USAID | ETHIOPIA
FROM THE AMERICAN PEOPLE

Country Development Cooperation Strategy

2011 – 2015

Accelerating the Transformation Toward Prosperity

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Executive Summary

The USAID/Ethiopia Country Development Cooperation Strategy (CDCS) builds on the progress in Ethiopia since the last country strategy. Seven years ago, the Mission began implementing its last development strategy: "Breaking the Cycle of Famine" which, in the aftermath of the major drought emergency in 2003 that took the lives of tens of thousands of Ethiopian children, was directed at tackling the underlying causes of vulnerability. Much has changed since 2004, and the efforts made to reduce vulnerability have yielded substantial results. The threat of famine has not been completely removed, but enough progress has been made so that USAID can now focus more on helping Ethiopia transform its economy and society toward middle income status, and by coordinating its efforts more closely with the Government of Ethiopia (GOE), other donors and civil society.

So – what's different? Ethiopia has made tremendous progress against the UNDP Human Development Index (top mover worldwide) and has obtained nearly 9% GDP growth (highest in Africa (IMF figures). Despite the regular cycle of droughts in parts of the country, the number of emergency beneficiaries has dropped from 15 million in 2003 to a maximum of 5.6 million since, with many vulnerable people assisted by the USAID-supported, GOE-managed long term Productive Safety Net Program (PSNP). Emergency preparedness and response have improved substantially with the assistance of USAID, although there is still room for improvement. The private sector has boomed, with the number of businesses increasing to over 45,000 from almost none at the end of the Marxist Derg regime in 1991. Almost 95% of children now enter primary school, and health service has expanded enormously through 38,000 health extension workers.

The GOE's new five year Growth and Transformation Plan (GTP) sets very ambitious targets for growth in all sectors, and allocates significant resources to promote development. These ambitious but achievable goals (if the right policies are put into practice), reflect this government's sincere efforts to provide health, education and economic growth opportunities to its people. USAID's new five year CDCS builds on the GTP with a concerted investment strategy that not only aims to help Ethiopia achieve its development goals, but furthers U.S. trade and investment aims with the most strategically important partner in the region.

Real development challenges still remain, however. Ten percent of its citizens are chronically food insecure, rising to over 15% during frequent drought years. Eighty two percent of the population remains dependent on subsistence agriculture, and Ethiopia has one of Africa's highest rural and overall population growth rates. The repressive aftermath of the 2005 elections reversed democratic progress in Ethiopia, while the 2010 national elections did not meet international standards. The ruling party remains thoroughly entrenched in all government institutions; opposition parties have effectively collapsed; and new laws restrict media freedom, civil society, and legal rights. Furthermore, inter-communal tensions continue due, in part, to increased resettlement schemes, regional border conflicts, and the ongoing counter insurgency campaign in the Somali Region. The private sector has made progress, but remains hobbled by red tape and arbitrary rules, in an economy still largely dominated by state and ruling party enterprises.

Furthermore, Ethiopia's physical location suggests an emerging challenge. As its neighbors, Somalia, Kenya, Eritrea, and Sudan, struggle with internal conflict – some of them with violent extremism in the mix – the risk of violent extremist influences affecting Ethiopia may grow. Ethiopia's involvement in peacekeeping and its large ethnic Somali population are

additional factors that could make it an increasingly attractive target for terrorists and for terrorist recruiters. Any significant increase in violent extremism would likely exacerbate the development challenges already present. In 2010 alone, Ethiopia experienced three terrorist attacks, and the Government of Ethiopia has expressed concern about terrorist activities in neighboring states. Given the increasing capabilities and strength of al-Shabaab and other terrorist organizations in the sub-region, it is important that development activities be structured flexibly enough to address the factors that may render youth susceptible to the lure of violent extremism.

Another challenge is Ethiopia's sheer size and diversity. With over 80 million people, it is the second most populous country in Africa, and can be considered as three separate countries, each with its own economic opportunities and obstacles:

1. "Productive Ethiopia" (population 45 million) is characterized by good-sized landholdings, fertile soils and a predictable climate that help Ethiopia produce as much food as Kenya, Tanzania and Uganda combined.
2. "Hungry Ethiopia" (population 20 million) suffers from highly variable rainfall, degraded soils and landholdings of less than 1 hectare per family that make farming a risky enterprise.
3. "Pastoral Ethiopia" (population 15 million) comprises 60% of Ethiopia's land, experiences very low rainfall and frequent droughts, and has large grazing areas that hold half of the nation's livestock, which account for over 90% of meat and live animal exports.

Given these complexities, the Ethiopia development and humanitarian assistance portfolio has become one of the United States' largest and most complex in Africa. Transforming this portfolio is already underway. The Mission is a focus for the three new Presidential Initiatives – Feed the Future, Global Health and Global Climate Change (FtF, GHI & GCC) – and maintains ongoing PEPFAR and Malaria Initiatives, all of which contribute to its over $500 million development budget, plus $350 million in emergency food aid and other humanitarian assistance, for FY 2010.

Recognizing that conditions in Ethiopia have changed, USAID undertook several analyses to tackle economic transformation under FtF, and the major problems of quality under GHI. Climate change is a major threat to Ethiopia, and analysis has begun on how to assist farmers and pastoralists to adapt to the changing conditions. A major impact assessment on the education sector led to a substantial revision in the education program. Democracy and Governance (DG) in Ethiopia is the one sector which has demonstrably deteriorated in Ethiopia, and two recent assessments underpin the dramatic changes in approach for DG and conflict resolution. These analyses, combined with assessments of completed and ongoing programs and projects, reveal several comparative advantages for USAID/Ethiopia:

- A long history of influential work in food security and emergency relief
- Pioneering support to agriculture and the private sector since 1991
- The largest, most influential donor in both health and conflict mitigation and prevention programs
- Leader in innovation in education sector – e.g. community-based basic primary education
- Strategic advantage in linking USAID on-the-ground partners to program budget support donors has created innovation and served as a reality check

- Use of evidence to leverage policy change – e.g. livestock emergency guidelines

Against the backdrop of strong GOE and donor commitment to development, significant challenges along with real opportunities, and alignment of donor and USAID programs with GOE priorities, USAID/Ethiopia will focus and concentrate resources where it has the greatest competitive and comparative advantage. The transformation of the current portfolio will include:

- Continued humanitarian support and capacity building program, now complemented by comparable response on agricultural growth and productivity
- Current small but nimble business, agriculture and trade program, will scale up with support through FtF and address the potential of "Productive Ethiopia" to be the engine of economic growth and food self-sufficiency
- Successful conflict mitigation and prevention program at the federal, state and local levels will continue and will be integrated across the entire USAID portfolio
- Large health portfolio well integrated with government and other donor priorities, with an overarching focus on maternal and child health
- Expansion of basic education has succeeded and been taken up by the GOE and World Bank; USAID's education program will shift focus to quality – especially in primary reading, and on workforce development to assist youth employment
- Formal work on DG within the system has largely failed, so focus will shift to include governance as a cross cutting issue through improved public sector accountability, conflict sensitivity and support to civil society

Apart from monetary resources, USAID/Ethiopia will continue to influence policy change. Much of the success of policy efforts to-date has been based on time and effort rather than financial resources, and these efforts, on a multi-donor basis, will be increased. Policy priorities have expanded; however, from the previous focus on humanitarian assistance and social services access strategy, to a much greater emphasis on expanding the space for the private sector and civil society, and on quality of service delivery.

Knowledge and learning have also contributed to the evidence base, which have also influenced policy and improved program impact, in particular in the pastoralist programs where this has been tested. In line with the new USAID Monitoring and Evaluation policy, impact assessments will be extended across the portfolio, focused on "a learning agenda," testing a development hypothesis or new approach. Larger projects will be independently evaluated to ensure rigor and learning.

Overall Goal: *Ethiopia's Transformation to a Prosperous and Resilient Country Accelerated*
Development Objectives:

1. *Increased economic growth with resiliency in rural Ethiopia*
2. *Increased utilization of quality health services*
3. *Improved learning outcomes*

- *Supported by improved governance environment for sustainable development*

As President Obama noted in his address to the UN General Assembly last September, no one nation can solve the world's problems. In the spirit of the Paris Declaration on Aid Effectiveness, the Mission will work with program budget support donors under a common framework to combine the

strengths of both USAID and other donors, leveraging resources and supporting GOE priorities. We believe that a real transformation toward resiliency and sustainable prosperity can be achieved over the life of the strategy.

Acronyms and Abbreviations

AGP	Agricultural Growth Program
CAADP	Comprehensive Africa Agricultural Development Programme
CDC	Centers for Disease Control and Prevention
CIAFS	Capacity to Improve Agriculture and Food Security
CIDA	Canadian International Development Agency
COMESA	Common Market for Eastern and Southern Africa
CSA	Charities and Societies Agency
CSP	Charities and Societies Proclamation
DAG	Development Assistance Group
DFAP	Developmental Food Assistance Program
DFID	Department for International Development (UKAID)
DRM	Disaster Risk Management
EGRA	Early Grade Reading Assessment
ESDP IV	Education Sector Development Plan Phase IV
EPRDF	Ethiopian Peoples' Democratic Revolutionary Front
EU	European Union
FtF	Feed the Future
GAVI	Global Alliance for Vaccination and Immunization
GBV	Gender Based Violence
GCC	Global Climate Change
GFATM	Global Fund for Aids, TB and Malaria
GHI	Global Health Initiative
GOE	Government of Ethiopia
GTP	Growth and Transformation Plan
HASB	Household Asset Building Program
HEP	Health Extension Program
HSDP IV	Health Sector Development Plan Phase IV
JICA	Japan International Cooperation Agency
KLDP	Knowledge, Learning, Documentation, and Policy
LIU	Livelihood Integration Unit
MDGs	Millennium Development Goals
MOE	Ministry of Education
MoFA	Ministry of Federal Affairs
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
OVCs	Orphans and Vulnerable Children
PIF	Policy and Investment Framework
PLI	Pastoralist Livelihood Initiative
PMI	Presidential Malaria Initiative
PSNP	Productive Safety Net Program
RED & FS	Rural Economic Development and Food Security
SIDA	Swedish Development Agency
UNDP	United Nations Development Program
UNICEF	United Nations Children's Education Fund

Development Opportunities and Challenges

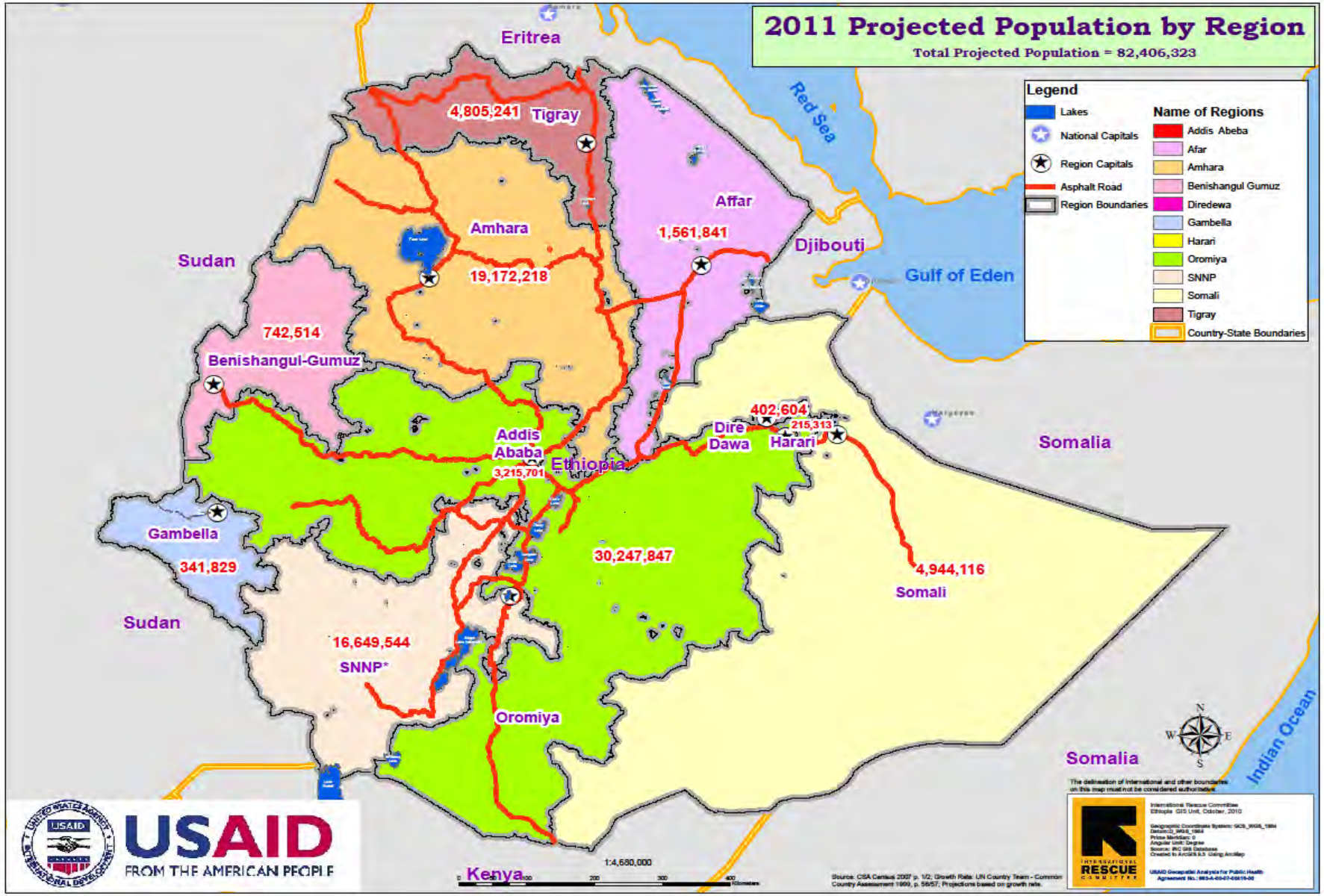
Country Overview

Ethiopia is a country of many contrasts and, one might say, a bifurcated history. On the one hand, it is the origin of one of Africa's most ancient and unique civilizations, where emperors, queens and rasses (imperial dukes) ruled, and where the oldest and most traditional orthodox Christian rites and traditions are still practiced today. More recently, Ethiopia has become more well-known as a country where poverty and famine chronically persists, where democratic structures are still nascent and being defined, and wars and instability along much of its borders continue to affect U.S. strategic interests. The Ethiopia of today is a country still steeped in tradition and history, but also aggressively trying to achieve economic prosperity for its people, even as the vast majority still lives in poverty as rural farmers and pastoralists.

Nevertheless, the Ethiopian economy has been growing at a considerable and significant rate, and there is real potential (if economic policies, development partner strategies and the will of the Ethiopian people are closely aligned) for substantial progress to be made, transforming the country from being poor and vulnerable, to one that is growing, healthy and resilient. However, recent political events in nearby North Africa demonstrate how quickly a country's stability can change, and how much that stability requires meaningful progress in economic opportunity, democracy and social accountability. These latter two areas have generally been lacking throughout Ethiopia's history, and reflect an underlying brittleness of the political system. Given this combination of vulnerability and potential for instability, including frequent, huge humanitarian needs, combined with the potential of becoming an economic powerhouse in the region, maintaining Ethiopia as a well-functioning state is a critical and major strategic priority of the United States.

Prime Minister Meles Zenawi and the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) came to power by overthrowing the ruthless centralized Communist Derg regime in 1991. Although having adopted an even more extreme Marxist ideology during their struggle, the new "revolutionary democrats" actually embraced limited free market and democratic reforms when they came to power, but retained an undercurrent of excessive control and suspicion of Western approaches. Despite formal and informal control and restrictions, there has been an explosion of new private businesses and civil society organizations, rising from a few dozen to thousands over the past 20 years. The regime is truly committed to development. High rates of economic growth have also been recorded over the last five years, as has progress on decentralization to the regional states.

