

**USAID/ETHIOPIA**  
**CONCEPT PAPER**



**June 10, 1993**

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## I. EXECUTIVE SUMMARY

Ethiopia is one of the poorest countries in the world. Half of its burgeoning population of over 50 million inhabitants lives in abject poverty. Widespread chronic hunger, high unemployment, very poor health conditions, minimal infrastructure, wretched housing and an absence of basic services for four-fifths of the population are a daily reality.

To most outsiders, Ethiopia conjures up visions of hopelessness on a massive scale. Highly variable rainfall, the ravages of war, abysmal policies and serious historic underdevelopment have contributed to a trend of accelerating impoverishment punctuated by famines.

The costs of responding to this human nightmare have been immense. Since 1984 the United States has contributed well over one billion dollars in humanitarian assistance to Ethiopia. We have helped to save millions of lives. Until recently the environment was not conducive for development investments.

Today, the situation has changed. USAID can help Ethiopia move forward. In May 1991, a Transitional Government came to power. This Government moved quickly on political reconciliation and democratization. Bold steps have been taken to liberalize the economy. In advance of an approved strategy, USAID is helping to rehabilitate the economy.

The development challenge is awesome. This strategy focuses on basics - food, health, education and reconciliation. There is no dearth of things that USAID could do in Ethiopia. However, in light of our resource constraints and potential comparative advantages, the interests of the government and our preliminary understanding of Ethiopia's development needs, we have been forced to make tough choices.

This document is designed to reflect and explain the challenges of our strategy and the conclusions we have reached. The overall goal of our program is to support **Tangible Progress Towards Peace, Prosperity and Physical Well Being for the Majority of Ethiopians**. In support of this goal we have identified three sub-goals: **Enhanced Food Security; Smaller, Healthier and Better-Educated Families; and An increasingly Stable and Democratic Ethiopia**. To buttress these sub-goals we have picked four Strategic Objectives:

1. **Increased staple food production;**
2. **Key aspects of the rural health care delivery system rebuilt and reoriented;**
3. **Quality in primary education improves in an expanded system;**
4. **Increased access to and participation in a conciliatory democratic transition process to a permanent Government of Ethiopia (GOE).**

These objectives will be supplemented by one target of opportunity: Emergency Humanitarian Assistance to Ethiopia's most vulnerable groups provided in a timely manner.

## ACRONYM LISTING

AFDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
AISCO	Agricultural Input Supply Corporation
AMC	Agricultural Marketing Corporation
API	Assessment of Program Impact
ATLAS	African Training for Leadership and Skills
CAER	Consulting Assistance on Economic Reform
CC	Constitutional Commission
CHA	Community Health Agents
CHW	Community Health Worker
CSA	Central Statistics Authority
CIDA	Canadian International Development Agency
COM	Council of Ministers
COR	Council of Representatives
DCM	Development of Competitive Markets
DFA	Development Fund for Africa
EEC	European Economic Community
EFEOG	Ethiopian Free Election Observers Group
EGME	Ethiopian Grains Marketing Enterprise
ENA	Ethiopian News Agency
ENI	Ethiopian Nutrition Institute
EPRDF	Ethiopian People's Revolutionary Demo. Front
ERRP	Emergency Recovery and Reconstruction Project
FAO	Food and Agriculture Organization
FEWS	Famine Early Warning System
FHSM	Family Health Social Marketing Program
FSN	Foreign Service National
GER	Gross Enrollment Rates
GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	German Technical Cooperation
HIID	Harvard Institute for International Development
HIV	Human Immunodeficiency Virus
HPN	Health, Population and Nutrition
HRDA	Human Resource Development Assistance Project
IAG	Inter-Africa Group
IBRD	International Bank for Reconstruction and Development
IHRLG	International Human Rights Law Group
IMF	International Monetary Fund
JIOG	Joint International Observers Group
MOA	Ministry of Agriculture

MOE	Ministry of Education
MOH	Ministry of Health
MOI	Ministry of Information
MOJ	Ministry of Justice
MWITE	Merchandise Wholesaling, Importing and Trading Ent.
NDI	National Democratic Institute
NEC	National Election Commission
NGO	Non-governmental Organization
NPA	Non-Project Assistance
ODA	Overseas Development Agency
OE	Operating Expenses
OLF	Oromo Liberation Front
OPEC	Organization of Petroleum Exporting Countries
ORS	Oral Rehydration Solution
ORT	Oral Rehydration Therapy
OYB	Operational Year Budget
PD&S	Program Development and Support
PER	Public Expenditure Review
PHC	Primary Health Care
PVO	Private and Voluntary Organization
RRC	Relief and Rehabilitation Commission
SAC	Structural Adjustment Credit
SIDA	Swedish International Development Agency
STD	Sexually-Transmitted Disease
TBA	Traditional Birth Attendant
TGE	Transitional Government of Ethiopia
TTI	Teacher Training Institute
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Fund
UNFPA	United Nations Fund for Family Planning Assistance
USAID	U. S. Agency for International Development
USDH	U.S. Direct Hire
WHO	World Health Organization
WPE	Workers' Party of Ethiopia



**- ETHIOPIA -  
SELECTED DATA**

<b>PHYSICAL ATTRIBUTES</b>	<b>DEMOGRAPHY</b>
Surface Area.....454,000 sq.mi. Average Altitude.....6,000 ft. Arable Under Cultivation.....15%	Population.....54,800,000 Population Growth.....3.0% Total Fertility.....7.0 Contraceptive Prev. (Urban).....14% Contraceptive Prev. (Rural)..... <2% Average Family Size.....6-7 Pop by Year 2025.....125,000,000

<b>SOCIAL FACTORS</b>	
<b>HEALTH &amp; NUTRITION</b>	<b>EDUCATION</b>
Infant Mortality.....133/1000 Child Mortality.....220/1000 Maternal Mort.....700/100,000 Life Expectancy.....52 yrs Health Budget (% Total).....4% No. PHC Workers.....12,000 No. Active PHC Workers.....1,200 Daily Caloric Supply.....1200Kcal Average % W/HT.....80% Urban AIDS Prevalence.....6.8% Rural AIDS Prevalence.....0.3% Sex Worker AIDS Prev.....30-50%	Gross Primary Enrollment.....38% 1992 Real GER.....22% Primary Enrollment (Female)(F)...30% Gross Secondary Enrollment.....15% Secondary Enrollment (F).....12% Gross Higher Enrollment.....1% Higher Education (F)..... <0.2% Primary Student:Teacher.....43:1 ED as % of GDP.....4.4% Primary Completion Rate.....44%

<b>MACROECONOMIC FACTORS<sup>1</sup></b>	
<b>ECONOMY</b>	<b>FINANCE</b>
GDP Growth Rate (1991/1992).....-5.2% GDP Growth Rate (1992/1993).....+5.5% GDP Per Capita Growth (1992/1993).3.5% Inflation Rate (1992/3).....45%	Resource Balance (1992) (millions)..-\$763 Net Finan. Gap (92/93) (millions)...\$927 Gross Investment/GDP (1992/93).....13% Revenues/GDP (92/93).....19.8%

<sup>1</sup> Source: Proposed IDA Credit to Support Structural Adjustment in the Ethiopian Economy (Draft, April 15, 1993)

## **II. OVERVIEW - ETHIOPIA: BACK TO THE FUTURE**

The attached strategy paper outlines an ambitious program of assistance for Ethiopia. Large, productive investments in Ethiopia's future are justified now to avert costlier humanitarian charges later. Since 1984, the United States has spent over a billion dollars, an average of \$150 million a year, to meet Ethiopia's emergency needs.

Over the next several years, without forsaking our abiding commitment to alleviating acute suffering, comparable levels of AID development assistance need to be leveraged to begin the process of getting Ethiopia back on a path of sustainable growth. Getting this predominantly agricultural economy on its feet with healthier, better educated Ethiopians -- Ethiopians able to make choices and resolve differences democratically and peacefully -- is important to Ethiopia, to Africa and to the United States.

This introductory piece outlines the background and logic that have led us to make the strategic objective choices we are proposing to Washington. Fuller support and background for those choices are found in Annex 2.

At this juncture, this strategy concludes, the choices for Ethiopia are stark: reconstruct basic health, education and market systems, heal the wounds of political oppression and civil war, redefine the political landscape by embracing democratic, participatory, non-violent political decision making -- or revert to the Hobbesian nightmare epitomized by the previous dictatorship in Ethiopia and by the crisis in Somalia. The path to a better future requires going back to the basics, but it also calls for a new way of doing politics - with new norms and a new language.

This strategy recognizes the risks involved in accomplishing such a transformation and the difficulties societies face in starting a dialogue and resolving differences peacefully after so much painful experience. We shared the euphoria of the Ethiopian people at the downfall of the military regime of Mengistu Haile Mariam in the spring of 1991, but we are realistic about the tasks ahead.

After a lost generation, indeed after many lost generations, this strategy argues that Ethiopia faces its best and perhaps last chance to break out of a cycle of ever worsening misery. In a post Cold War world, Ethiopia is no longer a proxy playing field for great power competition. While external threats are still real, we believe they are manageable. There is the danger of spill over from the instability in Somalia and Southern Sudan. The specter of Islamic fundamentalism complicates regional and internal affairs. In addition, with Eritrea's independence, Ethiopia becomes landlocked. The leadership of both nations faces the special challenge of consolidating new relations that are based on economic integration rather than rancor.

Nonetheless, with patient, smart work these challenges can be managed. With a human population comprising nearly 50 percent in the Horn of Africa and about 10 percent in sub-Saharan Africa, a varied resource base, the long-term potential to be a pole of regional economic growth, as well as its strategic location, Ethiopia must be given a chance to play a proactive,

positive role in regional affairs. Such a role would be fully consonant with U.S. foreign policy in East Africa.

The best prospects for fundamental change in Ethiopia today are those internal changes associated with the advent of the Transitional Government. To understand why these changes seem so promising, the perspective of both recent and ancient Ethiopian history is helpful and of direct relevance to the thinking in our strategy. In looking at that history, we have been struck by the persistence of several themes - the suppression of religious and ethnic differences, a tendency to resolve differences violently, the alternation between periods of strong, centralized political control and anarchy, the precedence of war expenditures over development investments and a sense of long standing, inward-looking xenophobia.

Ethiopian political entities have been large and important to Africa for over two millennia. Before the birth of Christ, the Aksumite Empire began Ethiopia's recorded history and it bequeathed a legacy of considerable accomplishment. The immense obelisks and stellae at Aksum give testament to the existence of this rich, complex civilization.

This brilliant period of peace and prosperity lasted several centuries and ended when the Aksumite empire, by then a Christian empire, was challenged and dismembered by the threat of nascent Islam. Then in historian Edward Gibbon's memorable phrase, "encompassed on all sides by the enemies of their religion, the Aethiopians slept near a thousand years, forgetful of the world by whom they were forgotten."

This solitude was broken in the 16th century. Renewed contact with European culture and technology ensued, with complicated consequences for the people of Ethiopia. New foods like the potato, corn and the red pepper were introduced and they greatly improved and diversified the local diet. New weapons from Europe were used to repulse Islamic invaders and later helped Ethiopians to defeat an Italian attack at the Battle of Adua at the end of the 19th Century. But the introduction of new weapons increased the scope of the killing that incessant internecine fighting generated. Moreover, although Ethiopia avoided becoming a colony, it could not escape other consequences of the changes taking place in the world such as the slave, arms and ivory trade and the gradual encirclement of the country by colonial powers.

By the start of the 20th Century, most of the country had been brought under the control of a Christian Ethiopian emperor, Menelik II, by a bloody, ruthless process of conquest and subjugation. After his death and an extended period of instability, Haile Selassie emerged as the next Emperor at the beginning of the 1930s. At the time of his coronation, Ethiopia had few schools, virtually no roads, health care or infrastructure, no advanced agriculture and no modern government. The state exercised control through feudal warlords, whose allegiance to the Emperor was always tenuous.

Sustainable development was rendered elusive. In good years, surplus agricultural product tended to be extracted by marauding armies or the warlords' retainers, or failed to move at all because there were few roads. It was not used to generate revenues for the state to make

productive investments. In bad years, there was hunger and famine. From the peasants' perspective little had changed in two millennia: they were still forgotten.

In the mid-1930s, Ethiopia was invaded and occupied by the Italians. A humiliating era was introduced that lasted until the emperor was restored at liberation in 1941. During the Italian era little of developmental benefit was accomplished but, for defense reasons, some major roads had been built. Unfortunately, with the exception of the road from Awash to the port of Assab, the Italian network remains the core of Ethiopia's poor road transport system.

In the post-war era, despite strong components of autocracy and feudalism, the Emperor did begin to open Ethiopia up to modernization. His government welcomed foreign assistance, including assistance from the United States, and established many schools and health services, and worked to increase agricultural production. However, changes in land tenure systems were not made and farmers, mostly those in the subjugated south, continued to be treated virtually as serfs. Nomads in the peripheral lowlands were either ignored, or displaced when their pasture land was needed for irrigation schemes. He introduced some nominal elements of a democratic system of governance and a modern system of civil administration, including a judiciary. However, political power was autocratically wielded and, although there was some ethnic diversity in the power elite, most important decision makers were nobles from the dominant Amhara group. Economic policy was largely mercantilist and state intervention was significant. Nonetheless, from a minuscule base, there was industrial growth and commercial agriculture grew rapidly.

Under the rubric of the Cold War, Haile Selassie built up Africa's largest and best-equipped military. Increasingly, the attention of this force was directed at suppressing the irredentist aspirations of the Eritrean liberation movements. Eritrea, a former Italian colony, had been gradually absorbed by the Ethiopians after World War II.

The Emperor survived several decades of intrigues and a few close calls only to be toppled in 1974, when urban unrest was set off by the first international oil price shock and the discovery that the government had failed to react to a widespread famine in Wollo. Increasingly, public perception was seized with the weight of a dismal, bloody, uncaring and inequitable feudal autocracy.

Despite these and many other legitimate grievances connected with the old regime, in retrospect, many look back to the period leading up to 1974 as one of halcyon days. From an economic point of view there is some substantiation for such a view. Per capita income was growing as was per capita food consumption and production. A small modern industrial sector was emerging. There were jobs for the educated urban elite. The public treasury was solvent. Social services were reaching more and more people.

Nonetheless, at the onset of the new government in the mid-1970s, most of the virtues associated with the past regime had paled in the public's eyes. The new government, led by the Marxist military council known as the "Dergue", took quick action to address the famine and

to end feudal land practices. A sweeping land reform program of "land to the tiller" was enacted. This was a popular action. It was a time of hope. There was even talk of a negotiated settlement to the Eritrean question.

Very quickly, the politics of hope gave way to a more traditional variant of Ethiopian politics. Those politics, mixed with a new twist of Marxist-derived social engineering and mass totalitarianism, accelerated and deepened the suffering that has become associated with Ethiopia. In essence, over the next 17 years, the Dergue took what was, even in 1974, one of the poorest countries in the world and made it poorer. Thus was born the lost generation of opportunity, a time when a diaspora of talent occurred and when millions of others suffered the ravages of war, famine and political repression.

This brief recapitulation of Ethiopia's history sketches the complex web of persistent, repeated themes which challenge prospects for sustained economic growth. We see numerous examples of extraction rather than investment, violence rather than free choice, suppression of differences rather than respect for them, divisiveness rather than tolerance, and a desire to concentrate power rather than to share it.

To dwell on lost opportunities is distasteful but necessary to understand our strategy and why we think today is a time of change. At the base level, a threshold challenge is to help Ethiopia to get back to where it was in 1974 in terms of the average Ethiopian's ability to eat, to be educated, to be healthy and to create the wealth needed to sustain growth. Only then can we begin to move forward and to see impressive results.

This will not be easy. Regaining even that modest level of achievement will be a challenge as the scope of problems has expanded exponentially. Today, there are twice as many Ethiopians as in 1974, while the numbers and proportion of those in absolute poverty have increased by more than two-fold.

A clear manifestation of this is found in an examination of the scale of recent drought food emergencies. In the famine of 1973-74, during the Emperor's regime, it was estimated that as many as 100,000 may have died from government inaction. When relief efforts were finally mobilized, the international community was asked to contribute 100,000 metric tons for a million beneficiaries. It was assumed that those victims would quickly return to their homes and that their distress was transitory.

In 1984, as many as a million people may have perished before the Dergue allowed the international community to respond to the emergency. For that response, about 800,000 metric tons of food was mobilized for around 7 million beneficiaries. In 1988, there was another food shortage of a magnitude comparable to 1984, but this time the international community was allowed to act quickly.

In 1973, it was government indifference and weather which caused the suffering. In 1984 and 1988, war became the key aggravating factor, alongside the other influencing factors

of drought, bad governance, and the growing rebellions that put half of the country out of government control.

Today, there is peace and for the last few harvests there has been good weather. But the residual relief needs remain high: several hundred thousand metric tons for several million people. It is estimated that the structural food deficit for Ethiopia exceeds 1 million metric tons a year and over half the population lives in abject poverty. In large part, this is the legacy of the political and agricultural policies of the Dergue, combined with the underlying structural problems of generations of economic stagnation.

Against this bleak backdrop, a new government, led by a former guerrilla group known as the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), took power in the spring of 1991. For humanitarian reasons, the United States played a lead role in brokering a peaceful transfer of power. At the same time, little was known about the new leaders or their plans. Many feared that the new leaders, mostly from the long-rebellious Tigray Province in the North, would show the same Marxist predilections as their predecessors in government.

In fact, the new leadership showed itself to be not only pragmatic, but also unexpectedly open to new approaches to tackling Ethiopia's economic and development problems. It quickly took steps to signal its commitment to both democratic and economic liberalization in a framework of reconciliation. This commitment was perceived by international observers as a positive change in the tenor of Ethiopian political dialogue.

In response to these promising developments, the United States and the international donor community began to work with the new government to provide about two-thirds of a billion dollars in rapid assistance to begin the process of reconstruction and rehabilitation. All of our support was predicated on the government's continued progress in observing human rights, advancing democratic governance and adopting liberal economic policies. Our support continues to be contingent on such progress.

In the euphoria of the early days of the new government, expectations were high that dramatic, positive changes were feasible on both the economic and political fronts. To be fair, there have been significant positive changes that would have been unimaginable under any previous government in Ethiopia in both areas. Yet the reality is that we now have a much clearer recognition that the changes, or more importantly the desired benefits from the changes, especially on the economic front, will take much longer to complete and to take full effect than anyone expected. We have reluctantly incorporated this reality in our strategy.

Lowered expectations of rapid results cannot obscure the notable changes that have taken place. On the political front the new government, in consultation with a wide spectrum of Ethiopian opinion and interests, moved rapidly to foster national reconciliation, to expand the exercise of civil rights and to put in place a transitional structure of governance that was committed to decentralizing power and to establishing a pluralistic democracy. Freedom of speech, press and religion; the right of assembly; the right of workers to organize; the right to

redress grievances; an independent judiciary; respect for the rule of law and other fundamental human rights were guaranteed by the new government. Tolerance for ethnic and religious differences was explicitly guaranteed. A timetable was agreed to for local elections, for the development of a new constitution and ultimately, for national elections.

A development of special note relates to the tangible way in which the issue of decentralization plays out and the potential effects that it will have on any program which flows from the Mission strategy. In advance of national elections, the Transitional Government is completely committed to a process of ethnically based regionalization. The precise contours of how this will work remain unclear. Through our democracy project and our participation in the public expenditure review, we are players in working to positively influence this federalist tendency. Each of our sector teams raised this as an issue which would affect implementation. If the ethnic factor is handled carefully, regionalism could be a positive development.

Collectively, simultaneous movement on all of these issues represents an ambitious agenda. USAID and the Embassy have played a catalytic role in advancing this agenda. Progress has been uneven and some observers question the continuing commitment of the new government to aspects of this new political compact. There have been setbacks - flawed local elections, badly handled public demonstrations, indications of political intimidation and restrictions on human rights. But there have been successes as well that represent a break with the past and the possibility of a new future. The Constitutional Commission is working seriously and openly to produce a new document. There is a free, active press. People can speak freely. New parties have been formed. There are indications that the judiciary is acting independently and that the government is generally respecting the rule of law.

The situation remains fluid. This is after all a transitional period. We still believe that the opportunity now exists for our assistance in this area to make a difference in shaping the issues and the outcomes, in stimulating progress and in holding government accountable for its rhetoric.

On the economic front, there have been similarly wide-ranging, bedrock changes in direction. In the fall of 1991, shortly after the Transitional Government was constituted and after wide-ranging public discussions, an interim economic policy was issued. Essentially, this policy commits Ethiopia to a market-based path of private sector-led economic development, where the role of government is significantly diminished.

One clearly positive response to these reforms is that for the first time in many years the country experienced positive growth.

In view of the significant economic reforms, the international lending institutions have granted Ethiopia access to the Structural Adjustment Facility of the Fund and the Special Program for Africa. It is expected that a Bank-supported Structural Adjustment Credit will be completed shortly and that Ethiopia will be able to access the Expanded Structural Adjustment Facility of the Fund. The Paris Club has agreed to considerable debt forgiveness for Ethiopia.

This is a promising start, but much more remains to be done, especially at the sectoral level and in implementation. The new policies, while a considerable improvement over the past, are imperfect. The central issues of land reform and the return of state-owned properties have been postponed for consideration until after national elections. Likewise some of the limitations on foreign investment and the failure to move quicker on the legislation/regulations needed for a more liberal enabling environment for the private sector, particularly in the area of financial markets, are a disappointment. Again, however, one must look at the distance travelled as well as the distance which still remains. Progress to date has been far-reaching.

We began to prepare this strategy in the fall of 1992. Collectively, the Mission spent serious amounts of time and energy struggling to balance desired outcomes against likely accomplishments. From this process has emerged an ambitious strategy but one whose analytic moorings are uneven. We are confident that each of the strategic objectives selected is individually within our manageable interest and that there is sufficient analytic support for each selection. (N.B.: The collective management of all of the objectives simultaneously will be a challenge.) Where analytic unevenness comes into play, it is at the target or indicator levels. In the case of agriculture, we need to do more analytic work before feeling fully comfortable. We believe that these differentiations are faithfully and fully reflected in the text of this document and do not vitiate its validity.

Setting a strategy implies choices, choices which recognize comparative advantages, the abilities and efforts of others and other "real world" constraints. In reaching our conclusions we discarded many options for AID assistance (see Annex 3). Some of them might have been alternative approaches to solving Ethiopia's core problems. Others were not.

After a careful analysis of Ethiopia's history and its situation there was little disagreement that the fundamental challenge facing Ethiopia was the need for it to be able to feed itself and for Ethiopians to be able to live together peacefully. Consequently, as an aspirational goal, we will work to support:

**Tangible Progress Towards Peace, Prosperity and Physical Well Being for the Majority of Ethiopians.**

In support of this over-arching goal the Mission has identified three inter-related sub-goals. These are:

- 1. Enhanced Food Security;**
- 2. Smaller, Healthier, Better-Educated Families;**
- 3. An Increasingly Stable and Democratic Ethiopia.**

There are clear connections between these sub-goals. The first and the second make the possibility of stability more likely. Healthy, better-educated farm families will be able to

produce more food, more efficiently. Better-educated women will be more likely to make informed choices about their futures. Alleviating population pressures would have direct consequences for per capita food availability, the demand for social services and opportunity for females. Surplus production in rural areas can provide the capital for future investment. And so on.

To buttress these sub-goals we have picked four strategic objectives:

- 1. Increased staple food production;**
- 2. Key aspects of the rural health care delivery system rebuilt and re-oriented;**
- 3. Quality in primary education improves in an expanded system;**
- 4. Increased access to and participation in a conciliatory democratic transition process to a permanent Government of Ethiopia.**

## **1. Increased Staple Food Production**

Stimulating local food production is central to Ethiopia's future. As a result of accelerated population growth, environmental degradation and self-defeating agricultural policies, per capita agricultural production has decreased over the last decade. This worrisome trend has been made worse by periodic drought and civil strife which have, with increasing frequency, pushed large numbers of marginal agricultural producers into famine.

While the broad issue of food insecurity (encompassing issues of supply, access and use) probably remains the defining reality of Ethiopia, we have chosen to focus on supply, in recognition of the fact that food grain production remains the single biggest variable in the food security equation. Production of Ethiopia's main food crops (grains) can be significantly boosted through the use of fertilizers and improved seed varieties. In addition, with the decontrol of grain prices, there is a strong financial incentive for farmers to increase production and to use improved agricultural inputs. This represents an opportunity in the near term to have a positive impact on food grain production.

The main components of this strategy include: reducing government involvement in the marketing of agricultural goods and services; further liberalization of commodity and input markets; and, increasing the analytical capacity to deal with important policy reforms. These efforts will be complemented by supporting a national food safety net.

## **2. Key Aspects of the Rural Health Care Delivery System Rebuilt and Re-Oriented**

The health status of Ethiopians is among the lowest in the world. Essential health services have deteriorated greatly over the last 20 years. Selected figures indicate the dimensions of Ethiopia's health crisis.

Today, fewer than 20% of Ethiopian citizens have access to any modern health care. Twenty years ago, 40% did. Today the population is just over 50 million. By the year 2012, Ethiopia's population will exceed 100 million at current annual growth rates of 3%. Infant mortality is reported at 133/1,000, with child mortality at a rate of 226/1,000. Deaths from diarrhea may account for 45% of the child mortality. To position the program to a point where demonstrable impacts can be made in reducing AIDS transmission, curbing high population growth and lowering infant mortality, the health system needs to be reformed and rebuilt.

Our strategy efforts will focus on correcting national policies related to issues such as the budget allocation process. Likewise, in selected areas new service delivery mechanisms will be introduced and tested. To the extent possible, measures will be taken to aggressively curb AIDS transmission and population growth rates in advance of systematic recovery, primarily in urban areas through non-governmental service provision.

## **3. Quality in Primary Education Improves in an Expanded System**

Ethiopia is at a critical juncture in its educational development. The demographic pyramid illustrates a preponderance of children in the population, who are the future of their country. Yet the country's basic education system is in crisis and poorly equipped to handle this immense challenge. Only one child in five of primary school age is enrolled. Quality is rarely adequate, teachers are under-qualified and unsupported, educational inputs are unevenly available and inadequately used, and equitable access to schooling is denied many rural and female children. The primary sub-sector is seriously under-financed. Notwithstanding the absolute need for economic growth to fuel Ethiopia's development, this growth cannot be equitable and poverty-alleviating without a much broader and stronger human resource base.

The strategy acknowledges that systemic, structural reform is essential. The place for USAID to assist initially is at the foundation -- primary schooling, focusing on qualitative improvements. The system is at a critical crossroads in its development and overcoming its constraints in order to achieve the quantum and structural improvements needed will be difficult and expensive. The time is opportune for USAID involvement, even though just staying in place will require a major effort.

## **4. Increased Access to and Participation in a Conciliatory Democratic Transition Process to a Permanent Government of Ethiopia**

Under the terms of the 24-30 month transitional National Charter, agreed to in July 1991, the TGE explicitly committed itself to democratic principles and processes. The coming months

are a critical period in the country's political process. The country will experience its first multi-party national elections, draw up and hopefully ratify a new constitution, and consolidate the process of regionalization. Now, while it is still formulating its policies, is the time to influence the government and its leadership. The decisions made over the next 12-18 months will affect the country for years to come.

