[... GAVI CSOs support] have worked well in Ethiopia – namely, proposal development and channeling of funding through the government. It is instructive to note that stakeholders in Ethiopia did not view the channeling of funds through government as problematic and the majority of consultees suggested that this is the preferred method. There was limited enthusiasm for routing funds through in-country bilateral donors and even lesser enthusiasm for routing funds through an international CSO with a local network. However, routing funds through an existing national umbrella CSO organization was viewed relatively positively – and has in fact worked well in Ethiopia's case, where the umbrella organization is one of the recipients [of GAVI funding through government system] ... who provide funding for seven further sub-recipient CSOs.

Source: Cambridge Economic Policy Associates (2012)

In addition, a key informant expressed that a limited funding for NGOs and private sector which are engaged in piloting innovative approach should continue because public sector have structural constraints to pilot new and innovative approach. GOE and DAG also acknowledged the use of parallel systems (private sector or NGOs or donors own systems) for delivery of aid in “some cases”. The 2014 country report on post-Busan monitoring results in Ethiopia stated that “in some cases the use of parallel systems or a partner’s [donors] own procedures is encouraged by Government in order to accelerate delivery or bypass government mechanisms in place.” For example, NGOs has been credited for piloting and expanding a flexible Alternative Basic Education system, which has enabled millions of out of school-age children living in remote places to have access to basic and primary education.

iii) Democracy and human rights: Some Ethiopian opposition and some international NGOs such as Human Rights Watch have repeatedly requested donors to halt use of country system (direct funding to government sector) for delivering aid in Ethiopia. The most notorious allegation that led DAG to conduct a study was the 2010 Human Rights Watch Report: Development Without Freedom – How Aid Underwrites Repression In Ethiopia. The main allegation of the Human Rights Watch report was that targeting of beneficiaries and recruitments of public service employees with a number of donor-supported programs were being influenced by consideration of political affiliation, in short, aid allocation were subject to political distortion. The allegation referred four programs including PSNP, PBS, the humanitarian relief program and the combined Enhanced Outreach Strategy - Targeted Supplementary/Feeding program. Source: the DAG commissioned Aid Management and Utilization Study (2012)

The finding of the DAG commissioned Study, however, revealed that all the four programs has accountability system in place that provides checks on distortion for political gains, but that all four programs should be further strengthened by giving more attention for transparency (through the generation and dissemination of information), independent monitoring, and the incentive which drive performance. Now that donor-funded programs ensure that safeguard mechanisms including social accountability are in place to prevent and detect distortion, if any.

However, the issue of democracy and human rights as conditionality for direct aid disbursement to the government sector won't end there. According to a key informant, some donors still want a democracy and human rights assessment, in addition to the Public Expenditure and Financial Accountability Assessments, to be carried out prior to providing direct funding to the government sector.