After the shock of the relatively free elections in 2005, in which the EPRDF drastically overestimated its popularity, much democratic ground has been lost. Subsequently, the opposition groups were divided and crushed, and the size and control of the ruling party was increased immensely. Legislation was introduced to limit and control the space for civil society and media, and wide powers of arrest were included in the „anti-terrorist' legislation. In 2010 the ruling party "won" 99.6% of the Parliamentary seats. Although political prisoners were released after the 2010 election, GOE has continued to limit space for any political opposition and independent civil society advocacy groups.


2011 Projected Population by Region
Total Projected Population = 82,406,323
Legend
Lakes
National Capitals
Region Capitals
Asphalt Road
Region Boundaries
Name of Regions
Addis Abeba
Afar
Amhara
Benishangul Gumuz
Diredewa
Gambella
Harari
Oromiya
SNNP
Somali
Tigray
Country-State Boundaries
Eritrea
Red Sea
Gulf of Eden
Djibouti
Sudan
Somalia
Kenya
Indian Ocean
Ethiopia
Tigray
4,805,241
Amhara
19,172,218
Affar
1,561,841
Benishangul-Gumuz
742,514
Addis Ababa
3,215,701
Dire Dawa
402,604
Harari
215,313
Gambella
341,829
30,247,847
Somali
4,944,116
SNNP*
16,649,544
Oromiya
1:4,680,000
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On the economic front, the last seven years have witnessed accelerated reduction of poverty and increased economic growth. Although official statistics are considered to be inflated in claiming over 11% annual growth, other figures reported by the World Bank and International Monetary Fund of over 8% are still very good. *The Economist* magazine recently recognized Ethiopia as one of the fastest growing economies in the world. Progress is particularly occurring in the critical finance and telecommunications sectors: private banks have grown to 40% of total financial assets held and are set to overtake state banks in size. The state monopoly telecommunications sector is temporarily handing over its management to France Telecom, although improvements have yet to be achieved. A number of ambitious new programs have been launched, with the new 5-year Growth and Transformation Plan (GTP): 2011-2015 setting targets for annual economic growth rates of over 14% and concomitant rapid expansion of services and infrastructure. Achieving even a portion of these targets would be commendable, though dilution of quality of services to meet them remains a major concern. As agricultural production has been exaggerated over the past few years, there could be continued distortion of statistics to reach goals, giving an unrealistic notion of food self-sufficiency. The government already downplays the country's food aid and other humanitarian needs, such as cholera and malnutrition, creating an atmosphere of denial that impedes emergency response and could cause unnecessary suffering and death.

Opportunities and Obstacles

The main overall opportunity is that the GOE wants to eliminate poverty and is dedicated to economic progress. The obstacles are undemocratic and highly centralized systems of control that limit space and progress for private business and civil society.

On economic growth, Ethiopia obtained commendable levels over the last five years, and the government has developed comprehensive agricultural and overall economic development plans, with the advantage of low wage rates and untapped savings outside of formal financial institutions to foster domestic and export growth. There has been tremendous growth in the number, diversity and market share of private businesses in the Ethiopian economy. Challenges to overcome include the continued state sector orientation of government and the public sector and para-statals' dominance in many sectors of the economy. Basic problems such as unskilled labor, high transport costs, low level of financial and telecom services and land tenure insecurity are not being solved as quickly as possible because of suspicion and under-utilization of the private sector. As well, the ambitious targets of the new GTP and the resultant increase in government and para-statal spending and increased money supply are considered a major factor in the recent surge in Ethiopian inflation.

However, even with these structural impediments to growth, it has been truly remarkable that Ethiopia has achieved the growth levels that it has realized thus far. The opportunity exists to amplify more private sector investment (including American business investment) in the economy, which would be instrumental in accelerating and reaching the growth targets. Agriculture growth has also been good, although not as high as the official figures, and partly because of recent years' good rains in the more productive areas; challenges include not only private sector involvement, but land quality and climate change as well. Ethiopia is still overwhelmingly rural (82%), exacerbating the difficulty of providing services and realizing wide-scale industrialization some years in the future.

Ethiopia has shown improved capacity to detect and respond to emergencies, and to undertake disaster risk management (DRM) through the use of tools, such as the Household Economy Analysis and the National Incident Management System (with USAID support). Emphasis has shifted to addressing chronic needs through the Productive Safety Net Program (PSNP) and through increasing attention on nutrition. The GOE set ambitious targets for obtaining self-reliance for the chronically and transitory food insecure, who are highly dependent on good climatic conditions that cannot be relied upon with any certainty.

The current drought in 2011 at the time of writing is a case in point. Although the scale of the drought is not of the same magnitude of 1984 or even 2002-03, it is a significant drought which can help to measure the progress in response by partners and the GOE. Because of the success of the PSNP in picking up the chronically food insecure, there are only 4.6 million beneficiaries identified for help, and even if the need is somewhat higher, it is still far below the 15 million needing assistance before the PSNP in 2002-03. Response to the drought has been good, with the GOE appeal in February 2011 oversubscribed by donors who felt the needs were higher than stated. As a result of the drought in 2011, plans to build the DRM work further, particularly in pastoralist areas, are being linked to the already strong support incorporated in the Feed the Future plan.

The GOE works well with donors on health issues, and is using a variety of sources of funding in a coordinated and planned approach, as well as some aspects of health sector finance reform which can be built upon. It is highly committed to reaching the Millennium Development Goals (MDGs) on health, in particular launching a special initiative on maternal and child health at the *kebele* (community) level. On family planning issues there has been continual progress in the commitment of the GOE and the support from donors, an issue that has been highlighted once again in the vulnerability to recurrent droughts. However, the ambitious targets are threatened by the lack of evidence-based planning, high turnover of health professionals, weak control by government institutions over budget support (with poor management of funds leading to suspicions of fraud), lack of sustainability (e.g. uncertainty of donor funding for ARVs for HIV positive people for life), and tight control over civil society participation.

The GOE's Ministry of Education (MOE) has excellent working relationships with donors who have participated fully in thorough planning of its new 5-year Education Sector Development Plan IV (ESDP IV). USAID has a strong track record of introducing innovation, and can build on policies supporting community based solutions and an increased focus on youth. But the predictable challenges of poor facilities and materials and un-skilled teachers have led to low levels of education, exacerbated by high population growth. Despite rapid growth in enrollment, especially in basic primary education, national learning tests and a recent early grade reading assessment revealed declining quality and learning outcomes, and significant gender and regional gaps in enrollment remain. Many millions of young people have dropped out, especially in the rural areas, making them unable to take advantage of the economy's growth opportunities and more susceptible to recruitment into the wrong causes.

In the areas of democracy, governance, and conflict resolution, USAID is already working well with the Ministry of Federal Affairs (MoFA) on conflict management, mitigation and

reconciliation issues, and should be able to build on this partnership to influence civil society issues with the Ministry's newly legally mandated oversight over the Charities and Societies Agency. Now that the May 2010 elections are over, there is an apparent relaxation of political harassment, and a major opposition detainee has been released. There is a strong focus on building the capacity of the civil service at both the federal and regional levels, and the GTP includes a significant emphasis on accountable governance.

However, the legacy of the centralized government control after the 2005 elections continues. The ruling party remains thoroughly entrenched in all government institutions; accusations that government services and benefits and employment and educational opportunities require party membership continue. Opposition parties have effectively collapsed, and there is no evidence that new laws restricting the media, civil society, and legal rights will be repealed or amended anytime soon. Furthermore, inter-communal tensions continue due, in part, to increased resettlement schemes, regional border conflicts, and the ongoing counter insurgency campaign in the Somali Region. The major effort to promote peace in the insurgent Ogaden area of Somali Region has led to reconciliation with just one faction of the main insurgent group.

Ethiopia also has many regional challenges, both political and economic. Conflicts and/or tension continue on border areas with Eritrea, Somalia, Kenya and South Sudan. USAID has programs in place to monitor and reduce conflict impact on development in the border areas of Somali, Oromia, Southern Nations Nationalities and People's and Gambella regions, which are well positioned to scale up if needed and if sufficient funds are available. Opportunities exist for increased trade with Sudan (and has high potential for the future in South Sudan), and with the ports in Somaliland and Puntland. The proposed new Renaissance Dam in Benishangul-Gumuz Region is both an opportunity and challenge in the region. There is potential for conflict with downstream riparian countries of Egypt and Sudan, who for years benefitted from old colonial agreements on water rights. However, the potential for greater power generation and trade linkages with these countries also exist.

The positive role played by Ethiopia within the Horn of Africa region is a strong basis for USG constructive engagement with Ethiopia, despite problems such as the democracy deficit. Ethiopia plays a strong role in Somalia, and has recently engaged constructively with the peace process between North and South Sudan. Ethiopia rarely looks south for regional cooperation, focusing on the Horn of Africa rather than the broader Common Market for Eastern and Southern Africa (COMESA) or East African Community. As the unpaved road in northern Kenya has been the biggest impediment to greater trade between Ethiopia and the East African Community, efforts to finalize the road should provide a basis for better regional links to the south, allowing an opportunity under the Comprehensive Africa Agricultural Development Programme (CAADP) umbrella to build COMESA and other trade links in the coming years.

Government and Donor Alignment

The GOE has just completed the final draft of its Growth and Transformation Plan (GTP) for 2010/11 – 2014/15. The plan is ambitious and quite thorough, and continues the GOE track record on investing in poverty reduction and better basic services. The main emphasis is on economic growth, projected at 11.2% (base case) to 14.9% (high case) per year. Donors

undertook a joint review of GTP, praising its ambitiousness, but also noting a number of concerns and cautions. These include not enough openness to private sector-led growth or the important role of civil society, and a tendency to reduce safety net programs too quickly based on optimistic growth projections. The strategy builds on the Health and Education Sector Development Plans, as well as its recently signed CAADP compact. Based on the analysis of the GTP, USAID will ensure alignment with the government plans, while continuing to press for greater civil society and private sector consultation and involvement. The FtF value-chain-oriented strategy is off to a good start, taking advantage of GTP acknowledging greater space for the private sector in the marketing of agricultural goods and services.

A NEW FORM OF DONOR COOPERATION: SAFETY NETS

The Productive Safety Net Program (PSNP) was started in 2004 with active cooperation between the GOE and donors. USAID played a leading role in developing the very intensive cooperation on the framework and modalities of the program – program budget support from a number of donors such as DFID, the World Bank, and CIDA, combined with direct support to NGO partners from USAID and other donors – that continues to this day. This has proven to be a very effective combination. Direct program budget support is preferred by the GOE, and direct partner implementation provides the donors with the knowledge and insight to correct problems as they arise. Support to beneficiaries is given either in the form of food aid (mostly from USAID) or cash payments (most of the other donors), the two approaches complementing each other and making for interesting comparisons. For instance, food aid proved to be much more popular with beneficiaries, mainly because of recent food inflation outstripping the value of the cash payments.

Because of the effectiveness of the approach, the combination of budget support and direct partner implementation in a joint program to address GOE priorities, is being adopted for the recently-launched $500 million Agriculture Growth Program, and is planned for an upcoming GOE-donor program on disaster risk management.

Donor collaboration – via the 11 working groups of the Development Assistance Group (DAG) – is very active in Ethiopia in all sectors, with USAID playing a leading role in a number of areas. Consultation in the health, education, safety nets, humanitarian issues, governance and agriculture sectors are particularly strong. A very good basis for donor cooperation has been set up in these areas, which provides an agreed-upon framework with government, combining different mechanisms – such as funding both directly through partners and through pooled funds – that build on the strengths of both approaches. The strong donor consultation and coordination on the critical issues of democracy and governance has not always resulted in a willingness to take a strong, united stance against clear abuses of constitutional commitments, legislation, or democratic processes. The DAG includes the World Bank, UNDP, DFID, CIDA, UNICEF, EU, SIDA, Ireland and Germany among others.

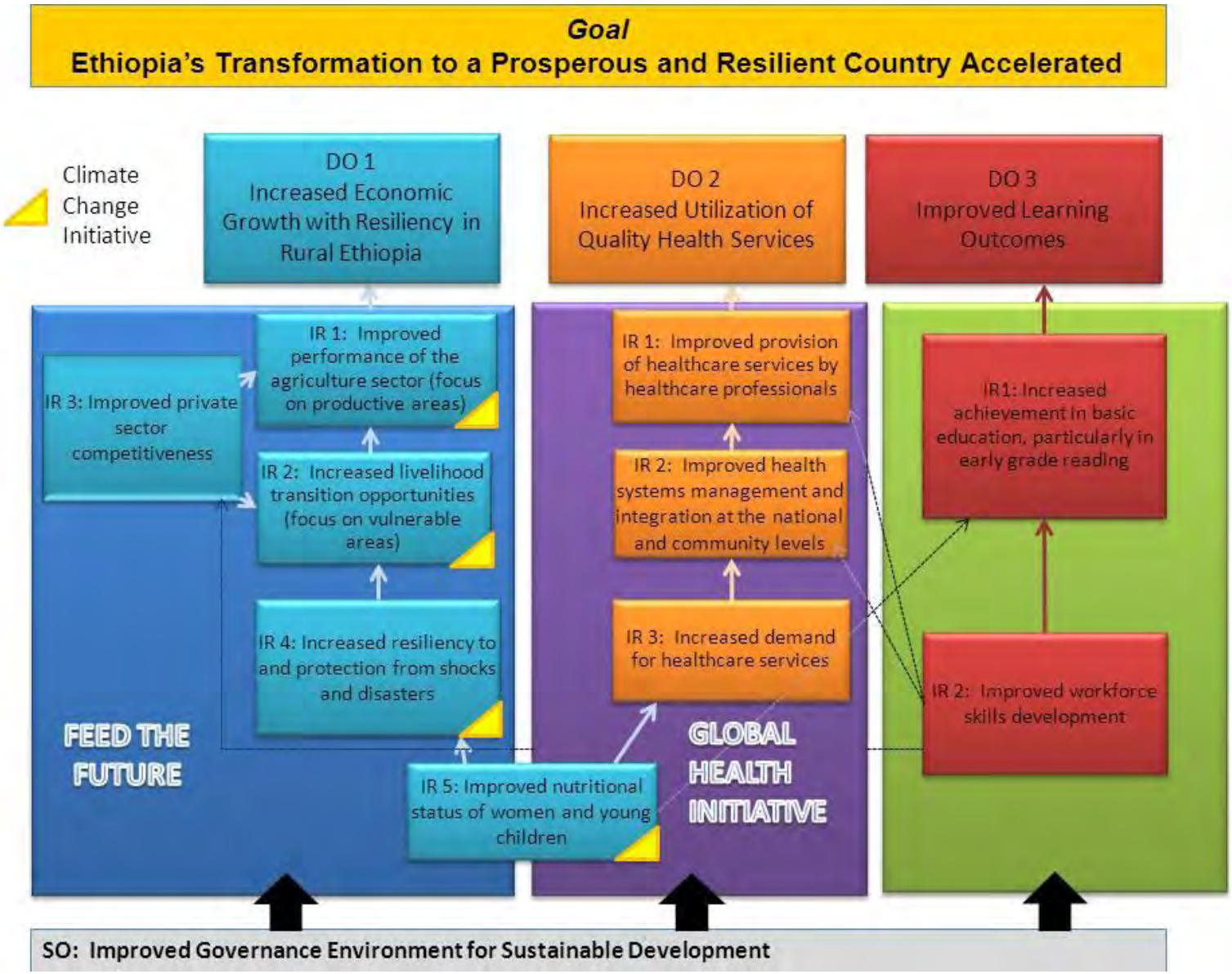
Analyses Undertaken

USAID/Ethiopia recently undertook substantial analyses related to the development of its CDCS, for approval of its FtF and GHI strategies, and undertook an Early Grade Reading Assessment (EGRA) and thorough analysis of its education programs to inform the new education strategy. The Mission is also building on other related plans developed with the GOE, including CAADP

country analysis and the Policy and Investment Framework (PIF), the new World Bank-funded Agricultural Growth Program (AGP), the Productive Safety Net Graduation Program, and Phase IV (2011-2015) of the Health and Education Sector Development Plans. The mission undertook analytical studies on biodiversity and gender (beginning December 2010) as required by the ADS, complementing this with a disability assessment and strategy. The Mission also just completed DG and Conflict Assessments to identify threats that could undermine results, as well as opportunities where programs could address root and proximate causes. This has helped develop the cross cutting plans to incorporate greater conflict sensitivity and civic participation in our service provision activities.