Thus, despite serious shortcomings in the democratization process, continued engagement in support of the transitional process in Ethiopia remains vital to USAID's program. The U.S. Embassy and the Mission must maintain dialogue with the TGE, non-EPRDF political movements and Ethiopian civic organizations, working together to define options (which include outside technical and material support) for improving upon past electoral experience, opening political debate, informing and broadening participation in the constitutional revision process, strengthening the journalistic profession, and assisting civic organizations and efforts to create an autonomous judicial system.

Our strategy is based on the broader assumptions that Ethiopia's prospects for stability, economic growth, and general recovery hinge to an overwhelming degree upon concrete progress in liberalizing Ethiopia's historically authoritarian mode of governance. Creation of a political environment that is progressively more accessible, participatory and tolerant is key. The TGE's progress in implementing its ambitious program of democratic change is at times contradictory, uneven and ambiguous. Hence, we must employ a strategy approach that is realistic, incremental, flexible and sustained.

These strategic objectives are supplemented by one target of opportunity:

**Emergency Humanitarian Assistance to Ethiopia's most vulnerable groups provided in a timely manner.**

#### **Emergency Humanitarian Assistance to Ethiopia's Most Vulnerable Groups Provided in a Timely Manner**

This target reflects a realization that it is likely that during the course of the strategy, Ethiopia will face another weather-induced food shortage of large proportions. Failure to prepare for this likelihood would be foolhardy. Our network of PVO partners, the enhanced development component of ongoing food aid efforts, the cessation of hostilities and improvements in both transport availability and domestic agricultural production should help improve the capacity of donors to respond in a timely fashion. Over time, as agricultural output expands, the demand for emergency assistance should decline.

This strategy will be supported by several cross-cutting themes. This includes concern for the sustainability of proposed interventions, the need for results, a gender disaggregated understanding of project impacts and a commitment to use private sector approaches wherever possible. Each of the Strategic Objectives includes private sector components.

While ambitious, we believe this is a realistic strategy. We are confident that the strategic objectives we have identified make sense for Ethiopia and can be accomplished over the life of the strategy with the support of the Bureau. To carry it off successfully will require a substantially increased commitment of resources by the Agency to Ethiopia and a willingness to sustain that commitment over many years. Our willingness to act must be matched by a correspondingly farsighted and consistent commitment by our Ethiopian colleagues to democracy, respect for human rights and a market oriented economy.

In some senses the proposed program is a throwback to the 1970s. We are proposing a large, inter-linked, multi-sectoral approach which is resource and management intensive at a time when the Agency is fighting for its life and major cutbacks are assumed. But this is a large, important country which has been in the wilderness of donor assistance for more than a generation. To get it on track, we need to be willing to key our interventions to where Ethiopia is at. That means concerted interventions in these key sectors, a case of *deja vu* all over again. That means major, meaningful and cost-effective investments now to avoid the much steeper costs of emergency salvage missions down the road.

With four Strategic Objectives and with a staff of 10 or 11 and a commodity/cash kitty of \$70 million a year it will be hard to make a dent in the problems here, even in tandem with other donors, with four strategic objectives. We are calling for a larger program, one which could get up to the annual level of about \$75 million in cash with \$40 million in Title III commodity assistance and about \$25 million in regular Title II resources - about 10% of the Bureau's resources. About half of those resources would go for the Strategic Objective of increasing staple food crop production. With 10 percent of the Bureau's clients and more than 10 percent of Africa's poorest citizens, this seems a fair resource claim. Comparable increases in staff may be necessary.

Clearly, the situation is one of flux. Given the varying levels of our understanding between sectors (below the strategic objective level), staff constraints and the transitional status of the situation, we are committed to proceeding in a sequenced, contingent fashion that will allow us to ratchet program components up or down relatively smoothly and quickly.

In sum, we believe that both AID and the Ethiopians in many ways need to go back to get to the future. For us, the scale and kinds of assistance proposed are reminiscent of the kinds of important, sustained AID interventions that helped the Kenyas, Indonesias and Indias of the world to catch up and make it to "first base" in the development game - being able to feed themselves. For the Ethiopians the time has come to get back to where they were 20 years ago economically, so that they can begin to have sustained growth and break a cycle of international dependency and violent politics. Ethiopia's tomorrow, depends on today. AID's support in this endeavor is critical.

### **III. THE CONTEXT FOR ETHIOPIA'S PROGRESS**

#### **A. Ethiopia's Development Framework**

The Transitional Government of Ethiopia (TGE) currently does not have an approved national development plan covering a long-term horizon. Nonetheless, the National Charter establishes the framework for fundamental reforms in the area of governance including: the right to form political parties; the establishment of an independent judiciary; the right of ethnic groups to administer their own affairs within their own defined territories or regions; and recognition of Eritrea's independence as endorsed by a referendum held in late April 1993. The Charter provides for local and regional elections, ratification of a new constitution, and national elections to establish a "permanent" Government of Ethiopia.

On the social front, the Charter sets out the objectives of the TGE. They include: rehabilitation of areas and peoples most severely affected by the war, and of populations uprooted as a result of the past regime's villagization and resettlement policies; reconstruction of infrastructure; and special economic consideration to formerly neglected regions.

The TGE's Economic Policy Paper contains the major themes of establishing peace and security, encouraging growth by replacing the previous centrally planned economy with a market-based economy, and reducing poverty. This paper defines objectives that provide for: decentralization of economic decision-making to the regional levels, limitations of the role of government; encouragement of private investment and private sector promotion; mobilization of external resources; and pursuit of appropriate macro-economic and sectoral policies.

The TGE has taken some positive steps with new investment, labor, and commercial and public enterprise laws that are beginning to increase private sector participation. It will have to tackle a number of more complex tasks during the planning period including reforms in the financial system and in the civil service, and privatization of larger state enterprises. The macroeconomic implications of its regionalization strategy also need to be defined. A clearer picture of Ethiopia's overall economic development strategy should result during FY 93.

The roles and authorities of the central ministries vis-a-vis the regional administrative authorities in strategy development, implementation and coordination at this stage remain unclear. Nonetheless, there appears to be a consensus within the government on the need for comprehensive programs and increased government spending to improve basic social services, such as basic education, primary health care, and water supply and sanitation.

## **B. Economic Environment**

### **1) Economic Characteristics**

Ethiopia, with a population of over 50 million people, is the second most populous country in Sub-Saharan Africa. With a per capita income of U.S.\$133 it is also one of the poorest countries in the world. Its social indicators reflect this acute level of poverty.

The Ethiopian economy is predominantly an agrarian economy with agriculture accounting for almost 85% of total employment and over 85% of total exports. Its contribution to GDP, however, remains at 40%, reflecting the fact that much farming is done on peasant farms using the most rudimentary technology. Agricultural production is composed of field crops (40%), cash crops (20%) and livestock (40%).

The industrial sector, contributes only 9% of GDP and around 15% of exports. Over 70% of industrial value added, and more than 90% of the value added in the formal industrial sector, is accounted for by public enterprises. The private industrial sector therefore consists mostly of small scale and informal enterprises. The remainder of the national output is provided by the service sector, whose large share is partly explained by the heavy defense expenditure incurred by the former Mengistu government.

Ethiopia is considered to have a rich, but as yet largely unexploited, natural resource base consisting of inter-alia gold, platinum, marble, copper, potash, soda ash and natural gas. Land is yet another natural resource, with only 15% of the total arable land under cultivation.

### **2) Socialist Legacy**

Despite this potentially abundant resource base, economic development in Ethiopia has remained intermittent, with per capita national output exhibiting a sustained fall in the late 1980s until the recovery in the current fiscal year (July 8 to July 7). **Real GDP growth fell from around 4% per annum in the period 1965-73 to only 1.5% per annum between 1974-91.** The economic impact of the decline in GDP growth rates was exacerbated by the acceleration of population growth from 2.6% in the former period to around 2.9% in the latter.

Structural factors such as the age structure of the population, low levels of urbanization, the limited size of the domestic market, a narrow export base, shortage of infrastructure and human capital, and the frequent recurrence of drought and famine have all hurt economic performance in the last two decades. However, government policies during the "Socialist" phase made the situation worse by attempting the wholesale collectivization of agricultural production and forced villagization and resettlement of entire populations from the more degraded regions of the north.

Similar patterns were also apparent in the cities. Private economic initiative was discouraged by restrictive licensing procedures, and discriminatory allocation of scarce foreign

exchange. Public enterprise management was riddled with political interference; 90 percent of its profits were transferred into the central treasury, used largely to finance the increasingly costly civil war. Inter-sectoral and inter-regional trade was subjected to frequent restrictions on movement and use of private transport.

The overall result of such misconceived economic policy, combined with a series of failures of rainfall and the gradual drying up of already-low levels of per capita external aid, led to a rapid decline in Ethiopia's industrial capacity utilization --to around 20% -- by the end of the 1990s, it also precipitated a dramatic fall in coffee exports, from 97,000 tons in fiscal year 1984 to less than 36,000 by FY 1992, and worsening balance-of- payment and fiscal deficits.

For Ethiopia, the Socialist experiment and command economy structure resulted not only in sustained economic decline and prolonged civil war, but also in the destruction of institutional structures, established by the Imperial Government in the 1960s, to promote private investment and financial sector development. The nationalization of industry, including foreign enterprises, in most cases without compensation, led to a collapse of private business confidence. It also condemned Ethiopia to almost two decades of isolation from advances in technology and skill transfers which foreign investment brings in its wake.

A return to the market economy path, as now envisaged by the TGE, implies the recreation of institutional structures which were just taking root in the last decade of the Haile Selassie regime--after two decades of lost opportunities.

### **3) New Economic Policy**

The TGE, which came to power in May 1991, therefore inherited a bankrupt economy with inflation running at a historic peak of between 40-45%; a parallel exchange rate which was over three and a half times the official rate, i.e., 7.5 birr compared to the legal 2.07 per dollar; a ruined industrial sector; and an empty state treasury. These problems were compounded by the existence of a transitory poor population of around 3 million composed of the internally displaced, refugees, returnees and demobilized soldiers.

There has been an improvement in the economic environment. First, the multi-donor financed Emergency Recovery and Reconstruction Project (ERRP), totaling approximately U.S. \$692 million, became effective and contributed to a record level of fertilizer consumption and to a rise in industrial capacity utilization to around 50% of normal production.

Second, donor confidence in the TGE's Economic Reform Program led to a Policy Framework Paper (PFP), a Structural Adjustment Facility (SAF), and rescheduling of Ethiopia's external debt by the Paris Club. Ethiopia's debt service burden was approximately halved.

Third, the TGE undertook a number of new economic reform measures. Accordingly, the majority of retail prices were decontrolled. Restrictions on transport tariffs have been lifted. Public corporations which managed groups of public enterprises have been dissolved in an

attempt to promote management autonomy. Investment and labor laws have been altered to promote private investment and permit labor release by public enterprises. In October 1992, the birr was devalued from its long-standing 2.07 birr to the dollar to 5.0 birr to the dollar, interest rates were raised and income tax rates were lowered.

These measures underscored the government's resolve that the era of central planning and administered prices was over. With an expected increase in GDP of 7-8% in the present fiscal year, a fall in the inflation rate from around 35% per annum in 1991 to 10.5% by end of 1992, a fall in the domestic bank financing of the fiscal deficit to 6%, a recovery of legal coffee exports following the devaluation of the birr, and an anticipated injection of close to US\$250 million in the form of balance-of-payments support, the economic environment continues to improve significantly.

### **C. Growth Prospects Over the Medium Term**

The prediction of impressive GDP growth of 7-8% for this fiscal year is fuelled by an expected 9% growth in agricultural output, largely caused by a 7% expansion in the area under cultivation. This is matched by an increase of service sector activity as licensing regulations are eased and restrictions in transport tariffs and movement of commodities and labor continue to be lifted. The economic recovery is therefore broad based, and with strong donor support should provide a foundation for a sustained economic upturn.

Another encouraging aspect is the fact that despite a substantial devaluation of the Birr in October 1992, the consumer price index for Addis Ababa continues to show a fall in real prices.

Economic growth in Ethiopia is expected to remain at 5.5% per year between 1993/94-1994/95, leading to a per capita growth of GDP of 2.5% per annum. This by itself is a testimony to the sharp reversal of economic position in Ethiopia.

Many weaknesses remain: the pace of parastatal reform is slow, while the transfer is hurried of some 80% of the capital budget to regional governments. It is probable that the inflationary pressure will rise as the agricultural lean season sets in and price decontrol extends to petroleum and public utilities.

Two over-arching concerns will continue to influence both government and donors alike. The first is to reduce the participation of the public sector in direct productive investment, thus providing new opportunities for private sector growth and employment. The second is to arrive at a balance between the central and regional governments so as to encourage local economic and social initiatives without jeopardizing overall macroeconomic stability. Both of these issues will take several years to resolve and need to be spelled out clearly in a future development program.

## **D. Political Environment**

Ethiopia's devastating internal wars culminated in the Mengistu regime's military defeat in May 1991 and the ascent to power of the Ethiopian People's Revolutionary Democratic Front (EPRDF). Thus ended 17 years of brutal Marxist dictatorship, and the beginning of a new phase in Ethiopia's history, the most salient feature of which is the EPRDF's ambitious and controversial experiment in national political reform. As it strives to consolidate its rule and broaden its legitimacy, the EPRDF has set several broad, ideal objectives: to transcend Ethiopia's violent and authoritarian past (including a peaceful resolution of Eritrea's status); to introduce a new language and new institutions for the civil and democratic mediation of conflict within Ethiopia's multi-ethnic and multi-religious society; and to bring greater stability and humane common sense to a region that remains dangerously volatile, strained by multiple, protracted internal wars, the collapse of state structures in such places as Somalia and southern Sudan, and the threat of expansive fundamentalism.

If even partially successful, the experiment under way in Ethiopia will establish a powerful precedent for governance in Africa and for post-Cold War transitions away from Marxist-Leninist systems. Still, Ethiopia's transition is laden -- and will likely continue to be laden well into the future -- with serious risks of foundering on its own internal contradictions and the budding catastrophes in its neighborhood.

The July 1991 National Conference brought the Transitional Government of Ethiopia (TGE) into existence. A National Charter, designed to govern Ethiopia for the ensuing 24-30 months, established that the TGE was to consist of a president, a prime minister and an ethnically mixed Council of Ministers (COM) and Council of Representatives (COR). The political core of the current government is the militarily dominant EPRDF; at the time of the National Conference, it joined in tactical alliance with the Oromo Liberation Front (OLF). Meles Zenawi, leader of the EPRDF, serves as president of the TGE.

The process of change that began in mid-1991 -- and which is intended to be complete in less than three years -- seeks nothing less than the wholesale revamping of the Ethiopian political system. At the outset, the EPRDF opted to disband the core institutions of the old order: the Workers' Party of Ethiopia (WPE), the security apparatus, and the 450,000-man army. To fill the resulting gap, and overturn a century of centralized imperial authoritarianism, compounded by 17 years under the Dergue, the TGE has given greatest emphasis to its vision of regionalization: the creation of a decentralized, popularly elected government, organized around newly drawn, ethnically based regions, and yet still subject to central controls to be defined in several areas.

Under the Charter, the TGE has also committed itself to abide by the United Nation's Universal Declaration on Human Rights; to seek an end to armed conflict; to respect the self-determination of Ethiopia's nationalities; to establish local and regional councils based on these nationalities; and to prepare a draft constitution that will be presented to an elected Constituent

Assembly, and which will result by the end of the transition in multiparty national elections and the transfer of power to an elected national assembly. The Charter also committed the TGE to honor the outcome of the internationally monitored referendum on Eritrea's status and on May 3, 1993, the TGE recognized the independence of Eritrea.

Several formidable obstacles impede the smooth implementation of the TGE's ambitious transitional plans. Indigenous traditions and culture provide little guidance or support; nor are the inherited legislative, judicial, and electoral infrastructures particularly capable or appropriate to the tasks at hand. Civic organizations are exceptionally weak. Pluralism, democracy, decentralization, the concept of a loyal opposition or governance by means other than monopoly power: these are little more than alien abstractions, while communal grievances and intense mutual distrust among Tigreans, Oromo, Amhara and other ethnic groups -- exacerbated by the fractured and weak character of Ethiopia's elite class -- are vivid. Collectively, these factors hinder the emergence of a new national consensus or inter-ethnic reconciliation that might hasten the relaxation of authoritarian habits, and encourage a broader, more open form of participation and debate on key issues (elections, a future constitution, the role of political parties and civic organizations). Especially problematic is the absence of a popular consensus regarding such key elements of the transitional program as the TGE's ethnically defined regionalization program and the TGE's endorsement of the breakaway of Eritrea.

The June 1992 local and regional elections and their aftermath revealed the magnitude of the challenges to carrying forward transition plans. Elections were marred by woefully poor administrative preparation, an absence of civic education, and confusing shifts in procedures and deadlines. Deep pre-existing mistrust among ethnic groups only intensified, generating multiple charges of intimidation, fraud and detention. Most non-EPRDF parties lacked the organizational capacity and will to compete effectively. Their weakness left them vulnerable to manipulation by the dominant EPRDF, which won 96.6% of local and regional assembly seats.

Just prior to the elections, the TGE lost its single-most important opposition movement, when the OLF decamped its forces, boycotted elections, and subsequently withdrew its ministers from the TGE. A limited war followed in the Oromo region that resulted in the capture and detention of 22,000 Oromo prisoners of war (POWs), subsequently released in March 1993. In late 1992, a peace commission comprised of several prominent ambassadors attempted to revive OLF-EPRDF talks. Those attempts did not succeed, and thereafter the OLF joined hands with other exile Ethiopian movements in denouncing the TGE.

In other areas, the transition has demonstrated progress. Unquestionably, Ethiopia's human rights environment has improved considerably during the transition, particularly if compared with the previous regime. International observers reported no serious EPRDF mistreatment of captured soldiers awaiting demobilization or of detainees awaiting screening and possible trial for war crimes. As of February 8, 1993, six months following the proclamation creating the Special Prosecutor's Office, attorneys have been able to present writs of habeas corpus on behalf of the estimated 1,500-2,000 political detainees. Since early March, the TGE has released over 850 on bail; another 600-700 have been remanded-in-custody, upon consent

of the High Court. Cases against the worst human rights violators will be considered in mid-1993.

There is evidence that the credibility and autonomy of the judicial system are slowly being strengthened. The reformed judicial system concentrates authority in a judicial commission that answers to the president and includes representatives from the COR, the Justice Ministry, the courts, the trade unions, and a renewed bar association. Judges with a history of Workers' Party of Ethiopia (WPE) membership have been removed; the Minister of Justice has begun the nationwide recruitment and training of new lower court judges, intended to restore the viability of this first point of contact between the judicial system and the average Ethiopian citizen.

In the past 18 months, privately owned/managed newspapers and magazines have proliferated in Addis Ababa. They now total over sixty. A large share of the new independent media are aggressively critical of the TGE.

The TGE does still possess a plural base that includes various Somali and minor elite Amhara parties. That base nonetheless narrowed considerably in 1992 and the first half of 1993: due to the EPRDF's escalating estrangement from the OLF, various vocal Amhara parties, and parties representing the southern Rift Valley regions (of whom four were expelled from the TGE in April 1993 after a Southern Coalition representative was signatory to an exile opposition communique, issued in Paris denouncing the TGE). The present, resulting conundrum, for the TGE, is how to create the space for an effective opposition, and how that space is to be filled, without inviting accusations of EPRDF stage-management; how this can be accomplished is unclear, given that the opposition has evolved in the past year from a condition of weakness, ineffectiveness and ambivalence, to its current state of utter powerlessness, marginalization and alienation.

During the remainder of the transition, the principal challenge before the TGE is to regain momentum toward democratic and coalitional politics in a way that reaches beyond the EPRDF and its affiliated parties to incorporate other significant elements of Ethiopian society. Signs of whether progress is possible will be discernible in the EPRDF's approach to the Constitutional Commission, in its pursuit of macroeconomic reform and reconstruction of the judicial system, in whether there is continued tolerance of press criticism, in whether conciliatory steps are taken to reincorporate hostile parties now outside the TGE, and in whether the TGE reopens popular debate on past electoral experience and defines options for strengthening public confidence in future elections.

A Constitutional Commission (CC) is working. In the CC, there is significant representation of non-EPRDF parties. Over the next few months, the CC will concentrate on promoting public debate on fundamental constitutional issues. A completed draft constitution is likely to be available for public review in September or October 1993.

Clearly, time pressures are mounting. If one calculates the advent of the TGE from the October 1991 date when the Council of Ministers was established, then formally, the transition should end at some point in February 1994. By that time, hypothetically, the TGE is expected to have presented a constitution to an elected constituent assembly, put an approved and possibly further amended constitution to a public referendum, and conducted national elections that establish a new national government.

## **E. External Support**

During the period of the socialist experiment under the Dergue, Ethiopia received the smallest volume of Official Development Assistance (ODA) per capita in the whole of sub-Saharan Africa. With the advent of the TGE and the announcement of the Economic Policy of the Transition Period in November 1991, the picture began to change rapidly.

The first clear indication of this shift in donor attitudes was the funding of the U.S. \$692 million Emergency Recovery and Reconstruction Program (ERRP) towards the end of 1991, for a period of 30 months. The ERRP package was funded under 11 separate co-financing agreements by 11 different donors. This was followed by the preparation of the joint World Bank/IMF/TGE Policy Framework Paper outlining the reform measures the government anticipated in the 1993/94 and 1994/95 period. This was approved by the Executive Directors of the World Bank in November 1992. Preparations are currently underway for the first Structural Adjustment Credit (SAC) from the World Bank towards the end of the present Ethiopian fiscal year in June 1993. The SAC I credit of approximately U.S. \$250 million, to be provided on standard IDA terms and disbursed in two tranches of U.S. \$150 million and \$100 million, is expected to trigger other donor support of approximately U.S. \$550 million including close to U.S. \$430 million of parallel financing of the reform program.

Apart from the increased levels of foreign aid, Ethiopia has experienced a shift in the composition of aid donors, away from such donors as the former Soviet Union and East Germany, to new donors such as Japan. Moreover, the European Economic Community (EEC) is in the process of sending a Structural Adjustment Mission of its own to further raise the flow of external support for Ethiopia's reform effort. Despite these shifts in composition, the World Bank group remains the largest single external donor, followed by such multilaterals as the EEC and the African Development Bank (AfDB). Among the bilaterals, the most significant donors in the coming two to three fiscal years are likely to be the United States and Japan.

Another important aspect of external support is the provision of debt relief. In late 1992, Ethiopia's arrears on hard currency debt servicing stood at some U.S. \$595 million while the debt to the former Soviet Union amounted to 795 million rubles. However, as a result of the March 1993 Paris Club rescheduling, Ethiopia received an estimated debt relief of U.S. \$515 million for 1992/93 and U.S. \$119 million for 1993/94. This is expected to bring down the estimated debt service burden from 71% to 41% by the end of FY 1993/94.

The World Bank estimates total foreign exchange requirements for Ethiopia to be U.S. \$2.2 billion in 1993/94, of which U.S. \$1.2 billion is expected to be provided by foreign exchange earnings. Of the difference, U.S. \$598 million is expected to come from existing disbursements, leaving a financing gap of U.S. \$384 million. This gap is expected to be financed from the SAC I and associated co-financing.

All of the above taken together projects a healthy level of external support for the reform program and gives Ethiopia a real chance of setting in motion a sustained economy recovery.

#### **IV. ASSUMPTIONS AND CONCLUSIONS ABOUT PRIORITIES FOR U.S. ASSISTANCE**

Clearly, there is no dearth of problems, needs and opportunities that USAID could respond to in Ethiopia. Even with substantial pledges of donor aid, the constraints are so overwhelming that tough choices have to be made about where those investments can make a visible difference in the country's progress.

In the back of our minds is a concern that this may well be last chance to make a difference in helping Ethiopia solve its own problems. The next 12-18 months will be critical for realizing a more positive future for Ethiopia. Also, while our strategy is growth and progress oriented, we have been forced to ground it in the reality that a rapid transformation in Ethiopia, in tandem with post-war reconstruction, is unlikely.

This implies several things. We must be realistic about what can be accomplished over the next five to seven years. We are not building on a base of 20 years worth of traditional USAID project investments; instead, we are building on an emergency legacy. Over the short term, this implies that if Ethiopia succeeds in restoring or regaining its development status to the levels it had reached in the mid-1970s, pre-Mengistu era, much will have been accomplished.

Politically, Ethiopia is riding on a razor's edge. The government's rhetoric remains largely consistent with the aims of the National Charter and the U.N. Declaration on Human Rights. Work on drafting a constitution has started and multiparty national elections are still planned for early in 1994.

Nonetheless, certain recent events signal that actual progress in promoting reconciliation and human rights can quickly lose ground. If a strong negative trend emerges, it will be increasingly difficult for Ethiopia to demonstrate that it is sufficiently stable to justify sizeable investments and support.

Even in the best case scenario of maintained progress toward the democratic aims, we assume Ethiopia's experimentation with democracy will remain fragile, vulnerable to internal (and possibly external) shocks, and high risk. Likewise, linear progression forward on the economic front is unlikely. There may be setbacks, but we must stand ready to continue support if the overall trend is consistently positive. Nonetheless, in this context, we have concluded that we must sequence the Mission's programs/projects in financial and programmatic terms. This approach will, among other things, allow us to adjust the flow of Development Fund for Africa (DFA) investments in what is likely to be a fluid and risky environment.

For many years U.S. emergency assistance to Ethiopia has annually averaged the staggering level of about \$150 million. In FY 1992, we obligated over \$40 million in DFA, and comparable levels of commodity assistance under Titles II and III, much of which was used to finance our participation in the multi-donor effort to "jump-start" Ethiopia's recovery. Ethiopia is one of AID's priority countries.

For the life of this strategy, we assume that AID will continue to see Ethiopia as a priority focus country in the Africa region. We assume that "AID fatigue" will not set in. The case is clear: Ethiopia is home to a population of over 50 million -- representing roughly 10% of the population in sub-Saharan Africa -- and is characterized by dismally low social and economic-related statistics on everything from life expectancy, to infant mortality rates, to primary school enrollment levels, to daily caloric supply and agriculture production rates. We believe the Agency shares our view that the opportunity exists now -- and cannot be deferred - - to make a sustained and meaningful commitment to Ethiopia.

After almost two decades of suspended foreign aid investments and unsustainable emergency relief efforts, modest levels of development assistance and regular food programming will not even begin to scratch the surface of what is needed in Ethiopia. It is abundantly clear from our analyses and from AID experience in similar development circumstances that we cannot assume a "quick-fix" approach would work in Ethiopia. The country has received "band-aids" for years; getting back to basic needs requires us and other donors to think in terms of no less than 20-25 years of AID commitments. Only then will it be possible to achieve a sufficient degree of sustainable impact.

The stage Ethiopia is at in its development and the hefty needs it must address for its growth are consonant with AID policies which emphasize support for equitable growth, food security, poverty alleviation, family planning, democracy and free markets. We considered Congressional interest areas such as child survival and basic education in identifying our strategic objectives. In an Ethiopian setting, interest areas alone cannot drive the selection process. The reality of this country's low social development profile naturally leads to the assumption that these are key areas that need to be tackled immediately, significantly and deliberately, if we want to come close to realizing our vision statement and the government's own priorities.