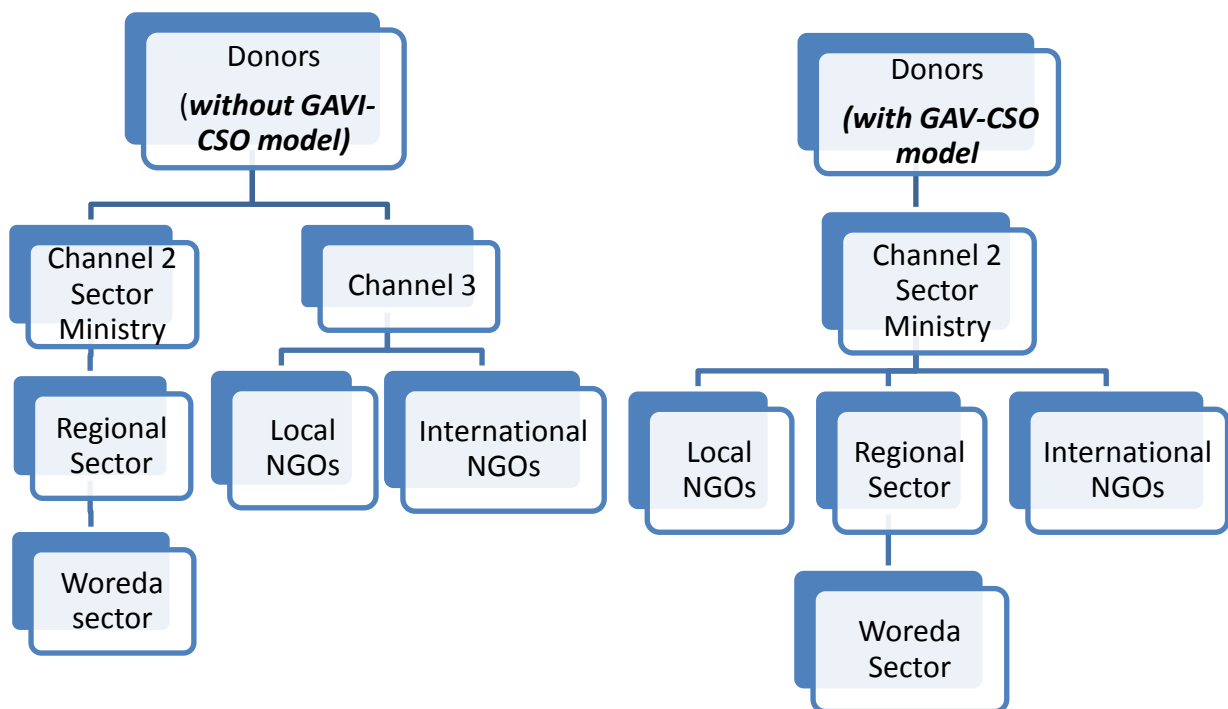
iv) Lack of effective dialogue strategy on use of host country system: The focus of government-donors dialogue thus far is on alignment of donors' assistance to national priorities to the Growth and Transformation Plan and G O E's determination to push back donor policy options when those policies are not fit-in to the country's vision and strategy, leaving the most important country ownership element, i.e., use of host country system as peripheral agenda and as a detail implementation issues to be handled at lower and mid-level government official. In addition, there are no donor-government agreed targets on use of host country system at individual donor level in Ethiopia that can drive donors for more use of the country system.

In a bid to increase donors' use of host country system in Ethiopia, the joint MOFED-DAG's Development Effectiveness Taskforce calls for the DAG members (donors) to set individual targets to increase the use of country systems. This is not a simple task. It will require extensive dialogue at the time when individual donor-cooperation framework agreement is designed, negotiated and signed. Once the target is established, follow-up its execution through joint government-donor program review and regular update of the Aid Management Platform – aid management database system are necessary (DAG, 2014, Post-Busan Monitoring Results for Ethiopia).

The writer of this thesis agrees that setting an agreed upon individual donor target on use of host country system is a step in the right direction, but it needs to be complemented by additional actions that will address issues of public sector capacity constraints, which this thesis identified as a key constraint for use of host country systems in Ethiopia. In this regard, the writer suggested for rolling-out the Global Alliance for Vaccines and Immunization (GAVI) - Civil Society (CSO) Support model for aid delivery across sectors.

The GAVI - CSO Support model minimizes public sector burden by providing aid funds that were channeled through the government system to local and international NGOs. As the model uses GOE's financial and procurement systems in disbursing aid funds, the government remains in charge in designing and managing the development assistance, while the NGOs play a mere implementation roles. If the GAVI - CSO Support model rolled-out in other sectors and common in the country, then aid disbursement Channel through Sector Ministry (Channel 2) would be modified as follows:

Chart 6: Aid disbursement Channels - with and without GAVI-CSO model



Source: Own Illustration

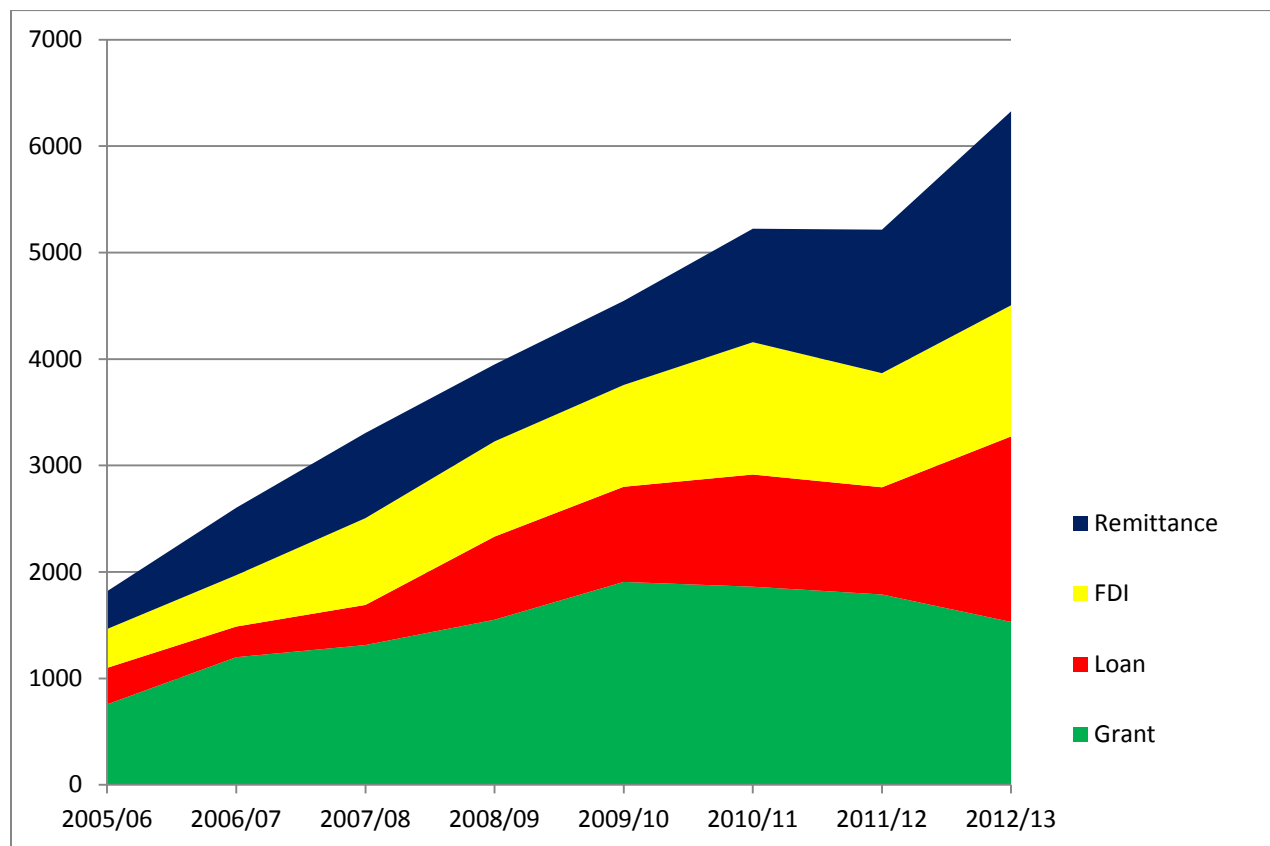
The idea is that if the Ethiopian government takes a bold measure in providing aid funds to local and international NGOs, it can make a compelling case to donors to increase the use of host country system, rather than the donors directly funding the NGOs. By doing so, Ethiopia could

achieve the global targets and join best performer countries on use of host country system, which bolsters country ownership and sustainability of the development assistance.

4.5 Finance for Development

As discussed in the literature, major shifts in international development finance landscape have been observed in recent years. Ethiopia is no exception to this because foreign direct investment, remittance, and external loans of finance for development have rapidly increasing, while grants have been relatively stable since 2009.

Chart 7: External Resources Trends in Ethiopia (in Millions USD)



Note: Loan includes only external concessional disbursements

Source: National Bank of Ethiopia (2014)

What is the impact of the new development finance landscape on country ownership? In the literature, skeptics on partnership approach argued that donors have stronger negotiation power (financial, technical and institutional) than recipient countries that the partnership concept is not genuine and create a false expectation on country ownership. However, with the increased financing options under the new development finance landscape, vibrant country ownership is emerging.