Building on existing studies on the financial sector, telecommunications and the business environment for development of private sector led growth, and the analytics for FtF, the recent visit by USAID Chief Economic Advisor Arnold Harberger provided additional macro-economic analysis. While further economic and agricultural analysis is not needed at present, USAID/Ethiopia is also expanding an innovative program of ongoing analytics and impact assessments for knowledge, learning and policy development to FtF and other Initiatives. GCC activities will be integrated into both reducing vulnerability and increasing economic growth through adaptation.

Results Framework



Overall Goal: Ethiopia's Transformation to a Prosperous and Resilient Country Accelerated

This goal derives from the GOE's GTP and the promising economic and basic services growth over the previous five years. It is a natural progression from USAID/Ethiopia's previous Integrated Strategic Plan 2004-2008: Foundation Established for Reducing Famine Vulnerability, Hunger and Poverty. Great progress has been made in developing programs that contend with vulnerability, hunger and poverty; systems for detecting and responding to emergencies are now in place, and access to basic services has improved dramatically. Over the next five years, Ethiopia can be transformed to a stable, growing economy, with solid social services and a resilient population. While not neglecting its continued vulnerability, the foundation has been laid so that more effort can be channeled to agricultural-based economic growth, improving the overall economy and job creation through support to "Productive Ethiopia" and the private sector. Health and education can focus more on the quality and accountability of those responsible for providing these services rather than merely increasing their availability. New DG approaches will reflect the lack of progress in advancing representative democracy (arguably due to increasing levels of political repression) by focusing on greater community involvement in advancing agriculture-based economic growth, health and education and on the ability to resolve and prevent local conflicts and hold community stakeholders, government and donors accountable. The overall development hypothesis is that if USAID creates economic opportunities in key areas like agriculture, improves health care quality and targeted learning outcomes, then USAID can contribute to Ethiopia's adaptability and resiliency to shocks, paving the way for higher economic growth.

This goal is a measurable one. Economic growth is a primary measure, but will be looked at in terms of progress in „pulling' those in "Hungry Ethiopia" out of the poverty trap, providing real resiliency. Good approaches have also been developed to measure progress in quality of health and education services. DG and conflict sensitivity have a number of challenges – both in obtaining progress and measuring it, and the tools will need fine tuning to ensure they accurately measure progress. Throughout the CDCS, knowledge and learning have been given priority, both to ensure quality and ongoing adjustments as needed, as well as to contribute to the development pool of knowledge on what works…and what doesn't!

On the cross-cutting side, USAID/Ethiopia will include conflict sensitivity and social accountability across the other DOs through the Support Objective outlined below. The Mission will also ensure gender and disability inclusive development practices across the programs.

Relationship of DOs to overall goal

DO 1: Economic Growth Development Hypothesis

If agricultural performance is improved and associated jobs are created in rural areas, then rural incomes and food security will increase. Both will contribute to GDP growth and Ethiopia's MDG 1: Eradicate Extreme Poverty and Hunger within the next five years. To support this effort, USAID will target its programs on:

- Focused efforts to develop full growth potential in "Productive Ethiopia";

- Proactive efforts to link vulnerable populations in safety net and pastoral areas with new growth opportunities;
- Continue to increase resiliency of vulnerable populations to economic and climatic disasters (e.g., assets and capacity protection; where required, humanitarian assistance) building on the positive lessons and constraints of the 2011 drought;
- Climate proof project planning and implementation that improves access to science and analysis for decision-making, effective governance systems, and identifies and disseminates actions that reduce long-term vulnerability to climate change;
- Increase nutritional status among Ethiopians;
- Ensure civic participation in accountability for agricultural inputs and programs; and
- Improve the economic enabling environment to support increased private sector investment and growth.

Critical Assumptions:

- GOE maintains its commitment to funding agriculture development
- Donor funding commitments and coordination efforts continue
- USG funding continues at current levels
- Peace and security is maintained in operating regions
- Population growth rate does not increase above current levels
- Natural disasters occur at a manageable rate and are not excessive in their severity

DO 2: Health Development Hypothesis

Demand and utilization of quality health services will need to increase if Ethiopia is to meet its GTP targets of achieving MDGs 4: Reduce Child Mortality, 5: Improve Maternal Health, and 6: Combat HIV/AIDS, Malaria and Other Diseases. To support these goals, USAID – working with State and CDC as part of the new GHI – will focus on:

- Improvement in the provision of health services, including accountability;
- Development of and improvements in the quality of the GOE health systems;
- Greater demand for quality health services, especially in the rural areas;
- Increased nutritional status among Ethiopians; and
- Ensuring strong civic participation and social accountability.

Critical Assumptions:

- GOE remains highly committed to finance priority health programs and initiatives, including integrated health delivery services and other health sector reforms, as outlined in HSDP IV
- GHI supports national plans and priorities
- USG funding will continue at projected levels, and Global Fund and other donor resources will attain projected levels of increase
- Human capacity remains in-country
- GOE enables participation of civil society and private sector in health service provision
- Sustained availability of financial resources from USG and other donors

DO 3: Education Development Hypothesis

If USAID/Ethiopia improves early grade reading achievement (of the primary age population)

WHAT'S NEW?

- ✓ Community-based conflict sensitivity and accountable governance woven into all development activities
- ✓ More focus on agriculturally productive areas
- ✓ Strong emphasis on nutrition linking Feed the Future and Global Health Initiatives
- ✓ Community water, sanitation and hygiene activities integrated into activities in all 3 DOs
- ✓ Establish disability inclusiveness in all projects and policies; partner with disability-focused organizations, build their capacity to provide quality services and programs, and support their activities (financially and through technical assistance)
- ✓ Defense Department Civil Affairs teams build/rehabilitate schools, clinics and water systems, in conjunction with USAID projects

and workforce skills of youth, then we will increase the education levels and employability of the population. This will lay the groundwork for economic growth and will help the GOE meet MDG 2: Achieve Universal Primary Education, and its GTP education and training goal of "producing democratic, efficient and effective, knowledgeable, inspired and creative citizens who contribute to the realization [of] Ethiopia's vision of being a middle income economy." In order to support this effort, USAID will focus on:

- ➢ Improving early grade reading achievement to contribute to overall gains in the education sector, as children will experience success in learning, stay in school longer, and obtain skills necessary to contribute to the economy. Under this intervention the focus will be on primary school age population (age 7 – 14) nationwide.
- ➢ Providing workforce skills will give youth and adults the tools needed to contribute to the economy (est. 20 million dropouts or unsuccessful in school). The support will target adults between the age of 18 and 65 with special emphasis on youth (age 18 – 30).
- ➢ Ensuring greater accountability of programs through increased civic participation.

Acquiring reading skills in early grades will enable children to learn better in higher grades. This will improve learning outcomes in primary schools and beyond, which in turn will lead to greater overall results for Ethiopian education system and produce a more skilled and better prepared workforce. Furthermore, acquiring basic workforce skills aligned with the needs of target growth sectors will for youth and out-of-work, unskilled adult citizens improve work options and, when matched with economic development efforts, increase the productivity of citizens.

Critical Assumptions:

- GOE maintains its commitment to funding education
- The General Education Quality Improvement Program (GEQIP) prints and distributes all language primary school textbooks developed with USAID support
- Teachers and communities are willing to help students to improve their reading skills

- USG funding to USAID/Ethiopia education activities continues to increase somewhat for the next two-three years and then maintains that level
- The excellent working relationship between USAID and the host government (Ministry of Education and regional state and city administration education offices) continues
- GOE remains committed to sustain and scale up USAID education interventions

Support Objective (SO): Governance Environment Development Hypothesis

Incorporating conflict sensitivity and social accountability into development activities at the community level wherever possible and appropriate will improve both the effectiveness and the sustainability of the activities. This is considered broadly as the governance environment. Therefore, over time, all service provision activities should incorporate conflict sensitivity and social accountability. In order to support this effort, USAID will:

- Help the GOE and local communities improve their resiliency to adapt to adversity and ability to manage inter-communal tensions and address causes of violent conflict;
- Assist national, regional and local governments to improve accountable governance and civil society stakeholders and communities to participate in the planning and monitoring of service delivery and in the legislative development, policy and project formulation processes;
- Improve access to justice and information on development issues and projects; and
- Support U.S. Embassy efforts to address human rights issues in Ethiopia.

Critical Assumptions:

- The GOE, as expressed decisively in the GTP, is firmly committed to improving accountable governance and peace building as absolute requirements for sustainable development
- Confidence in local security is essential before investors, whether government, donors, the private sector or individuals at the community level, will make the investments required to fuel sustainable development
- USAID's long partnership with the Ministry of Federal Affairs and the Gambella, SNNPR, Oromia and Somali National Regional States provides a firm foundation to expand support for improved peace building capacities and interventions
- Involvement of communities and beneficiaries in planning and monitoring of service delivery and small scale development projects results in more sustainable programs

Policy Priorities and 'Soft' Power

USAID/Ethiopia has strong experience in policy change (see box), and has begun developing a new policy agenda in light of its CDCS. Use of non-monetary approaches – policy expertise of staff, engagement with stakeholders, convening power – will be complemented with support for exposure tours, impact assessments, support for visits of well-known international experts and other low cost additional approaches. Policy objectives have been proposed for each of the sectors; strategies for achieving targeted policy changes will be developed. Preparation work has already begun on many of the identified policy priorities. Top policy priorities will be in the Economic Growth DO and the Improved Governance SO.

One of the major impediments to agricultural production is the highly restrictive current laws on use of bio-tech and Genetically Modified Organisms (GMO) plant seeds. Bio-technology (BT) has the potential to substantially increase the yields and variety of foods available in Ethiopia, as well as support the ambitious agricultural export plans. A strategy will be developed around constructive engagement with producers and the GOE to modify its negative and wary stance, while protecting the unique bio-diversity in the country.

Additionally, access to improved seed is also a major agricultural constraint, based in policies which restrict production and pricing of seeds. Removal of barriers for private seed producers will be the priority. USAID will provide funding to the newly formed Agriculture Transformation Agency (ATA) that has been given the mandate by the GoE to develop and offer new policy and legislation in support of the agriculture sector. One of the first policy actions undertaken by the ATA is a proposal for a new seed law that will open up hybrid seed development and distribution to private sector actors. This new law, once enacted, will assist the GoE meet its ambitious goals under the AGP and GTP. USAID will use its influence within the ATA and its relations within the GoE to support bio-technology issues as opportunities open. However, on bio-technology issues, it is important to recognize that the laws and regulations for GMO and BT fall outside the mandate of the Ministry of Agriculture and the ATA.

USAID will also continue to build on policy initiatives which are making progress – focusing on continued extension of leasing rights of rural land and pastoralist land rights, and WTO accession, which facilitates change on restrictive telecommunications and financial rules. Focus will shift from Disaster Response to Disaster Risk Management, with an emphasis on policy development and implementation of mitigation activities that prevent disasters. Improving the transparency and increasing the accuracy of emergency assessments will also continue.

By taking a cross-cutting approach, policy priorities in Improving Governance will avoid the problem of stove-piping experienced to date. The opening provided by the GOE on conflict resolution affords the opportunity to work on conflict sensitivity across development activities, building on successful work in rangeland and forested areas. With the increasing "land giveaways" to private, foreign agricultural investors, policy efforts will be undertaken in conjunction with DO 1 to support land use planning and natural resource management that avoids displacement of existing communities and helps ensure balanced development.

Policy work has also been ongoing in the health and education sectors. In health, the focus will be more on policies to retain health professionals in their government positions, and for improved health care financing and health insurance. On education, the focus will be on policies that improve the context for early reading, overall English language skills improvement, and workforce development for under or unemployed youth.

USAID's POLICY EXPERIENCE IN ETHIOPIA

In the previous "Breaking the Cycle of Famine" strategic plan, USAID set a policy agenda prioritizing eleven policy changes. Although the policy environment in Ethiopia is notoriously difficult, five of the policy objectives were met, four were partially met, and only two failed. As well, at least five unanticipated policy successes were achieved.

Policy objectives met:

Land Proclamations and certification process, with attention to equal rights for women, has been rolled out across the four major regions and is underway in two more regions, based on pilots supported by USAID. The result of land certification was to guarantee use rights for farmers; an independent assessment estimated increased production at 7% over the first three years (Dercon 2009). Independent assessments of the gender impact found that women's land rights were strengthened in divorce settlements, although problems remain in polygamous Muslim areas.

Establishment of Productive Safety Net Program, which now covers 7.6 million beneficiaries, is a multi-year approach that emphasizes asset building and public works. USAID is a leading donor in this multi-agency effort. Sub-objectives to develop clear lines of authority for the PSNP within the Ministry of Agriculture and to have strong multi-donor coordination were also achieved. As a result, the chronically food insecure have been largely removed from the emergency caseload in Ethiopia, and impact assessments demonstrate that participating households have maintained and increased their household assets while the economic status of many of those outside the safety net have declined.

Crisis management policies were improved, with USAID assistance for the development of the new Disaster Risk Management Strategy, and the adoption by the Ethiopian government of the U.S. Forest Service's National Incident Command System.

Two new National Nutrition and HIV/AIDS Policies were developed and adopted. Nutrition programs have expanded widely under the revitalized policy, and implementation of ARV support and protection of HIV+ individual rights were facilitated.

Policy Objectives not met:

Telecommunications liberalization – with the small exception of the adoption of a legal framework for private Internet Service Providers, the Ethiopian government did not change the policy from a state monopoly telecommunications system, and is proceeding with the assistance of the Chinese to continue to slowly develop a highly inefficient and uncompetitive system.

Civil Society strengthening and inclusion in election and other processes was not achieved. In fact, the space for civil society contracted. In the aftermath of the 2005 elections, the GOE promulgated a new Act which severely restricted the advocacy and human rights activities of NGOs, particularly international and foreign funded ones. Additional media and 'anti-terrorism' laws have further restricted civil rights, and the ruling party has created a climate of fear where NGOs self-censor their activities to prevent any retribution against them.

Policy Objectives partially met:

Three objectives for support of international trade and the private sector were partially met. The environment for exporters has improved enormously, and export promotion has been adopted by the GOE as a high priority. However, regional trade policies have remained moribund, and Ethiopia has not embraced the COMESA free trade zone for Eastern Africa. WTO accession is proceeding but at a snail's pace, with resistance from the GOE to telecommunication and finance reforms. The GOE also continued to dominate seed and fertilizer input markets, but progress was made on livestock trade.

Although a new population policy has not been developed, there has been progress in the implementation through an enabling environment for family planning, including expanded knowledge and availability of contraceptives.