AID's comparative advantage in addressing the strategic objectives was another key consideration. We acknowledged our generally limited base of sectoral involvement in Ethiopia over the last 20 years. However, as an Agency, we have a wealth of experience in effective design and implementation of policy reform and traditional project interventions in all the key sectors of Ethiopia's needs. With the proper balance of human and financial resources, we assume that a comparative advantage in addressing the strategic objectives could be developed in a relatively short period of time. If there is any sector where the Agency's experience base is more limited or less scientific, it is in the area of democracy and governance, where no donor has as yet developed a predominant capacity to respond.

Finally, we have assumed that even with U.S. media attention focused on the horrifying events in Bosnia and other parts of the world, somehow famine and starving children in Ethiopia still have the ability to capture the interest and attention of the U.S. public. In the event a 1984 or 1988 emergency resurfaces, we assume that the U.S. public will want to know what we are doing to minimize and overcome the causes of Ethiopia's recurrent food shortages. We must

be able to say that we are helping Ethiopia to feed itself. Without putting food first, we will not feel confident in defending the quality of our development work and support here.

Because of Ethiopia's regressed state of development and the need to reinforce its progress towards respect for human rights and democratic processes, we must be willing to be ambitious and aggressive in our investments. We have assumed AID/W will make every effort to provide the funding and staff resources needed to do the job properly.

## V. STRATEGIC PROGRAM FRAMEWORK

### SUMMARY

The Overall Goal of the USAID program in Ethiopia is to support **tangible progress towards peace, prosperity and physical well-being for the majority of Ethiopians**. This goal reflects our belief that over the next seven years and without forsaking our abiding commitment to alleviating acute suffering, large, productive investments of AID development assistance must be leveraged to begin the process of getting Ethiopia back on a path of sustainable growth. Achievement of this goal will depend on liberalization, investment in economic and social development, and reorientation of the society's attitudes.

The process will have to accommodate a period of transition. The strategy recognizes the risks involved in accomplishing a transformation that affects the very fibre of a country's political, social and economic systems. Progress towards this goal would be evidenced by improvements in such basic conditions of life as per capita income, life expectancy, nutritional status and political freedom and stability.

In support of this goal, we identified the following **three inter-related sub-goals** which in turn are directly linked to our Strategic Objectives:

- Enhanced Food Security;
- Smaller, Healthier and Better-Educated families;
- An Increasingly Stable and Democratic Ethiopia.

There are clear connections between these sub-goals. The first two combine to make the possibility of achieving stability more likely. Healthy, better-educated farm families will be able to produce more food, more efficiently. Better-educated women will be more likely to be able to make better-informed choices about their futures - economically and socially. The extent to which the population pressures are abated has direct consequences for per capita food availability, the demand for social services and opportunities for females. Surplus production in rural areas can provide the capital for future investment. Better-educated farmers are more likely to properly and efficiently use new agricultural technology. The linkages are numerous and synergistic.

The first of these sub-goals will be addressed by Strategic Objective 1 which is focussed on **Increased Staple Food Production**. The second sub-goal will be supported by Strategic Objectives 2 and 3. Strategic Objective 2 will focus support on **Key Aspects of the Rural Health Care Delivery System Rebuilt and Re-Oriented**. Strategic Objective 3 will concentrate on basic education, specifically, **Quality in Primary Education Improves in an Expanded System**. Linked to the third sub-goal is Strategic Objective 4 which stresses the complexities inherent in Ethiopia's political transformation and seeks to support **Increased Access To and**

**Participation In a Conciliatory, Democratic Transition Process to a Permanent Government of Ethiopia (GOE).**

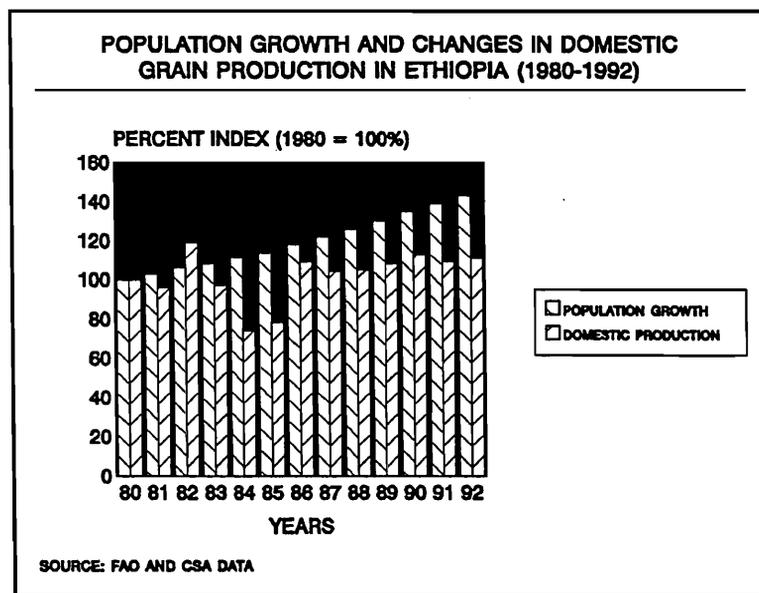
The details of the Strategic Objectives, including additional background/rationale, proposed USAID interventions, complementary donor support, and TGE commitment are provided in the below discussion. Our proposed Target of Opportunity supplements our efforts under the Strategic Objectives: **Emergency Humanitarian Assistance to Ethiopia's Most Vulnerable Groups Provided in a Timely Manner.**

## - FOOD SECURITY -

**SUB-GOAL  
ENHANCED  
FOOD SECURITY**

**Rationale:** The issue of food security has long defined the world's view of Ethiopia. While this image has been drawn by famine and war, the tragic reality is that hunger and poverty are the daily experience of most Ethiopians even in normal times. As much as half the country's population cannot produce or purchase enough food to meet its minimum requirements. This results from a number of factors such as high population growth rates, widespread and chronic poverty, low economic growth rates, self-defeating agricultural policies, under-developed rural infrastructure, environmental degradation, and a lack of access to improved inputs.

Over the course of the 1980s, per capita food production in Ethiopia declined by 2.06% per year. The divergence of demand from supply had so widened by the end of the decade that in 1991, after a record 1990 harvest of 7.3 million metric tons (MT), Ethiopia faced a structural food deficit of 985,000 MT. By 1992, the structural deficit had worsened to 1.03 million MT.<sup>1</sup>



The structural failure of Ethiopia's agricultural economy has had terrible consequences for the health and well-being of its people. With domestic calorie availability of only 1500-1600 per person per day -- against a WHO recommended minimum daily intake of 2,300 -- Ethiopia evidences some of the worst indices of malnutrition found anywhere in the world. Surveys conducted in the 1980s showed that, on average, 7-10% of children under five years of age in rural areas were moderately to severely wasted and 40-60% were under-weight. A more recent

<sup>1</sup> FAO figures. A sizable carryover of relief food aid shipments from the 1991 relief program prevented the 1992 figure from being larger than population growth would suggest.

survey indicates that malnutrition has increased by approximately 10% in the last decade. The situation has worsened despite sizable donor food aid shipments over the same period.

But it is not just children who suffer from chronic and severe food insecurity. It seriously impedes the development of those who survive childhood and creates pressure to divert resources to consumption and away from the investments needed for long-term growth. Issues as diverse as family planning, health care, education and environmental conservation cannot be effectively addressed in the shadow of such hunger.

If the ill effects of increasing food insecurity are to be alleviated, productivity in Ethiopian agriculture must be increased. Although agricultural production only accounts for 40% of GDP, it occupies 85% of the country's population, the overwhelming majority of these in peasant agriculture. This sector is characterized by very small land holdings, insecure land tenure, worsening soil degradation and deforestation, and very low productivity due to poor farming practices and the failure to use improved inputs.

Weather, however, continues to be the most important single factor in determining national food production. Studies show that the year-to-year variation around the average production during the 1980s was as high as 13%. This variation was much larger than the fluctuations experienced in the previous decade. Such large fluctuations have serious consequences for the overall national economy.

The problems facing Ethiopian agriculture are complicated by the remarkable diversity in topography and climate among and within the different regions of the country. The central agricultural areas of Shoa, Gojjam and Arsi, which have 31% of the country's population, account for 53% of total national grain production. The striking variation among surplus and deficit producing areas suggests a need for agricultural development programs to be designed for many agricultural economies, not just one.

Land tenure and utilization issues are particularly important. To date, the government's position has been to wait and let the new regional governments determine land tenure arrangements. Clearly, delay in addressing this fundamental question has serious implications.

Environmental concerns, particularly soil degradation and deforestation, are serious constraints to increasing agricultural production. The roots of these problems include economic pressures brought about by extreme poverty, increasing human population, the pressure of livestock populations and uncertainties regarding land tenure and utilization rights.

There is significant demand now for improved inputs such as fertilizers, herbicides, and improved seed varieties, even in the absence of a fully functioning rural credit system. In 1992, for instance, fertilizer sales increased by 42% and effectively all that was available was sold.

The current capacity in research and analysis and the state of technology adoption are areas that will require attention. The main agricultural research bodies are linked to the Ministry

of Agriculture (MOA) extension service. Unfortunately, both the MOA extension service and the research institutes are in disarray.

Another constraint which affects the ability of farmers to increase productivity or to market their surplus is the degree of market disaggregation. This is due in large measure to infrastructure constraints in the rural areas. Ethiopia has only 90 centimeters of road per capita versus 930 centimeters in Zimbabwe, and 75% of the population lives more than a day's walk from a primary road.

A bright spot in this discouraging picture is the TGE's effort to liberalize agricultural marketing. The government abolished mandatory, below-market sales to the Agricultural Marketing Corporation (AMC) and ended most controls on private participation in grain marketing. The government has moved to decontrol the transport sector, freeing inter-regional trade. Similarly, freeing private trade in fertilizer is improving distribution of that basic input. The response to these reforms has been encouraging.

The chronic poverty found throughout Ethiopia will continue to dampen effective demand. Low incomes have resulted in high malnutrition rates even in surplus producing areas. Creating an adequate "entitlement" to food by ensuring sufficient income or purchasing power will continue to be a key concern of both the TGE and donors.

While increasing agricultural production is not a Congressionally mandated earmark for the Agency, in the context of Ethiopia -- where the faces of famine can be easily recalled -- we believe that Congress and the U.S. public would rightly expect USAID to focus a considerable share of its economic assistance program on helping Ethiopians to feed themselves. Unless peasant agriculture gets firmly on its feet, the prospects for the rest of the Ethiopian economy will remain clouded. The benefits of investing in agricultural production, when juxtaposed with the prospects and high costs of providing massive food aid, are self-evident.

**S.O. 1**  
**Increased Staple**  
**Food Production**

**Rationale:** While the broad issue of food security encompasses concerns of supply, access and use, we have chosen to emphasize supply, in recognition of the fact that food grain production remains the single biggest variable in the food security equation in Ethiopia. Significant production gains of Ethiopia's main food crops (grains) can be realized through continued reform of marketing structures and by increased use of fertilizers and improved seed varieties. In addition, with the decontrol of grain prices, there is a strong financial incentive for

farmers to increase production and the utilization of improved agricultural inputs. Hence, this represents an opportunity in the near term to have a positive impact on food grain production.

**Strategy:** The main components of our strategy in this sector include: further reducing government involvement in the marketing of agricultural goods and services; further

liberalization of commodity and input markets; and, increasing the analytical capacity of the TGE to deal with important policy reforms. These efforts will be complemented by supporting the establishment of a national food safety net and improving rural infrastructure. Since analysis indicates that substantial increases in production of grains may be gained from increased access to fertilizer, the Mission will initially focus on improving access to agricultural inputs (primarily fertilizer).

In recognition of the fact that the supply response to the reforms under way may not be immediate, the Mission proposes to maintain a relatively large Title II program over the next five years, although moving that program from an emphasis on relief to development, and expanding support of maternal and child health (MCH) activities.

**TGE Commitment:** The TGE has displayed considerable commitment to improving food security in Ethiopia by establishing a policy environment conducive to productivity and growth. Soon after coming to power, the TGE issued its "Economic Policy for the Transitional Period," which sets forth its intention to scale back the dominant role of the state and to encourage private capital participation. The policy emphasizes the need to dismantle government monopolies, revise policies, laws and regulations which hinder private investment, and generally to reorient the relationship between the state and the private sector. A start has been made, most dramatically in the grain marketing and transport sectors, and also in the marketing of agricultural inputs such as fertilizer.

The TGE has worked to discourage free relief food distributions and encourage food-for-work activities that support public works and resource conservation efforts. These are first steps toward implementing the draft "Emergency Code" under which the TGE commits itself to establishing a food/cash-for-work safety net for food insecure populations. The Code seeks to break the dependency resulting from regular free food distributions. It also aims to create public assets, such as roads and terraces, which will mitigate the vulnerability of populations.

At the same time, the TGE is working with the World Bank to develop a public works program to improve the country's rural infrastructure and increase rural incomes. This discussion has thus far focused on identifying high profile, employment generating activities and has not yet integrated the proposed initiative into a broader rural development or food security strategy.

**Other Donors:** USAID has worked closely with the other donors, SIDA, CIDA, EEC, in addressing food security issues. The donors have coordinated their efforts under the World Bank and IMF coordinated ERRP. The reforms advanced under that program affect the operating nature of the government-owned marketing corporations and enterprises. The fertilizer component in particular is being undertaken in parallel with a reform effort led by the Food and Agriculture Organization (FAO) and supported by other ERRP donors. The Mission has worked closely with the other ERRP donors to coordinate levels and timing of commodity deliveries. Contributors in 1993 fertilizer purchases include Italy, the Netherlands, the AfDB, the EEC and USAID. The World Bank and WFP have worked closely with the TGE to initiate public works

activities in rural areas. WFP chairs a multi-donor working group reviewing how to implement safety nets to support food insecure groups.

**USAID Interventions:** Mission interventions in support of enhanced food security began in late FY 1992, in advance of an approved strategy and in the context of Ethiopia's emergency rehabilitation requirements. Our first initiative was launched through our sizeable Title III program which provides various agricultural commodities in exchange for reforms of grain marketing, transport policies, and elimination of food subsidies in favor of targeted social safety nets. A sizeable share of our resources under the DCM program support the World Bank coordinated ERRP. The reform agenda under DCM focuses on liberalization and privatization in the fertilizer and transport sectors in return for financing fertilizer and truck imports. The Mission provides modest support to the TGE for policy analysis under DCM; however, the need in that area is great and we may increase financing for such efforts. These program initiatives have given us "entree" with the Ethiopian public and private sectors in defining major issues and possible approaches in a fundamental sector of need.

Our concern for access issues was reflected in the design of the Title III program and its emphasis on moving from general food subsidies to targeted social safety nets. The Mission will consider providing in-kind support to such safety nets. It is expected that safety nets will help maintain incomes using food-for-work interventions while at the same producing needed rural infrastructure such as roads to increase market access in food insecure regions. Before any significant USAID investments are made in this area, the TGE needs to address the numerous policy and institutional issues which face such entitlement programs.

The Mission has worked with Title II cooperating sponsors to expand regular food aid programs into areas which have been regularly recipients of emergency food aid. This initiative will enable us to begin addressing underlying causes of food insecurity in these communities.

**Policy Agenda:** Our strategy will address the main, and perhaps most immediate, constraints to increasing food security and grain production that have been identified to date. However, the Mission recognizes it will need to undertake further analytical work on other factors and constraints, such as land utilization; livestock policy; research and technology adoption; natural resources; financial constraints for farmers (equity, credit); and, privatization (restructuring and divestiture issues). We will work to deepen and widen our understanding of these and other issues.

**Target 1.1**  
**Fertilizer Supply**  
**Increased**

**Rationale:** Very low fertilizer utilization has been identified as a key constraint to increased agricultural production. Through the appropriate use of fertilizer, grain production can be increased dramatically (5:1 response ratio). In 1992, reforms in the fertilizer marketing system realized a 42% increase in fertilizer sales over the previous year (from around 111,000 MT to 158,000 MT). Effective demand is estimated to be well over 250,000 MT. Hence, additional gains in fertilizer distribution can be achieved through further reforms in the sector which promote greater private sector participation.

**USAID Interventions:** The centerpieces of the Mission's efforts under this target are the DCM program and the Title III program under which over U.S. \$150 million is being programmed over several tranches to support commodity imports in return for policy reforms. Under these programs, in FY 1993, USAID is financing fertilizer imports of over 70,000 MT valued at U.S. \$15 million, of which U.S. \$5 million is provided directly to private sector importers. The possibility of extending the DCM program to include additional support for fertilizer imports and other commodities or equipment in exchange for further reforms in the sector is under consideration.

**Policy Agenda:** The Mission's primary objective is to support the TGE's policy of opening up the marketing and distribution of agricultural inputs. USAID will support reforms which will encourage greater private sector participation in fertilizer distribution. This will include pricing policies which provide appropriate incentives to private distributors, removal of any government subsidies, greater private sector involvement in importing fertilizer, complementary reforms in the transport sector, and reforms regulating the licensing and operating freedom of private sector participants.

**Target 1.2**  
**Improved Policies**  
**in Agricultural**  
**Marketing, Transport**  
**and Related Areas**

**Rationale:** The failed policies of the previous regime were a primary cause of the suffering which visited Ethiopia in the 1980s. The domination of distribution and marketing channels by inefficient and unresponsive government-owned parastatals remains a major burden on the economy. The TGE has begun to reform the system, and many of its worst aspects have been modified (e.g., grain price decontrols, partial liberalization of the input market, abolition of compulsory trucking routes). But a new system is not fully in place, nor has an enabling environment for private investment been fully established. It appears that the reform process

in the field lags behind what is being stated by ministry officials at headquarters. There also remains a high degree of uncertainty and confusion in the agricultural marketing arena about how the New Economic Policy is to be implemented.

**USAID Interventions:** The USAID program has focused heavily on policy reforms in this area. The Title III program is providing \$95 million in various commodities in exchange for reforms in grain marketing, freight transport, textiles manufacturing and marketing, and merchandizing of other processed agricultural commodities. The DCM program is supporting reforms in the distribution and marketing of fertilizer, and freight transport services. Further reforms will move towards total liberalization of these markets. The Mission is considering a new project or amendment to the DCM activity to support the TGE in its analysis of the complicated issues surrounding its ambitious reform agenda. This would be linked to Target 1.3, which will focus on improving analytical capabilities.

**Policy Agenda:** The existing policy agenda for action is very ambitious; however, important issues remain. Further discussion and analysis is needed on the roles that the government marketing corporations such as AISCO, the Ethiopian Grains Marketing Enterprise (EGME), and the Merchandise Wholesaling, Importing and Trading Enterprise (MWITE) are to play in the future. Further bold and vigorous reforms are required to encourage more private participation in agricultural marketing (both domestic and foreign markets). Most exports are still controlled by government enterprises, while many of the commodities produced for export have been unprofitable. With the devaluation of the birr, this may change. Thus, considerable analysis should be directed toward export market potential for the variety of crops that can be produced commercially in Ethiopia.

**Target 1.3  
Enhance Analytic  
Capability to  
Support  
Sustainable Food  
Production**

**Rationale:** The TGE has committed itself and the country to pursuing free market economic policies. However, there is still a long way to go in re-orienting government planning officers and policy makers on the role government should play in a free market economy. As might be expected, there is also government reluctance, or a lack of faith, in fully accepting free market policies, as was evidenced by the Mission during the DCM program negotiations. The TGE was reluctant to decontrol fertilizer prices and decontrol regulations on traders due to lack of confidence in the market and the private sector's capability to respond to market signals. Instead, the TGE felt a need to maintain a paternalistic role in protecting farmers and

consumers from potential opportunistic entrepreneurs. Hence, the Mission feels that in order to make further progress towards economic liberalization in general, and liberalization of agricultural marketing specifically, it is essential to direct some resources towards increasing local policy analysis capabilities, broadening and enhancing policy dialogue and building a consensus.

**USAID Interventions:** The effort we envision would provide direct assistance to the MOA and other entities in: data collection and analysis; orientation toward the role planning officers are to play in a market economy; and, specific hands-on analysis of policy issues that will directly enhance and build consensus on policy issues pertinent to the TGE, and USAID. It is anticipated that the AID interventions under this target will cover a two to three year period and will advance the policy dialogue between the TGE, and USAID, as well as other donors.

**Policy Agenda:** Some of the policy issues to be addressed include: the impact of fertilizer price decontrols on usage, production and output prices; land tenure and land utilization issues; degradation of soil resources; agricultural price and exchange rate policy; livestock policies; the role government agricultural marketing corporations and enterprises are to play in the market economy and the impact of subsidies on the process of economic adjustment. Emphasis needs to be placed on what the New Economic Policy means for the agricultural sector in general and to ensure officials understand their new role in the market economy.

***Target 1.4  
Increased Income  
for  
Targeted Groups  
from Productive  
Employment***

**Rationale:** Part of the tragedy lingering from the Ethiopian famines of the 1980s is the large number of farmers left destitute who still have access to land yet have no other assets. For these people, the forced sale of farm tools, oxen, and other livestock during drought has made it difficult to regain economic viability despite a return to normal rain patterns. The TGE and donors wish to establish a reliable food (income) safety net using food (or cash) for work, which will mitigate the need for such asset depletion and maintain a healthy nutritional status

among affected farming communities.

**USAID Interventions:** Under the new Title III Program the Mission launched a major effort to enhance food security objectives. Similar to the USAID DCM Program, the USAID Title III program is directly linked to privatization aims in the productive sectors of agriculture and industry. In addition, however, Title III pushes the TGE to design, test and implement safety nets for the chronically food insecure and those hurt by the country's economic reform program. To date, progress in encouraging the TGE to address this issue in a deliberate and coordinated fashion (e.g., pilot-testing) has been mixed.

The TGE appears to have abandoned earlier plans to pilot test mechanisms suggested in donor-commissioned studies, such as voucher schemes. Instead, we understand plans are afoot to launch nationwide public works programs to employ rural and urban poor, and to introduce targeted subsidies for select groups. Some of these approaches may prove to be viable, and we may opt to combine our resources in supporting certain approaches. However, prior to making any significant commitments of support, we will carefully review the feasibility of possible approaches. Furthermore, as part of the amendment process to the DCM Project, we plan to consult with the TGE to determine whether they require additional technical support in addressing issues related to safety net programs.

PL 480 Title II resources play a significant role in addressing food insecurity and famine arising from drought and civil strife. The Mission supports the TGE in its effort to move from free food distributions to food-for-work interventions. Title II cooperating sponsors have worked with Mission staff to expand regular Title II activities in chronic food deficit areas in order to reduce the levels of emergency resources having to be programmed. The Mission is providing technical assistance in policy and planning to aid the TGE's Relief and Rehabilitation Commission (RRC) in the formulation of government policy on food security issues.

**S.O. 2:**  
**Key Aspects of the**  
**Rural Health Care**  
**Delivery System**  
**Rebuilt & Re-oriented**

**Rationale:** The Ethiopian health care delivery system has declined sharply from 20 years ago. Only about 20% of the population has any access to modern health care. The system has been degraded by war, ill-conceived policies of the previous regime, a chronic shortage of supplies, and under-supervised and unmotivated staff. The MOH is under-financed, receiving only 4% of the national budget of which 62% is spent on hospitals and administration, and 90% is spent on salaries. Foreign exchange is in short supply and standing regulations on tariffs and imports impede private sector involvement. Government policies have been anchored in central control and hindered by poor rural distribution. Because of these structural constraints, the system cannot meet the present need. When care is sought, patients find ill-equipped and ill-prepared health workers. This has eroded confidence and use has declined dramatically. These systemic failures must be addressed through policy, commodity, administrative and technical interventions aimed at the improvement and expansion of essential family health services to rural areas. The Mission considered quasi-vertical interventions focused on family planning, and/or HIV prevention; but concluded that although short-term impacts might be realized, these would likely be demographically insignificant and operationally unsustainable.

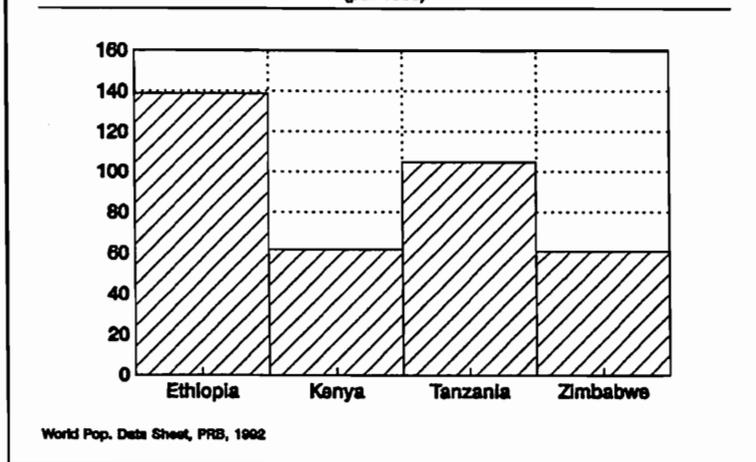
The time is opportune for USAID involvement. We are in a position to influence the development and implementation of new national policies and strategies to significantly improve general HPN service delivery in Ethiopia. Expanding the delivery of HPN services, slowing population growth and improving child survival may take decades. However, a long-term investment in this sector is in Ethiopia's best interest.

Our commitment to increasing agricultural productivity requires concomitant attention to improving demographic and epidemiological trends. Population growth directly affects per capita income and over time, will increase the need for food, land, jobs, health care and education. High child and infant mortality discourages family planning practices and increases care-seeking behavior, thus disrupting work and decreasing productivity. HIV will claim the educated, urban elite and rural people in their most productive years. These synergies cannot be ignored.

Statistically, the rationale for a health program is clear. The health and child survival status of Ethiopians is among the lowest in the world. Life expectancy is estimated to be between 51-57 years. Infant and child mortality rates are respectively estimated at 133/1,000, and 226/1,000 and low child survival is attributable to many factors. Only about 20% of Ethiopians have real access to some form of primary care, similarly, full immunization coverage may be as low as 20% nationwide. ORT use and access to safe water and sanitation is below 25%. Diarrhea accounts for approximately 45% of all childhood deaths. About 7-14% of

## Comparison of Infant Mortality Rates

Other African Countries and Ethiopia  
(per 1000)



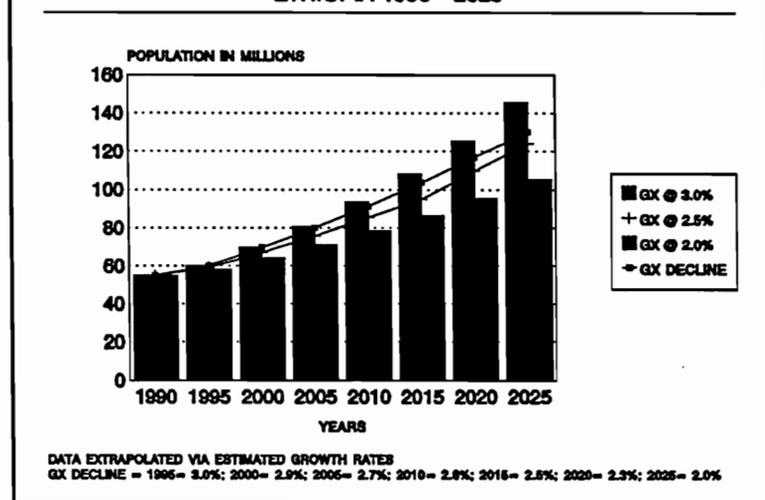
children <5 are moderately to severely undernourished and 40%-60% are chronically undernourished. Approximately 13% of newborns weigh less than 2,500 grams (5.5 lbs.), a major factor being poor maternal nutrition. Maternal mortality is estimated at 700/100,000 due to a lack of pre- and postnatal care, high rates of parity, anemia, infections, unsupervised deliveries, and illegal abortions. By the year 2000, it is estimated that 1.4 million Ethiopians between the ages of 14-49 years could be infected with HIV. Population

growth threatens to undermine all development activities. Annual growth is roughly 3%, the total fertility rate approaches 7 children per woman and use of modern contraceptives is negligible. If present demographic trends continue, there could be more than 145 million Ethiopians by the year 2025.