Ethiopia has been implementing a series of medium term sustainable development and poverty reduction plans to maintain a fast, sustainable and pro-poor economic growth. The current medium term national development plan, the Growth and Transformation Plan (GTP) for the period 2010/11-2014/15 has four main objectives: (1) maintain at least an average real GDP growth rate of 11.2 percent and attain MDGs related to poverty alleviation; (2) expand and ensure the qualities of education and health services and achieve MDGs in the social sector; (3) establish suitable conditions for sustainable nation building through the creation of a stable democratic and developmental state; and (4) ensure the sustainability of growth by realizing all the above objectives within a stable macroeconomic framework (MOFED, 2012).

Implementation of this ambitious GTP will require huge financial resource and commitments, and GOE is exerting tremendous efforts in mobilizing both domestic and external finance for implementing its ambitious development programs under the GTP. High level officials including the President, the Prime Minister, Sector Ministers, and foreign diplomats have been engaged in economic diplomacy to mobilize finance from both domestic and external sources. According to the Business Diplomacy Director at MOFA, the coming of various world leaders to the country accompanied with investors attests to the success of the diplomatic efforts. The Director said that the number of foreign investors who came to Ethiopia for feasibility study was 1,000 in 2006 E.C, which was higher than the previous year, 365 (Zerihun, 2014).

GOE's economic diplomacy efforts coupled with its sustained and high economic growth led to a significant increase in foreign direct investment (FDI). GOE has registered a significant growth in FDI from \$365.1 million in 2005/06 to \$1.2 billion in 2012/13. Remittance has also increased from low base \$354 million in 2005/06 to \$1.8 billion in 2012/13 (National Bank of Ethiopia, 2014)

With regard to South-to-South cooperation, MOFED's statistical data on debt (Table 7) shows that concessional and non-concessional loans from South-to-South Cooperation mainly China and other Asian countries has been increasing recently and meeting the much needed financial and technical assistance for public infrastructure development in Ethiopia.

Table 7: New External Debt Commitment (in Million USD)

CREDITOR	2007/8	2008/9	2009/10	2010/11	2011/12
MULTILATERAL	511.59	733.18	825.58	756.74	1,240.45
<i>ADF</i>		7.66	128.03	255.71	226.32
<i>IDA</i>	482.59	658.71	421.00	481.03	965.99
<i>IFAD</i>		6.80	19.96		48.14
<i>BADEA</i>	9.00	10.00	10.00		
<i>OFID</i>	20.00		15.00	20.00	
<i>IMF</i>		50.01	231.59		
BILATERAL	622.00	190.73	878.51	1,194.25	853.16
PARIS CLUB	0	0	0	0	0
NON-PARIS CLUB	622.00	190.73	878.51	1,194.25	853.16
<i>GOV.CHINA</i>				8.98	4.68
<i>EXIM-BANK OF INDIA</i>	122.00	166.23		304.31	47.00
<i>KUWAIT FUND</i>		24.50	24.22		
<i>SAUDI FUND</i>			10.00		25.00
<i>EXIM-BANK OF KOREA</i>					78.40
<i>EXIM-BANK OF CHINA</i>	500.00		374.29	880.96	575.08
<i>CHINA DEVELOPMENT .BANK</i>					123.00
<i>INVEST. & CON. BANK OF CHINA</i>			470.00		
PRIVATE CREDITORS	146.82	459.28	-	635.00	594.27
GRAND TOTAL	1,280.41	1,383.19	1,704.09	2,585.99	2,687.88

Source: MOFED, Debt Portfolio Analysis (2012) Annual Report No 13.

Ethiopia has recently joined the international bond market following the ratings by Moody's, Fitch, and Standard & Poor's in May 2014. Moody's was one agency that showed more optimism about Ethiopia's credit worthiness with an assigned rating of "B1" an equivalent of a "B+" rating as per the symbolization of S&P and Fitch. Fitch assigned Ethiopia a long-term foreign and local currency Issuer Default Debt Rating of 'B' with a stable outlook. Standard & Poor's assigned Ethiopia 'B/B' foreign and local currency ratings and also said the outlook for Africa's second most populous country was stable.

Through its first international bond market, Ethiopia borrowed \$1 billion dollar from external sources in non-concessional terms with interest rate of 6.625% and maturity period of 10 years. According to MOFED's press released on December 5, 2014, this landmark financing scheme through the international bond market affirms widespread positive receptivity to Ethiopia's track record of significant economic growth, prudent fiscal management and targeted reform (MOFED 2014).