DO 1: Increased Economic Growth with Resiliency in Rural Ethiopia

Background and Rationale

The GOE expects the country's impressive agricultural growth in recent years to provide a foundation for its future overall growth. Ethiopia's average GDP growth from 2005/06 to 2009/10 stands at 11% according to government figures (a more conservative 8% according to IMF/WB statistics), of which agricultural growth itself was 8% (compared to 10% for industry and 14.6% for services). The GOE has already placed tremendous focus on agriculture, having allocated 17% of its budget over the past several years to this sector, significantly exceeding the CAADP benchmark of 10%. Additionally, the GOE has strong ownership and vision for the development of the agriculture sector and its economic development, as illustrated by the new CAADP Policy and Investment Framework (PIF) and its component platform programs, such as the Agriculture Growth Program (AGP), as well as the overarching new five year (2011-2015) GTP. All of these initiatives are aimed at moving the country to middle income status by 2025 and full achievement of MDG 1 of halving extreme poverty and hunger by 2015.

Achieving these goals, however, will not be an easy task. Ethiopia's economy remains highly dependent on agriculture, which makes up 43% of the nation's GDP and 90% of its exports. Cereals dominate, accounting for about 70% of agricultural GDP (AGDP). Livestock production accounts for about 15% of AGDP and draught animal power is critical for all farming systems. This agricultural economic base is dominated by smallholder farmers. Over 80% of Ethiopians live in rural areas and subsist principally on rainfall agriculture, cultivating an average land holding size of just under one hectare (one third cultivate less than half a hectare). Additionally, with only 6% of land currently irrigated, Ethiopia's farmers are at the mercy of highly variable seasonal rains. Vulnerability to droughts is greatest in the lowland pastoral areas and the densely populated, food-insecure *woredas* (districts) of the highlands. Drought-induced food shortages are further exacerbated by limited coping mechanisms, inadequate contingency planning, and the growing threat of climate change, leading to among the highest infant and maternal mortality and child malnutrition rates in the world. Finally, humanitarian needs have not decreased to the point where they can no longer be considered a priority issue of serious concern for the country. For the past two years, Ethiopia has been among the world's top recipients of United States Government (USG) food aid – over $600 million worth.

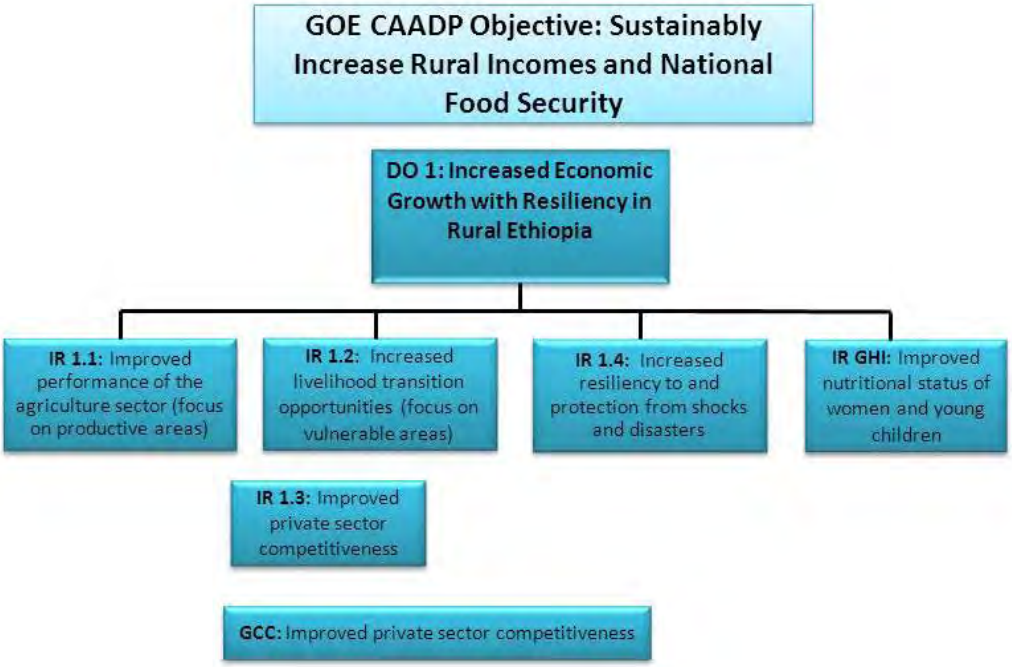
There are several other inhibitors to agriculture-based growth. The costs of trading in Ethiopia are among the highest in the Horn of Africa; ICT user rates are very low, even by African standards; private sector investment lags far behind that of government; and the share of the "formal" private sector in the economy hovers between 23-27%. Complicating the potential for economic growth are weak enabling environment statistics. According to the World Bank's Annual Doing Business Report, which ranks the top 183 countries, Ethiopia is: Registering Property 110th; Trading Across Borders 159th; and Overall Ease of Doing Business 107th. Finally, Ethiopia ranks 127th out of 183 countries for ease of "Getting Credit," well behind Rwanda, 61st, and Kenya, 4th.

Gender considerations

Ethiopian women play a major role in agricultural production, as they provide the majority of the labor. However, their access to resources and participation is mediated through men, either their fathers or husbands, and their agricultural contribution goes largely unrecognized. Women also

play a large role in livestock management and processing of animal by-products. They face different and more basic constraints than men, linked to issues such as access to water, access to credit and low demand for their salable products. In contrast, men are concerned about constraints associated with more sophisticated activities, such as transport costs and road suitability, access to markets and inputs, and market information.

USAID/Ethiopia's FtF Multi-Year Strategy forms the core of this DO, delivering results through three Program Components: 1) Agricultural Growth Enabled Food Security; 2) Linking the Vulnerable to Markets; and 3) Policy and Capacity Enabler. These Components are designed to increase agricultural productivity; ensure that growth is broad-based; and improve linkages to domestic and international markets. To support these components, USAID/Ethiopia has developed a supporting Private Sector Development Enabling Environment Strategy that identifies those key policy and support sectors for targeted assistance that fall outside of FtF, but is critical to its overall success. Both the FtF and Private Sector Development strategies are in full alignment with the GOE's CAADP PIF and GTP.



Description of DO 1: Increased Economic Growth with Resiliency in Rural Ethiopia
This DO builds on the previous Mission strategy *Foundation Established for Reducing Famine Vulnerability, Hunger and Poverty*, developed in 2004. Given the tremendous growth in the agriculture sector, the GOE's concerted effort to ensure continued growth, and the up-tick in interest by the donor community in economic growth in Ethiopia, the new DO takes the logical next step in the economic development of Ethiopia, building the means to promote economic independence, prevent future shocks, and limit the potential for shocks to return Ethiopia to a state of famine and chronic poverty.

DO 1 incorporates objectives from each of the three new Presidential Initiatives: Feed the Future, Global Health, and Global Climate Change and unites the efforts of three offices within USAID/Ethiopia: Economic Growth and Transformation (EG&T); Assets and Livelihoods in

Transition (ALT); and Office of Foreign Disaster Assistance (OFDA). EG&T and ALT will lead implementation of the FtF Strategy (EG&T will also lead the allied Private Sector Development Strategy), with OFDA supplying rapid response to frequent disasters. With combined annual budgets ranging from $300-$400 million (recent years have witnessed some $250-300 million in emergency P.L. 480 and OFDA assistance – only $50 million is FtF's DA funding), these three offices account for nearly one-half of USAID/Ethiopia's total annual budget and the bulk of economic growth related activities.

USAID divides the country into three major areas: Productive, Hungry, and Pastoral Ethiopia. However, to achieve significant development results with limited DA resources, DO 1 focuses on 100 *woredas*, primarily in Productive Ethiopia (see Annex for map of target woredas). For strategic and humanitarian reasons, some of the efforts by the ALT Office will continue to support wider donor initiatives in areas of "Hungry" Ethiopia, outside the target 100 *woredas*, and the GOE/donor PSNP with its P.L. 480 resources. Greater effort will be made in these areas to link with the core, DA-funded portfolio.

Comparative Advantages of the "Three Ethiopias"

Area	Productive Ethiopia (High Rainfall)	Hungry Ethiopia (Low Rainfall)	Pastoral Ethiopia (Pastoralist)
Characteristics	Predictable climate; larger landholdings; fertile soil; available draught power	Irregular climate; small landholdings; degraded soil; limited draught power.	large grazing areas; irregular climate
Comparative Advantage	Crop, vegetable, and fruit production; dairy	Labor; sheep and goat production	Cattle and camel production, goats

To increase food security and rural incomes, facilitating GDP growth and employment creation required to meet MDG 1 within the next five years, a sustained effort concentrated on agriculture productivity is necessary. This effort requires a focus that develops the full growth potential in "Productive Ethiopia," combined with proactive efforts to link vulnerable populations in "Hungry" and "Pastoral Ethiopia" with new growth opportunities. This linkage will be supported by increased resiliency of vulnerable populations to disasters (including assets and capacity protection, and where required, humanitarian assistance), improved nutritional status, and an enabling environment that supports increased investment and broad-based growth.

USAID/Ethiopia's strategy will demonstrate the potential of market-based agricultural development to reduce poverty and promote sustainable livelihoods for chronically food insecure households. The strategy utilizes a *Push-Pull* Model that seeks to build the capacity of vulnerable and chronically food insecure households to participate in economic activity (the *"push"*), while mobilizing market-led agricultural growth to generate relevant economic opportunity and demand for smallholder production, labor, and services (the *"pull"*).

Numerous opportunities exist within targeted value chains to link vulnerable populations with expanding economic opportunities. For example, support to honey-producing households in chronically food insecure PSNP areas can be linked with marketing efforts in productive areas in order to aggregate high quality honey for sale into urban and export markets. In the livestock value chain, where 80-90 % of animals are sourced from the pastoral lowlands, then transit

through marketing cooperatives, feedlots and export abattoirs in the productive highlands, efficiency gains will benefit pastoralist communities. Increased labor requirements of Productive Ethiopia's expanding value chains, particularly for high-value commodities such as coffee and sesame, can be met by the underutilized labor available in Hungry and Pastoral Ethiopia.

Under the Support Objective – Improved Governance Environment for Sustainable Development, there will be support for and measurement of the involvement of civic society (which includes the private sector) in developing accountability of the GOE for service delivery and for providing the space for civic society activities. Illustrative activities could include involvement of non-state actors in policy reform and the opening of more space for private sector activities. Activities will also be designed and implemented with a view to mitigating conflict.

IR 1.1: Improved performance of the agriculture sector (productive areas, the "PULL")
Using the experience of the past six years of promoting value chain development, USAID/Ethiopia will leverage its efforts with other donors and the GOE, in the combined $300 million, five year AGP. As the "Pull" in the FtF strategy, efforts will be concentrated both by geography and commodity. Working with the GOE, USAID/Ethiopia has agreed to target 100 *woredas*, approximately 13% of Ethiopia's administrative districts. Commodity selection under FtF was determined by the World Bank and GOE, who, in consultation with the target *woredas*, conducted an extensive survey to establish and prioritize a set of commodities that are:

- Most likely to generate high rates of return in terms of employment generation and impact on GDP;
- Involve a large portion of the target areas population in production; and
- Contribute to or have a significant impact on food security.

Push-Pull Model Elements

Asset Depletion/ Food Insecurity ⇨	Asset Accumulation/ Food Security ⇨	Sustainable, Market-based Livelihoods
Linking the Vulnerable to Markets	Agricultural Growth-Enabled Food Security	
"PUSH" elements promote asset building, risk management and market readiness among for vulnerable households, so as to enable engagement in economic opportunities	*"PULL" elements* create market demand for small-holder production, opportunities for microenterprise and jobs that form the basis for sustainable livelihoods among vulnerable households	
Illustrative Approaches: Increase access to financial services, especially savings Facilitate asset transfers (on credit) Livelihood and NRM training.	*Illustrative Approaches:* Strengthen value chains to build competitive, market-oriented agricultural sector Strengthen private sector role in input/output markets Promote contracts/other mechanisms to enterprises with market-ready vulnerable households Improve access to finance for value chain actors	
"PUSH" will be provided (in vulnerable areas) by: PSNP-GRAD (in targeted highland PSNP areas) PLI/PRIME (in targeted pastoral areas)	*"PULL" will be provided (in selected commodities) by:* AGP Value Chain Expansion AGP Livestock Growth Program	

USAID/Ethiopia will support AGP targeted value chains through two large AGP value chain projects, Value Chain Expansion (VCE) and Livestock Growth Program (LGP), accounting for $80 million in DA funding over the next five years. These projects will target systemic change, from post-harvest to the consumer, by concentrating efforts on scalable areas of impact, and are supported by the ongoing and highly successful land tenure project and a new capacity building project to develop GOE and private sector change agents. Some examples of systemic change opportunities include:

- Productivity: a) Introduce modern technologies and practices to small and medium scale farmers focusing on quality outputs and meeting higher levels of demand; b) Facilitate conglomeration of products post-harvest; c) Increase the use of bulk input purchasing by farmer cooperatives; and d) Promote alternative financing methods for input and other on-off-farm needs.
- Market Linkages: a) Build effective linkages domestically between producers and local processing companies; b) Expand the use and security of contract farming arrangements; c) Expand use of ICT and other Market Information Systems; d) Increase the ability of associations to service their membership; and e) Identify opportunities for investment by larger domestic and foreign firms.
- Value Added: a) Increase the ability of producers and processors to add value to their products; b) Promote demand driven value addition and product diversification; and c) Facilitate communication between end users and various links within the value chain.
- Policy Reform: a) Promote Quality Assurance and Quality Control standards within the GOE; b) Assist the GOE to develop research standards and outreach for new varieties of seed and other on-farm production issues; and c) Expand current land tenure reforms.
- Capacity Building: a) Develop leadership abilities of GOE and private sector actors (change agents); and b) Provide training opportunities to GOE staff on key issues related to research, extension, and other regulatory issues specific to the target commodities.
- Manage Natural Resources (Climate Change Adaptation): a) Promote increased use of landscape resource management in pastoral/livestock areas; b) Provide technical assistance to develop land use and rangeland management plans; c) Develop the capacity of communities to institute rehabilitation activities; and d) Encourage the use of a diverse set of water management technologies and practices for livestock and crop production areas.

IR 1.2: Increased livelihood transition opportunities (vulnerable areas, the "PUSH")

While programs such as the Productive Safety Net Program (PSNP) are crucial for maintaining the asset status of chronically insecure rural households, a complementary and concerted effort to bolster livelihoods is essential in order to transform livelihoods and provide the PUSH to the market. PSNP was established with the idea that other components, such as household credit packages, would be needed to ensure that households become resiliently food secure (i.e., able to withstand shocks on their own). USAID's latest innovation, PSNP GRAD, will benefit from these past experiences and be one of the critical ingredients of USAID/Ethiopia's FtF PUSH strategy, supporting the government's Household Asset Building Program (HABP).

The activities under this IR will have a narrow geographic focus in line with the greater FtF Strategy. GRAD will target PSNP beneficiaries in chronically food insecure *woredas* in highland areas, with priority given to those adjacent to or nearby USAID/Ethiopia's AGP value chain investments areas. By concentrating USAID funding efforts in geographically contiguous areas, the push-pull model can best serve to create linkages between projects targeting vulnerable rural populations and more productive opportunities in adjacent areas. VCE and GRAD will work together to identify opportunities for farmers in Productive and Hungry Ethiopia to jointly source inputs, encouraging technology adoption and increased productivity for chronically food insecure households. Linkages will also be made to provide production employment opportunities for GRAD beneficiaries. Finally, GRAD beneficiaries will also benefit from improved aggregation and marketing of similar commodities in Productive Ethiopia.

The Livestock Growth Program (LGP) will provide the economic opportunity and market demand for production, labor, and services that will form the basis of livelihood building activities. The project will improve smallholder production and marketability by improving access to inputs and extension services on production practices. Consequently, there will be a higher demand for labor and services at various points in the value chain as the value chain is strengthened, including in the areas of animal health and processing, that Pastoral Livelihood Program (PLI) II/Pastoralists Resiliency Improvement and Market Expansion (PRIME) and GRAD beneficiaries can fill.