USAID experience in health care financing, cost recovery, social marketing, family planning, child survival, and HIV prevention and control is well-tested. An in-house and external pool of talent can be drawn upon to design and implement an effective and manageable program. With appropriate resources and technical input, we can help Ethiopia move forward and improve the well-being of millions.

**Strategy:** Our assistance is aimed at improving key aspects of rural service delivery. This is a risky and costly undertaking. Specific new policies must be developed and implemented, an integrated package of essential curative and preventive services must be made available, and the role of the private sector in service delivery

## POPULATION GROWTH SENARIOS ETHIOPIA 1990 - 2025



(including NGOs) must be enriched. Specific policy reforms will have a nationwide impact over the near- and medium-terms. However, we will not have sufficient resources to improve service delivery nationwide. Thus, strategically, service delivery interventions will be limited geographically (i.e., within a regional and/or zonal purview).

Tentatively, we envision a five- to seven-year NPA/PA effort. The cash transfer will support essential commodities for service delivery and will be used to facilitate the implementation of agreed-upon policy changes in areas of budget allocation, supplies, commodity import regulations, cost recovery, regional administration, planning/evaluation and private sector stimulation. The policy reform agenda will be pursued vigorously during the pre-design period and will likely evolve into specific conditionality incorporated into the program and project.

The Strategic Objective will be supported by four targets concerning policy and management, logistics, piloted service delivery and private sector involvement. Subtargets and benchmarks have been identified to illustrate our strategic thinking to date (see summary Table). More analysis and discussion with the TGE is required before an assistance plan is finalized. This will be completed in FY 1994.

**TGE Commitment:** TGE and Mission priorities are well-matched and the TGE has requested USAID assistance. The MOH is giving priority to improving the health status of rural Ethiopians so that all can participate. Resource equity among the regions is a priority. Emphasis will be placed on the provision of services to rural populations and on strengthening regional decision-making. The TGE has indicated the private sector should play a larger role in service delivery and that social marketing of a few commodities is a reasonable beginning. Recent economic reforms, e.g., foreign exchange auctions, may serve in part to expand private sector involvement in drug and medical supplies provision. While the TGE is committed to expanding community-based service delivery, the nature and scope of reforms required to achieve this aim have not as yet been completely defined.

**Other Donors:** To date, most donors are operating in an emergency, rehabilitation mode within the ERRP. Key areas of support include: infrastructure reconstruction by the World Bank, UNDP and the Italians; water and sanitation systems, program support, emergency assistance, maternal and child health by UNICEF; training and AIDS support by SIDA; and essential drugs provision by the Netherlands, UNICEF, AfDB and the World Bank. The World Bank is the only other donor whose planning includes a strong policy component. USAID is well-positioned to initiate relevant policy dialogue. At present, no donor is directly supporting the management of distribution in the rural areas, although interest is high, particularly in the World Bank and UNICEF. Generally, excellent potential for strong donor collaboration exists, especially since most donors are beginning to develop longer-term programs.

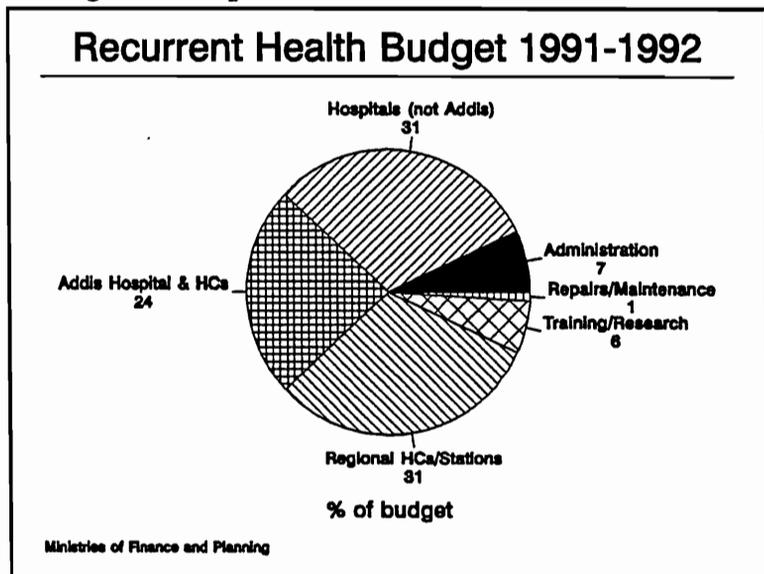
**Target 2.1:  
Improved Health-  
Care Financing and  
Management Policy  
Instituted**

**Rationale:** The intent of this target is to help improve the financing and management of health care services nationwide. Existing policies regulating the allocation and management of resources restrict rather than facilitate improved service delivery. For example, private sector expansion is stifled by import regulations and requirements making investment impractical. Funds generated from fees return to the central treasury. The system is under-financed. Management at the central level is cumbersome, and it remains untested at the

regional level. Improved policies and management can help the system to function effectively and establish a sound financing and management base for the delivery of rural health services.

**USAID Interventions:** Achieving this target will require an increase in

available resources for the health sector; and, improved use of new and existing resources, thereby expanding and improving service delivery. NPA funding could increase the overall resource availability and leverage allocation changes within the national budget. Project assistance can provide technical input in design and implementation of the reform agenda. The relationship between the MOH and regional offices will be reoriented to promote better planning, management and distribution of resources. This will be an initial step in our program, in conjunction with assistance for the development and implementation of specific policy reforms. Follow-up work to assess the actual implementation of policy reform(s) will be "piloted" within the regions and/or zones chosen for USAID/E service delivery interventions (see below). These "pilots" will require significant technical assistance. Thus, policy development will be accomplished at the central level; implementation will be managed and assessed through the regional administration.<sup>2</sup>



**Policy Agenda:** The Mission's policy agenda is aimed at leveraging HPN sector reforms for national impact. USAID's participation in the IBRD's Public Expenditure Review for the social

<sup>2</sup> Technical assistance probably will be accessed through an "umbrella" technical assistance project which will be tasked to provide both long- and short-term TA. Other options will also be explored to field low-cost resident TA at the regional level. For example, the mission may opt to access a mix of Child Survival Fellow and Population Fellows to work in the "pilot" zones as counterpart TA and help implement and monitor the service delivery portion of the program.

sectors will provide valuable insights into the allocation process currently being employed by the MOH and insights into the policy priorities of other donors. The tentative reform agenda for USAID will include:

- TGE/MOH Health Budget Reform
- Public Sector Cost Recovery and Financing
- Public Sector Efficiency in Service Delivery
- Increased Private Sector involvement in Service Delivery

**Target 2.2:  
Effective Logistics  
and Supply Systems  
in Place**

**Rationale:** Better and more equitable supply to public and private sector facilities (health centers and below) is the overriding objective of this target. The shortage of drugs and supplies in MOH facilities has shattered public confidence in the health system, demoralizing health workers, thwarting community-based delivery and limiting the potential of preventive programs. A basic problem entails the centralized and inefficient control of drug distribution and supply.

Furthermore, the supply to regions is erratic, often due to inadequate planning, low stocks and a disproportionate distribution to cities and towns. Clearly, there is a need to increase the availability in and re-orient the distribution of public health commodities to rural areas. Within the ERRP, USAID has initiated private sector distribution of drugs. Based on this experience, specific reforms can be pursued to liberalize the supply system and increase private sector involvement further.

**USAID Interventions:** Together with the TGE, USAID will define specific conditionality relative to commodity procurement and delivery. These changes may include legal and administrative directives to: permit NGO and private sector importers and retailers readier access to foreign exchange; liberalize the registration process for agents; rationalize regulations regarding drug registration, remove or reduce tariffs and duties, remove price controls, and eliminate the state-owned monopoly. NPA resources could finance procurement of public and private sector HPN commodities and logistical items (transport, administrative equipment). These resources could be coordinated in relation to other donor inputs to fill outstanding commodity shortfalls at the regional level (as noted, attention to equity will be a primary concern). Technical assistance (TA) would be provided to emphasize planning and policy development at the central level to help identify, develop and monitor specific legal and regulatory reforms. In addition, on-site, region-specific TA focused on the implementation of reforms at the regional level and on issues concerning logistics and distribution at the periphery.

**Policy Agenda:** USAID's policy agenda with the TGE would focus on increasing the availability and use of drugs and supplies by emphasizing expanded drug and commodity distribution. Specific issues include:

- Increasing Access to Foreign Exchange
- Rationalizing Pricing Regulations
- Liberalizing Import Tariffs
- Liberalizing or Streamlining of Regulations/Licensing Governing the Private Sector.

**Target 2.3:  
Family Health  
Services &  
Management  
Established in Pilot  
Zones**

**Rationale:** The objective is to improve access to and use of essential services relative to family planning, AIDS prevention and general family health at the community level. In theory, the aims of the TGE's national PHC strategy are sound. At this stage, however, the TGE lacks the resources to realize its strategic objectives. Without essential curative and preventive services, efforts to reduce child mortality and population growth will stall. Strengthening community-level services and the required support structures within the public health system to

provide only one intervention would be neither cost-effective, responsive to community demand, nor sustainable. In order to address present needs, the delivery of integrated essential services must be expanded in rural areas.

**USAID Interventions:** USAID will determine, in concert with the TGE and the MOH, the number and location of zones<sup>3</sup> where effective management and community-level service delivery can be developed.<sup>4</sup> USAID assistance will be manifested in two ways: 1) management support; and, 2) operational support.

1) **Management Support** - USAID will provide long- and short-term TA (complemented by NPA payments support) to reorient responsibilities, program targets, technical capabilities, management depth and resources of a selected zone(s) towards more curative and preventive outreach at the community level. Assistance will also be provided in the pilot zone(s) to initiate and institute service and information systems, particularly at the Health Station and Health Post levels. In turn, the regional and zonal health offices must receive enough support to effectively allocate and track resources among the "woredas" (districts).

2) **Operational Support** - The re-establishment of functioning rural health services will be based on revitalizing community health posts manned by (re)trained Community Health Agents (CHAs) and Traditional Birth Attendants (TBAs). USAID plans to support training, information transfer, commodities, TA and incentives to enable CHWs and their supervisors to provide essential child survival, maternal, family planning, and AIDS control services. NGOs already working in these zones may serve as partners, and may receive additional support to

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<sup>3</sup> Zones are the administrative unit below the regional level and immediately above the woredas, which are the geographic centers of action for implementing community-level services. The woreda includes at a minimum one health center, health stations, and, if still functioning, health posts. The health center manager is responsible for the health services of the woreda as a whole.

<sup>4</sup> The need to choose pilot zones and test woreda-level systems before pursuing nationwide implementation is derived from: 1) the size and diversity of Ethiopia; 2) the as yet unclear effects of regionalization on further de-centralization and management; and, 3) the significant changes which have taken place at all levels as a result of other policy reforms, including the dissolution of former peasant organizations.

expand their operations and/or develop water resources and sanitary facilities in communities, health posts and health stations. More specifically, the development of community-oriented health services will involve:

- **Access** - Increased availability and access to essential drugs and supplies at the health post/station (including water, ORS, condoms, birth control pills, anti-malarials, STD drugs, etc.);
- **Skills Updating** - Training/retraining in essential preventive and therapeutic approaches, for CHAs and TBAs;
- **Management** - Strengthening regional and zonal-level management with training, resources, and information systems development, to improve supervision and supply of health posts;
- **Cost Recovery** - Establishment of appropriate cost-recovery and financing mechanisms at the community level; and,
- **Research** - Operational research coordinated at regional and zonal levels to address technical and policy issues concerning community participation and CHW incentives/remuneration.

**Policy Agenda:** A key item on the policy agenda related to this target will concern criteria for selection of pilot zone activities. The degree to which resource allocation for service delivery is decentralized at regional and zonal levels in resource allocation for service delivery is key.

***Target 2.4:  
Private Sector  
Outlets for  
Family Health  
Services Increased***

**Rationale:** The intent of this target is to expand delivery through the private sector (including NGOs). Private sector involvement could supplement public sector activities and expand outreach significantly. USAID is presently supporting a successful NGO condom social marketing program. This program could be expanded to include the delivery and promotion of oral contraceptives, ORS and other HPN commodities. Private clinics and drug vendors already exist in many parts of Ethiopia, but operate with limited resources and

limited knowledge of contraceptive and public health technology. Although the motivation to provide HPN services through the private sector exists in Ethiopia, and the ERRP has encouraged the expanded involvement of private suppliers of essential drugs, the private sector still faces regulatory and financial (foreign exchange) constraints and limited access to needed commodities.

**USAID Interventions:** The Mission plans to expand private sector involvement in the delivery of essential HPN commodities by building upon the successful Condom Social Marketing Program, currently being funded under the Support to AIDS Control (STAC-1) Project. A key aim of such an effort will be to enable private health care providers to offer a broader range of high quality health care commodities. Social marketing services will be expanded initially in urban and peri-urban areas within the USAID pilot zones and will complement those provided by the public sector.

As regulations dictate, these commodities will be distributed through existing private and commercial sector outlets (kiosks, bars and pharmacies) and promoted by using commercial radio, television spots and various print materials. In addition to condoms, the product line would be expanded to include items such as ORS and contraceptive pills. Private health care providers may include medical doctors, operators of private clinics and drug vendors who are registered to market prescription and over-the-counter drugs. These private care-providers represent an additional cadre of individuals that can expand family health social marketing (FHSM) outreach. Expanding FHSM outreach to rural populations will be explored over the medium term.

**Policy Agenda:** Policy changes involve import tariffs, duty free status, foreign exchange allocation and registration criteria (as described in Targets 2.1 and 2.2). Additional resources will need to be allocated by the TGE to expand private sector participation in HPN service delivery.

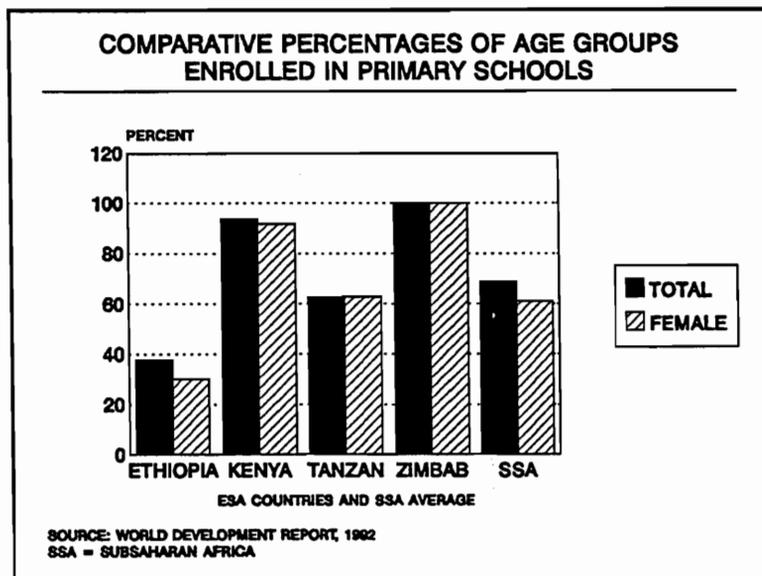
## - BASIC EDUCATION -

### **S.O. 3: Quality in Primary Education Improves in an Expanded System**

**Rationale:** Ethiopia's basic education system cries out for improvement and the rationale for USAID assistance is compelling. The system is not serving the country's future generation in terms of quality and quantity. Only 22% of the age cohort is enrolled in primary school, with many denied adequate quality instruction. Vast numbers of the rural populace and females lack opportunity for schooling and parents' traditional beliefs in the value and promise of education have been seriously eroded. Radical education reform is vital.

Economic growth to fuel Ethiopia's development cannot be sustained without a much broader and stronger human resource base.

At the primary school level, despite over 2.5 million students enrolled in 8,345 schools, the system reached only a quarter of the relevant age group in 1989. Since then, the proportion has dropped to as low as 22%. This compares to an average primary participation rate in sub-Saharan Africa of about 70%. Only 10% of the secondary age population had access to junior secondary school and 8% to senior secondary, about one-half the rate for sub-Saharan Africa. These very low participation rates place Ethiopia among the countries with the least developed systems of formal education in the world.



Some of the decrease in enrollment is attributable to the prolonged effects of war and the instability inherent in a change of government. In addition, a substantial number of schools have been destroyed or abandoned. However, there is compelling evidence that today many children are not kept out of school because of lack of places, but because their parents have lost faith in the educational system.

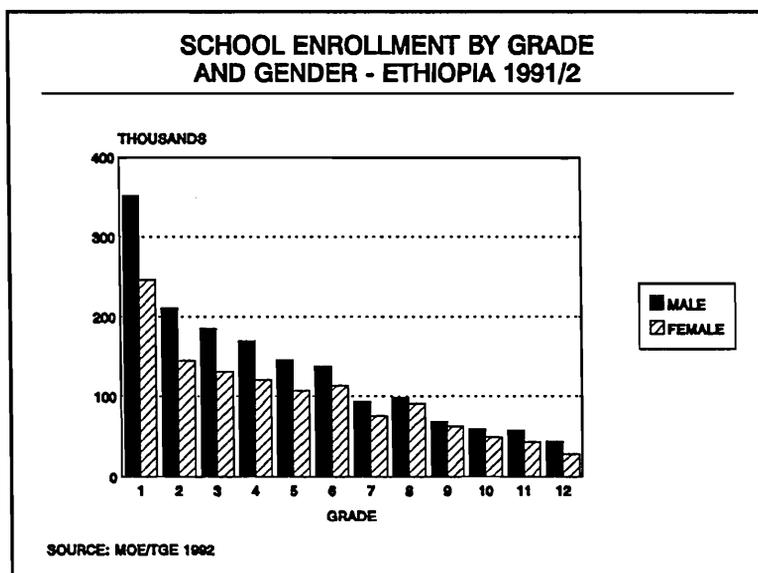
Under the Mengistu regime, communities were forced to support the construction and financing of village schools. Other factors contributing to low demand for education in rural communities include: lack of further educational opportunities; low potential for off-farm employment; perceived irrelevancy of schooling to rural life; high direct and opportunity costs

of schooling; poor quality of schooling and infrastructure; confusing language policy; and resentment over past government practices (i.e., coercion, conscription, land use, etc.).

Developing Ethiopia's human resources will take many years, perhaps decades. The best place for USAID to assist initially is at the foundation -- primary schooling. Improvements here will have the highest economic and social pay-offs. Overcoming system constraints to achieve the quantum and structural improvements needed will be difficult and expensive.

Rural-urban and gender inequities are evident in the MOE's annual reports indicating huge disparities in enrollment. For example, in 1989, in Addis Ababa, the gross enrollment rate (GER) was 70%, whereas in the Ogaden, the GER was 4%. Female access to schooling also varies.

In some regions girls make up as much as 50% or 60% of Primary enrollments; in others, the participation rate is as low as 30%. Female participation rates in primary and secondary schools as a percentage of the age group are 22% and 6% (compared to sub-Saharan averages of 61% and 14% respectively). The system is under-financed, with 1991 public expenditures representing less than 9.5% of the government budget (SSA average is 15%-20%). Of the budget, 98.9% is for salaries, leaving just 1.1% for operating costs and other inputs (e.g., books).



The education system is about to be decentralized. Many problems will surface, particularly relative to regionalization and languages of instruction. Regionalization will dominate educational issues for years (the process may swell staff by 12,500 and increase primary schools by 19,000). In addition to quality, regionalization, financing and language issues, attention must also be given to planning and management, and the capacity to analyze information and make plans. Because the system is at a crossroads, the time is opportune for USAID involvement. As with the health sector, we have the rare opportunity to influence and help implement reforms and strategies that may affect the future of millions of Ethiopians. Furthermore, the United States has one of the most effective models for administering decentralized educational systems. AID has the opportunity to marry the challenges of re-directing and rebuilding Ethiopia's primary school system with our resources and technical know-how.

**Strategy:** Ethiopia's major challenge in the primary education sector is to provide quality instruction on a significantly larger and more equitable basis. Quality has deteriorated markedly. Just staying in place will require a major effort and that is clearly not an acceptable option. Ethiopia will have to move in a very measured way to improve and expand its primary education system. Clearly, improvements in system quality and management must be the focus of this effort.

As suggested by the wording of Strategic Objective 3, USAID's emphasis will be on improving the quality of basic education in an expanding system. While the level of improvements will vary by region, we believe the effects will be felt and measurable at the school level within the five to seven year timeframe of this strategy.

The Mission has tentatively identified four performance indicators in order to measure progress toward and achievement of the S.O. (see Education Framework Table).

More analysis and dialogue is needed with the TGE, MOE and regional authorities before a firm plan for USAID assistance can be proposed. However, based on country profiles and AID experience in Africa, it is probable that the major portion of a Mission-supported intervention in primary education would be in the form of non-project assistance, supported by a training and technical assistance project. Substantial policy, budgetary and administrative reforms will be required as part of the NPA, and implementation assistance is likely to require more conventional project-funded inputs.

**TGE Commitment:** There is strong congruence between the TGE's education priorities and those of USAID. The TGE has produced an initial policy proposal, but details are lacking. The MOE has indicated that they seek to develop a quality, equitable primary education system. The MOE clearly sees the twin problems of low quality and low demand as key. As regionalization occurs, quality and management issues will dominate. A major issue facing the MOE and regions is how to pay for the achievement of these goals. The TGE has asked for assistance in the basic education sector. While many donors are active in education, external resources available to undertake systemic qualitative changes at the primary level will be inadequate.

There is a risk that in the TGE's zeal to deal with perceptions of irrelevancy of schooling, it may go too far in the higher primary grades in "vocalizing" the curriculum. Their strategy on quality could include an unsustainable proliferation of pedagogical centers. While this suggests some problems within the new policy, it also implies a strong TGE commitment to bringing education closer to the needs of communities.

**Other Donors:** Several donors are assisting primary education in Ethiopia, including USAID which is financing the construction of schools through PL-480 Title II resources and supplies/equipment through the DCM Program. These other donors include the World Bank, AfDB, SIDA, GTZ, ODA, UNICEF, OPEC, and EEC. They are principally involved in infrastructure support and curriculum and materials production. The World Bank has indicated that it may provide further assistance to primary education, but this will not begin until the

Education VII Project is restructured. The World Bank is assisting teacher training, but mainly with facilities expansion. The potential for more Bank involvement in the sector presents an important opportunity for USAID to work toward primary system reform under a larger donor umbrella. The gap in donor assistance programs is in the area of improving the quality of instruction.

**Target 3.1:  
Improved Efficiency  
and Decentralized  
Management of the  
Primary Education  
System**

**Rationale:** The sub-sector is generally under-financed; larger and better-targeted allocations of funds are required. For this to happen, the MOE and the regional offices need to make their planning and budgeting analysis-based. Strengthening administration and operations of the new decentralized system is essential, particularly for the regions. The target is to improve operations and financing of the primary education system. It seeks to make learning affordable, well-managed and sustainable.

**Strategy:** Target 3.1 focuses on improving the flow of financial resources and quality-enhancing inputs through the decentralized system. A vital component of this target is improved cooperation between the MOE and regional authorities. The MOE needs to restructure its relationship with the regions regarding how and what services and resources it will provide. It must help identify and build regional capacities in skill areas that heretofore were the domain of the central offices. A second intent of this Target is to help leverage more financial resources for improving primary education. Increasing sector financing will occur through policy dialogue at the national and regional level, as well as through more direct assistance in selected regions. Thirdly, this target will provide attention to, and planning and budgeting tools for, allocating resources in ways that further quality and equity objectives. Efforts would be based at the MOE for those budget elements that apply nationally, and where feasible at the regional level.

**USAID Interventions:** The Mission plans to pursue the objectives of this target through the components of a Basic Education NPA and a complementary project. Much of the work would be policy-based, particularly around issues of sector and sub-sector financing and administration. Implementation of new policies and procedures would be supported as needed and agreed to by the TGE through project-funded training and technical assistance. Further specifications of the nature of the intervention must await program design.

**Policy Agenda:** The policy agenda for Target 3.1 is as follows:

- Increase levels of financing for the education sector
- Improve intra-sectoral budget allocations
- Define relationships and structures under decentralization
- Liberalize policies regarding private schools
- Improve system disparities (rural- and gender-related)

**Target 3.2:  
Improved Key  
Qualitative Inputs  
for the Primary  
Education System**

**Rationale:** As essential as it is to assure that the primary education system is well-financed and effectively administered, this alone will not reverse the downtrend in quality. Direct intervention in quality boosting policies and practices is necessary. What the teacher does in the classroom -- teaching strategies employed, materials used, attention to individual needs, etc. -- ultimately determines the effectiveness of the teaching-learning process. Nothing is more important than the skills and motivation of the teacher, followed by the quality of

the tools and materials at his/her disposal. Improving both of these areas is imperative to upgrade Ethiopia's primary schools.

**Strategy:** Target 3.2 aims directly at enhancing the quality of educational services, particularly teaching. This could involve policy analysis assistance at the national level. But it primarily would be focused on individual regions and Teacher Training Institutes (TTIs) that have committed themselves to improve the caliber of students as well as programs of study. Within the TTI curricula nationwide, more attention to teaching methods is needed, and the TTI instructors themselves need further training in promoting effective instructional strategies for primary teachers. Investments will be targeted to selected regions, zones or woredas to address teacher training and support needs arising from the new curriculum and language policies. USAID assistance will promote the strengthening of capacities of the appropriate TTI units to undertake teacher support and professionalization activities on a sustainable basis. Finally, USAID inputs will strengthen the ability of central- and regional-level offices to evaluate the effects of various educational interventions. For decades in Ethiopia, "modern" innovations have been tried (e.g., educational radio and TV), learning materials massively produced, and teacher upgrading efforts attempted (e.g., pedagogical centers). But little is known of the real educational costs and benefits of such efforts, and quality has continued to deteriorate.

**USAID Interventions:** We plan to assist in improving primary education quality through various components of an NPA, supported by necessary project-funded inputs. The policy elements will principally involve institutional reforms to improve teacher training, while more conventional project inputs will go to improve the capacity of key educational service delivery units to undertake effectiveness studies. Further specification of the nature of the interventions must await program design.

**Policy Agenda:**

- Better capacity utilization of TTIs
- Higher quality student intake at the TTIs
- Curriculum of TTIs shift to favor methods over content
- More professional and frequent support for in-service teacher training needs

## **- DEMOCRACY AND GOVERNANCE -**

**S.O. 4:  
Increased Access to  
and Participation in a  
Conciliatory,  
Democratic  
Transition Process to  
a Permanent GOE**

**Rationale:** The political context in which AID operates in Ethiopia is spelled out in Section II.D. Several additional assumptions have further influenced the formulation of this Strategic Objective:

(i) Expectations must be realistic. The transition under way in Ethiopia is ambitious, risky and difficult to carry forward successfully. Reversing centuries of violent history, authoritarian habit and ethnic hatred, in the space of three years, with limited resources and a narrow social base, is a daunting mandate. Yet Ethiopia's prospects for stability, economic growth, and general recovery hinge to an overwhelming degree upon concrete progress in liberalizing Ethiopia's historically authoritarian mode of governance, such that a progressively more accessible, participatory and tolerant political environment is created. Ultimately, moreover, responsibility for the current transition rests with Ethiopians, not with outside donors; in this sense, the relative success of USAID's role in this area is tied to the degree to which Ethiopians themselves commit seriously to reforming Ethiopia.