International Monetary Fund (IMF) also projected increase in non-concessional disbursement in the next 6-7 years from \$1 billion in FY 2014/15 to \$2.5 billion in 2016/17, and remaining above \$1 billion until 2018/19 to finance public investment projects under the GTP II (IMF Ethiopia Country report, 2014). IMF repeatedly warned that Ethiopian Government needs to monitor closely the debt level and its concessionality to prevent any risks of external and public debt distress in the future.

Domestic sources (tax revenue) have also increased in Ethiopia from 11.4% of the GDP in 2009/10 to 12.7% of the GDP in 2013/14 (MOFED, 2014). GOE has also taken several measures to mobilize additional domestic finance through issuance of new government securities, a new private pension scheme, and branch expansion of the state-owned Commercial Bank of Ethiopia.

In addition, private foundations are providing limited assistance in Ethiopia. For example, the Bill & Melinda Gates Foundation, which started work in Ethiopia in 2000, has been implementing more than 145 projects worth of \$400 million in health, agriculture, financial services, water and sanitation, urban development and emergency relief. It uses range of implementing organizations including international NGOs, universities, host-country agencies

such as Ministry of Health and Agricultural Transformation Agency, and international organizations such as UNDP and World Bank.

With all these global and country level shifts in development financing landscape, developing countries including Ethiopia became more responsible in mobilizing and managing the multiple sources of development finance. This brings an important twist in country ownership and aid partnership debate. As discussed in the Literature, critics on aid partnership approach argued that western countries retain “financial, technological and institutional advantage” over the recipient countries and thus hold a ‘driver’s seat’ in aid negotiation and management. However, this argument will no more be the case under the new aid landscape because western countries are no more the only source of development finance for developing countries. Domestic revenue, south-south cooperation, foreign direct investment, non-concessional private lending, private foundation, and remittance increasingly became additional and important sources of finance for development in Ethiopia.

The shift in finance for development has brought a new relationship between GOE and donors. While traditional donors has still a role to play in Ethiopia’s development agendas particularly in social sectors, the South-to-South cooperation is increasingly becoming important source of financing GOE’s Growth and Transformation Plan priorities, particularly the infrastructure development (Greenhill et al., 2013:29).

The increasing importance of China in Ethiopia’s development endeavor was evident in the MOFA’s Article dated 1/12/14 described in Textbox 9, below:

Textbox 9: Ethio-China Relationship - a model for South-South Cooperation

Between 2003 and 2013, the yearly volume of bilateral trade between Ethiopia and China increased by more than 13 times. China has become the biggest foreign investor and the largest trading partner of Ethiopia. Ethiopia is now one of the main markets in Africa for Chinese products, equipment, technology and investment. Since 2006, China, through various mechanisms, has provided a large amount of financial support for the construction of a number of Ethiopia's mega projects. These include the first Express Toll Way and the first operative Wind Power Plant, the Addis Ababa Light Track Railway and other modern railways developments as well as the Tirunesh-Beijing Hospital and the Confucius Institute. They are vivid illustrations of our fruitful and comprehensive relationship.

Source MOFA (2014) Ethiopia-China relations: an excellent model for South-South cooperation

In response to the emerging new development finance landscape and its impact on recipient-donors relationships, developed countries are also adopting a new aid strategy that encourages allocation of significant foreign aid resources for supporting their private sector in investing in Africa. Some of the instruments launched under the new donors' strategy include the G8's New Alliance for Food Security and Nutrition, U.S. Power Africa Initiative, and British's new aid strategy, which stressed on economic development as a key to eradicating poverty. Ethiopia is a focus country in all of these initiatives.

Finance for Development is dynamic and complex, and its impact on recipient-donors relationship is also dynamic and complex. But what is clear is that country ownership became an unavoidable concept that both developing countries and their development partners must embrace and uphold it. So, the question now is how developing countries will manage the increased responsibilities resulting from dynamic, complex and multiple source of finance for development?

World leaders and development organization representatives will convene a world-wide conference on Finance for Development (FfD) in July, 2015 in Addis Ababa. The Addis FfD global conference, which is similar to the 2002 Monteria FfD conference for MDGs, is expected to outline financing strategies and establish some kind of consensus in financing the next 15 years “Sustainable Development Goals”, which will succeed the outgoing MDGs. The financing strategy is expected to recognize the new development finance landscape with multiple domestic and international financing options.