FtF will also benefit from the increased attention and investments in nutrition, activities that will build adaptive and diversified asset bases, and additionally, USAID/Ethiopia will work with DfID and the rest of the PSNP Donor Working Group on a jointly managed program to make public works projects and community engagement more "climate-smart." The action-oriented research initiative will also help formulate a longer term climate change – disaster risk reduction engagement strategy being developed in conjunction with the GOE Agriculture Extension Directorate. The evaluation and climate-smart study will use real time data to make midcourse corrections to ALT's Developmental Food Aid Program (DFAP) and GRAD, and provide guidance for further FtF investment. DFAP will work with the CIDA's Safety Net Support Facility in providing capacity building support and training from the regional level down to the community organizations to improve PSNP implementation.

IR 1.3: Improved private sector competitiveness (supporting the PULL)

To complement core FtF efforts, USAID/Ethiopia developed a supporting Private Sector Development Strategy, which centers on establishing the required "enabling environment" to fully promote and sustain economic growth. A base assumption of the private sector strategy is that, without a more transparent and supportive enabling environment, gains made in productivity and marketing under FtF will be minimized. A separate effort is therefore necessary to further the impact and success of FtF, concentrated efforts can be developed to provide those necessary supportive services and capacity building for broader economic impact.

In developing the strategy, USAID/Ethiopia worked to identify areas where it has a significant competitive advantage and prior history of successfully delivering assistance, while accounting for the latest diagnostics on Ethiopia and linkages with the GTP, potential for leveraging other donor resources, and missing policy and capacity shortcomings outside but necessary for FtF to

be successful. Private sector projects will promote the development of both public and private sector actors in the target reform areas of Finance, Trade, and Business Capacity. Examples of activities under this IR include:

- Finance Reform: a) Establish an institution dedicated to the identification, analysis and diffusion of financial instruments suited for agriculture and other underserved market segments; b) Increase the capacity of both private bank staff and non-bank actors to properly assess and determine risk; and c) Promote good accounting practices and the adoption of international accounting standards.
- Trade and Customs Reform: a) Create a trade center that links academia, the private sector, and the public sector; b) Facilitate the streamlining of customs processes; c) Introducing ICT platforms to support customs processes; d) Develop the capacity of a core team of GOE staff to participate in trade negotiations (including WTO); e) Educate the private sector on international standards and best practices; f) Elevate the profile of Ethiopian products in international markets; and g) Establish a framework for the promotion of trade corridors with neighboring countries.
- Business Capacity: a) Increase the capacity of the Chambers and associations to provide services; b) Promote Alternative Dispute Resolution in contract and commercial disputes; c) Support the institutionalization of e-trade information systems; d) Increase the capacity of Business Development Service providers; e) Develop Quality Assurance and Quality Control standards; and f) Raise the capacity of the Chamber system to participate in GOE sponsored dialogues and service their membership.

IR 1.4: Increased resiliency to and protection from shocks and disasters

USAID has a long and laudable history of responding to disasters in Ethiopia. In the past, interventions primarily saved lives and did not focus on increasing adaptive capacity or resiliency that might help reduce future risk. PSNP has changed the way chronic food security is addressed in Ethiopia, in which USAID along with other donors and the GOE now provide predictable and timely transfers of cash and food in exchange for community asset building public works activities. Continuing to support these food insecure clients, as well as those suffering from transitory food insecurity, is critical and necessary to give the program, and those complementing it on the livelihood side, time to graduate households. Safety nets and, when necessary, food and non-food humanitarian assistance, give recipients the breathing room they need to protect assets and build resilience.

Title II programs, including the Joint Emergency Operation Program (JEOP) and Developmental Food Assistance Programs (DFAPs) that support PSNP, are the latest in a long history of critical long-term and transitory emergency support to Ethiopia. Combined with the emergency assistance provided through OFDA, these programs remain essential contributors to USAID's food security strategy in Ethiopia and maintain the base from which transformative FtF PUSH-PULL programming is made possible.

USAID/Ethiopia has developed a comparative advantage over the last several years in these areas through methodological support and innovation to the GOE with the introduction and development of the Livelihood Integration Unit (LIU) using the Household Economy Approach (HEA), and through the ongoing institutionalization of National Incident Management System

(NIMS). USAID/Ethiopia will look to develop integrated Disaster Risk Reduction (DRR) and climate-smart approaches into the DFAP program through PSNP implementers. USAID/Ethiopia will partner with DfID and the rest of the PSNP Donor Working Group to research climate change impacts, ways to augment/offset those impacts, and develop a climate change and DRM-driven approach to continue building resiliency and adaptive capacity. Lessons learned from LIU and NIMS will help determine how USAID can best support these areas of DRM, along with the experience of the recent drought affecting mainly pastoralist areas of Ethiopia. USAID is the leading donor on pastoralist areas, and is working with other donors to scale up successful DRM programs to a wider geographic reach.

IR 1.5: Improved nutritional status of women and young children

Ethiopia is dedicated to improving nutritional status, as seen in the 2011-2015 Health Sector Development Plan Phase IV (HSDP IV) and the design of the 2008 National Nutrition Program (NNP). In recent years, nutritional indicators have improved in Ethiopia, with the exception of wasting. While progress has been made, there is little understanding of the specific factors that led to this progress. Improvements were confirmed by this year's Demographic and Health Survey (DHS), principally funded by USAID. Despite the progress, Ethiopia's nutrition indicators lag behind sub-Saharan Africa (SSA) averages: with Ethiopia having among the highest stunting rates compared to other SSA countries, as well as some of the highest wasting and underweight statistics.

Ethiopia has struggled to integrate nutrition with agriculture and food security programs. While nutrition is the mandate of the Ministry of Health (MOH), programs such as PSNP are overseen by the Ministry of Agriculture. Although the NNP provides clear roles and responsibilities with respect to coordination, communication between the two Ministries has been rare until recently. GOE efforts are now underway to link NNP with PSNP, increasing focus on integration of food security and nutrition through an ongoing accelerated stunting reduction strategy. In addition, MOH is now attempting to integrate nutrition across all sectors through the establishment of the National Nutrition Technical working group and the National Nutrition Technical Committee.

With the dual focus of agriculture and nutrition in FtF, USAID/Ethiopia is entering into a partnership between the Health Office and the EG&T office to address nutrition challenges in Ethiopia. USAID support will also utilize both FtF and Global Health Initiative (GHI) resources using wraparound and stand-alone approaches. Major focus areas include: advocacy for institutionalization and capacity strengthening for nutrition programs and policy; quality and delivery of nutrition and healthcare services; prevention of under-nutrition through community-based nutrition care and practices; and adopt a rigorous and innovative learning agenda. This project will have a national policy focus with on-the-ground activities prioritized to the 100 FtF focus districts, with a particular focus in Oromia Region, which has seen increasing levels of poverty and lower-than-average nutritional indicators compared to other regions. Finally, the new PSNP DFAPs, and other FtF field programs will contain explicit nutrition objectives support with wraparound funds.

Integrated nutrition activities will follow the wraparound model that has been successfully utilized during the previous strategy for PEPFAR funding in current agriculture development programs. Through integration of nutrition resources, USAID/Ethiopia will leverage the skills of

the large number of agriculture and health extension workers to deliver behavior change communication messages focused on proper food utilization, preparation, and storage to improve household nutrition.

Female farmers: Micro-entrepreneurs in the making, if given the chance

Ethiopian women play a major role in agricultural production, as they provide most of the labor on small farms and do most of the hoeing, weeding, transporting, processing, storing, and marketing of agricultural products. Women also play a large role on livestock management, horticulture and processing of animal by-products. However, their access to resources and participation is mediated through men, either their fathers or husbands, and their agricultural contribution goes largely unrecognized.

Rural women engage in activities that have low barriers to entry but are also of low profitability. Women face different and more basic constraints than men, linked to issues such as access to water, access to credit, and low demand for their product. Lack of access to credit is a major constraint in women's success in their agricultural pursuits, since it hampers their capacity to purchase the necessary inputs and services. According to the Ministry of Women, women's access to agricultural sector credit stood at 12% of total credit allocated.

Another major determinant of gender disparity is lack of access to land. The Land Reform of 1975 nationalized all rural land in Ethiopia and allocated it to farmers on a use-right basis through local government. According to the Agricultural Sample Survey of 2006/2007, the number of male owners is almost five times as high as the number of female owners (9.6 million vs. 2.3 million) and men on average hold larger plots (land per capita is 1.12 hectares for male vs. 0.71 hectares for female holders).

From a recent report by the Bill and Melinda Gates Foundation, several very relevant recommendations are informing FtF:

- ✓ Promote gender-based equity in access to, and control of, productive resources.
- ✓ Enhance women's participation in decision- and policy-making processes at all levels.
- ✓ Promote actions to reduce rural women's workload and enhance their opportunities for remunerated employment and income.

Some of the challenges and constraints will be addressed through the provision of different types of training, extension services, schemes to allow women access to credit, land and other productive assets, and through research:

- ✓ Extension services: Most extension services focus on male farmers. The GOE recently increased the number of extension workers to 63,000 but only 12% of those are women. Male extension workers can work with women farmers but must be sensitized to the needs and the time limitations that women have.
- ✓ Access to credit: Promote different schemes to fit the needs of smallholder farmers as well as mid- and high-level agricultural entrepreneurs, where possible through existing and/or new DCA programs.

- ✓ Access to land and other productive assets: Help women farmers to get land certificates and promote schemes to allow them access to improved tools and equipment, via the current and future land administration program.
- ✓ Policy changes: Support changes to policies that are more attuned to the special needs and constraints of women.

USAID/Ethiopia Climate Change Adaptation Strategies

A climate vulnerability assessment of mission interventions, completed in FY 2011, showed that key program areas, such as agriculture and pastoral programs, are highly climate-sensitive sectors especially for drought and flood. Traditional coping strategies to deal with climate variability are becoming less effective, forcing people to look for alternative strategies. There is an understanding among local communities that their actions and strategies can determine their ability to cope with future climate changes. However, the adaptive capacity of communities is limited by their low access to information (on weather, climate change, markets, pests, etc.), education and training, health services, financial resources, appropriate technologies, roads and markets.

Moreover, local communities' vulnerability to climate change is exacerbated by land degradation, population pressures, conflicts, social and gender inequalities, inadequate government policies, capacities and coordination, and deteriorating role of traditional social institutions. In an effort to combat this vulnerability, USAID/ Ethiopia's climate strategy will focus on adaptation with a goal of reducing vulnerability of people, places and livelihoods, by:

1. Addressing the underlying causes of climate vulnerability in Ethiopia
2. Building upon USAID/Ethiopia's success with program integration, which will serve to re-enforce current future investments
3. Supporting the GoE effort to build adaptation capacity of the agriculture sector and pastoralists

Each of these goals will be supported by strong monitoring and evaluation component to ensure optimal use of climate change funds and will align with USAID's global climate change priorities:

1. Improved science, analysis and information sharing for decision-making
2. Effective governance systems for coordination and response
3. Identification and implementation of actions that can make people, places and livelihoods less vulnerable to climate change over the long term

These efforts will help the Mission to increase the resiliency of people mainly living in „Pastoralist' Ethiopia and improve the productivity of "Hungry" and "Productive" Ethiopia by adopting new agriculture and livestock management methods that are environmentally and economically sustainable. Examples of activities include: improving agricultural productivity through improved rangeland management; better watershed management; water harvesting; adapting crops to new rainfall patterns; strengthening climate and weather forecasting; and developing and adopting climate resilient agricultural technologies.

What's different from the current portfolio?
The current EG&T and ALT portfolios were historically focused on interventions specific to their "area of interest/need" with limited overlap between geographies and target populations. Also, efforts within EG&T targeting private sector development had limited connection, beyond support to select export products and companies, to the agriculture portfolio. Finally, OFDA projects have traditionally fallen outside both ALT and EG&T target areas and populations. Going forward, and in support of FtF and GHI, USAID/Ethiopia has radically streamlined its operations, increased inter-office coordination, and concentrated its focus to now:

- Link ALT and EG&T beneficiaries though a "Push"/ "Pull" development model and institutionalize the market/labor link between Productive and Hungry/Pastoral Ethiopia
- Align value chain selection and interventions with the PIF and AGP
- Concentrate geographic focus to 100 districts in primarily in "Productive" Ethiopia and provide deeper investment in 12 target *woredas*
- Increase coordination and information sharing with other donors through the Rural Economic Development and Food Security (RED&FS) Sector Working Group (SWG) and the Private Sector Development and Trade Technical Working Group (PSD-TWG)
- Engage in more support to platform programs defined in the PIF, such as the PSNP, HABP and AGP
- Elevate the role of evaluations and impact assessments as learning tools throughout the project cycle for continuous updating and promotion of "Best Practices"
- Integrate nutrition activities within the FtF portfolio and expand linkages to GHI
- Develop a set of private sector projects to create an enabling environment foundation to support FtF interventions and broaden economic growth
- Expand successful interventions to mitigate disasters and expand the use of proven Risk Management and Early Warning Systems, emphasizing Disaster Risk Management to mitigate the impact of future emergencies
- Use Climate Change funding to promote "adaptation" within NRM activities and link them with community awareness and management planning in pastoral areas

Accordingly, USAID/Ethiopia has made the decision <u>not</u> to focus on the following areas:

- On-farm technical assistance: TA will be channeled through existing extension agents and through other intermediaries, through a training of trainers approach, to increase the total number of potential beneficiaries;
- Direct research into new agriculture technologies: USAID/Ethiopia will promote technology adoption and research conducted by other donors and the GOE;
- Support to microfinance institutions: Agriculture and other financing needs will receive assistance via more formal lending institutions and on-going DCA programs will be expanded to other ag-financing needs
- Vocational/agriculture education: Other donors are concentrating resources on vocational and agriculture education at this time

Learning Agenda
DO 1 will build upon the established program of learning developed in both the agricultural and PSNP sectors. The main challenge will be to adapt the learning environment for the central

Push/Pull hypothesis. Long-term measurement of the impact of PSNP on households has been underway over the life of the program. This data will help with the baseline for the "Push" part of the hypothesis, which will look at household income improvements for those from "Hungry Ethiopia." The "Pull" part of the hypothesis will look at household income impact of different project activities, as well as measuring long term impacts on overall income levels and benefits which accrue not only to "Productive Ethiopia" but to "Hungry Ethiopia" as well. Under the AGP, the International Food Policy Research Institute (IFPRI) will work with the GOE's Central Statistics Agency (CSA) on agriculture production data, income levels, information to track the efficiency of markets, utilization of agriculture inputs, and nutritional status. Overall impact evaluations will occur every two years during the life of the AGP. This will be complemented by project level impact assessments, building on the successful Knowledge, Learning, Documentation and Policy model to ensure impact is measured and lessons learned. Under this program, impact assessments undertaken in close cooperation with the GOE critiqued current activities, identified best practices and institutionalized these as guidelines and policy approved by the GOE. The new program will expand this work from the previous focus on pastoralist areas to cover the full FtF program.

Significant resources will be devoted to Policy and Capacity Enabler activities, including capacity building activities that will tackle key constraints and bottlenecks. USAID/Ethiopia will target key agents of change to take part in short-term trainings and exposure study tours. Furthermore, USAID/Ethiopia recently began implementation of its five year, $7.5 million CIAFS project, which will manage capacity building efforts targeted at influential policy makers in government, the private sector, and civil society. CIAFS will also conduct short-term analytical studies and evaluations.

USAID/Ethiopia will also continue support to the multi-donor Ethiopian Strategic Support Program (ESSP), implemented by IFPRI in collaboration with the Ethiopian Development Research Institute. ESSP generates research on important agriculture policy issues that are of common interests for both the GOE and development partners, including valuable analytical research as well as practical policy documents.