(ii) At best, a modest AID program will have a minor, positive catalytic effect upon the larger processes of political change now under way. Resources must be focused and choices made. For this reason, for instance, USAID has chosen not to become engaged in many standard public administration/governance areas, or in the area of labor.

(iii) Progress in implementing the TGE's ambitious program of democratic change is at times certain to be contradictory, uneven and ambiguous. Hence, a strategic approach that is realistic, incremental, flexible and sustained is required.

(iv) This objective is consistent both with the other objectives USAID/Ethiopia is pursuing and with global US foreign policy objectives. USAID's contribution, for instance, to raising literacy levels and strengthening private sector production, will directly and indirectly contribute to the overall strengthening of Ethiopia's civil society.

(v) This strategic objective is interdependent with US diplomacy towards Ethiopia. It cannot be pursued in isolation.

Under the terms of the 24-30 month transitional National Charter, agreed to in July 1991, the TGE explicitly committed itself to democratic principles and processes. Following on the USG's active involvement in the 1991 negotiations that resulted in the formation of the TGE, the TGE requested USG assistance in implementing the National Charter and moving to a legitimate, permanent Government of Ethiopia. Soon after mid-1991, USAID/Ethiopia began identifying the areas of greatest need and opportunity for assisting the transition process: regional

and national elections; revision of the national constitutional; promotion of independent media; judicial reform and promotion of human rights; and regional self-government.

**Strategy:** The Mission's strategy emphasizes becoming engaged early, quickly and aggressively. In each of the policy areas where USAID is to concentrate its activities, decisive processes of change are already under way -- in which formative debates are unfolding, proclamations are formulated, and implementing actions and popular involvement are set in motion.

Our strategy is linked to several processes that will determine the success or failure of the transition: elections; constitutional revisions; judicial reform and promotion of human rights; creation of an environment for independent media and professional journalists; and creation of effective regional self-government. In all project activities, there are two guiding concerns: (i) helping to build the basic institutions of a democracy through the incremental liberalization of a fundamentally authoritarian inheritance; (ii) increasing participation in civil society and the transition process by citizens and civic organizations.

**Other Donors:** A Donor Task Force, comprised of ambassadors of the American, British, Dutch, Canadian, Swedish and German governments, and the UN Resident Representative, has thus far chosen to concentrate consultations with the TGE on electoral and judicial matters. These countries and the UN each contributed substantially to the Joint International Observation Group, organized for the June 1992 elections, and supported technical assistance to the National Election Commission (NEC) through a UNDP project. The Task Force is exploring ways to help the Ministry of Justice (MOJ) reconstruct the lower court system. There is strong interest among Task Force members in supporting future media initiatives. Several NGOs have begun journalist training programs. The British, Dutch, Swedish and Norwegian governments are committed to providing both the Constitutional Commission (CC) with outside technical expertise and material support and the InterAfrica Group (IAG) with support for its May 1993 constitutional symposium. The Donor Task Force has begun discussions of the material and technical requirements of the regionalization program.

**TGE Commitment:** The TGE acknowledges that on administrative, political and civic education grounds, there was inadequate preparation by the NEC and the TGE for the June 1992 elections. It has entered discussions with the Task Force on options for reforming and upgrading the NEC and promoting greater political debate and civic education, in advance of any future elections.

Membership on the 29-person CC was finalized in February and inaugurated by President Meles Zenawi on March 1. In the full CC and its different committees, there is significant representation of non-EPRDF parties. On October 21, 1992, the COR issued a press proclamation that legalized private print media, and the Ministry of Information (MOI) abolished its censorship department. A large share of the new independent media are aggressively critical of the TGE. There have been no credible reports of systematic TGE harassment of private media, although some government legal cases against various publications are now before the courts. Regarding the judiciary, the COR issued proclamations outlining steps to revise the judicial system. Implementation has begun and a judicial commission now functions. Several

recent cases involving political detainees provide some important evidence that the High Court has successfully challenged the Office of the Special Prosecutor and that the judiciary is indeed acquiring a meaningful degree of autonomy. Since mid-1991, approximately 10 independent civic organizations have been formed that focus on human rights. To date, their activities have not been restrained by government. The TGE has clearly stated that it endorses USAID/Ethiopia working closely with emergent civic organizations on elections, constitutional revision, judicial reform, human rights advocacy, and promotion of the journalistic profession.

***Target 4.1  
Open Elections  
Organized by the  
National Election  
Commission***

**Rationale:** In the June 1992 elections, and in future elections for a constituent assembly and the creation of a new national government (expected in 1994), the Mission's aim is to promote the competent and politically legitimate administration of elections by the NEC, expanded civic education, and effective international and Ethiopian election observation.

**USAID Interventions:** \$2.5 million in the current D/G Support Project's funds were earmarked for electoral-related activities.

Over half of this amount was used to support the June 1992 elections. For the national elections, plans are under way to support the National Democratic Institute's (NDI) one year program of civic education, election training, and a review of Ethiopia's electoral system. The NDI will be working with an independent Ethiopian organization, the Ethiopia Free Election Observation Group (EFEOG). Additional resources will be required to support the national elections.

***Target 4.2  
Democratic Principles  
Incorporated in the  
Constitution***

**Rationale:** The Mission's objective is to promote the effective performance of the Constitutional Commission (CC). The aim is to ensure that debate on major issues is open and informed, drawing on Ethiopian and non-Ethiopian expertise. Consultations with the public and civic education programs need to be supported so that the constitution that results has wide legitimacy and incorporates democratic principles (e.g., freedoms of assembly and speech; protection of human rights; an independent judiciary; effective deconcentration of power; a

democratic legislature and electoral system).

**USAID Interventions:** In March 1993, USAID organized and funded visits by three American experts who conducted seminars for the CC and other interested Ethiopians. Starting in mid-1993, USAID will support the Carter Presidential Center's integrated effort to provide the Commission with equipment and additional outside experts, and to sponsor a week long symposium to begin May 17. The symposium seeks to promote public debate and civic education on fundamental constitutional issues, e.g., ethnic federalism, executive powers, the role of the military, electoral and legislative systems, and the role of political parties. In

collaboration with the Carter Presidential Center, IAG will launch a one year civic education program.

**Target 4.3**  
**Enabling Environment**  
**for the Establishment**  
**and Operation of an**  
**Independent Media**

**Rationale:** Freedom of the media is essential to establishing a free society. A free media serves to interpret and convey the will of a nation's people to government. Ethiopia's media is still suffering from the remnants of a mentality that restrained expression and its freedom to work. The Mission's objective is to strengthen the journalism profession, in both public and private spheres, to identify and ameliorate constraints upon newly emergent private media, and to enhance the public accountability of state media.

**USAID Interventions:** The D/G Support Project includes a component to support this target. USAID supports a program to: (i) upgrade journalists' understanding of Ethiopia's legal environment, journalists' ethics, rights and responsibilities; (ii) promote an independent Ethiopian press association; and (iii) conduct a comprehensive sectoral survey of the private media, identify major constraints, and (iv) devise a strategy by which these constraints, including the private media's dependence upon the government's monopoly of printing facilities and scarce inputs, can be overcome.

An exchange program may also be supported between the management of the Ethiopian News Agency (ENA) and a major U.S. news organization. Technical support to the state media centers on comparative experience in creating autonomous public corporation media. Additional funding will be required in this target area, particularly if the D/G Project is to enhance private sector's access to equipment and other scarce inputs, contribute materially to an independent press association, and support expanded training.

**Target 4.4**  
**An Independent**  
**Judiciary and**  
**Independent Credible**  
**Human Rights**  
**Organizations**  
**Established and**  
**Operational**

**Rationale:** The Mission's objective is to encourage respect of human rights and the rule of law in Ethiopia. This will require the existence of a credible, independent judiciary and the growth of credible, independent human rights organizations.

**USAID Interventions:** USAID supports the Carter Presidential Center's proposal to (i) conduct human rights training of lower court judges; and (ii) bring to the Special Prosecutor's Office a forensics expert and commissioners from Chad, Chile and Argentina who presided over similar trials in their respective countries. The International Human

Rights Law Group (IHLRG) will review the status of (i) judicial reform; (ii) the legal profession, including legal training; and (iii) civic organizations involved in the promotion of human rights.

The IHRLG study will recommend a course of action for USAID, to be shared with the TGE and other donors. The Mission plans to increase support for activities under this target during the planning period.

**Target 4.5**  
**NGO Participation in**  
**Civil Society**  
**Strengthened**

**Rationale:** In all our programs, we will emphasize efforts to enhance and facilitate the role NGOs play in strengthening Ethiopian civil society. In Ethiopia, NGOs have figured prominently in responding to relief and emergency needs for more than two decades. The Mission believes that the formidable challenges of realizing Ethiopia's economic growth and social progress will not only depend on effective governance in the public sector, but will also rely upon expansion of a vibrant and broadly representative private sector of nongovernmental organizations. A government seeking to establish a genuine democracy should promote a legislative and regulatory framework that allows this aim to be realized.

**USAID Interventions:** Project activities will support the Ethiopian Free Election Observation Group, the InterAfrica Group, and an independent Ethiopian press association. USAID also anticipates support of civic organizations involved in promoting human rights.

In order to monitor the TGE's commitment to strengthening private nongovernmental organizations, USAID will regularly consult NGOs on whether they are encountering particular constraints (legislative or regulatory) to their operations. If so, USAID will share its concerns directly with government, preferably in coordination with other donors.

**Target 4.6**  
**Regional Self**  
**-Government**

**Rationale:** A central facet of Ethiopia's transition is the TGE's commitment to deconcentrate power to new regional governments. Regionalization remains ambiguous and controversial. While the June 1992 elections created new regional assemblies, continued debate surrounds the definition of ethnic entities. There is uncertainty as to how the regional conception may change as a result of the Constitutional Commission's work. From the perspectives of management, administration, financing and infrastructure, there is concern about the viability of implementing regionalization.

**USAID Interventions:** The D/G Project includes limited funding to support pilot activities under this target. While the Mission is considering providing some support in the form of technical assistance and equipment for new local courts, a clearer course of Mission action will be developed pending the results of a UNDP study, the work of the Constitutional Commission, and further Mission analysis. In general, our intention with regard to this target is to undertake modest, experimental activities of support during the transition period.

## **- TARGET OF OPPORTUNITY -**



***Target  
of  
Opportunity***

The Mission's strategy provides for one target of opportunity in which we expect to be making a considerable investment change during the planning period. This target, **Emergency Humanitarian Assistance to Ethiopia's Most Vulnerable Groups** provided in a timely manner, reflects the U.S. Government's ongoing commitment to assist Ethiopia to mitigate the desperate circumstances afflicting victims of famine and war. Another major food production failure can occur during the period of this strategic plan. While the Mission has already started the process of programming an increasing portion of its Title II food resources into needed development oriented activities, one motivation for a continued Title II program is to maintain a food delivery infrastructure. Should a production failure occur, Ethiopia will be better placed to deal with the consequences since response efforts will not be undertaken in the midst of war. The Mission's own ability to respond to these needs is important in the context of U.S. humanitarian interests and Ethiopia's needs. We have recently hired a Famine Early Warning Specialist (FEWS) field representative to help strengthen our in-house capacity for monitoring emergency requirements.

The Mission's strategy must also provide for a degree of flexible support for human resource development activities that can contribute to skills enhancement in the public and private sectors. Starting in FY 1994, we expect to support this area under regional or central umbrella training projects. On the basis of this experience, a decision on whether a stand-alone activity should be designed would be made sometime in FY 1995.

Finally, options should exist to enhance our collaboration with PVOs/NGOs beyond the parameters of our framework in such areas as women in development, natural resources management, water and sanitation, and enterprise development. We intend to support the evolution of more traditional, relief-oriented PVOs/NGOs into agents of development. Thus, early in FY 1994, we plan to define a project assistance mechanism that can respond to PVO/NGO requests for support that will expand or enhance their service delivery capacities.

## **VI. PROGRAM IMPLICATIONS**

### **A. Program Profile**

Implementation of this strategy will require a significant expansion of the Mission's program/project portfolio. Our programming plans at this stage anticipate that to support the agriculture objective of increased staple food production, we would extend and expand the non-project assistance activities of DCM and Title III. Particular emphasis in FY's 1994 and 1995 would be placed on deepening the measurements of implementation performance for relatively new policy and institutional reforms adopted by the TGE.

We plan to amend and extend the project element of the DCM Program this FY to broaden the range of analytical areas related to increased food security objectives of the strategy, allowing for more direct linkages to complementary Title III program reforms. Issues for potential review will deal with such areas as safety net programs, environmental laws, livestock policy, natural resources management, land tenure and utilization, credit, and cooperatives. In addition, the Mission will continue to encourage and support research and initiatives that will maximize the developmental use of Title II non-emergency resources to support agricultural production.

We foresee the likelihood of designing an agriculture sector support program in FY 1995 or in FY 1996. The new program, likely to combine non-project and project assistance, would incorporate lessons learned under the DCM and Title III programs and draw on the additional analytical and research base provided under the DCM Project amendment.

For the HPN sector, the STAC I Project will be integrated into the design of a combined non-project/project assistance activity. Design of this five to seven year program will be initiated this FY and will balance support for defining and implementing national policy reform initiatives with support for service delivery in pilot zones.

In the primary education sector, the objectives of the SO will be further defined in the Mission's design of a five to seven year Basic Education non-project assistance activity and complementary project effort that will provide training and technical assistance. We plan to design this activity starting in September 1993, with a target date for program/project authorization late in FY 1994 or early FY 1995.

In order to maintain the momentum established by the HPN and basic education assessments, while at the same time deepening the analytical basis for program design, we foresee financing a series of discrete pre-project related activities over the next several months with Program Development and Support (PD&S) funds. Potential areas for attention include: follow-up analysis to the IBRD Public Expenditure Review to further refine the potential policy reform agenda with additional analysis of budgeting at the MOH and MOE; workshops/seminars to familiarize MOE and MOH officials with basic assumptions and viable models for designing

efficient financing mechanisms; and specialized analysis on such issues as regional administration and management.

This year we plan to increase funding for the Democracy and Governance Support Project to expand support for the national elections and strengthen NGO participation. The project currently runs through September 1994. In the context of Ethiopia's transition period, this time frame may not be sufficient. We plan to define a clearer picture of the scope and level of effort that will continue to be required in this area in FY 1994, based on a more in-depth review of accomplishments to date and emerging needs in the sector. In this regard, we plan to carefully analyze and define options for more efficient administration and management of this project, including the possibility of engaging an institutional contractor/grantee to better address the need to respond quickly.

During the latter part of this FY, we may expand our portfolio in FYs 1994 or 1995 to support activities in the following areas: PVO/NGO capacity building and development support and human resources development for management training. In determining whether these are viable areas for AID support, we will not only apply the criteria for selection employed during the PRISM exercise, but we will also carefully assess the degree to which the planned concepts and activities can directly maximize the effectiveness of our strategic objectives.

## **B. Managing the Policy Agenda**

With the introduction of the DCM and Title III Programs and the D/G Support Project, the Mission assumed significant implementation responsibilities that directly relate to policy change, development and monitoring. The policy agendas contained in these activities consume a substantial amount of the Mission's time. Increasingly, the dialogue on less controversial aspects of the TGE's performance in policy reform has been assumed by Program Review Committees, established under each activity and comprised of the Mission's technical officer and program/project staff. These Committees are effectively functioning to review progress, maintain more regular channels of exchange with TGE implementing agencies, and advise the front office on progress or issues requiring their direct involvement.

We will continue to manage the process in this fashion during the planning period. The committees will be expanded to include the relevant technical expertise of new staff, e.g., the Controller, the Macro-Economist, the Agricultural Development Officer, etc.

Later in this FY, the Program/Project Office will take the lead, in cooperation with the technical officers, and with support from the REDSO/ESA management information systems specialist, in designing database information systems that support management of the current programs. In the design of new programs and projects, particular attention will be given to defining the implications of particular policy initiatives based on our technical and program databases, and on our administrative capacity.

We assume that these new efforts will be implemented largely through institutional relationships with U.S. or Ethiopian cooperating agencies or contractors. The Mission will set aside time prior to launching these efforts, and thereafter regularly during implementation, to review its policy agenda with these counterparts to ensure a shared understanding of expectations.

We strongly believe that effective management of our policy agenda will require investments in research and analysis that can validate assumptions and confirm the impact of policies. Since the areas of our support are likely to involve a high degree of other donor investment, we will share information on policy reform management with these partners on a regular basis. The Mission will also actively participate in sector-specific donor task forces and will encourage their formation in the areas of health/population and education.

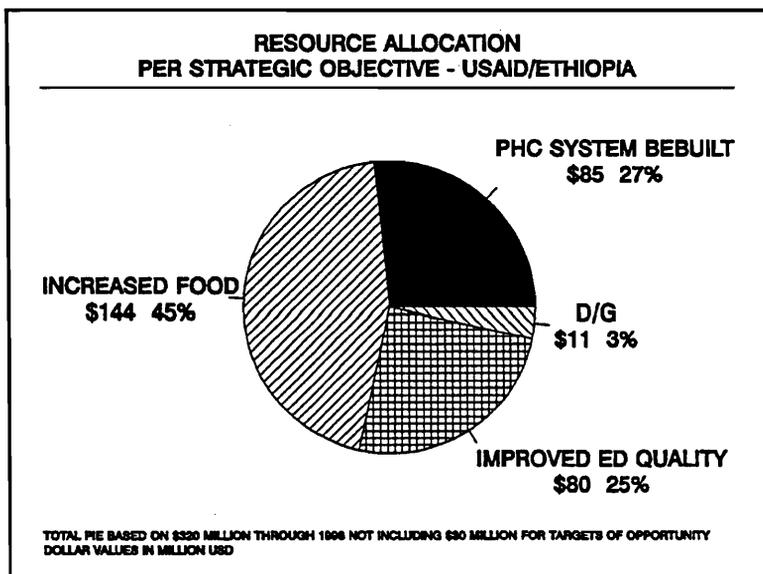
Furthermore, subject to AID/W approval, the Mission plans to sign a multi-donor Memorandum of Understanding concerning the establishment, use and management of counterpart funds derived from the sale of goods and foreign exchange provided by donors. The Mission's membership in this group will enable USAID to participate in semi-annual consultations between the donors and government regarding the overall TGE budget process and the use of counterpart funds. It will provide a logical venue for donors' review of the government's overall performance in meeting the economic reform agenda and in implementing and financing social programs. The scope of this Memorandum of Understanding will enable generations to be effectively programmed and coordinated within a pool of resources that would likely be targeted at the sector level.

### **C. Resource Allocation Plan**

To adequately support our strategy framework will require resources totalling \$675.0 million from FY 1994 through FY 1998 to be provided by the sources of funding as indicated below:

DFA: Development Fund for Africa	\$350.0
PL 480: Title III	\$200.0
PL 480: Title II	\$125.0

We are assuming an average annual DFA level of \$70.0 million over the framework period starting in FY 1995, with the anticipated graduation of Ethiopia from "Special Case" to "Focus" country. These estimates are conservative given the significant demands in the sectors of focus and other variables used to determine DFA resource allocation levels, e.g., current population size estimated at over 50 million. The chart below provides an illustration of how these resources would be allocated against the four Strategic Objectives and the two Targets of Opportunity. Against those calculations, we estimate that roughly half of the Mission's FY 1994 Operational Year Budget will directly relate to Congressional interest areas.



We assume that competition for Title III resources will continue over the planning period, with mounting demands coming from the Newly Independent States. Nonetheless, we believe that the food security issues in Ethiopia justify an annual Title III program level of \$40.0 million over the planning period. The absorptive capacity to effectively program this level exists in Ethiopia. In addition, the Mission plans to hire a Title III Coordinator (FSN-PSC) to enhance our program management/monitoring

capability.

For the PL 480 Title II Regular Program we estimate an average annual requirement of \$25.0 million. Provision for PL 480 Title II Emergency Food and Non-food Aid (AID/W/OFDA) is not included in the projections.

In FYs 1997 and 1998, we show increases for activities that are likely to continue well beyond the time frame of this document and are based on our assumption that greater capacity to effectively absorb these resources will be present in the sectors. Our estimates of DFA requirements for Strategic Objective 1 over the planning period do not at this stage provide for any significant expansion of support to the agriculture sector, on the assumption that the actual needs will be further refined sometime in FY 1994.

Our present mortgage is nominal, amounting to slightly over \$10.0 million required in FY 1994 for the DCM Program related to Strategic Objective 1. Even with the possibility of a \$20-25 million amendment to this program in FY 1993 with the additional financing to be provided in this year and in FY 1994, an appropriate balance of roughly \$30 million can be devoted to new programs or amendments to other existing activities to implement the country strategy.

Currently, the bulk of our portfolio is financing quick disbursing cash transfer activity. Thus our pipeline level is low at \$19.2 million. We expect both activities under Strategic Objectives 2 and 3 to represent a balance between non-project assistance and project assistance, both of which would be incrementally funded. Both options will be fully considered.

**USAID ETHIOPIA: RESOURCE ALLOCATION BY STRATEGIC OBJECTIVE FY 1994 - FY 1998**

Activity	LOP	Planned Annual OYB Level (\$millions)				
		FY94	FY95	FY96	FY97	FY98
<b>S.O.1: Increased Staple Food Production</b> (e.g., DCM (NPA/PA), Ag.Support (NPA/PA))	144.0	27.0	27.0	30.0	30.0	30.0
<b>S.O.2: HPN</b> (NPA/PA)	85.0	15.0	15.0	15.0	20.0	20.0
<b>S.O.3: D/G</b> (D/G Support Project)	11.0	2.0	2.5	2.5	2.0	2.0
<b>S.O.4: Basic Education</b> (NPA/PA)	80.0	10.0	15.0	15.0	20.0	20.0
<b>Targets of Opportunity and Portfolio Support to Objectives:</b> (e.g., PVO project, ATLAS support, HRDA, PD&S)	30.0	5.0	5.0	6.0	7.0	7.0
<b>TOTALS</b>	<b>350.0</b>	<b>59.0</b>	<b>64.5</b>	<b>68.5</b>	<b>79.0</b>	<b>79.0</b>

#### **D. Staffing and Operations Plan**

The Mission has gone through a rapid growth period in the past year; graduating from an AID Representative Office to a Schedule "B" Mission. After an extended suspension in U.S. development assistance funding, in FY 1992 the Mission obligated an Operational Year Budget (OYB) of over \$41.0 million. The Mission's staff at that time totalled six U.S. direct hires (USDHs), five Foreign Service National-Personal Services Contractors (FSN-PSCs), and one US-PSC.

Currently, the Mission has seven USDH positions filled. By the end of FY 1993, all ten approved USDH positions are expected to be filled. Specifically, these additional three positions include a General Development Officer, with education sector expertise, a Supervisory Program Officer, and an Agricultural Development Officer. The Mission will obligate a DFA combined program level for Ethiopia and Eritrea of \$38.0 million. This amount does not include: (i) approximately \$61.0 million to be programmed in emergency food and non-food assistance; (ii) Title III commodities valued at \$33.46 million; and (iii) the Title II Regular Program level of \$23.7 million, of which approximately 10-15% is expected to be monetized.

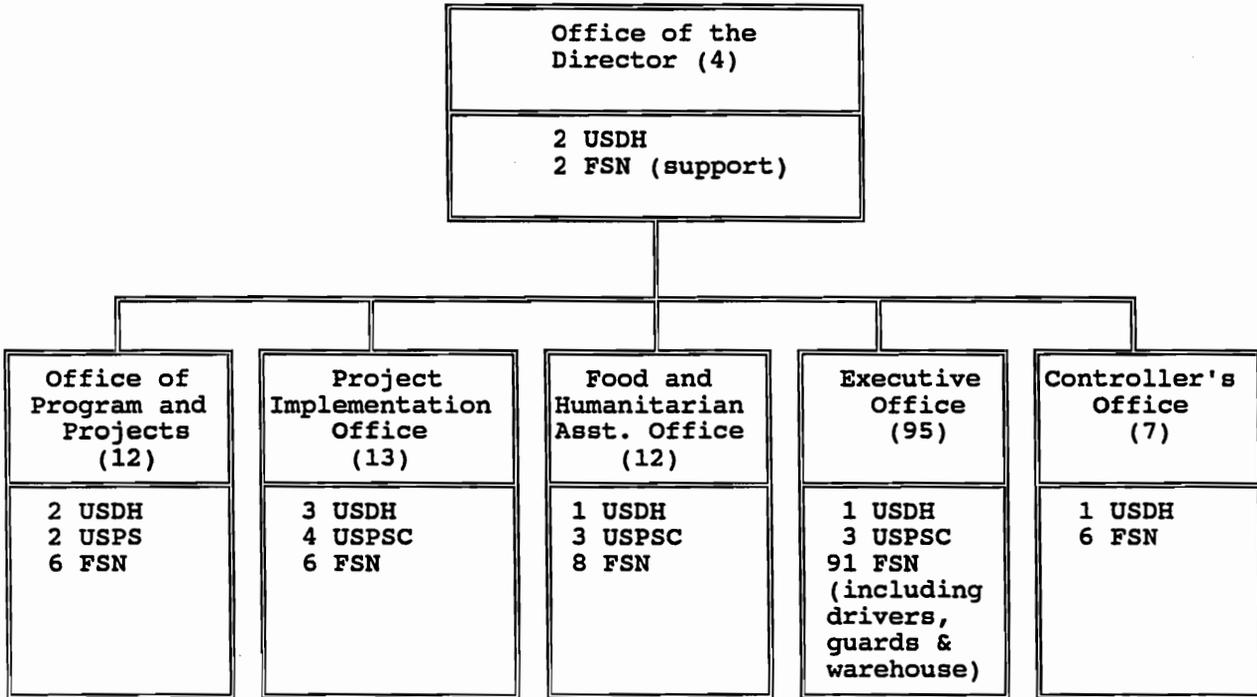
In early FY 1994, we expect to have increased our FSN-PSC technical staff from five to 13, providing very essential support in such areas as: day-to-day management of Title III and the DCM Program/Project; monitoring of Title II Regular Program activities; education and training; and overall programming coordination and support (including local currency monitoring, ABS preparation, etc.). An FSN-PSC Systems Manager will also be added this FY to design, install and manage the Mission's automated information system.

The Mission recently added the position of a Famine Early Warning System (FEWS) Advisor to its operations. This position is funded from the Mission's OYB as a PSC and will be extended through FY 1994, at which point a decision on its continuation will be made.

Clearly, the Mission's growth pattern in staff levels is not commensurate to the current or projected FY 1994 program levels. **In order for USAID to implement this strategy at the proposed annual DFA level of \$70.0 million, this Mission cannot continue to "do more with less."** No less than five (5) additional USDH positions will be required in FY 1994 to establish and support the program activities that are linked to the Strategic Objectives. The Mission's staffing proposal includes the following additional positions: a Project Development Officer, a Private Sector/Financial Markets Advisor, a Contracting Officer, A General Development Officer (with environment/natural resource management skills), and a Program Officer (with monitoring/evaluation expertise). These positions should be approved and filled in early FY 1994.