In the meeting on “Policy Reform on Post 2015 Development Agenda”, the writer of this thesis noted that in addition to the logistical role in staging a conference of this magnitude, Ethiopia could play a more substantive role, similar to that played by the Government of Mexico in the original Monterrey Process. As a host of the global FfD conference, Ethiopia could exert an outsized influence on the substantive outcome. At the time of this thesis writing, Ethiopia was preparing to take this responsibility with the support of the Africa Union and donors.

CHAPTER FIVE

CONCLUSIN AND RECOMMENDATIONS

5.1 Conclusion

The country ownership concept covers all aspects of the joint effort of the recipient-donor partnership. In terms of aid coordination, there are strong and functional joint government-donors aid coordination structures in Ethiopia, which includes the High Level Forum, the Development Effectiveness Taskforce, Sector Working Groups, and Cross-cutting Thematic Working Groups. These structures, among other things, helped for the establishment of several multi-donors trust/pooled funds, which are critical for advancing country ownership through the use of the country's financial and procurement systems.

Ethiopia is also commended that it accepts aid in a variety of ways including General Budget Support to the Treasury, Sector-Wide Approach (a multi donor program to support a specific sector), Project Support, Technical Assistance, and Food Aid. Ethiopia has also formally adopted three ways of aid disbursement channels that allows not just use of host country system, but also direct aid funding to NGOs.

While all donors coordinate their development assistance through common framework, nearly half of the development assistance in 2013 was disbursed outside of the country financial and procurement system. GOE and donors needs to do more to reverse the downward trend of use of host country system from 66% of ODA in 2010 to 51% of ODA in 2013. Ethiopia need to reach the minimum global target of 57% by 2015 and should also plan to join the 16 best performer developing countries, which already have registered more than 60%. However, the study found out that public sector capacity constraint has been hindering more use of host country system in Ethiopia. In this regard, rolling-out the GAVI-CSO Support model could be a great solution.

By providing aid funds that were channeled through the government system to local and international NGOs, the GAVI-CSO Support model would minimize public sector burden as it utilizes the capacity of both local and international NGOs. The model also supports country

ownership as the government remains in charge in designing and managing the development assistance, while the NGOs play a mere implementation roles. If the Ethiopian government takes a bold measure in providing aid funds to local and international NGOs, it can also make a compelling case to donors to increase the use of host country system, rather than the donors directly funding the NGOs.

With regard to country ownership and leadership in policy dialogue, the writer of this thesis agrees with the Fraser and Whitefield's conclusion that Ethiopia has "largely succeeded in controlling the pace and degrees of reform and only adapt those policy prescriptions from donors when it finds acceptable to its own development agenda". All respondents acknowledged that GOE "pushes backs" policy options that tend to diverge from its own development vision and strategy.

While democracy and human right issues have been and will continue to be a lingering agenda in government-donor relationships, western donors continued to provide significant development assistance to Ethiopia even at the time of economic difficulties at their home. Ethiopia's achievement of high economic growth speaks for itself that value for money is justified. Ethiopia is also attractive to donors as the country a relatively stable in conflict-ridden Horn of Africa and is a key ally in global effort on counter terrorism. In addition, GOE and donors have been engaged in constructive dialogues in designing, financing and monitoring of the implementation of the GTP and sector programs. These constructive dialogues between government-donors should continue in alignment with regional and international environment.

With the new aid landscape, western donors taking the driver seat in aid partnership will no more be the case because of the availability of multiple sources of finance for development beyond the traditional ODA provided by western countries. Domestic revenue, south-south cooperation, foreign direct investment, non-concessional private lending, private foundation, and remittance increasingly became additional and important sources of finance for development in Ethiopia. With this new development finance landscape, a vibrant country ownership is emerging that both developing countries and their development partners must embrace and uphold it.

However, developing countries including Ethiopia will have a huge task ahead of them in managing these increased responsibilities and optimizing the level and use of all sources of development financing including domestic revenue, foreign aid, non-concessional borrowing, foreign direct investment because each type of financing instrument has specific characteristics and strengths.