Alignment with government, donors and other actors

The GOE has signaled to the development community its commitment to agriculture growth and economic development with the recent release of the GTP and the ratification of the PIF and its supporting platform programs such as the AGP. USAID's primary GOE counterpart in the AGP is the federal Ministry of Agriculture. Within the target FTF regions, USAID will partner with regional Bureaus of Agriculture and woreda level administrative units. By working at three levels of government, USAID will have the opportunity to affect change and ensure deeper impact of governance interventions and activities implemented under the PIF. The PIF and its component programs are supported by the multi-donor apparatus (Development Assistance Group – DAG) through both "pooled funding" mechanisms and bilateral assistance.

Land certification spurs smallholder investment, looks to create nationwide impact

Since 2005, USAID/Ethiopia has been assisting the GOE to reform its land tenure system in rural areas. Working in four regions and with pilot activities in a small subset of 8 *woredas*, the Ethiopian Land Tenure Administration Project (ELTAP) and the follow-on Ethiopian Land Administration Project (ELAP) successfully introduced a land certification system – unprecedented in a country where "all" land is owned by the government.

Under these two projects, 165,000 households have received land certificates for 750,000 parcels of land. With certificates in hand, registered and confirmed by the local GOE officials, households are making investments in their property, including planting perennial trees, conserving soil, leasing their land, and in some cases using the certificates as collateral for loans. As a result, productivity gains have been measured from a low of 10% to a high of 45% on certified plots.

Ethiopia's agriculture sector has one of the most effective and comprehensive donor coordination groups in Africa through the RED&FS, as part of the larger DAG. RED&FS communicates frequently with the GOE to harmonize development partner investments with the national agriculture development strategy, while also being a vehicle for development partners to discuss critical agriculture policy issues with the GOE. RED&FS is co-chaired by the Minister of Agriculture and a representative of the donor community. Currently, USAID serves as donor co-chair of the RED&FS and is active in numerous RED&FS sub-groups. USAID also co-chairs the Private Sector Development Technical Working Group (PSD-TWG), and chairs the Nutritional Technical Working Group. USAID will continue its strong participation in the PSNP donor working group (part of the RED&FS) and will assume the donor chair January 2012. Finally, as USAID develops and expands its effort to support Private Sector Development, the Mission will increase its coordination and partnerships with the Ministry of Industry, Ministry of Trade, and the Ethiopian Customs and Revenue Authority.

Within the USG community, USAID coordinates/collaborates closely with USDA on biotechnology issues, natural resource management, and is the main implementer of P.L. 480 projects. Additionally, USAID/Ethiopia projects are increasingly gaining input and assistance in the field from Peace Corps volunteers on community natural resource management activities. Finally, USAID/Ethiopia is continuing to look for opportunities to link agriculture and NRM activities with community development projects being implemented by CJTF-HOA.

DO 2: Increased Utilization of Quality Health Services

Background and Rationale

Ethiopia is Africa's second most populous nation and is also extremely rural (82%) and impoverished (157 out of 169 countries on UNDP's 2010 Human Development Index). A high fertility rate and low contraceptive prevalence contribute to an annual population growth rate of 2.6% (2007 Census). This high population growth rate – alongside low access to clean water and sanitation, a proper diet, and quality health services – results in some of the world's highest rates of maternal, neonatal, and child mortality (nearly 350,000 children under the age of five die every year, 120,000 in their first month of life).

Health Indicators*

Population (est. 2011)	81.9m
Pop. < 15 yrs. age	45%
Births	3.1M/year
Total Fertility Rate	4.8
Contraceptive Prevalence Rate	28.6
Maternal Mortality Rate	673
Neonatal Mortality Rate	39
Infant Mortality Rate	59
Under 5 Mortality Rate	88
Stunting (Under 5)	38%
HIV Prevalence (SPE, 2010)	2.4%
TB incidence (per 100,000)	572

*Data from the EEDHS2011, 2007 Census & MOH 2009/10 annual report, WHO and EHNRI 2010 reports

Malnutrition remains a persistent underlying cause of maternal and child mortality. Seventeen percent of women aged 15-49 years are anemic. Both micronutrient and protein-caloric malnutrition are complications for children. Childhood stunting, representing chronic malnutrition, is 30% for children under 5 years of age. Diarrheal diseases, exacerbated by only 42% of the population having access to safe drinking water and 31% to appropriate sanitation, representing more than 75% of outpatient cases, only serve to worsen Ethiopia's malnutrition.

HIV prevalence is 2.4% (SPE, 2010) but estimated to be 7.7% in urban and transport-corridor settings, largely driven by lack of awareness, mobility, and risky behavior in most-at-risk populations. Furthermore, Ethiopia has the seventh highest TB burden in the world (149,508 cases registered in 2009/2010, of which 20% are HIV co-infected; 233 multi-drug resistant TB (MDR-TB) cases confirmed in 2009 (WHO 2010) and the eleventh highest malaria burden (4.3 million annual clinical cases).

The health of women (and girls) in Ethiopia is precarious, and the poor quality of health services, especially in the rural areas, only exacerbates the problem. Women enjoy little independent decision making on most individual and family issues, including the option to use birth control methods, whether to give birth in a health facility, or to seek the assistance of a trained provider. Harmful traditional practices – female genital cutting, early marriage and childbearing, gender-based violence (domestic violence is so accepted that, according to the 2005 Demographic Health Survey, 81% of women interviewed believed there are justifiable reasons for a husband to beat his wife), forced marriage and wife inheritance – all impose huge negative impacts on Ethiopian women's reproductive health and lives. For instance, approximately 9,000 women develop obstetric fistula each year; 100,000 fistula patients or more live without treatment in the country. The GOE has taken an active role in addressing the country's health challenges, doubling its budget for health over the past five years. Because of the increase in development assistance, including the Global Fund and PEPFAR, as well as the GOE budget to the health sector, the annual per capita expenditure on health has increased from $7.1 in 2004/5 to $16.1 in

2007/8[1], although still well below the World Health Organization's (WHO) recommended $34 per capita. The contribution of the GOE to the Health Sector Development Plan (HSDP) IV will increase from $249 million in 2009/10 to $298 million in 2014/15; the 2009/10 contribution is 4.4% of the total national budget.

The major vehicle for the implementation of the HSDP IV is the Health Extension Program (HEP) that promotes primary health care at the community level. There has been considerable progress in rolling out HEP through strong GOE leadership and remarkable support from Development Partners including the USG. More than 38,000 health extension workers (HEWs) and 3,000 HEW supervisors have been trained and deployed, with recent expansion to urban areas. The number of hospitals and health centers has quadrupled from 645 in 2004 to 2,884 by 2009; over the same period the number of health post increased almost five-fold.

Owing to its major health challenges, and strategic significance to the United States, Ethiopia has been among the top recipients of USG health resources in the world, with a total FY 2010 funding level of $400 million.[2] USAID/Ethiopia receives nearly three-fourths of these resources, for PEPFAR, the President's Malaria Initiative (PMI), maternal and child health (MCH), family planning, tuberculosis, food and nutrition, and water and sanitation programs. Working closely with CDC and other USG agencies, and in partnership with the GOE, non-governmental organizations (NGOs) and the private sector, the Mission's robust and comprehensive health program has widespread coverage across Ethiopia's nine regional states and the two municipalities of Addis Ababa and Dire Dawa.

DO 2: Increased utilization of quality health services directly supports the GOE HSDP IV: 2011-15 priorities to reduce the very high maternal, neonatal and child deaths prevailing in Ethiopia. Given the large population coverage of USAID's programs, meeting this DO will allow the USG to significantly contribute to the following GOE five-year health targets and USAID's overall Development Goal.

GOE Five-Year Targets (HSDP IV):

- ✓ Reduced Maternal Mortality: 673 to 267/100,000 live births
- ✓ Reduced Under-Five Mortality: 123 to 67/1,000 live births
- ✓ Reduced Neonatal Mortality: 39 to 15/1000 live births
- ✓ Reduced HIV incidence by 50%
- ✓ Reduce mortality rate due to all forms of TB by 50%
- ✓ Reduce malaria morbidity and mortality by 50%

USAID, CDC, Peace Corps, and the Departments of Defense and State implement an almost $300 million per year nationwide PEPFAR program that operates in urban, peri-urban, and rural areas. The majority of these resources go to USAID, focusing on health centers and communities, and to CDC, focusing on hospitals. In addition to prevention, treatment and care and support stand-alone programs, USAID/Ethiopia implements several "wraparound" projects between the HIV/AIDS, Population and Nutrition (HAPN) Office and other technical offices:

[1] 4th National Health Accounts; Federal Ministry of Health; April 2010 (2007/2008).
[2] Ethiopia also the largest recipient of the Global Fund to Fight AIDS Tuberculosis and Malaria: $2 billion to-date, one third of which is from the USG.

ALT, EG&T, and Basic Education Services (BES). For example, HAPN has used PEPFAR funds to support orphans and vulnerable children (OVCs) in schools, used health funds to support reproductive health activities in pastoralist EG&T programs, and PMI and PEPFAR funds to support the large integrated family health program in rural Ethiopia.

Description of DO 2: Increased Utilization of Quality Health Services. This DO is based on the evidence that increased utilization of quality high impact services supported by strong systems is necessary to reduce maternal, neonatal and child mortality, and decrease the incidence of major infectious diseases. The poor quality of healthcare service delivery – lack of well-trained or adequate numbers of health providers (particularly midwives, doctors and emergency surgical officers, in part because of high turnover (physicians leaving the country for higher salaries abroad)); poor provider attitudes; inadequate health infrastructure and shortages of equipment and commodities – has resulted in a weak health system and thus low utilization by the population. People who are healthy are more able to withstand disease episodes, and are also more productive and able to take advantage of economic opportunities when they arise.

Access to and demand for services are also affected by geographical, financial and cultural barriers. Although the GOE has made tremendous progress in developing state-of-the-art health policies and expanding both its physical infrastructure and availability of Health Extension Workers (HEWs – 38,000 deployed to-date) in rural areas, utilization of key quality services such as antenatal care, the prevention of mother to child transmission of HIV(PMTCT), and labor and delivery services remain particularly low. Rural women especially are often treated as second-class citizens by healthcare providers – Gender based violence (GBV) and early marriage are commonly accepted in some regions, countering Ethiopia's attempts to meet its HSDP IV and MDG health goals. Greater accountability of health services to their clients will address both access and quality issues.

Details of IRs, Causal Logic and Development Hypothesis

The DO's two main development hypotheses are: a) "smart" integration of health programs both at the health facility and community levels will help increase efficiencies and effectiveness; and b) interventions to strengthen health systems will ensure sustainability of results. Therefore, the

achievement of this DO depends upon the combined success of three highly interdependent IRs that include the key principles of GHI: a more integrated and coordinated approach both at the supply and demand side for quality health services, and an emphasis on systems strengthening to ensure sustainability of health service delivery. Utilization of health services in general and maternal and newborn health services in particular in Ethiopia has been very low even if the services are brought close to the community. There are deep rooted and complex factors attached to the low utilization of health services. Caregivers and decision-makers at household and community level require knowledge, supportive attitudes, and skills to ensure that they encourage key behaviors at the household level necessary to improve health outcomes. A comprehensive Behavior Change Communication (BCC) strategy that identifies household barriers and motivators needs to be developed and implemented for widespread behavior change. Multipronged approaches need to be considered to encourage behaviors that promote health, increase early recognition of illness and appropriate care-seeking behavior, and eradicate those practices that are harmful. Efforts in demand creation should go hand in hand with the improvement of the quality of health services both at community and facility levels. Cross-cutting throughout the three intermediate results will be a focus on nutrition, closely linked with the activities under DO 1's *Intermediate Result 5: Nutritional status of women and young children improved*.

Family Planning

The drought and emergency needs in Ethiopia at the time of writing have highlighted once again the issue of population growth and family planning. USAID has been the leading donor agency working on family planning in Ethiopia for 19 years, and despite religious and cultural challenges, the situation has been improving and GOE commitment strengthening.

Fertility in Ethiopia has declined from 6.4 children per woman in 1990 to 5.4 in 2005 to 4.8 in 2010 (DHS) This is mainly due to the increase in contraceptive use which dramatically increased from 3% in 1990 to 14% in 2005 to 28.6% in 2010. Family planning is becoming a priority for the Ministry of Health with the Contraceptive Prevalence Rate (CPR) reaching 40% in the major regions last year, with the GOE targeting 65% nationwide by 2015 to reduce fertility to four children per woman. USAID has been supporting the GOE mainly through the Integrated Family Health Program (IFHP) working in all major regions in 286 districts and reaching 32.7 million people. IFHP supports the HEP and Primary Health Care Unit (PHCU) where by FP services are brought closer to the community. The current initiative to scale up the long acting FP methods including provision of one-rod implants (implanon) through the Health Extension Workers (HEWs) is being supported through IFHP.

In addition USAID is providing $6.5 M per annum for the procurement of contraceptives. The GOE and the regions have shown strong commitment to family planning, as evidenced by the allocation of local budgets. About $9M from the Protecting Basic Services (PBS) program has been set aside by the GOE for long-term family planning methods.

Under the Support Objective (Improved Governance Environment for Sustainable Development), there will be support for and measurement of the involvement of civil society (which includes the private sector) in developing accountability of the health facilities for service delivery and for providing the space

for civic society activities. Illustrative activities could include civic involvement in health management systems and Community Health Associations, as well as public „report cards' on the delivery of GOE services.

Intermediate Result 2.1: Improved provision of healthcare services by healthcare professionals

This IR is supported by four sub-results:

2.1.1 Increased availability of integrated maternal, neonatal and child health (MNCH) services. The elements most critical for achieving expected results include clean and safe delivery, skilled birth attendance (including Emergency Obstetric and Neonatal Care), essential newborn care and treatment, immunization, treatment of acute malnutrition through the community-based management of acute malnutrition (CMAM), and improved water and sanitation. USAID supports integrated packages of high quality evidence-based interventions delivered across a continuum of care at family, community and facility levels. Prevention of HIV transmission, care and treatment, underlying PMTCT, are integrated throughout the maternal and child health and family planning program. Effort is already underway and will be strengthened to address the high dropout of mothers and infants who test HIV+. USAID aims to improve and expand access to family planning and reproductive health services to underserved communities through Health Extension Worker Program (HEW), by integrating family planning and reproductive health with services for MNCH, HIV/AIDS, malaria and neglected tropical diseases (NTDs), and by continuing to build the capacity of the HEWs themselves.

2.1.2 Increased availability of prevention, care and treatment services for diseases of public health significance (e.g. HIV/AIDS, TB, malaria, NTD's, respiratory infections, and diarrheal diseases). The HIV/AIDS program covers the full range of prevention, care and treatment activities. Sexual prevention and behavior change communication focus on adult, urban populations and most-at-risk populations, while maintaining an appropriate focus on youth and the general population. USAID will continue palliative care support activities, deliver a standard preventive care package for adults and children, and strengthen support to OVCs. Joint TB/HIV activities are supported through public-private partnership. Wrap-around activities in the areas of family planning, tuberculosis and nutrition will be expanded, as PMTCT is designated as a top priority. Focus will shift from facilities to the community to improve access and support to PMTCT services. Malaria support encompasses prevention and control, case management, epidemic surveillance and responses. Water, sanitation and hygiene (WASH) activities improve access to safe drinking water and sanitation services, and promote hygiene education. Activities to control NTDs will include mass drug administration of affected communities and vast social behavior change communication campaigns.

2.1.3 Strengthened referral linkages will increase efficiency and effectiveness of the healthcare system and improve prevention, care and treatment. USAID/Ethiopia's focus shifts from facilities to the community, to improve access and support to PMTCT services. Voluntary Counseling and Testing (VCT) and PMTCT centers are also linked and integrated with family planning services. Access to MCH/PMTCT services will be increased by providing facility and community services and improved two-way linkages/referrals services at the community, health post, health center and hospital levels. The support for the scale-up of integrated community case

management of fevers (due to malaria, pneumonia and diarrhea) should relieve the work burden of secondary and tertiary health facilities as well as strengthen referral linkages.