# USAID/ETHIOPIA

## ORGANIZATION STAFFING SUMMARY FY 1993



In looking beyond FY 1994, when our new programs and projects will be starting, it may be necessary to revisit USDH staff requirements. We believe, however, that these new efforts can be effectively managed by this increase in USDH staffing and the supplemental FSN-PSC and US-PSC technical and financial staff, who would be directly designated to new programs/projects. Furthermore, the Mission will consider designing activities that can be administered effectively under a single U.S. institutional contracting arrangement for a specific strategic objective to avoid placing undue management strains on the Mission and the proliferation of separate, time-consuming, smaller-sized management units.

Assuming an approved strategy and a full staff complement, early in FY 1994 the Mission will review the effectiveness of how it is organized to manage its operations and portfolio and determine if modifications are necessary. Particular consideration will be given to such factors as evaluation, contracting and technical review and direction. It is critical to ensure that the Mission's structure can support graduation from Schedule "B" to Schedule "A" mission status in FY 1994. In that regard, we will consider the viability of options for establishing independent stations for accounting/financial management and contracting, or at minimum, we will seek to define arrangements for streamlining current operations.

Since the resumption of economic assistance in the past 18 months, the pressure on the Mission has been focused on getting new activities started. At the same time, we have made some progress in establishing new operating procedures in the Mission and in acquainting new and former staff with the objectives and requirements of the DFA. Internal systems have improved somewhat, but far greater gains in tightening controls (e.g., issuance of Mission Orders, financial management, etc.) will be realized over the next nine to 12 months, once new staff have arrived and we move increasingly to automation of reporting and tracking systems.

The operating expenses required by this plan will be covered by OE, Trust Funds, and program funds. Our OE budget is expected to average \$2.5 million annually through 1998. We will set aside funding in all new programs/projects for project management, along with institutional arrangements for administration.

### **E. Monitoring, Evaluation and Reporting Plan**

The scope and magnitude of resources defined in this framework mandate that we give priority to establishing program management systems that can tell us, Ethiopians and other interested parties what is being achieved with these investments. The framework recognizes that timely, accurate and non-biased data must be available to define performance.

Since August 1992, we have had to give priority to starting the new program, implementing the portfolio, securing new staff, maintaining regular exchanges with key government counterparts, and producing a strategy document. After this strategy is approved, the Mission will establish a monitoring system to track performance at the program/project and SO levels. TDY assistance from REDSO/ESA's evaluation/management information specialist has been scheduled to start this process. The specialist will work with program/project managers and the Program Office to review the existing indicators, methods of measurement, data collection systems and reporting approaches and needs. The analytical agendas for these activities will be updated as necessary. Additional TDY assistance will be programmed for later in this FY and in FY 1994.

Some preliminary indicators of how we intend to measure progress in implementing the strategy are detailed in the summary tables accompanying the strategic objectives. There is clearly variety among the indicators in terms of specificity. These illustrative indicators will become refined as we develop the monitoring system and as part of the program/project design for new efforts.

We are considering follow-up assistance from the PRISM activity for on-site consultation on how to go about incorporating the collection and analysis of data on key indicators in those projects now at the planning stage. We will also solicit ideas from specialists in AID/W/POL/CDIE, AFR/ARTS/FARA and AFR/ARTS/ and AFR/ONI. As appropriate, we will incorporate their suggestions on additional baseline studies to conduct during the program/project designs or to strengthen the analytical framework of existing efforts.

We believe there are certain cross-cutting themes, e.g., private sector development and gender considerations, that will require particular attention in the Mission's monitoring and data collection systems. Our design of these systems will provide for disaggregation of data in these areas of interest. Similarly, we will begin to collect data that can further disaggregate the degree of support we are providing to PVOs/NGOs, since this appears to be an area of growing interest in AID/W and relates directly to our aims.

The Mission anticipates that it will take at least one year to establish an effective system for assessing program impact (API) for ongoing programs. We would plan to submit an API sometime in the fall of 1995. A more complete API, inclusive of final indicators for all four objectives, would follow in FY 1996.

The Mission will establish a semi-annual project reporting system during the coming months in conformance with the recent guidance provided by AID/W. The project review committee structure will be used to review progress, identify concerns/issues and recommend follow-up actions. The reviews will emphasize a balance between consideration of programmatic/technical concerns and financial issues. A tracking system to ensure that project officers address the recommendations of the committee will be managed by the Program Office.

With the addition of staff to the Program Office, the Mission's capacity to design and implement evaluations of programs/projects will improve. The semi-annual project reporting system will help track the schedule for evaluations. It will provide Mission management with a status report on evaluation recommendations.

The Mission's Controller will take the lead on ensuring that program/project activities meet audit requirements. The Controller will provide updates on any outstanding audit issues and future auditing requirements at quarterly and semi-annual reviews.

The above represents only a portion of the reporting needs. It does not capture the variety of implementation actions associated with program/project management. Therefore, in an effort to define these requirements across offices and to clarify responsibilities among offices for action, starting in FY 1994, each Mission office will establish a detailed annual work plan that will be presented to the entire Mission for comments. The finalized office work plan will be incorporated into a Mission annual work plan highlighting key actions and tasks.

**USAID/ETHIOPIA**  
**VISION STATEMENT**  
**FROM RELIEF TO DEVELOPMENT**

Ethiopia has suffered greatly from poor government, war and famine. It faces monumental developmental challenges.

We believe the situation in Ethiopia has begun to change for the better. After a generation of lost opportunities, Ethiopia is making bold economic and political moves. Ethiopia's goal is an open society which fosters market lead economic growth and reconciliation. USAID/Ethiopia endorses this goal. Donor assistance will be essential to the achievement of this goal. USAID/Ethiopia will provide such assistance.

In partnership with the Government, the private sector and NGOs, USAID will continue to respond to Ethiopia's emergency humanitarian requirements. At the same time, conditions now enable us to look to a better future, a future of sustained economic growth and no famines. In looking towards that future, AID will work with its partners to -

1. Help Ethiopia feed itself - by stimulating growth in agricultural production,
2. Help Ethiopia's families to become smaller, healthier, and better educated and
3. Foster reconciliation and political openness.

In its development efforts, USAID/Ethiopia will strive to achieve the highest level of excellence in planning and managing its portfolio of activities.

To this end, our assistance will:

- be timely,
- have positive results,
- be widely recognized and respected by others as effective, innovative and well managed,
- be provided by professionals who are knowledgeable, dedicated, enthusiastic, challenged and rewarded by their ownership of this process, and
- be the outcome of a process which is open, caring, able to learn from its mistakes and respectful of differences.

1/11/93

## **USAID/Ethiopia's Process of Developing the Strategy**

The Mission's development of this concept paper took place in the context of staffing shortages, a particularly demanding workload, a full platter of ambitious "new starts", and a quickly evolving political situation. Added to these dynamics were unanswered questions here and in Washington about the parameters of the document vis-a-vis the scope or timeframe for the strategy and the starting date for strategy "launching" or coverage.

Beginning last September, we drew upon the technical expertise of AID/W, REDSO/ESA and external consultants to conduct reviews/assessments in the sectors or areas of health/population/nutrition, agriculture, food security, gender/women in development, private sector/enterprise and education. The overall economic context was drawn from Ethiopia's historical base and a more current appraisal performed by the World Bank for the ERRP and the Structural Adjustment Credit (SAC) and by REDSO for the DCM Program design. We have had the benefit of regular situational updates performed by REDSO economists, with supplementary support provided by economists under a buy-in to the HIID/CAER project. When combined with our own understanding of the development dynamics in Ethiopia, the above analyses provide a sufficient basis for our stating with a high degree of confidence what the key development problems are.

Unfortunately, staffing constraints and time pressures associated with producing these sector studies made it impossible for the Mission to directly participate in all the assessments. To compensate for this, we arranged for internal distribution of the assessments to staff and encouraged participation at all exit debriefings. Likewise, to acquaint TGE ministries with AID's process of concept paper formulation and enrich the analytical process, TGE counterparts were invited to participate as team members in the assessments. Debriefings for the TGE were also arranged and final documents were shared for their reference and comments.

Starting in mid-December 1992, and as a precursor to the PRISM exercise, a Mission retreat was facilitated by the Training Resources Group (TRG). A key outcome of the retreat was our development of a USAID/Ethiopia Vision Statement (Annex 1). The retreat was also used as a forum for explaining the requirements of the concept paper development process to all staff (DH, FSN and PSC).

The retreat was followed in January by the PRISM exercise, ably led by Management Services International (MSI). The intensity of this one week period of brainstorming cannot be overstated. For the Mission, it was time to bite off on some difficult choices.

As in the case of the retreat, broad staff participation in the PRISM exercise was encouraged, but ultimately the brainstorming sessions that defined the framework of this strategy

were comprised of the key technical officers directly concerned with the outcomes and implications of the choices. four separate working groups were formed in relation to the strategic objectives, with the Mission's professional staff participating in each of these groups.

The process of "making the choices" between a multitude of possibilities and needs was greatly simplified when the Mission agreed upon the criteria for elimination and inclusion in the strategic framework - criteria that we believe capture most of the internal and external considerations that affect day-to-day implementation of our program. Specifically, the criteria that influenced our optic were:

- Level of AID Resources Relative to Scale of Problem
- Consistency with Congressional Earmarks
- Likelihood of Measurable Results within 5-8 Years
- Priority to Ethiopian Government
- Availability of Resources from Alternative Sources
- Level of USAID Staff Commitment and Consensus
- "Washington Post Test" (i.e., U.S. public opinion)

The following additional criteria were used to select targets and activities associated with any given strategic objective:

- Consistency with AID Policies
- Likely Sustainability of Impact
- Return on Investment
- U.S. Comparative Advantage
- Management Intensity
- Requisite Technical Expertise within USAID
- Potential for Private Sector and NGO Participation
- USAID Track Record and Analytical Base

As discussed above, particular attention was given to considering options at all levels of the objective tree. Because the retreat had served the purpose of defining a sound vision statement, the process of selecting a goal was greatly simplified. Similarly, the vision statement's themes enabled us to narrow the number of options for possible sectors or areas for concentration.

The brainstorming sessions that followed confirmed that as a Mission there was a consensus on the key strategic objectives and targets. Because of time constraints, the newness of the objectives in programming terms, and the need to collect base-line data this year, we agreed it would not be possible at this stage to define the indicators with a high degree of qualitative or quantitative specificity.

Senior Mission management then presented the tentative framework for reactions and discussion to senior level TGE counterparts. While counterparts expressed general endorsement

for the framework, we appreciate that their ability or inclination to respond more fully is likely to follow as specific program/projects are designed or refined under the various objectives, thereby providing them with a clearer sense of what is implied in terms of funding levels and approaches.

An important step in the process was consultations with our partners in the PVO/NGO community and with the Ethiopian private sector. The Mission organized several briefing sessions with the PVOs/NGOs centered on reviewing the strategies under the framework. These sessions were focused on specific sectors, for example, the HPN-related PVOs/NGOs were specifically invited to attend the session reviewing our HPN strategic objective. After the PRISM process was completed, another round of consultations with all the PVOs/NGOs took place to discuss the entire proposed framework. In obtaining private sector reactions to and interests for our overall strategy, our regular contacts, e.g., Ethiopian private retailers, investors and importers, provided valuable insights and suggestions that focused our efforts.

In March 1993, a senior AID/Washington management team visited the Mission to provide informal reactions to and suggestions for the concept paper. (For a summary detailing the AID/W Senior Management Team's suggestions and recommendations, see Annex 5.) The visit was useful from a number of perspectives. In particular, closure was finally arrived at on the appropriate starting date for the strategy - i.e., FY 1994.

Other key adjustments or refinements made to the framework on the basis of the AID/W visit include:

- **Addition of a Strategic Objective in Basic Education.** During the PRISM exercise, a strategic objective in basic education was seriously considered as an area where the needs are significant and we could potentially make a meaningful contribution. However, we decided to follow the PRISM emphasis and AID/W guidance on limiting the number of our S.O.'s to no more than 3. Instead, the AID/Washington team encouraged us to proceed to add a Basic Education S.O. since this was a key developmental priority and because we anticipated having our assessment of the sector completed within sufficient time to include the analysis in the concept paper. The Mission and the AID/W Senior Management Team agreed that by implication the addition of a fourth S.O. would require additional budget and human resources beyond the Mission's current levels.
- **Application of a Case-By-Case Approach to Strategic Objective Timeframes.** It was agreed AID/W's general guidance for concept papers suggesting a three year timeframe should not necessarily be applied to those objectives that represent (1) areas where considerable analytical depth and information is already available to the Mission, or (2) areas where clearly a commitment to provide resources now will require longer-term support to demonstrate any measurable impact.

## DISCARDED OPTIONS

As a first step in the PRISM exercise leading to development of this document, the Mission defined a lengthy and broad range of options for consideration as sectors or related target areas for support. The listing of options was juxtaposed with the Mission Vision Statement. Some of these options had the benefit of consideration and analysis during the process of sector-specific assessments. The options ultimately selected for AID support are contained in the main body of this document and were either incorporated at the sub-goal, strategic objective or target levels. A brief discussion of those options that were dropped, that we do not intend to address during the planning period, and that we believe are beyond the sphere of our manageable interest follows.

**Land ownership/tenure:** We recognize that over the medium to long term, the issue of land ownership will significantly affect Ethiopia's economic growth potential in the areas of agriculture and commercial development. We believe, however, that it makes more sense to participate with other donors in understanding more about the nature of current systems and the implications of possible models. This largely implies that our support would be restricted over the short term to co-financing analytical and research efforts and participation in donor dialogue on the issue with the TGE.

**Natural Resource Management:** At this stage we believe it is essential to focus the Mission's resources on boosting agricultural production, particularly of cereal grains. Over the coming months, we intend to examine constraints/issues in this sector to obtain a better understanding of its requirements and potential areas for our support through some elaboration of our agriculture-related strategic objective. It will also be important to obtain an update on other donor involvement in this area, since we understand the UNDP is planning major interventions.

Moreover, while natural resource management is not a stand-alone area for investment, we believe issues of resource base sustainability and environmental impact cannot be ignored in the preparation of interventions in support of agricultural development.

**Privatization and Private Sector Investment, Income and Employment:** As discussed in Annex 4, our support in this area will be focussed on stimulating growth that directly relates to and complements our strategic objectives. We believe that the modest support we intend to provide to both the public and private sectors in analysis, design and testing of policy reforms or changes, will be oriented in the direction of addressing the above issues. Furthermore, we intend to continue to play a catalytic role in supporting privatization aims, but would see the bulk of these efforts more appropriately financed with loan funds.

**Infrastructure (including industrial):** USAID's comparative advantage in this area is relatively weak and we lack sufficient resources to make a major contribution. We believe investments in this area are more logically loan-financed, within the purview of the IMF/World Bank. Furthermore, to the extent that infrastructural investments in transport, power or telecommunications are linked to industrial developments, there are ever-increasing restrictions on AID's involvement. Moreover, in Ethiopia the most promising industries appear to be textiles, garments, shoes and leather - all of which are loaded with restrictions.

**Public Administration:** Between the IMF/World Bank and UNDP, Ethiopia has its full share of interested parties planning to provide significant levels of assistance to this aim. Moreover, government policies and strategies concerning public administration under the planned decentralization process have not as yet been fully articulated, it is premature to carve out any niche in this very broad area. However, in the context of the implementation of the Mission's strategic objectives, the implications of decentralization and regionalization will be assessed accordingly.

**Clean Water and Nutrition:** Our HPN assessment team carefully considered these options, but concluded that while improving access to potable water and increasing nutritional status are critical, both areas are being largely dealt with by other donors. Insofar as USAID should deal with these issues, we concluded that they should be integrated within the community service delivery target of the HPN strategic objective and the labor-based public works/safety net target under the agriculture strategic objective.

**Reintegration of Displaced Populations:** USAID does not have a comparative advantage in this area. We concluded that other donor agencies are better equipped to address this need.

## The Private Sector in Ethiopia

The precise contours of the private sector in Ethiopia remain unclear. The Mission financed two general assessments in 1992 to identify the key constraints in the sector and formulate a menu of possible options for a Mission program. On the basis of these assessments and further consultation with key actors in the private and public sectors, including private investors and retailers, we have concluded that the Mission should not at this stage define promotion of the private sector as a strategic objective in and of itself. The magnitude and nature of the constraints are such that they will require major donor leadership to encourage the numerous legislative, structural and institutional changes/reforms needed in the financial and economic sectors to develop a compatible market-based environment.

After almost two decades of discrimination against the private sector, opportunities to expand its development are finally surfacing. Our own experience with the Transitional Government indicates its commitment to move to a market-based economy.

Our assessments in other sectors, such as agriculture, HPN, education and food security, have defined areas where the private sector should be engaged more fully. For example, in agriculture, the private sector is active the transport, trading and other services, small-scale manufacturing and processing. In the HPN sector, the service delivery capacity of the private sector in such areas as provision of drugs and supplies, along with basic delivery of health services, warrants attention. Excellent results are already evident in support for social marketing of condoms under the STAC-1 Project. In the education sector, we foresee supporting efforts to promote greater community involvement and participation in financing primary school expenses. We could also assist the TGE to refine/streamline regulations that can expand the number of private primary and secondary schools in the country.

Thus, while private sector involvement is a strong cross-cutting theme of USAID/Ethiopia's development aims, our direct support for the private sector should focus on its serving as a means to help achieve the targets of our four strategic objectives. A brief overview of the private sector follows along with the Mission's current assessment of prospects for its expansion.

The reviews indicated that privately owned and operated enterprises constitute the dominant form of economic activity in the country. This may seem surprising given the nationalization of large industrial and agricultural enterprises in the mid 1970s and the attempts by the former Mengistu government to promote collective agriculture. The unpopular collective entities in agriculture largely disappeared after Mengistu's demise, with the result that peasant family farms account for over 97% of the total cropped area and a similar proportion of the value added in agriculture. Producer cooperatives have been dissolved and state farms are now targeted for divestiture.

Besides agriculture, the private sector is active in the transport, trading and other services, and small scale manufacturing and processing. Despite the wide-ranging participation of the private sector in the economy, most firms are small, family-based enterprises, often in the informal sector. The World Bank reports that in 1989, there were an estimated 7,684 private industrial enterprises in Ethiopia, of which only 7% employed 10 or more workers. The average fixed capital of private enterprises was only Birr 30,000. Together they contributed an estimated 2.4% of GDP, operating mainly in paper and printing, metal working, chemical, leather and wood products.

In the same year, there were 203 state enterprises with an average employment level of over 400 workers, an average fixed capital of Birr 5 million and a contribution to GDP of 6.6%. Of the total number of state enterprises, 162 were administered by the Ministry of Industry, and the other 41 were under the supervision of the Ministries of State Farm Development, Construction and Energy. As a consequence, public enterprises dominated almost every market for commercial goods and services, usually on a monopoly basis, in addition to the monopoly they enjoyed in the sphere of public utilities. Despite such privileges, nearly all the value added in the manufacturing sector can be attributed to only 15 public enterprises. In the agricultural sector, the state farms single-handedly contributed to the insolvency of the Agricultural and Industrial Development Bank.

In contrast, it has been suggested that the informal sector in Ethiopia probably accounts for 90% of total private sector production in the country, 89% of manufacturing activity (with a large focus on consumer goods), contributes a total of 15% to GDP, not including the non-monetary or subsistence sector, and continues to be the dominant source of labor absorption.

Business support institutions exist in Ethiopia, including the Addis Ababa Chamber of Commerce (with 25,858 members in January 1992) and the recently created governmental Investment Office. The Chamber provides training, export and local market information for members through informal workshops and its newsletter, and it lobbies on its members behalf. The Investment Office aims to provide one-stop services to potential investors (primarily Ethiopians) in such areas as feasibility studies, applications, licensing, and accessing bank credit.

There are a number of the constraints to business entry and/or growth in Ethiopia. Lack of access to foreign exchange has severely affected the capacity of local private operations to import necessary inputs. Private firms depend almost entirely on their own funds, informal lending groups and money-lenders for access to credit. Any expansion of the private sector will raise the demand for inputs and new investment, much of it consisting of imports. Private commercial farming is hindered by lack of private ownership of land and, where lease arrangements are contemplated, a overall lack of clarity or a legal framework that would define rights and responsibilities. In the area of taxation, the marginal business income tax rate was reduced in 1992 from 89% to 59%. Reportedly, this is still too high, creating disincentives to make full disclosures or to enter the formal sector. While there have been some improvements in licensing procedures and, consequentially, the number of licensed private retailers in grain and fertilizer over the past year, the process in other sectors remains cumbersome.

The investment code, prepared in May 1992, while an improvement on past practices, still contains a number of requirements/regulations that over the medium to long term will pose barriers, e.g., over-regulation of investment, hurdles to the free entry of large firms and foreign investors. For example, foreign small scale enterprises are discouraged from investment in Ethiopia by a minimum investment threshold of U.S. \$500,000. As yet, the TGE has not addressed problems associated with the repatriation of dividends and external payments for royalties and technological services.

Some progress has been made in modifying or relaxing the labor code regulations, allowing for labor mobility and the hiring of skilled farm labor. Further modifications are necessary. A key constraint on private sector expansion has been the monopoly power exercised by a large number of parastatals. Some good progress is being made in restructuring these public enterprises, but the move to privatization is generally slow and faces poor coordination among the relevant government agencies.

It is still too early to assess the speed of change with regard to the growth of the private sector during the recent period of economic reform. In general it does not appear that significant changes have occurred in the sector during the last two years because of continued foreign exchange shortages and the general uncertainty of an investment climate in a period of political transition.

However, several factors point to a more optimistic scenario in the course of the coming two to three years. First, the TGE has now drawn a short list of 79 public enterprises to be privatized. While the actual process of divestiture will likely take a number of years, the reversal of a philosophy of direct state investment in production and trade will boost private sector confidence. Clearly, coordination and support for this effort is required over several years for it to succeed. Efforts to reduce the monopoly power of parastatals need to continue, especially in the areas of trade, transport and construction.

Second, as noted above, several legislative steps have been taken to improve the business climate for private enterprise. The Investment Code and the Labor Law have been revised, removing a number of earlier restrictions on investment and labor use. Further modifications need to be made to both of these regulations/laws and other changes are needed to stimulate broader improvements and provide incentives. But as first steps, these are promising efforts. Further measures focusing on the financial sector, public enterprises and land ownership also need to be considered to increase the scope for the private sector and competitive markets.

Third, the devaluation of the Ethiopian birr from 2.07 to the dollar to 5.0, increased export incentives. A regular system of foreign exchange auctions was instituted in May 1993 to ease the flow of hard currency to the private sector. Prices at the retail level have been decontrolled and there is a phased plan to decontrol most remaining wholesale prices in the course of the forthcoming Structural Adjustment Credit (SAC) from the World Bank.

The IMF in its recent Article IV consultations noted the rush of applications to the Investment Office for new types of investment. Constraints on foreign exchange have eased, both because of the arrival of ERRP-financed spare parts and inputs and because of the quick disbursing balance of payments support to be provided through SAC I. With the lessening of restrictions on the areas of private sector operation, one can anticipate that private enterprise development will become an important area of donor support following the period of macroeconomic stabilization.

**AID/W TEAM RECOMMENDATIONS  
USAID/ETHIOPIA CONCEPT PAPER**

**GENERAL SUGGESTIONS:**

Starting date for the strategies should be FY 94.

Mission might consider including an options matrix (see Rwanda CPSP as model) in the document, which would indicate low, medium and high levels of funding and related implications in terms of staffing, program/project management units.

Original guidance/limitation of 20 pages for document should not become a constraining factor. As appropriate, document can include relevant data, conclusions, etc. derived from full sector assessments where 5 year strategies are presented.

**S.O.1** (Agriculture): S.O. accepted in principle in context of 3 year timeframe. Activities suggested by targets 1 - 5 appear reasonable. Concept paper discussion should include Mission's plans during this period to conduct additional analysis and research directed at strengthening/deepening the Mission's understanding of key constraints, other issues/factors, etc., related to ag sector, e.g., land use, coops, credit, research, natural resources. When additional info/data becomes available, Mission will submit amplified strategy to AID/W for longer-term (5 year) strategy approval.

**S.O.2** (HPN): In principle, S.O. accepted along with a 5 year timeframe. Concept paper discussion should integrate results of HPN assessment and its data in a more thorough, complete fashion. Enough analysis should be included to support a contract with AID/W. Appropriate balance between national policy reform definition/support and service delivery should be presented in document.

**S.O.3** (Basic Education): Assuming sector assessment sufficiently informative, develop an S.O. Similar to S.O. 2, consider a sequenced approach, cast the S.O. in terms of a 5 year timeframe, and integrate data and results of education assessment in main body of Concept Paper.

**S.O.4** (D/G): S.O. generally acceptable, particularly in the context of Ethiopia's Transition period and a 2-3 year timeframe. Concept paper should state Mission's intent to assess (sometime in FY 94) continued level of involvement and degree of prominence this S.O. would have over longer-term.

### **Targets of Opportunity**

**T.O. 1** (Provision of Emergency and Humanitarian Assistance) Generally acceptable, but requires some amplification in terms of Mission's thinking about the "fact of life" nature of this T.O. and clarification on rationale for not integrating this T.O. under another S.O. - e.g., food security/agriculture.

**T.O. 2** (Economic and Administrative Policy Reform) Generally acceptable, particularly in context of Mission plans to establish a separate project mechanism to complement resources under the S.O.'s, e.g., a Title III Coordinator, and/or expand knowledge base and response capacity (such as participant training) in new areas.