5.2 Recommendations:

In order to further advance country ownership in designing and managing development assistance in Ethiopia, the writer of this thesis suggests the following:

5.2.1 Role-out GAVI-CSO Support model in other sectors: While GOE should continue its effort in strengthening the public financial management and procurement systems, it is difficult for GOE to meet the vast and huge social services needs of its population through public sector alone. The greatest strengths of the GAVI-CSO Support model is that it uses host country financial and procurement systems, while providing funding to the CSOs for implementation of targeted activities. Replicating the GAVI-CSO support model in other sectors would minimize public sector burden without compromising country ownership in designing and managing development assistance.

This measure coupled with the joint government-donors' Development Effectiveness Taskforce planned action for setting agreed upon individual donor level targets would lead to more donors use of host country system that will achieve not only the Busan targets of 57% of ODA by 2015, but also will help Ethiopia become one of the best performer countries.

5.2.2 More open and frank government-donors policy dialogue. While Ethiopia's country ownership and leadership in designing and managing its development strategies and programs is imperative, the national effort should be complemented by supportive regional and international environment. GOE should continually review its visions, policy and development strategy to ensure that they are not isolated, but rather are aligned with the regional and international

development frameworks through constructive policy dialogue with regional and international community including donor countries.

5.2.3 Cautious Mobilization of Finance for Development - As the country strives in mobilizing finance for its development from different domestic and external sources, it is critical that GOE is optimizing the level and use of all sources of finance by mitigating their undesirable consequences such as potential debt distress as the result of large non-concessional loans. Further studies are required on how GOE will optimize the level and use of all sources of domestic and external finance for development and achieve sustainable development within a stable macroeconomic framework.

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Annex 1. Semi-Structured Interview Guide with SWGs

INTRODUCTION

This semi-structure interview is designed to collect data from the Joint government-donor Sector Working Groups (SWGs). The semi-structure interview with SWG is part of the data collection tool for a thesis titled “Government-Donors Partnership in Advancing Country Ownership for Aid Effectiveness in Ethiopia” in fulfillment of a Master’s Degree Program in Development Management at Addis Ababa University. The information that you provided for this survey is strictly confidential.

Q#	Question	Response
1	Name of the SWG	
2	Sector/program area	
3	List Members of the SWG (list the name of member organizations)	
4	Is there secretariat office for the SWG	1. Yes 2. No
5	If Yes to #4: Where is the secretariat office housed?	1. Government office 2. Multilateral Agency office 3. Bilateral donor office 4. SWG own office 5. Other, specify _____
6	Who chairs the SWG	1. Government official 2. Multilateral Agency official 3. Bilateral donor official 4. Other, specify _____

7	How frequently is SWG meet?	<ul style="list-style-type: none"> 1. Weekly 2. Monthly 3. Quarterly 4. Bi-annually 5. Annually 6. No regular meeting
8	Is there common financing arrangement such as multi-donor trust funds (MDTF) in this sector?	<ul style="list-style-type: none"> 1. Yes 2. No
8.1	If “Yes” to #8: Please specify the name of MDTF program	
8.2	If “Yes” to #8: Please list donors contributing funding to the MDTF	
8.3	If Yes to #8: Who is the lead donor?	
9	Policy dialogue: List policies that were enacted by the government with the support of the SWG	In 2013:
		In 2014:
10	List policies currently under discussion with the government	

Q11. Please rate your SWG involvement in the following areas: check one response in each row.

Area	Very Strong (4)	Strong (3)	Weak (2)	Very Weak (1)	No participation (0)
Policy dialogue					
Designing of host country development strategy/sector/program					
Designing of individual donor's country assistance strategy					
Mobilization of finance for development					
Choice of aid delivery instrument such as pooled fund or third party, etc					
Choice of interventions areas (infrastructure and commodity <i>versus</i> training and technical assistance)					
Choice of geographic focus					
Joint program review, monitoring and evaluation of MDTF programs such as Protecting Basic Services					
Joint program review, monitoring and evaluation of government own funded program such as villegization					
Joint program review, monitoring and evaluation of individual donor funded program through third party					
Engaging civil societies and private sector					
Engaging non-DAC donors such as China					