2.1.4 Increased access to essential community-based services through the GOE's HEP. USAID's flagship integrated family health program will continue to help the GOE improve access to and quality of primary healthcare, via the GOE's HEP, and increase the performance of the HEWs by strengthening supportive supervision and logistics, and supporting the training and supervision of Model Families and Volunteer Community Health Workers and health professionals. Also, USAID's support to ensuring that commodities, including antibiotics and anti-malarial drugs, are available at community level health posts, complemented by comprehensive behavior change communication activities, will ensure that community-based services will be increasingly accessed.

Intermediate Result 2.2: Improved health systems management and integration at the national and community levels

In order to improve the utilization of quality health services in a sustainable manner, it is essential to ensure the efficient and rational allocation of human, financial, and other health resources. An improved health system supports both the provision and the demand for healthcare services. Six sub-results are included in this IR.

2.2.1 Strengthened human resources for health. A particular focus will be on improving the supply and quality of midwives, currently less than 2,000 countrywide. USAID also supports capacity building for the training of other cadres essential for improving the quality and delivery of emergency maternal and neonatal services, including health officers and doctors trained in emergency obstetric care. In addition, through both FtF and GHI, pre-service and in-service training will be offered to health and agriculture workers on food security and nutrition, to build and strengthen the linkages necessary to ensure a comprehensive response to malnutrition. The newly designed integrated nutrition program will build upon and expand efforts undertaken through PEPFAR to improve nutrition and HIV/AIDS university curricula to now offer degrees in nutrition.

2.2.2 Expanded health financing options. To alleviate chronic under-financing of the health sector and mobilize the required resources, USAID supports the MOH to implement its nationwide Health Sector Financing Reform (HSFR) program in order to improve equity in healthcare services. HSFR allows health facilities to: a) retain fees and use them (with government grants) to improve service quality; b) rationalize fee waivers and exemption systems; and c) strengthen decentralized management of health services delivery. The introduction of social and community-based health insurance schemes are also USAID supported.

2.2.3 Strengthened strategic information (SI) for evidence-based decision making. This activity includes support for the GOE's Health Management Information Systems (HMIS) and community-based information systems (CBIS) rollout, health facility based disease surveillance, support for population-based demographic surveillance and surveys, and capacity building in monitoring and evaluation of health personnel.

2.2.4 Increased health commodity and essential drug security. USAID supports the MOH's Pharmaceutical Logistics Master Plan, which improves systems for the procurement and management of essential drugs, contraceptives and other health commodities.

2.2.5 Improved health infrastructure and laboratory systems for service delivery. USAID collaborates with CDC to improve the health infrastructure, such as: a) expansion of health facilities; b) upgrading health centers to primary hospitals; c) improving the quality of laboratory systems through the provision of laboratory training, quality assurance and site supervision to the national laboratory system; and d) support MOH's national blood transfusion service. Expanded and improved health infrastructure will contribute to an overall increase in the level of service provided throughout Ethiopia's health systems.

2.2.6 Strengthened policy, planning and governance. By strengthening regulatory systems, USAID will: a) promote safety in the delivery of health services, products and practices; b) improve professionalism among health workers; c) implement regulations concerning institutional waste; and d) create a conducive environment to expand the role of the private sector and civil society in the health sector.

Intermediate Result 2.3: Increased demand for healthcare services
An increased demand for health services will be achieved through USAID support to the GOE's HEP, the primary vehicle for prevention, health promotion, social and behavioral change communication and basic curative care at community level.

***2.3.1 Expanded health promotio*n**: Health promotion will focus on: a) providing support for revision and harmonization of the GOE's Behavior Change Communication (BCC) strategy and planning for future BCC campaigns; b) actual behavior change communication and media outreach of essential messages on key issues such as risky behavior, including substance abuse and multiple concurrent partners; c) nutrition and sanitation; d) the importance of using bed nets and recognizing malaria symptoms; and e) reduction of harmful traditional practices, including prevention of early marriage, delay in sexual debut, female genital cutting, and GBV.

2.3.2 Increased knowledge and improved attitudes toward health seeking behaviors: Health promotion activities lead to increased knowledge and improved attitudes toward health seeking behaviors with regards to HIV/AIDS, malaria and NTD's, family planning, reproductive health, and nutrition treatment services. USAID will ensure that effective approaches are developed and implemented, monitoring and evaluating the approaches' impact, so that access to and use of health services is maximized.

2.3.3 Increased appropriate healthy behaviors: Health promotion activities and increased knowledge and improved attitude toward health seeking behaviors increase appropriate healthy behaviors. Activities under this result aim to decrease teenage marriage and pregnancy and increase the use of condoms, contraceptives, especially long-lasting methods such as implants, nightly use of insecticide-treated bed nets, proper hand washing and hygiene practices, and appropriate maternal and infant and young child feeding practices.

Gender and age: Women and girls, youths and men

Consideration of beneficiaries' gender and age will be key to achieving DO 2. USAID's integrated approach that improves the provision of health services, especially to improve maternal, neonatal and child life expectancy, will involve all the members of the household, the community and health service providers. Maternal and child mortality can be improved with better services, but as important is the age and health of the mother at time of birth. Improving health for all must also ensure that the practice of early marriage, abductions, female genital cutting, and other methods of violence against young girls are drastically curtailed – and ultimately stopped. The only way to protect girls from such harmful practices is through an all-of-society approach that will vie for the elimination of these deleterious practices. And these efforts cannot be successful unless the families, the communities and the schools, along with authorities at all levels are on board. As important as providing healthcare services is to allow girls to attend and complete their schooling.

Although GBV is an issue that needs to be addressed in all programs, it has tremendous implications related to health issues. The dominance of men and coerciveness related to access to healthcare is usually manifested by violent behavior. Healthcare workers at all levels must be prepared to address GBV when they recognize the symptoms during routine health visits. As well, programs to curtail GBV should be available at all health delivery facilities.

Another intervening factor related to the provision of health services, specifically to family planning and reproductive health services, is women's proscription from accessing these services, even when available. Ethiopian women often do not have the power to decide, since it's the man who makes the decision on whether the woman can go to a clinic or hospital, and whether she can access birth control methods, buy medicines, or pay for healthcare. Programs related to maternal and child care, as well as those related to family planning will include men in their approach to service delivery, and involve them in the service provisions and on the expected outcomes. Two-thirds of Ethiopia's population is under 25, thus youth are an essential group to target not only for reproductive health, but also for awareness creation around GBV, early marriage and other harmful traditional practices.

What's different from the current portfolio?

The GOE has made addressing Ethiopia's persistent and unacceptably high levels of maternal and neonatal mortality its top priority, and has made tremendous progress over the past five years to improve basic healthcare services access for millions of Ethiopians. However, it is particularly concerned over relatively slow progress in achieving MDG 5 (reduction in maternal mortality from 676 deaths to 267 per 10,000). Under the interagency GHI, working closely with CDC, USAID will therefore ***prioritize the reduction of maternal, neonatal, and child mortality*** and apply the following key principles to deliver evidence-based assistance more efficiently and effectively: a) "smart" integration and coordination; b) a woman- and girl-centered approach; c) health systems strengthening; d) greater focus on M&E to find more efficient and effective ways of delivering evidence-based assistance; and d) a strong country led approach. This strategy will focus on maternal, newborn and children under five mortality reduction, while PEPFAR and PMI programs aim to reduce HIV, malaria and other infectious diseases and will build on the lessons learned from USAID's current health portfolio.

Although Ethiopia is not expected to see increased resources under GHI, the PEPFAR portion will place greater emphasis on strengthening health systems, moving from being an emergency response to a sustainable development program. There will be greater integration of PEPFAR HIV/AIDS activities into existing and new GOE programs and continuation of the "wraparound" activities. The wraparound activities enable integration of HIV/AIDS activities in other development interventions such as economic growth activities. Integration of all USG programs will occur through strengthening referrals between health facilities and programs. Ethiopia has a strong and dynamic Minister of Health, providing visionary leadership and true country ownership, thus the focus will be on supporting GOE programs, particularly its top priority to meet MDG 5: Improve Maternal Health.

Although the Ethiopian Government requested USAID to expand its Integrated Family Health Program to more *woredas*, going forward, the Mission made a strategic choice to use its limited funds to concentrate on health systems strengthening (HSS), including healthcare staffing, HMIS, and logistics. For example, after building 90 new and renovating 200 existing health centers, the Mission will phase out of heath infrastructure.

Given funding constraints, USAID has chosen to only support parts of HSS, for example only train certain cadres of health workers. HMIS will only be supported in a limited manner nationally and in some regions. USAID will continue to focus its health programs geographically for highest impact, such as the focus on Oromia region for malaria.

Learning Agenda

USAID's new evaluation policy places a renewed priority on evaluating the impact and performance of programs. HAPN is currently working with CDC and other USG partners to develop a multi-year "learning agenda" as part of GHI. Both PEPFAR and GHI additionally support targeted strategic operational research. In addition, the learning agenda will assess the added value of GHI principles to the GOE's priorities and the HAPN portfolio, as well as provide valuable information about the achievement of this DO and its intermediate results. Several key health areas that the learning agenda will inform are:

1. **Health Workforce Production and Retention**

Ethiopia is one of 57 countries considered to have a health workforce crisis. The crisis in Ethiopia is characterized by a lack of trained health workers, an imbalance over the number of different health worker cadres, a severe "brain drain" of health workers to more developed countries that offer better compensation, and a poorly motivated health workforce. HSDP-IV is attempting to address the health needs of the population and increase access to health services through a highly-integrated approach. While an ambitious plan to increase the number of health service providers is underway, USAID has identified the following topics that warrant further exploration:

- Effective strategies, including non-monetary ones, that the GOE can employ to improve retention and maximize performance of trained health service providers
- A pilot that develops and evaluates innovative strategies to retain a particular cadre of health workers

- Possibilities and the potential of engaging the private sector and civil society to assist the GOE with retention issues
- Evaluate how the GOE can increase production of new healthcare workers, e.g. medical doctors, and recruit and retain instructors, while at the same time maintaining quality of education
- The impact of the new problem-based learning approach to better prepare students for clinical service upon graduation

2. Maternal Health

The roll-out of the health extension program provides opportunities to better link communities and health facilities. HEWs are primarily women. Thus building on one of the principles embodied within GHI – a women- and girl- centered approach – learning agenda topics could:

- Explore the role of HEWs in bridging a link between community and facilities to increase demand for maternal health services (e.g. family planning, antenatal care)
- Evaluate the range of maternal health services that can be effectively delivered by HEWs in the communities
- Assess facility-based deliveries to identify factors that have been instrumental in women's attendance, particularly for those delivering in a facility for the first time
- Explore best practices in rapid scale-up and delivery of Emergency Obstetric and Newborn Care
- Evaluate the impact of facility-based training for HEWs encompassing labor and delivery rotations

3. Healthcare Financing and Health insurance

For over ten years, USAID has been supporting the GOE in developing sound healthcare financing policy changes. The Ethiopian Parliament recently ratified a new health insurance bill, and USAID plans to evaluate the effectiveness of revenue retention at health facilities. Further questions to consider are:

Support to local partners in combatting Ethiopia's health "brain drain"

USAID/Ethiopia is supporting the GOE's draft Human Resource for Health Strategic Plan, in part by improving the quality of training. A critical way to improve service quality is standardizing and integrating continuing education and in-service training into the health system. In-service training and continuing professional development (CPD) are crucial not only for quality improvement and maintenance/acquisition of new knowledge and skills, but are also important as motivational tools to improve performance and retention of health workers. Continuing Medical Education (CME), which helps health workers maintain competence and learn about new and developing areas of their field, is a key CPD strategy.

- How can the Mission build on the new financing arrangements in the Ethiopian health sector to strengthen efficiency?
- How can the Mission assess the capacity of the public health sector to improve resource utilization, in terms of different financing mechanisms?

- CDC has provided direct funding to the MOH, the Ethiopian Health and Nutrition Research Institute, and other local government and non-governmental institutions for nearly 10 years. What can be learned from these experiences and how can such USG direct funding mechanisms be further utilized to foster country ownership? Can increased regional support truly build the fiscal and administrative capacity of regional governments and health bureaus?

Alignment with Government, Donors and other actors
In collaboration with other USG partners, USAID/Ethiopia's GHI DO and its intermediate results and targets align with and support the GOE's HSDP IV. USAID/Ethiopia is a member of the MOH/donor joint consultative forum and co-chairs the Health, Population and Nutrition (HPN) Donors Working Group of the DAG. All the major health-focused donors in Ethiopia are members of the HPN donors' forum, and support HSDP IV: multilateral organizations (UNICEF, UNFPA, WHO, UNAIDS and the World Bank), bilateral donors (USG, DFID, JICA, CIDA, Italian Cooperation, the Netherlands, Irish Aid, Cooperation Francaise, AusAID), global initiatives (Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunization (GAVI)) and private foundations (Bill and Melinda Gates, Clinton Foundation, Packard and Buffett).

GHI provides opportunities for USAID/Ethiopia to broaden its work in MNCH, family planning, Nutrition, PMTCT, and Health Systems Strengthening, and align with the GOE's new HSDP IV goals and objectives. New projects that support these plans will include the human resources for health and nutrition awards (both to be awarded in 2011), "wraparound" projects with WASH and FtF, and increased support to the private sector (through possible direct assistance), and to the regions. With increased PMI funding, support for malaria prevention and control, case management, and surveillance will be provided to additional regional states as well as at national level to the MOH. PEPFAR funds will be the largest source of funding for the sustainable health systems strengthening used for HMIS, Health Center Construction, supply chain strengthening, and human resource training. New funding for NTDs will allow USAID to address the prevention and control Neglected Tropical Diseases (NTDs) in Ethiopia. USAID will continue to focus its health programs geographically with PEPFAR in urban areas, MCH in rural areas and PMI primarily in Oromia.

DO 3: Improved Learning Outcomes

Background and Rationale
The main thrust of Ethiopia's 2011-2015 GTP is "sustaining rapid and equitable economic growth." Recent studies by the Organization for Economic Co-operation and Development (OECD) confirm the direct causal relationship between education attainment and increased economic growth. According to OECD, years of school attainment are positively correlated to increased economic growth. The studies also confirm that an even greater positive correlation exists between the quality of schooling provided and increased levels of economic growth. Therefore, it is clear that education, especially high-quality education, will be a major factor in Ethiopia's goal of achieving real and long lasting economic growth. Without an educated citizenry, Ethiopia cannot expect employees or entrepreneurs – and all smallholder farmers are

entrepreneurs – to perform at maximum capacity, or its public servants to deliver high quality services.

In Ethiopia, quality of education is the single biggest challenge and priority of the MOE, as well as all donors and other stakeholders. The concern over low quality education exists from the pre-primary levels up to tertiary education. Results of the past three Ethiopian national learning assessments, taken over the past 15 years, show steady declines in how much children are actually learning in the classroom, even as the rates of primary school attendance have risen to above 90% (at least on the first day of first grade). As a result of the poor quality of education being delivered in the classroom, along with a variety of other social and economic factors, the primary education system as of 2009 experienced dropout rates at an average of 15% (23% in grade one, 15% in grade two, 11% in grade three) and repetition rates on average of 7%.

Challenges are massive in this nation of over 80 million people, with 20 million students enrolled in primary school (Grades 1-8). Very poor achievement in the early grades keeps children from developing a foundation for future learning. Teachers are not adequately trained to teach in ways that maximize student learning. The school days in most of the country are scheduled in two shifts due to lack of space to accommodate all enrolled students for an entire day, greatly minimizing the time children spend in school. The lack of textbooks and teaching/learning materials only exacerbates the low levels of achievement in primary schools.