**SYNOPSIS OF THE STRATEGIC FRAMEWORKS FOLLOW**

**GOAL**  
Tangible Progress Toward  
Peace, Prosperity and  
Physical Well-being for  
the Majority of  
Ethiopians

Target of Opportunity  
Emergency Humanitarian  
Assistance to Ethiopia's  
Most Vulnerable Groups

**Sub-Goal:**  
Enhanced Food Security

**Sub-Goal:**  
Smaller, Healthier,  
Better Educated Ethiopian  
Families

**Sub-Goal:**  
An Increasingly Stable &  
Democratic Ethiopia

**STRATEGIC OBJECTIVE 1:**  
Increased Staple Food  
Production

**STRATEGIC OBJECTIVE 2:**  
Key Aspects of the Rural  
Health Care Delivery  
System Rebuilt and  
Re-Oriented

**STRATEGIC OBJECTIVE 3:**  
Quality in Primary  
Education Improves in an  
Expanded System

**STRATEGIC OBJECTIVE 4:**  
Increased Access to and  
Participation in a  
Conciliatory Democratic  
Transition Process to a  
Permanent GOE

**TARGET 1.1**  
Fertilizer Supply  
Increased

**TARGET 1.2**  
Improved Policies in  
Agricultural Marketing  
Transport & Related Areas

**TARGET 1.3**  
Analytical Capability  
Enhanced to Support  
Sustainable Food  
Production

**TARGET 1.4**  
Increase Incomes for  
Targeted Groups

**TARGET 2.1**  
Improved Health Care  
Financing & Management  
Policy Instituted

**TARGET 2.2**  
Effective Logistics &  
Supply Systems in Place

**TARGET 2.3**  
Family Health Services &  
Management Established in  
Pilot Zones

**TARGET 2.4**  
Private Sector Outlets  
for Family Health  
Services Increased

**TARGET 3.1**  
Improved Efficiency &  
Decentralized Management  
of the Primary  
Education System

**TARGET 3.2**  
Improved Key Qualitative  
Inputs for the Primary  
Education System

**TARGET 4.1**  
Open Elections Organized  
by the National Election  
Commission

**TARGET 4.2**  
Democratic Principles  
Incorporated in the  
Constitution

**TARGET 4.3**  
Enabling Environment for  
the Establishment &  
Operation of an  
Independent Media

**TARGET 4.4**  
An Independent Judiciary  
& Independent, Credible,  
Human Rights  
Organizations Established  
& Operational

**TARGET 4.5**  
NGO Participation in  
Civil Society  
Strengthened

## ENHANCED FOOD SECURITY STRATEGIC FRAMEWORK

STRATEGIC OBJECTIVE #1	PERFORMANCE INDICATORS
<b>Increase Staple Food Production</b>	<ul style="list-style-type: none"> <li>● Increase cereal production by 6% of the end of three years.</li> <li>● Food availability improves in deficit areas.</li> </ul>
<b>TARGETS</b>	<b>BENCHMARKS</b>
<b>1. Increase Supply and Distribution of Fertilizer</b>	<ul style="list-style-type: none"> <li>● Aggregate supply of fertilizer (level of imports)</li> <li>● Aggregate consumption of fertilizer, (level of retail sales)</li> <li>● Number of private traders importing and distributing fertilizer and other inputs</li> <li>● Volume of fertilizer handled by the private sector as percentage of total marketed</li> </ul>
<b>2. Improve Policies in Agricultural Marketing, Transport and Related Areas</b>	<ul style="list-style-type: none"> <li>● Policy changes announced by TGE/GOE related to agricultural marketing</li> <li>● The proportion of agricultural products marketed by the public sector (by volume and value)</li> <li>● Degree of private sector involvement in marketing of agricultural produce, including transport (by volume and value)</li> </ul>
<b>3. Enhance Analytic Capability to Support Sustainable Food Production</b>	<ul style="list-style-type: none"> <li>● Agricultural data collection system established and functioning</li> <li>● Increased number of professional staff engaged in agricultural data collection</li> <li>● Increased number of professional staff trained in agricultural policy analysis</li> <li>● Increased number of policy studies produced</li> <li>● Market information collected and disseminated regularly</li> </ul>
<b>4. Increase Incomes for Targeted Groups from Productive Employment</b>	<ul style="list-style-type: none"> <li>● Roles and responsibilities of different line ministries and commissions clarified regarding implementation of safety net initiatives (formal adoption of the Emergency Code)</li> <li>● Number of people participating in Food for Work, Cash for Work, and other safety net programs</li> <li>● Number of people receiving free food distributions</li> <li>● Incidence of malnutrition</li> </ul>

## HEALTH STRATEGIC FRAMEWORK

STRATEGIC OBJECTIVE #2	PERFORMANCE INDICATORS	
<b>Key aspects of the Rural Health Care Delivery System Rebuilt &amp; Re-oriented</b>	<ul style="list-style-type: none"> <li>● <b>Policy Reform</b> - National policies developed to support and effect improved services at the community level</li> <li>● <b>Increased Access to and Use of Services</b> - Increased number and percent of people within pilot zone(s) with access to essential community health, family planning and AIDS prevention and control services</li> <li>● <b>Expansion of Private Sector Delivery</b> - Increased delivery of services by the private sector (including NGOs) in urban and peri-urban areas, and where feasible, in rural "pilot" areas</li> <li>● <b>Improved Health Status</b> - Reduced child, maternal mortality and STD prevalence (chancroid and gonorrhoea by 5% in pilot zone(s))</li> </ul>	
TARGETS	SUBTARGETS	BENCHMARKS
<b>2.1 Improve Health Care Financing and Management Policy</b>	<b>2.1.1 Ministry of Health Budget Reform</b>  <b>2.1.2 Improve Public Sector Cost-Recovery System</b>  <b>2.1.3 Improve Public Sector Efficiency</b>  <b>2.1.4 Increase Involvement of the Private Sector in Service Delivery</b>	<ul style="list-style-type: none"> <li>● Increased MOH annual budget</li> <li>● Increased MOH budget allocations to peripheral facilities</li> <li>● Increased expenditures on preventive primary care</li> <li>● Decentralized budgetary allocation authority to regions</li>   <li>● Increased user fees instituted (in pilot zone(s))</li> <li>● Revised NGO import, tariff, forex &amp; registration legislation</li>   <li>● Regionalization plan implemented by MOH and regions</li> <li>● Evaluation/incentive system established for staff</li> <li>● Standardized inventory system instituted (central &amp; regional)</li> <li>● Increased cost-effectiveness of MOH operations in pilot zone(s)</li>   <li>● Increased private sector care in urban and peri-urban areas</li> <li>● Increased NGO activities complement public efforts</li> </ul>
<b>2.2 Effective Logistics and Supply Systems in Place</b>	<b>2.2.1 Increase PH forex allocations</b> <b>2.2.2 Liberalize pricing policy</b> <b>2.2.3 Reduce commodity import tariffs for private sector</b>	<ul style="list-style-type: none"> <li>● Essential commodities stocked 50% of the time in pilot zone(s)</li> <li>● Increased volume of essential PH commodities imported</li> <li>● Decreased commodity prices in urban and peri-urban areas</li> <li>● Increased sales of contraceptives, ORS and essential drugs</li> </ul>
<b>2.3 Establish Family Health Services and Management in Pilot Zones</b>	<b>2.3.1 Increase availability and access to essential PH drugs &amp; supplies at health posts/stations</b>  <b>2.3.2 Improve regional and zonal-level management</b>  <b>2.3.3 Better motivated CHWs</b>  <b>2.3.4 Establish Cost-recovery</b>  <b>2.3.5 Improve capacity to research at regional and zonal levels</b>	<ul style="list-style-type: none"> <li>● Increased number of essential care users</li> <li>● Increased immunizations and diarrhea cases treated with ORT</li> <li>● Increased number of health facilities with WS/S</li>   <li>● Improved supervision and commodity supply to health facilities</li> <li>● Management, incentive plans, performance standards instituted</li>   <li>● Increased No. of facilities functioning and CHWs active</li>   <li>● Increased No. of communities with revolving fund/remuneration</li>   <li>● Studies executed on improved delivery at the periphery</li> <li>● Improved inventory system and MIS at regions and woredas</li> </ul>

<p><b>2.4 Private Sector Outlets for Family Health Services Increase</b></p>	<p><b>2.4.1 Regulatory and licensing authority for private sector</b></p> <p><b>2.4.2 Previously nationalized facilities return to NGOs</b></p> <p><b>2.4.3 Improve Information Transfer</b></p> <p><b>2.4.4 Establish more private hospitals</b></p>	<ul style="list-style-type: none"> <li>● <b>Establish FHSM program for oral contraceptives, condoms and ORS in urban centers and in peri-urban areas within pilot zones</b></li> <li>● <b>Expanded private sector outreach (clinics, vendors, etc.) in urban centers and peri-urban areas within pilot zones;</b></li> <li>● <b>Increased availability of essential HPN information in urban and peri-urban areas focusing on preventive care</b></li> <li>● <b>Increased users of FP, ORS, condoms</b></li> <li>● <b>Increased numbers of private and NGO providers.</b></li> </ul>
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## BASIC EDUCATION STRATEGIC FRAMEWORK

STRATEGIC OBJECTIVE #3	PERFORMANCE INDICATORS	
<b>Quality in Primary Education Improves in an Expanded System</b>	<ul style="list-style-type: none"> <li>● 4th grade/completion rate increased by 15% (35% to 50%)</li> <li>● Increased numbers of students meeting MOE "standard quality profile"</li> <li>● Primary completion cycle reduced by 2 years to 9.2 years</li> <li>● Gross enrollment rate increases by 13% (22% to 36%)</li> </ul>	
TARGETS	SUBTARGETS	BENCHMARKS
<b>3.1 Improve efficiency and decentralized management of primary education system</b>	<p><b>3.1.1</b> MOE and Regions cooperate to improve decentralized capacity for policy analysis, planning, management</p> <p><b>3.1.2</b> Increase level of resources for primary education</p> <p><b>3.1.3</b> Rationalize allocation of education resources to improve quality and equity of primary education</p>	<ul style="list-style-type: none"> <li>● Decentralized management structure well-defined and codified</li> <li>● Existence of cost projection models, cost norms, school mapping plan, MIS, transparent and analysis-based budgeting process.</li> <li>● Increased share of TGE budget for primary education,</li> <li>● Increased unit expenditures per primary school student</li> <li>● Increased community contributions to primary education</li> <li>● Decreased teacher to class section ratio</li> <li>● Increased # of books/student/subject</li> <li>● Increased number of private primary &amp;/or secondary schools</li> <li>● Same indicators as for sub-target 1.2 but disaggregated by region, rural/urban, gender, admin/teaching staff.</li> </ul>
<b>3.2 Improve key qualitative inputs for primary education system</b>	<p><b>3.2.1</b> Improve Teacher Training Institute (TTI) programs and student intake in selected Regions</p> <p><b>3.2.2</b> Selected Regions establish programs for primary teachers to adapt to instructional and curricular changes</p> <p><b>3.2.3</b> Improve MOE and Regional capacity to undertake operational research and formative evaluation of effectiveness of educational services</p>	<ul style="list-style-type: none"> <li>● Increased average pass level of TTI entrants</li> <li>● Increased proportion of TTI curriculum and time devoted to instructional methods</li> <li>● Increased # of TTI instructors trained in TT methods</li> <li>● Increased % of female TTI students and primary teachers</li> <li>● Increased # of teachers and school directors participating in in-service training programs</li> <li>● Increased # of methods, content and language focused training modules</li> <li>● Increased # of school-based teacher professionalization activities, e.g. workshops</li> <li>● Increased # of locally identified and executed studies on effectiveness of educational services]</li> <li>● Existence of pilot/experimental access promoting programs for targeted groups (e.g., rural, females)</li> </ul>

## DEMOCRACY AND GOVERNANCE STRATEGIC FRAMEWORK

<b>STRATEGIC OBJECTIVE #4</b>	<ul style="list-style-type: none"> <li>● Opposition recognized and allowed to voice opinions freely</li> <li>● Public dissent tolerated.</li> </ul>
Increased access to and participation in a conciliatory, democratic transition process to a permanent GOE	
<b>TARGETS</b>	<b>BENCHMARKS</b>
4.1 Open elections organized by the National Election Commission	<ul style="list-style-type: none"> <li>● Fair, peaceful multi-party national elections</li> <li>● Established polling procedures followed</li> <li>● Country-wide voter registration</li> <li>● Impartial election officials in all polling places</li> </ul>
4.2 Democratic principles incorporated in the Constitution	<ul style="list-style-type: none"> <li>● Freedom of assembly; Freedom of speech; Habeas corpus</li> <li>● Human rights violations prohibited</li> <li>● Independent judiciary, National Constitution ratified</li> </ul>
4.3 Enabling environment for the establishment and operation of an independent media	<ul style="list-style-type: none"> <li>● Press laws promulgated</li> <li>● Independent journalists' organization organized and active</li> <li>● Press allowed to criticize government</li> </ul>
4.4 Independent judiciary and credible human rights organizations established and operational	<ul style="list-style-type: none"> <li>● Independent judiciary that exercises effective control</li> <li>● All citizens enjoy basic legal protection and due process</li> <li>● Increased number &amp; recognition of human rights organizations</li> </ul>
4.5 NGO participation in civil society strengthened	<ul style="list-style-type: none"> <li>● Removal of de jure and de facto obstacles to NGO</li> <li>● Number of NGOs incorporated</li> </ul>
4.6 Regional self-government	<ul style="list-style-type: none"> <li>● Devolution of political power to local government units</li> <li>● Introduction of legislative procedures for regional assemblies</li> </ul>

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GCAF-01 FAG-01 FMAD-02 FABP-02 AFON-05 POCE-01  
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INFO LOG-00 AF-00 EB-00 TRSE-00 /003R

DRAFTED BY: AID/AFR/EA: JHOFFMAN: JH  
APPROVED BY: AID/DAA/AFR: RCOBB  
AFR/EA, JPGUDET (DRAFT) AFR/DP, JGOVAN (DRAFT)  
AFR/ONI, RKASCHAK (DRAFT) AFR/ARTS, JWOLGIN (DRAFT)  
GC/AFR, ESPRIGGS (DRAFT) FA/B, DRHOAD (DRAFT)  
AFR/MRP, BLRYNER (DRAFT) AFR/DP, MBONNER (DRAFT)  
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TAGS:  
SUBJECT: PROGRAM WEEK REVIEW OF ETHIOPIA CONCEPT PAPER  
(CP)

1. SUMMARY: ETHIOPIA'S PROGRAM WEEK WAS HELD ON JUNE 2,  
3, 4 AND 10, CHAIRED BY DAA/AFR DICK COBB AND ATTENDED BY

REPRESENTATIVES FROM AFR/EA, AFR/DP, AFR/ONI, AFR/ARTS,  
STATE/AF/E, GC/AFR, FHA, POL/CDIE, R&D, AND FA/B. THE  
MISSION WAS REPRESENTED BY DIRECTOR WILLARD PEARSON,  
DIRECTOR DESIGNATE MARGE BONNER, DEPUTY DIRECTOR WALTER  
NORTH, GENERAL DEVELOPMENT OFFICER VICTOR BARBIERO AND  
REDSO/ESA ECONOMIST SATISH MISHRA. THE ISSUES PAPER  
ORGANIZED THE DISCUSSION INTO FOUR CATEGORIES: OVERVIEW  
OF THE DEVELOPMENT SETTING, THE PROPOSED PROGRAM, PROGRAM  
MANAGEMENT AND THE WRAP-UP. DAA/AFR WISHES TO COMMEND THE  
MISSION FOR PRODUCING SUCH A HIGH QUALITY DOCUMENT WITH  
LIMITED RESOURCES, UNDER DIFFICULT CIRCUMSTANCES AND A  
TIGHT DEADLINE. MISSION REPRESENTATIVES ALSO PROVIDED  
EXCELLENT PRESENTATIONS, RESPONSES AND CLARIFICATIONS  
DURING THE PROGRAM WEEK REVIEW.

2. MAJOR DECISIONS:

A. THE MISSION IS ASKED TO CONTINUE ACTIVELY MONITORING,

IN CONSULTATION WITH THE EMBASSY, THE OVERALL AGENDA IT IS  
PURSUING TO PROMOTE DEMOCRACY AND GOVERNANCE CONCERNS.  
BASED ON THIS MONITORING AND ASSESSMENTS OF THE IMPACT OF  
THESE ISSUES ON THE DEVELOPMENT PROGRAM, THE MISSION  
SHOULD DETERMINE IF ADJUSTMENTS IN THE PROGRAM ARE NEEDED.  
THE PROGRAM SHOULD BE DESIGNED SO THAT A.I.D. CAN SCALE  
BACK AND ELIMINATE OR DEFER PROGRAM ELEMENTS AND  
ACTIVITIES IF CONDITIONS WARRANT.

B. STRATEGIC OBJECTIVE 1, QUOTE INCREASE STAPLE FOOD  
PRODUCTION UNQUOTE, HAS BEEN AGREED TO IN ORDER TO  
ENHANCE FOOD SECURITY IN ETHIOPIA OVER A THREE YEAR

- AN INDICATOR AT THE S.O. LEVEL TO REFLECT IMPACT OF  
INCREASED STAPLE FOOD PRODUCTION ON PRICES AND  
EMPLOYMENT OF VULNERABLE GROUPS. THIS INDICATOR IS  
CURRENTLY WRITTEN AS QUOTE FOOD AVAILABILITY IMPROVES IN  
DEFICIT AREAS UNQUOTE.

- AN INDICATOR AT THE S.O. LEVEL TRACKING THE IMPACT OF  
INCREASED SUPPLY AND DISTRIBUTION OF FERTILIZER ON  
PRODUCTION. THIS INDICATOR IS CURRENTLY WRITTEN AS  
INCREASE CEREAL PRODUCTION BY 6 PERCENT AT THE END OF  
THREE YEARS.

- A REVISION OF TARGET 3 FROM ENHANCE ANALYTIC CAPABILITY  
TO QUOTE ENHANCE ANALYTIC CAPABILITY TO SUPPORT  
SUSTAINABLE FOOD PRODUCTION UNQUOTE.

- A REVISION OF TARGET 3 INDICATORS TO INCLUDE  
INSTITUTIONS OTHER THAN THE MINISTRY OF AGRICULTURE.

- A REVISION OF TARGET 4 FROM INCREASE INCOMES FOR  
TARGETED GROUPS TO QUOTE INCREASE INCOMES FOR TARGETED  
GROUPS FROM PRODUCTIVE EMPLOYMENT UNQUOTE.

- ELIMINATION OF TARGET 5, IMPROVE RURAL INFRASTRUCTURE.  
THE TITLE II ACTIVITIES RESPONSIVE TO THIS TARGET WILL  
BE INCORPORATED INTO THE PRODUCTIVE EMPLOYMENT COMPONENT  
OF TARGET 4.

DURING A THREE YEAR TIMEFRAME, THE MISSION IS EXPECTED TO  
DEVELOP A LONGER TERM GROWTH STRATEGY IN THE AGRICULTURE  
SECTOR WHICH WILL CONTINUE THIS S.O. IN A MORE SUSTAINABLE  
MANNER.

C. STRATEGIC OBJECTIVE 2, QUOTE KEY ASPECTS OF THE RURAL  
HEALTH CARE DELIVERY SYSTEM REBUILT AND REORIENTED  
UNQUOTE, WAS AGREED TO AS PROPOSED.

D. THE WORDING FOR STRATEGIC OBJECTIVE 3, QUALITY OF  
PRIMARY EDUCATION IMPROVED AS DECENTRALIZED ACCESS  
BROADENS, HAS BEEN REVISED TO QUOTE QUALITY IN PRIMARY  
EDUCATION IMPROVES IN AN EXPANDED SYSTEM UNQUOTE.  
PRELIMINARY INDICATORS FOR STRATEGIC OBJECTIVE 3 HAVE BEEN  
REVISED TO:

- FOURTH GRADE COMPLETION RATE INCREASED BY 15 PERCENT  
(THIRTY-FIVE PERCENT TO FIFTY PERCENT)

- PRIMARY COMPLETION CYCLE REDUCED BY TWO YEARS TO 9.2  
YEARS

- GROSS ENROLLMENT RATE INCREASES BY THIRTEEN PERCENT (22  
PERCENT TO THIRTY-SIX PERCENT)

- INCREASED NUMBERS OF STUDENTS MEETING MOE QUOTE STANDARD  
QUALITY PROFILE UNQUOTE.

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IF DURING THE MER FOLLOW-ON EXERCISE, THE MISSION WISHES TO MODIFY THESE INDICATORS, THEY SHOULD REPORT THE RATIONALE IN THEIR FIRST API.

E. THE MISSION MAY PROCEED AS IT HAS SUGGESTED ON DESIGN WORK FOR BOTH S.O. 2 AND 3 LEADING TO POSSIBLE PAIP AND/OR PID SUBMISSIONS ON EACH BY THE END OF THE SECOND QUARTER OF FY 1994. AS IT PROCEEDS WITH THE ANALYSES AND INITIAL DESIGN OF ACTIVITIES FOR EACH OF THESE TWO S.O.S, MISSION SHOULD BE AWARE THAT THERE IS A RISK THAT IT WILL ONLY BE ABLE TO CARRY FORWARD WITH ONE OF THE TWO, GIVEN OUT-YEAR BUDGETARY AVAILABILITIES.

FOLLOWING THE PAIP AND/OR PID REVIEWS IN AID/W, THE AFRICA BUREAU, WITH MISSION STAFF, WILL REVIEW OPTIONS ON THE ADEQUACY OF RESOURCE REQUIREMENTS FOR S.O.S 2 AND 3. FINAL DECISIONS ON MOVING AHEAD WITH THESE TWO OBJECTIVES WILL BE MADE AT THAT TIME.

F. STRATEGIC OBJECTIVE 4, INCREASE ACCESS TO AND PARTICIPATION IN A CONCILIATORY, DEMOCRATIC TRANSITION PROCESS TO A PERMANENT GOVERNMENT OF ETHIOPIA, HAS BEEN

AGREED TO AS STATED. THE CHAIR NOTED IN MAKING THIS APPROVAL THAT THE BUREAU RECOGNIZED THAT THIS OBJECTIVE IS NOT FULLY IN THE MISSION'S MANAGEABLE INTEREST. TWO INTERMEDIATE INDICATORS WERE ADDED AT THE S.O. LEVEL:

- OPPOSITION RECOGNIZED AND ALLOWED TO VOICE OPINIONS FREELY.

- PUBLIC DISSENT TOLERATED.

G. TARGET OF OPPORTUNITY 1, PROVISION OF EMERGENCY AND HUMANITARIAN ASSISTANCE TO ETHIOPIA'S MOST VULNERABLE GROUPS, WAS AGREED TO BUT REWORDED AS QUOTE EMERGENCY HUMANITARIAN ASSISTANCE TO ETHIOPIA'S MOST VULNERABLE GROUPS PROVIDED IN A TIMELY MANNER, UNQUOTE IN ORDER TO REFLECT OUTCOMES RATHER THAN JUST INPUTS. IT WAS RECOGNIZED THAT THIS REFLECTS CONCERNS AND SOURCES OF ASSISTANCE THAT GO BEYOND THE DFA'S FOCUS ON LONG-TERM DEVELOPMENT IMPACTS.

H. TARGET OF OPPORTUNITY 2, PROVISION OF TECHNICAL ASSISTANCE TO ASSIST THE GOVERNMENT IN IDENTIFYING AND IMPLEMENTING MAJOR ECONOMIC AND ADMINISTRATIVE REFORMS HAS BEEN ELIMINATED. SELECTED ACTIVITIES UNDER THIS T.O. WILL BE SHIFTED TO SUPPORT THE ACHIEVEMENT OF EACH STRATEGIC OBJECTIVE AS APPROPRIATE.

3. PROGRAM WEEK SETTING: DAA/AFR COBB OPENED THE INITIAL MEETING ON JUNE 2 BY SUMMARIZING THE PRINCIPLES OF THE PROGRAM WEEK PROCESS. HE REMINDED THE PARTICIPANTS THAT

THIS REVIEW WAS A COLLABORATIVE PROCESS WITH THE OUTCOME BEING AN AFRICA BUREAU STRATEGY FOR ETHIOPIA. HE CAUTIONED THE MISSION ABOUT THE UNCERTAINTY THAT THE AGENCY IS CURRENTLY OPERATING UNDER REGARDING FUTURE BUDGET AND STAFFING LEVELS. TO THE EXTENT POSSIBLE WITH THIS UNCERTAINTY, THE RESULT OF THE REVIEW NEEDED TO BE A MUTUALLY AGREED UPON PROGRAM, BOTH IN TERMS OF FOCUS AND THE GENERAL LEVEL OF RESOURCES REQUIRED FOR IMPLEMENTATION. THESE DECISIONS WILL PROVIDE THE BASIS FOR A MANAGEMENT CONTRACT BETWEEN AID/W AND USAID/ETHIOPIA.

4. MISSION OVERVIEW: THE MISSION DIRECTOR PRESENTED AN OVERVIEW OF THE ECONOMIC AND POLITICAL SITUATION IN ETHIOPIA AND ITS RELATIONSHIP TO DEVELOPMENT OPPORTUNITIES

AND CONSTRAINTS. HE NOTED THE DRAMATIC CHANGES OVER THE PAST TWO YEARS AS ETHIOPIA MOVED FROM A BRUTAL DICTATORSHIP TO A TRANSITIONAL GOVERNMENT COMMITTED TO POLITICAL PLURALISM AND A PRIVATE SECTOR-ORIENTED ECONOMY. DIRECTOR PEARSON DISCUSSED THE QUOTE SPECIAL RELATIONSHIP UNQUOTE THE UNITED STATES AND ETHIOPIA SHARE. THE DIRECTOR NOTED THAT THERE ARE THREE REASONS WHY A.I.D. SHOULD HAVE A SIGNIFICANT DEVELOPMENT PROGRAM IN ETHIOPIA - ITS POLITICAL STATURE ON THE CONTINENT, ITS

ENORMOUS DEVELOPMENTAL NEEDS AND THE TGE'S DEMONSTRATED COMMITMENT TO ECONOMIC AND POLITICAL REFORM. THE MISSION DIRECTOR NOTED SEVERAL KEY ISSUES FOR AID/W TO KEEP IN MIND WHILE REVIEWING THIS STRATEGY:

- WHILE THE PROPOSED PROGRAM IS A HIGH COST, HIGH RISK

STRATEGY, THE POTENTIAL BENEFITS OUTWEIGH THE RISKS.

- IF A.I.D. AND OTHER DONORS DO NOT TAKE ADVANTAGE OF THE CURRENT DEVELOPMENT OPPORTUNITIES TO REBUILD PRODUCTIVE AND INSTITUTIONAL CAPACITIES, THEN THE DONOR COMMUNITY WILL BE MORE LIKELY TO HAVE TO RESPOND WITH HIGH LEVELS OF EMERGENCY ASSISTANCE IN THE FUTURE.

- USAID/ETHIOPIA WILL REQUIRE SIGNIFICANT FINANCIAL AND HUMAN RESOURCES FROM THE AGENCY IN ORDER TO SUCCESSFULLY IMPLEMENT THE PROPOSED PROGRAM. THE FINANCIAL RESOURCES BEING CALLED FOR, HOWEVER, ARE LESS THAN THE EMERGENCY RESOURCES PROVIDED IN THE PAST.

- THE BUREAU WILL NEED TO DETERMINE SEQUENCING OPTIONS IN ORDER FOR THE MISSION TO MANAGE ITS ENGAGEMENT IN FOUR DIFFERENT SECTORS.

- THE BUREAU WILL NEED TO KEEP IN MIND THE UNCERTAIN IMPACT OF IMPORTANT ISSUES SUCH AS LAND REFORM AND REGIONALIZATION.

- THE MISSION RECOGNIZES THE NEED TO MONITOR PROGRESS TOWARDS POLITICAL LIBERALIZATION.

FOLLOWING DIRECTOR PEARSON'S OVERVIEW, STATE DESK OFFICER, GENNIE PRATT, REVIEWED ETHIOPIA'S PROGRESS ON DEMOCRACY

AND HUMAN RIGHTS. SHE NOTED THAT U.S. DEVELOPMENT ASSISTANCE SINCE 1991 HAS BEEN CONTINGENT ON CONTINUED PROGRESS IN THESE AREAS BUT RECOGNIZED THAT THE REFORM PROCESS WOULD BE NEITHER EASY NOR CONSISTENT. ON THE POSITIVE SIDE, SHE NOTED THE PROGRESS MADE ON FREEDOM OF SPEECH AND THE ESTABLISHMENT OF AN INDEPENDENT JUDICIARY. SHE ALSO EXPRESSED CONCERN ABOUT THE INTOLERANCE OF DISSENT BY THE TGE AND THE TREND OF EVENTS OVER RECENT MONTHS. SHE EMPHASIZED THAT THE EMBASSY REGULARLY AND AGGRESSIVELY CONVEYS THESE CONCERNS TO THE GOVERNMENT AND THAT THE TGE HAS BEEN RESPONSIVE. WHILE THE USG IS CONCERNED, IT HAS NOT REACHED A POINT IN WHICH WE SHOULD RETHINK OUR STRATEGY. SHE APPLAUDED THE MISSION'S CHOICE OF SUB-GOALS WHICH SHE FEELS WILL ULTIMATELY PROMOTE DEMOCRACY AND HUMAN RIGHTS ON A GRASSROOTS LEVEL.