Q12. The following are major factors which hinder advancement of country ownership in effectively designing and managing foreign aid. Check one response in each row

Factors	Very Severe problem (4)	Major problem (3)	Moderate problem (2)	Minor problem (1)	It is not a problem (0)
The country has no clear development strategy and program					
Donors have their own national interest, and their priorities does not necessarily same as government priorities					
Lack of local capacity to implement projects					
Donors tends to impose policy conditionality					
Lack of effective aid coordination mechanisms					
Lack of frank and open discussion from government side					
Lack of transparency from donors side					
Donors take driver seat in setting policy agendas					
Donors unwilling to finance government priority programs and projects					
Lack of coordination between federal and regional governments					

13	What are the strengths of the SWG?	
14	What are the constraints and weakness of the SWG?	
15	What do you recommend the SWG to best function towards advancing county ownership in aid?	

Date Interviewed: _____

Annex 2: Key Informant Interview Guide

Introduction

This key informant interview guide is designed to collect data from persons who have in-depth knowledge and experience on aid effectiveness in Ethiopia including but not limited to Development Assistance Group Secretariat Office at UNDP, High Level Forum Secretariat Office at MOFED, Joint Sector Working Group Secretariat Office, and Private Foundations. The key informant interview is part of the data collection tool for a thesis titled “Government-Donors Partnership in Advancing Country Ownership for Aid Effectiveness in Ethiopia” in fulfillment of a Master’s Degree Program in Development Management at Addis Ababa University. The information that you provided for this survey is strictly confidential.

1. Describe the major actors from both government and donors who are engaged in Government-Donors Partnership for Aid Effectiveness in Ethiopia?
2. How are the different actors coordinated in an ever broader aid landscape which include multilateral, bilateral, private foundations, and emerging new donors such as china?
3. Describe the process of Aid negotiation in Ethiopia?
 - Policy dialogue: What lesson learned in policy dialogue between government and donors? What is the role of S/TWGs in policy dialogue?
 - How do you reconcile host country development strategy with individual donor’s country assistance strategy
 - Choice of aid delivery instrument such as pooled fund or third party, etc
 - Joint program review, monitoring and evaluation of MDTF programs, government own funded programs, and individual donor funded programs
4. Why Ethiopia has received significant amount of development assistance by OECD/DAC countries and International financial institutions such as World Bank?
5. Define the concept of country ownership in your own words?
 - Recipient countries leadership in designing and managing of their development strategies, including foreign aid,
 - Policy dialogue: recipient countries controlling of the pace and speed of reforms,
 - Recipient countries ability to mobilize foreign aid to finance their priority objectives, and
 - Donors’ use of government-to-government assistance

- Donors compliance on use of Aid Management Platform (AMP)
6. Statistics show that donors' progress in the use of host country system in Ethiopia is slow and low compared to the global target. Why?
 - Lack of local capacity to implement projects
 - Lack of coordination between federal and regional governments
 - Lack of effective aid coordination mechanisms
 - Donors have their own national interest, and their priorities do not necessarily same as government priorities
 - Lack of frank and open discussion between government and donors
 - Other

 7. What are the opportunities and challenges for Ethiopia in mobilizing Finance for Development in a new development finance landscape particularly from external sources including OECD/DAC countries, south to south cooperation, concessional and non-concessional external borrowing, FDI, etc?

 8. What need to be improved in advancing Country Ownership for Aid Effectiveness in Ethiopia?
 - Government side
 - Donors side

Date Interviewed: _____

Annex 3 List of Observations (meetings attended)

Date	Topic Agenda	Location
June 13, 2014	G8 New Alliance for Food Security and Nutrition 2013-2014 Annual Progress Review Workshop	Addis Ababa
November 14, 2014	Policy Forum on Post 2015 Development Agenda	Addis Ababa

DECLARATION

I declare that this thesis is my original work and has not been presented for a degree in any university and all the sources of materials used for the thesis are duly acknowledged.

Name of candidate: Muluken Chanie

Signature _____

Date 11/05/15

CONFIRMATION

This thesis can be submitted for examination with my approval as university advisor.

Advisor: Fenta Mandefro (PhD)

Signature _____

Date 14/05/15