5. ISSUES: FOR OUTCOMES OF DISCUSSIONS ON THE ISSUES, SEE ALSO PARA 2 OF THIS CABLE.

A. ISSUE 1: DOES THE CONCEPT PAPER PRESENT AN ADEQUATE ANALYSIS OF THE POLITICAL SITUATION IN ETHIOPIA? WHAT

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WOULD BE THE KEY MILESTONES THAT MIGHT BE TAKEN AS MEASURES OF THE ETHIOPIAN GOVERNMENT'S PROGRESS IN IMPROVING ITS PERFORMANCE? WHAT WILL BE THE IMPACT OF REGIONALIZATION ON THE MISSION'S PROPOSED PROGRAM?

DISCUSSION: THE MISSION STAFF SHARED THE REVIEWERS CONCERNS ABOUT RECENT NEGATIVE POLITICAL EVENTS IN ETHIOPIA AND ACKNOWLEDGED THE NEED TO CAREFULLY MONITOR PROGRESS ON POLITICAL LIBERALIZATION. HOWEVER, THE STAFF NOTED THE EXTRAORDINARY CHANGES THAT HAVE OCCURRED IN THE

PAST TWO YEARS AND REQUESTED THE BUREAU TO CONSIDER NOT ONLY EVENTS THAT HAVE HAPPENED RECENTLY, SUCH AS THE DISMISSAL OF THE PROFESSORS FROM ADDIS ABABA UNIVERSITY, BUT ALSO THE POSSIBLE EVENTS THAT HAVE NOT HAPPENED IN THE PAST TWO YEARS, I.E., NO REPRISAL KILLINGS OF FORMER PARTY OR GOVERNMENT FIGURES, NO FIGHTING OVER ERITREA'S INDEPENDENCE AND NO OUTBREAK OF CIVIL WAR IN LIGHT OF THE OLF'S WITHDRAWAL FROM THE TRANSITIONAL GOVERNMENT. ON THE POSITIVE SIDE, THE MISSION STAFF NOTED THE SUCCESS OF THE A. I. D.-SUPPORTED CONSTITUTIONAL SYMPOSIUM AND THE TGE'S POLICY OF INCLUSION OF THE CONCERNS OF THE RURAL MAJORITY UNDER A REGIONALIZATION PROGRAM.

WHILE THE MISSION HAS NOT ESTABLISHED SPECIFIC, CHRONOLOGICAL BENCHMARKS ON D/G PROGRESS, THERE ARE EVENTS THAT WILL BE CAREFULLY MONITORED BY THE FIELD, SUCH AS THE PROGRESS TOWARDS THE DEVELOPMENT OF A CONSTITUTION AND GOVERNANCE SYSTEM THAT IS OPEN AND REPRESENTATIVE; IMPROVED HUMAN RIGHTS CONDITIONS AND THE RULE OF LAW; AND CONTINUED IMPLEMENTATION OF THE FREEDOMS OUTLINED IN THE 1991 NATIONAL CHARTER. THE MISSION ARGUED FOR FLEXIBILITY IN ASSESSING PROGRESS. ONE OF THE LESSONS LEARNED FROM THE JUNE 1992 REGIONAL ELECTIONS IS THAT IT IS MORE IMPORTANT FOR THE ETHIOPIANS TO DO IT RIGHT RATHER THAN ON TIME. THE ESTABLISHMENT OF A SET OF BENCHMARKS COULD TRAP US INTO A TIMETABLE THAT ULTIMATELY MAY NOT BE REALISTIC AND FORCE US TO SEEK OUTCOMES THAT MAY NOT BE RELEVANT.

REGARDING THE ISSUE OF REGIONALIZATION, THE MISSION HAS CAREFULLY REVIEWED THE IMPLICATIONS OF REGIONALIZATION IN RELATION TO EACH OF ITS STRATEGIC OBJECTIVES. THE MISSION

STAFF, LIKE THE BUREAU, IS UNCERTAIN OF HOW REGIONALIZATION WILL WORK ON A PRACTICAL LEVEL AND WILL MONITOR THE SITUATION CAREFULLY. HOWEVER, THE MISSION

DIRECTOR NOTED THAT THE POLICY OF REGIONALIZATION HAS THE POTENTIAL TO EMPOWER AVERAGE ETHIOPIANS VERSUS THE HISTORICAL TRADITION OF ONE ETHNIC GROUP DOMINATING THE COUNTRY FROM THE CAPITAL.

DECISION: THE BUREAU AGREED WITH THE MISSION'S ASSESSMENT THAT THE LEADERSHIP OF THE TGE IS OPERATING IN GOOD FAITH ON D/G ISSUES AND THAT THERE IS REASON TO BELIEVE THAT THE TGE WILL CONTINUE TO MAKE PROGRESS ON POLITICAL LIBERALIZATION, THOUGH NOT WITHOUT SOME BUMPS ALONG THE WAY. HOWEVER, THE BUREAU AND THE MISSION NEED TO CLOSELY MONITOR THE POLITICAL SITUATION AND DESIGN A PROGRAM THAT IS FLEXIBLE ENOUGH TO ALLOW THE MISSION TO ADJUST TO CHANGING CIRCUMSTANCES.

B. ISSUE 2: IT APPEARS FROM THE DOCUMENT THAT THE MISSION IS PROPOSING INVOLVEMENT IN THE AGRICULTURE SECTOR BECAUSE IT IS BOTH A MAJOR CONTRIBUTOR TO OVERALL ECONOMIC GROWTH AND BECAUSE IT ENHANCES HOUSEHOLD FOOD SECURITY. WILL THE EMPHASIS OF THIS S.O. BE ON ECONOMIC GROWTH OR FOOD SECURITY? IS THE FOCUS AND ARTICULATION OF THIS STRATEGIC OBJECTIVE TOO NARROW? ARE EACH OF THE TARGETS WITHIN THE MISSION'S MANAGEABLE INTEREST?

DISCUSSION: THE MISSION REPRESENTATIVES PRESENTED AN OVERVIEW OF THE AGRICULTURAL SECTOR AND THE ANALYTICAL BASIS FOR S.O. 1. IN PARTICULAR, THE REPRESENTATIVES

POINTED OUT THAT IN PREVIOUS YEARS, THE U.S. PROVIDED APPROXIMATELY U.S. DOLS. 150 MILLION ANNUALLY IN HUMANITARIAN ASSISTANCE TO PREVENT STARVATION IN ETHIOPIA. WITH THE TRANSITION, USAID NOW HAS THE OPPORTUNITY TO ESTABLISH A PROGRAM THAT WILL HELP ETHIOPIANS TOWARDS FOOD SELF-RELIANCE. AFTER REVIEWING THE OPTIONS, THE MISSION DETERMINED THAT THE QUICKEST WAY TO ENHANCE ETHIOPIA'S ABILITY TO FEED ITSELF WAS BY INCREASING STAPLE FOOD PRODUCTION. THE MISSION STAFF ALSO NOTED THAT THE EMPHASIS WILL BE ON FOOD SECURITY RATHER THAN ECONOMIC GROWTH IN THE THREE YEAR STRATEGY PERIOD. DURING THIS PERIOD, THE MISSION WOULD CONTINUE ANALYSES ON THE AGRICULTURAL SECTOR IN ORDER TO DESIGN A GROWTH-ORIENTED STRATEGY AS A FOLLOW ON.

AS WORDED IN THE DOCUMENT, STRATEGIC OBJECTIVE 1 DID NOT ADEQUATELY DISCUSS SUSTAINABILITY, EITHER WITH REGARD TO SUSTAINABILITY OF THE NATURAL RESOURCE BASE UPON WHICH FOOD PRODUCTION DEPENDED NOR WITH REGARD TO FINANCIAL AND INSTITUTIONAL SUSTAINABILITY OF USAID'S INTERVENTIONS. THE MISSION STAFF NOTED THAT IT WAS BEYOND ITS MANAGEABLE INTEREST TO INCORPORATE NRM ACTIVITIES INTO THIS S.O.

HOWEVER, THE MISSION STAFF ALSO RECOGNIZED THE IMPORTANCE OF SUSTAINABILITY ISSUES AND AGREED TO WORK WITH THE GOVERNMENT TO DEVELOP THE ANALYTICAL CAPABILITY TO SUPPORT SUSTAINABLE FOOD PRODUCTION.

THERE WAS ALSO A DISCUSSION ON HOW THIS S.O. FIT IN WITH THE DFA'S (1) CRITICAL SECTOR PRIORITY OF INCREASING

AGRICULTURAL PRODUCTION, WHICH REQUIRES EMPHASIS WITHIN THIS PROCESS ON PROMOTING INCREASED EQUITY IN RURAL INCOME PRODUCTION, RECOGNIZING THE ROLE OF SMALL FARMERS, (2) THE CRITICAL SECTOR PRIORITY OF INCREASING INCOME-GENERATING OPPORTUNITIES FOR UNDER AND UN-EMPLOYED GROUPS, AND (3) MANDATE TO PROTECT VULNERABLE GROUPS FROM THE NEGATIVE IMPACT OF REFORM PROGRAMS. BASED ON THESE CONCERNS, THE MISSION AGREED TO INCLUDE AN INDICATOR AT THE S.O. LEVEL TO MONITOR IMPACT OF THE PROGRAM ON TARGET AND VULNERABLE GROUPS.

THE MISSION PROPOSED AN AMBITIOUS PROGRAM UNDER THIS S.O. WITH FIVE TARGETS. THE BUREAU WAS CONCERNED THAT TARGET 1.5, IMPROVE RURAL INFRASTRUCTURE, WAS BEYOND THE MISSION'S MANAGEABLE INTEREST. THE MISSION NOTED THAT THESE WERE TITLE II ACTIVITIES THAT WERE MEANT NOT ONLY TO PROVIDE INCOME BUT ALSO HAVE THE ADDED BENEFIT OF ADDING TO THE RURAL INFRASTRUCTURE AND HENCE, INCREASE PRODUCTIVITY FOR THE TARGETED AREA. THE MISSION AGREED TO MERGE TARGET 1.5 INTO TARGET 1.4 AND REVISE TARGET 1.4 TO BECOME INCREASE INCOMES FOR TARGETED GROUPS FROM PRODUCTIVE EMPLOYMENT.

DECISION: THE BUREAU CONCURRED WITH THE MISSION THAT THE PRIMARY RATIONALE FOR AGRICULTURE AS AN S.O. WAS TO ENHANCE FOOD SECURITY DURING THE THREE YEAR STRATEGY PERIOD. THE MISSION ALSO AGREED TO THE CHANGES IN TARGETS AND INDICATORS OUTLINED IN PARA 2B OF THIS CABLE. AFR/ARTS WOULD ALSO LIKE TO USE ETHIOPIA AS A PILOT FOR ITS RURAL ECONOMY SURVEY.

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C. ISSUE 3: WHAT IS THE RATIONALE OF MAKING DEMOCRACY AND GOVERNANCE A STRATEGIC OBJECTIVE RATHER THAN A TARGET OF OPPORTUNITY?

DISCUSSION: ACCORDING TO BUREAU GUIDANCE, S.O.S ARE EXPECTED TO HAVE SIGNIFICANT PEOPLE LEVEL IMPACT, BE WITHIN THE MISSION'S MANAGEABLE INTEREST AND COVER THE ENTIRE STRATEGY TIME PERIOD. T.O.S MAY BE FOR A SHORTER PERIOD OF TIME TO TAKE ADVANTAGE OF A SPECIFIC OPPORTUNITY IN A COUNTRY'S DEVELOPMENT WITHOUT COMMITTING THE MISSION TO TAKE RESPONSIBILITY FOR THE OUTCOME. SOME OF THE

REVIEWERS EXPRESSED CONCERN THAT THE TARGETS PROPOSED FOR THIS S.O. COULD BE BEYOND THE MISSION'S MANAGEABLE INTEREST. MISSION REPRESENTATIVES, HOWEVER, SOUGHT TO DEMONSTRATE THE LINKAGE BETWEEN PROGRESS ON D/G AND LONGTERM, SUSTAINABLE ECONOMIC DEVELOPMENT.

DECISION: ALTHOUGH THE DEMOCRACY/GOVERNANCE TARGETS ARE NOT FULLY WITHIN THE MISSION'S MANAGEABLE INTEREST, THE BUREAU HAS AGREED THAT D/G MUST BE IN THE FOREFRONT OF ANY NEW PROGRAM, GIVEN THE CENTRALITY OF PROGRESS ON D/G IN ETHIOPIA TO ACHIEVEMENT OF ALL OTHER OBJECTIVES IN THE MISSION'S STRATEGY.

FOR THE TIME PERIOD THAT THIS S.O. COVERS, THE MISSION WILL EXPLORE THE POSSIBILITY OF ADDING GOVERNANCE

ACTIVITIES TO ITS PORTFOLIO ONCE A PERMANENT GOVERNMENT OF ETHIOPIA HAS BEEN ESTABLISHED. THE BUREAU ALSO UNDERScoreD THE IMPORTANCE OF D/G TO THE NEW ADMINISTRATION.

D. ISSUE 4: THE PURPOSE OF TARGET OF OPPORTUNITY 2, PROVISION OF TECHNICAL ASSISTANCE TO ASSIST THE GOVERNMENT IN IDENTIFYING AND IMPLEMENTING MAJOR ECONOMIC AND ADMINISTRATIVE REFORMS, IS UNCLEAR. ARE PROPOSED ACTIVITIES TO BE LIMITED TO AND SUPPORTIVE OF THE STRATEGIC OBJECTIVES? IF SO, IS IT NECESSARY TO HAVE A SEPARATE T.O.?

DISCUSSION: IT WAS POINTED OUT BY REVIEWERS THAT THE ACTIVITIES MENTIONED UNDER THIS T.O. WERE TO BE LINKED TO THE S.O.S, SO THAT THE NEED FOR A SEPARATE T.O. WAS QUESTIONED. THE MISSION ALSO MENTIONED ITS INTENT TO IMPLEMENT PROGRAMS WITH PVOS/NGOS AND TO INVEST IN PARTICIPANT TRAINING AS MECHANISMS SUPPORTING AGREED UPON STRATEGIC OBJECTIVES AS APPROPRIATE.

DECISION: TARGET OF OPPORTUNITY 2 WAS ELIMINATED. THE PROPOSED ACTIVITIES MAY CONTINUE, BUT THEY MUST BE IN SUPPORT OF THE 4 S.O.S AS APPROPRIATE.

E. ISSUE 5: WHILE RECOGNIZING THE OVERWHELMING NEEDS OF ETHIOPIA, DFA PRINCIPLES REQUIRE EACH MISSION TO FOCUS ITS ATTENTION AND RESOURCES ON A FEW AREAS WHICH IT BELIEVES, ON THE BASIS OF SOLID ANALYSIS, IT CAN MAKE A DIFFERENCE. THE CONCEPT PAPER MAKES A NUMBER OF ASSUMPTIONS REGARDING DFA BUDGET AVAILABILITIES, STAFFING LEVELS, TIMEFRAMES OF

THE OBJECTIVES, AND POLITICAL STABILITY, IN ORDER TO SUPPORT A VERY AMBITIOUS STRATEGY. ARE THESE ASSUMPTIONS VALID AND IF NOT, HOW WILL THIS AFFECT THE STRATEGIC

OPTIONS?

DISCUSSION: IN THE CONCEPT PAPER, USAID/ETHIOPIA PROPOSED A PROGRAM THAT INCLUDED FOUR STRATEGIC OBJECTIVES, OF WHICH THREE WILL REQUIRE MAJOR PROGRAM DESIGNS, AND TWO TARGETS OF OPPORTUNITY. THIS PROGRAM WAS TO BE SUPPORTED ANNUALLY BY U.S. DOLS. 65,000,000 TO 70,000,000 IN DFA, DOLS 40,000,000 IN TITLE III, DOLS 25,000,000 IN REGULAR TITLE II PLUS EMERGENCY ASSISTANCE AS NEEDED, AND 15 FTE U.S. DIRECT HIRE STAFF.

HOWEVER, THE BUREAU IS FACED WITH BUDGET AND STAFFING CUTS. GIVEN UNCERTAINTIES ABOUT AGENCY RESOURCES, THE BUREAU IS CONCERNED ABOUT ENDORSING A PROGRAM THAT THE MISSION MAY NOT BE ABLE TO MANAGE WITHIN AN OYB OF DOLS 40,000,000 IN DFA AND 10 TO 12 FTES. IN ADDITION, THE LEVEL OF RESOURCES PROPOSED BY THE MISSION, AT DOLS 65 - 70 MILLION, IS SLIGHTLY HIGHER THAN WHAT IT APPEARS WOULD RESULT FROM ETHIOPIA'S INCLUSION AS A FOCUS COUNTRY IN THE BUREAU'S PERFORMANCE BASED BUDGET SYSTEM. BECAUSE OF THE TRANSITION PERIOD, ETHIOPIA IS CONSIDERED A SPECIAL CASE. IT WILL NOT BE ELIGIBLE FOR CONSIDERATION AS A FOCUS COUNTRY UNTIL THE NEXT COUNTRY CATEGORIZATION EXERCISE IN MARCH 1994.

THE BUREAU ALSO RECOGNIZES THAT ETHIOPIA IS ONE OF THE POOREST COUNTRIES IN THE WORLD, CURRENTLY THE SECOND POOREST IN AFRICA, AND THE SECOND MOST POPULOUS COUNTRY IN AFRICA. THE CURRENT POLITICAL AND ECONOMIC ENVIRONMENT HOLDS GREAT PROMISE THAT ETHIOPIA WILL BE ABLE TO RECOUP WHAT IT HAS LOST IN THE PAST 20 YEARS AND MAKE SIGNIFICANT AND SUSTAINED PROGRESS TOWARDS SUSTAINABLE ECONOMIC AND POLITICAL DEVELOPMENT. THE COMBINATION OF NEED AND PERFORMANCE ON POLICY CHANGES MAKE ETHIOPIA ONE OF THE MOST IMPORTANT COUNTRIES FOR THE ALLOCATION OF BUREAU RESOURCES. ACCORDING TO THE BUREAU'S PERFORMANCE BASED BUDGET SYSTEM, IF POLITICAL PERFORMANCE WERE APPROPRIATELY HIGHLY RANKED, ETHIOPIA WOULD BE ELIGIBLE FOR U.S. DOLS. 55 - 60 MILLION IN DFA.

THE MISSION REPRESENTATIVES WERE TASKED WITH DEVELOPING ALTERNATIVE PROGRAM AND BUDGET SCENARIOS DEMONSTRATING THE MISSION'S RESPONSE TO BOTH HIGH AND LOW ECONOMIC AND POLITICAL PERFORMANCE AS WELL AS A MEDIUM RANGE OPTION THAT REFLECTS BUREAU BUDGETARY CONSTRAINTS. MISSION REPRESENTATIVES ALSO DEVELOPED A TIMELINE ON PROGRAM IMPLEMENTATION OPTIONS UNDER THE DIFFERENT SCENARIOS.

DECISION: GIVEN THE UNCERTAINTY IN BOTH THE BUREAU AND

ETHIOPIA, THE BUREAU WOULD LIKE SOME FLEXIBILITY BUILT INTO THE IMPLEMENTATION OF THIS PROGRAM. S.O.S 1, INCREASE STAPLE FOOD PRODUCTION, AND 4, INCREASE ACCESS TO

AND PARTICIPATION IN A CONCILIATORY, DEMOCRATIC TRANSITION PROCESS TO A PERMANENT GOE, ARE AGREED TO AND THE MISSION MAY PROCEED ON THESE OBJECTIVES AS OUTLINED. THE MISSION MAY ALSO PROCEED ON THE DESIGNS FOR PROGRAMS IN BOTH S.O.S 2, QUOTE KEY ASPECTS OF THE RURAL HEALTH CARE DELIVERY SYSTEM REBUILT AND REORIENTED UNQUOTE, AND 3, QUALITY IN PRIMARY EDUCATION IMPROVES IN EXPANDING SYSTEM. PAIPS AND/OR PIDS FOR BOTH PROGRAMS ARE TO BE SUBMITTED TO AID/W FOR REVIEW BY THE SECOND QUARTER OF FY 94. MISSION REPRESENTATIVES SHOULD RETURN TO AID/W FOR THIS REVIEW IN ORDER TO DISCUSS THE PROSPECTS OF CAPTURING SUFFICIENT DFA AND STAFF RESOURCES FOR BOTH THE HEALTH AND BASIC EDUCATION SECTORS. THE BUREAU SHOULD HAVE A BETTER UNDERSTANDING OF THE RESOURCES AVAILABLE FOR THE BUREAU

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AND HENCE FOR ETHIOPIA AT THAT TIME. WHILE THIS STRATEGY  
COVERS A THREE YEAR TIMEFRAME, AID/W RECOGNIZES THAT A  
LONGER PERIOD OF TIME MAY BE NECESSARY TO ACCOMPLISH SOME  
OF THE MISSION'S OBJECTIVES.

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ETHIOPIA. THE BUREAU WILL BE SUPPORTIVE OF THE MISSION'S  
EFFORTS TO ESTABLISH MODEL APPLICATIONS OF COST EFFECTIVE  
INFORMATION MANAGEMENT SYSTEMS FOR THE BUREAU.

F. ISSUE 6: DISCUSSION: SECTION 118 (E) TROPICAL  
FORESTS AND SECTION 119 (D) BIOLOGICAL DIVERSITY OF THE  
FAA, REQUIRE THAT EACH COUNTRY DEVELOPMENT STRATEGY  
STATEMENT OR OTHER COUNTRY PLAN PREPARED BY A. I. D. SHALL  
INCLUDE AN ANALYSIS OF:

C. DURING THE PLANNED MER EXERCISE, THE MISSION MAY WISH  
TO CONSIDER REFINING S.O. 2 TO PLACE GREATER EMPHASIS ON  
THE MEDIUM TERM IMPACT OF A. I. D.'S ASSISTANCE. MISSION  
MIGHT ALSO WISH TO THINK ABOUT WHAT IS INCLUDED UNDER HPN  
SERVICES AND WHETHER THE ASSISTANCE IS JUST RURAL AREAS  
(INDICATORS UNDER TARGET 2.4 REFER TO URBAN AND PERI-URBAN  
PRIVATE SECTOR OUTLETS). THE MISSION MIGHT WISH TO

(1) THE ACTIONS NECESSARY IN THAT COUNTRY TO ACHIEVE  
CONSERVATION AND SUSTAINABLE MANAGEMENT OF TROPICAL  
FORESTS OR TO CONSERVE BIOLOGICAL DIVERSITY, AND

CONSIDER REPORTING ON THE INDICATORS OF IMPROVED HEALTH  
STATUS (CHR, MMR, ETC.) AT THE SUBGOAL RATHER THAN THE  
STRATEGIC OBJECTIVE LEVEL. IN MANY COUNTRIES, MORTALITY  
DATA, ESPECIALLY MATERNAL MORTALITY, IS DIFFICULT TO  
OBTAIN. IT IS QUESTIONABLE WHETHER MISSION INTERVENTIONS  
CAN BE PLAUSIBLY ASSOCIATED WITH SIGNIFICANT CHANGES IN  
THESE INDICATORS IN THE NEAR-TO-MEDIUM TERM.

(2) THE EXTENT TO WHICH THE ACTIONS PROPOSED FOR SUPPORT  
BY THE AGENCY MEET THE NEEDS THUS IDENTIFIED.

7. THE DESK, IN CONSULTATION WITH MISSION STAFF, IS  
REVISING THE CONCEPT PAPER BASED ON THE DECISIONS OUTLINED  
IN THIS CABLE AND WILL THEN DISTRIBUTE THE FINAL VERSION.

DISCUSSION: THE RECENT HETHIOPIAN FORESTRY ACTION PLAN\*  
INCLUDING THE CHAPTER ON CONSERVATION OF ECOSYSTEMS AND  
BIO-DIVERSITY PROVIDES THE MISSION MUCH OF THE INFORMATION  
NECESSARY TO FULFILL THE FIRST REQUIREMENT.

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DECISION: USAID/ETHIOPIA WILL PERFORM THE NECESSARY  
STUDIES TO FULFILL THIS REQUIREMENT AND INCLUDE THE  
RESULTS IN AN ADDENDUM TO THIS CONCEPT PAPER WITH THE  
ASSISTANCE OF AFR/ARTS/FARA AND PARTS-FUNDED TECHNICAL  
SUPPORT FROM REDSO/ESA.

6. CONCERNS

THE MISSION SHOULD CONSIDER THE FOLLOWING CONCERNS IN

PROGRAM IMPLEMENTATION AND MONITORING:

A. THE CONCEPT PAPER PROPOSES CASH DISBURSEMENTS FOR  
SEVERAL PROGRAMS, TRACKED TO SPECIFIC COMMODITIES WHICH  
APPEAR TO BE CRITICAL TO THE ACCOMPLISHMENT OF THE PROGRAM  
PURPOSE. INDEED, PHRASES IN THE CP SUGGEST THAT THE  
FERTILIZER MAY BE MORE IMPORTANT THAN THE POLICY REFORMS.  
IT IS NOT CLEAR THAT THESE PROGRAMS ARE APPROPRIATE FOR  
USE OF A CASH MECHANISM. USAID/ETHIOPIA SHOULD DO A  
CAREFUL ANALYSIS OF NEW PROGRAM OBJECTIVES TO DETERMINE  
THE MOST APPROPRIATE METHODS OF PROVIDING ASSISTANCE,

INCLUDING PROJECT OR NON-PROJECT MODALITIES. THE MISSION  
MUST COMPLY WITH BOTH THE NPA GUIDANCE AND THE DFA  
PROCUREMENT GUIDANCE IN MAKING ITS DECISION.

B. ALTHOUGH THE MISSION LAID OUT SOME OF ITS PLANS FOR  
MONITORING AND EVALUATION IN THE CONCEPT PAPER, IT DID NOT  
CLEARLY IDENTIFY ITS PROGRAM TRACKING SYSTEM OR THE STEPS  
IT WILL TAKE TO ESTABLISH ONE. ONE OF THE STEPS FOR  
ESTABLISHING SUCH A SYSTEM SHOULD BE REDUCING THE NUMBER  
OF PROPOSED INDICATORS. TO THE EXTENT POSSIBLE, THE  
INDICATORS AT THE S.O. LEVEL, AND THE SUB-GOAL LEVEL,  
SHOULD BE EXPRESSED AND MEASURED IN TERMS OF IMPACT ON  
PEOPLE. THE DESK IS MAKING ARRANGEMENTS FOR A MONITORING,  
EVALUATION AND REPORTING (MER) TEAM TO GO OUT TO ETHIOPIA  
EARLY IN FY 1994 TO HELP THE MISSION REFINE ITS  
INDICATORS. ADDITIONAL INFORMATION ON THE TEAM WILL BE  
PROVIDED SEPTEL. THE MISSION WAS ALSO ENCOURAGED TO MAKE  
THE FULLEST POSSIBLE USE OF AUTOMATED DATA AND INFORMATION  
SYSTEMS TECHNOLOGIES TO FACILITATE THIS AND OTHER ASPECTS  
OF ITS MANAGEMENT RESPONSIBILITIES FOR THE PROGRAM IN

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