A USAID-funded Early Grade Reading Assessment (EGRA) performed in May and June of 2010 in six languages, in seven of Ethiopia's nine regional states and one of the two city administrations, with a sample size of over 13,000 children from Grades 2 and 3 revealed shockingly poor results in reading achievement. By the end of Grade 2, 34% of students were unable to read even one word and 48% of students scored a zero in comprehension. Grade 3 students were 20% nonreaders and 30% with zero comprehension. These results diverge greatly from the MOE's minimum learning competencies; the national standards expect a child to be reading near levels of fluency, with appropriate levels of comprehension, by the end of Grade 1.

English language policies in Ethiopia vary; some regions switch to English as their medium of instruction as early as Grade 5, while all regions switch to English by Grade 9. This means that students are required to learn all subjects in English in secondary school, which highlights the importance of English language learning in Ethiopia, beginning at the primary level. USAID has invested heavily in English language development in Ethiopia, over the past four years having developed English language textbooks and teachers' guides for Grades 1-4 and 6-8. USAID also provided teacher training to all English teachers nationwide for these grades, and printed textbooks at almost a 1:1 ratio for all students. The Ministry remains interested in USAID's continued involvement with English language learning, as all secondary and tertiary education in Ethiopia is done in English. Also, in 2010, USAID signed a $3 million agreement with Peace Corps to bring back English language volunteers to Ethiopia to further support English language learning in Ethiopia in direct support of USAID's program.

Secondary education is an emerging problem. In 2010, only 39% of eligible students were enrolled in Grades 9 and 10, and only 243,000 students were attending Grades 11 and 12, with approximately 3.6 million youth aged appropriately to attend grades 9 and 10, and 3.4 million

aged appropriately to attend grades 11 and 12[3]. Despite low enrollment in secondary education, demand is growing. As with primary education, secondary education requires a corresponding improvement in the quality of instruction.

The youth bulge in Ethiopia presents another specific challenge to the education system. An estimated 3 million primary school-aged children and over 20 million youth are outside of the formal school system, and a large proportion of out-of-school youth have had no education at all (84% in rural areas; 33% in urban areas). Ethiopia has one of the highest urban youth unemployment rates at 50%,[4] and there is a high rate of youth under-employment in rural areas, where nearly 85% of the population resides.[5] Thus, the need to address skills training for out-of-school youth is urgent. However, secondary, tertiary and vocational institutions also suffer from low quality. Adult education also remains a challenge – there are an estimated 30 million illiterate adults – and the GTP sets a target of 95% adult literacy over the next five years. Historically, the majority of Ethiopians have not had the benefit of formal education and/or training. This continues to be true for marginalized populations, such as pastoralists, those living in conflict-prone areas or remote areas, and people with disabilities.

The MOE has a strong interest in support to higher education, especially in partnerships with U.S. universities. A renewed focus for Ethiopia in higher education is timely and relevant. The GTP relies heavily on the investments in higher education to assist in Ethiopia's economic growth. It is necessary at this juncture to renew USAID's commitment to higher education in Ethiopia and provide support for its development. This support will not only align with GOE efforts but will also help ensure effective and sustainable USAID efforts by building institutional and individual capacity for all program areas in which it invests.

Many opportunities exist in the coming five years to build upon the over $200 million investment the United States has made in the education sector in Ethiopia over the past fourteen years. USAID has a strong collaborative relationship with the MOE and its Regional Education Bureaus. The new education strategy for Ethiopia will commit to improving learning outcomes of students as its highest-level development objective, and thus will concentrate on education quality in the following ways:

- Focus on early grade reading and writing, the foundation for staying in school and for better overall achievements throughout primary education and beyond.
- Continue to invest in English language development, critical to achieving increased learning outcomes at the higher grades, where English becomes the language of instruction as early as Grade 5 in some regions, and the mandatory language of instruction for all secondary schools.
- Address the non-formal education needs of the unreached and the marginalized – pastoralists, out-of school youth, girls and women, people with disabilities and illiterate adults – through innovative approaches.

[3] Ethiopia Federal Ministry of Education, Education Statistics Annual Abstract, 2008-09
[4] World Bank, 2005/07
[5] Ibid.

- Support workforce development in line with USAID/Ethiopia's agriculture and private sector development efforts through community-based programs in literacy, numeracy, basic accounting and saving, and life skills programs to raise the overall skill base.

Description of DO 3: Improved Learning Outcomes
Over the past 15 years, the GOE has achieved unprecedented growth in universal primary enrollment, reaching up to a 95% national gross enrollment ratio. This effort included the massive building of new schools and alternative basic education centers, decentralization of the education sector, and national campaigns on the importance and mandatory nature of education. With MDG 2: Achieve Universal Primary Education nearly being met, USAID's comparative and competitive advantage is to focus on quality. Improving learning outcomes will lead to greater overall results for Ethiopian education system, decrease the number of dropouts, and produce a more skilled and better prepared workforce.

Details of IRs, Causal Logic and Development Hypothesis
DO 3's Improved learning outcomes commits to measuring student level results as part of a rigorous program based on multi-year assessments, traditional learning assessments, and through new and innovative assessments, such as EGRA. Change in the performance of students, over time, will be the main indicator of both success and impact.

Under the Support Objective – Improved Governance Environment for Sustainable Development, there will be support for and measurement of the involvement of civic society (which includes the private sector) in developing accountability of the education sector for service delivery and for providing the space for civic society activities. Illustrative activities could include civic participation in community based schools, as well as public „report cards' on the delivery of GOE services.

IR 3.1: Increased achievement in basic education, particularly in early grade reading
The ambitious target for IR 3.1 is 15 million children, in a system of 20 million students. USAID is positioned to work with the MOE to roll out a national level intervention in early grade reading. This will begin with a complete overhaul of the curriculum to make reading the foundation, the first of its kind in Ethiopia. IR 3.1 will also include other interventions in basic education which are ongoing and will phase out in the coming years, including the development of subject specific modules for improved teacher training and furthering centers of excellence in colleges of teacher education. Interventions deemed effective and can be measured through student learning outcomes will remain a part of IR 3.1. In order to ensure maximum impact and strengthen host government systems, the geographic focus of IR3.1 is all primary schools in the country and all public colleges of teacher education (CTEs) in the country (currently 30). IR3.1 will also work closely with the Ministry of Education (MoE) and the nine regional state and two city administration education bureaus.

Illustrative activities:

- Transformation of Ethiopian language curriculum to a reading curriculum
- Technical assistance to MOE and its regional bureaus to develop reading textbooks in the mother-tongue
- Development of teacher training materials to support the newly revised Ethiopian curriculum
- Build capacity of the local education system to improve learning achievement
- Community support for reading and learning campaigns
- Early grade reading assessments to measure progress
- Continued support to English language learning and teacher training

Policy Implications
The MOE currently has excellent policies related to Mother-tongue instruction and language teaching in Ethiopia; however it does not have a policy on teaching reading in the early grades. As such, there is no curriculum and supporting materials such as textbooks, teacher's guides and supplemental materials in existence. USAID's education program will provide technical assistance to the MOE for the development of the curriculum and materials. It is also critical that the program provide evidence and research to the MOE on the appropriate early grade reading policy for the nation. A goal of USAID, on the policy side, will be the development and implementation of appropriate reading guidelines and policies initiated at the national and regional levels.

The GOE has determined that English is one of the national languages of Ethiopia, and as such, all subjects in Ethiopia are taught in English starting from secondary school. This ambitious and worthy long-term goal has had negative short-term effects on learning in Ethiopia, but the extent to which is largely unknown. USAID has and will continue to support the development of English language in Ethiopia; however, USAID will also work with the Ministry to strengthen policies which support the appropriate usage and transition to English language. USAID will begin with an English EGRA in 2011 followed by a series of policy papers and research around the realities of English language learning in Ethiopia.

IR 3.2: Improved workforce skills development
Historically, the majority of Ethiopians have not had the benefit of formal education and/or training: 20 million youth and 30 million adults have not been taught basic skills such as literacy, numeracy, critical thinking, decision making and rational analysis, especially in rural areas. To address this critical issue, USAID/Ethiopia will partner with MOE to engage in an innovative approach to link the Ethiopian workforce to the skills needed to be successful and productive in the current and emerging agricultural and industrial fields.

The formal vocational training system in Ethiopia is called the Technical, Vocational, Educational and Training System (TVET) System. Strong support from Germany has led to recent reforms in the system, which will link it more closely to Ethiopia's realistic labor demands. Still, the system requires that the majority of students are graduates from either eighth or tenth grade, a requirement that makes it nearly impossible for the majority of students to access TVETs, as most students drop out well before eight grade graduation. USAID will work with TVETs to create extension workers linked to community training centers (which exist in most communities, even in rural areas) and to share in the development of relevant and useful curriculum for meaningful training that leads to meeting the needs of employers.

The approach will be research-based and a result of intense analysis of the current economic and workforce development realities in Ethiopia. It will link to DO1, to address workforce development needs, creating more job opportunities in the productive sectors of the economy. It will strengthen community-based training centers (local government centers used to upgrade the skills of farmers, but highly underfunded), build university capacity and provide opportunities to vulnerable populations. The approach will also be in line with the new USAID worldwide education strategy which, under Goal 2, aims to build the workforce development and training capacity of the relevant host country. Finally, the approach is directly in line with the GTP calling for a 95% adult literacy rate. The target is to reach one million Ethiopians, and to maximize efforts under the Feed the Future initiative, the geographic focus of this IR will be the 100 target *woredas* noted in DO1, particularly in the southern Oromia region. In addition to working closely with the Ministry of Education (MoE) and the nine regional state and two city administration education bureaus as in IR3.1, under IR3.2 close collaborative relationships will be developed with the TVETs and targeted community training centers and universities.

Illustrative Activities:

- Workforce assessment and training developed and administered with GOE, based on skills identified
- Capacity built for local workforce development and training institutions
- Materials and curriculum support, linked to the TVET system, to community training centers for youth and adults
- Support to literacy and numeracy programs, in conjunction with activities for improved reading in primary schools and development of life skills curriculum and programs
- Enhanced university partnerships with U.S. Universities to strengthen the capacity of Ethiopian Universities

Girls and boys and staying in school
Critical to attaining DO3 is a focus on women and girls and out-of-school youth. To truly improve learning outcomes, the needs of women and girls must be considered. Through IR3.1, girls literacy needs will be targeted, particularly for rural areas where, according to the EGRA and national learning assessment results, girls' performance is not on par with boys. Attention will be paid to curricula development to ensure materials are gender neutral and positively support both boys and girls in their learning. There is also an increasing trend in rural schools for boys to drop out in order to look for employment well before grade eight. Increasing the quality and relevance of education is one step towards keeping boys and girls in school.

To ensure positive learning outcomes, attendance and support for girls' school-related needs will continue to be supported through school-community interventions, including those to address safety and sanitation issues. Given the minimal number of women in leadership positions in education, such as principals, local education officers, and leadership in Regional Bureaus of Education, technical assistance and support to teacher training colleges and regional governments will encourage the development of women leaders in education. These interventions will not only improve education outcomes, but will also positively impact the retention of girls in school, an important factor in protecting them from early marriage and early motherhood. We will continually look for opportunities to support girls' educational needs.

Similarly, USAID/Ethiopia will focus on gender and youth issues to achieve IR3.2. As with IR3.1, interventions will address issues of dropouts, curricula gender neutrality and women in leadership positions. In addition, with only 26% of males and 17% of females continuing beyond primary school[6], the youth in Ethiopia, particularly women, are lacking basic pre-employment skills, including literacy. USAID/Ethiopia will endeavor to improve workforce preparedness, particularly for out-of-school youth. In aligning workforce development efforts with its agriculture and economic growth efforts, the Mission will incorporate appropriate gender attitudes with employment opportunities.

What's different from the current portfolio?
The new education strategy presents a significant shift from current education programming in Ethiopia. For the past fifteen years, USAID/Ethiopia's education programs have addressed a variety of needs and gaps across the entire system. Previously, equitable access to primary education was one of the main challenges faced by the MOE. As the Ministry decentralized its control over the system, USAID/Ethiopia responded with first regional and then nationwide capacity building interventions to ensure that the new system was sound enough to manage itself. With great success in that area, and due to the fact that many USAID interventions have been adopted, scaled up, made national policy and are currently being supported by the pooled donor fund under the GEQIP, USAID/Ethiopia will now focus entirely on the elements of the teaching and learning process that directly yield improved learning outcomes for students. Another notable difference is how the education program will measure and determine success. The program will no longer attribute the rising quality of education to USAID's inputs to the education system; in fact, all measures will be directly related to achievement and outcomes at the student level.

[6] Education Development Center-USAID, September 2010

With nationwide primary school enrollment rates now showing very high levels of access, albeit with low quality, USAID/Ethiopia will shift focus to another massive challenge in the system: undereducated and low-skilled adults and youth. Recognizing that bringing children to school where they receive a quality education is the ultimate objective, USAID/Ethiopia also understands the need to support the 20 million youth and 30 million adults, especially in rural areas, who have not had the benefit of formal schooling. Now is the time to help the GOE bring relevant education and skills to 1 million of these individuals through a research-based innovative pilot program, which will be heavily integrated into the Ministry of Education as well as local communities so that it can be easily adopted and replicated nationwide by the GOE. This pilot program will be geographically linked to the Feed the Future Initiative woredas highlighted in DO1, for maximum impact.

Accountability

USAID's education program has always designed programs which complement the efforts of the MOE. As such, built into every program is the MOE's commitment to sustainability. The education office will design program interventions with the MOE ensuring that the national, regional and local education offices have allocated resources to sustain the USAID introduced initiatives well after the program ends.

Non-Resource Inputs

USAID is the leader in early grade reading initiatives in Ethiopia having brought the concept to the attention of the MOE and having spent countless hours advocating for a change in the ways in which reading is addressed in the early grades. USAID has also led the donor technical

Early Grade Reading Assessment charts new course for Ethiopian education

Ethiopia's Early Grade Reading Assessment (EGRA), funded by USAID/Ethiopia in 2010, showed very low reading performance for first through third grade students across the country: approximately one-third of second graders are non-readers and approximately half scored a zero in comprehension. These devastating results prompted USAID to prioritize early grade literacy, partnering with the Ministry of Education and Regional State Education Bureaus and linking with a pooled, donor-funded project managed by the World Bank (General Education Quality Improvement Project - GEQIP) to implement a comprehensive, country-wide approach to improving early grade literacy rates.

Going forward, USAID/Ethiopia is planning to work with Regional State Education Bureaus to institutionalize a pre-service teacher training system focusing on literacy skills, including a faculty of reading at each Center for Teacher Education (existing pre-service teacher training institutions). This assistance will be supplemented by efforts to assess curricula gaps, develop local language targeted reading curricula, and build the technical capacity of regional- and district-level education offices to ensure sustainability of the interventions. GEQIP has committed to printing and distributing all curricula texts developed through this project, to ensure that all students and teachers have the necessary materials to improve reading learning outcomes. Through this focused, comprehensive and cooperative approach, USAID/Ethiopia is confident that institutional changes will result in long-lasting reading achievements for the future.

working group in their understanding of the reading problem in Ethiopia and possible interventions. Currently the World Bank, DFID, UNICEF, and the Italians are committing to refocus efforts and resources to support early grade reading interventions. USAID continues to lead the charge in this effort and is providing leadership to the MOE and other donors in interventions.

Learning agenda

The ultimate success of the education development objective will be driven by the existence of a learning agenda. IR 3.1 is based on the largest reading assessment ever performed in sub-Saharan Africa and that will serve as a baseline for the learning agenda. The program will continue to perform early grade reading assessments in order to gauge the change in reading outcomes of students over time. Each assessment will provide new information as to what interventions in the curriculum and materials are working, and which are not. Due to the nature of the assessments, very detailed and specific data are collected, analyzed and compared to the skill areas being taught. From this data, USAID and the Ministry of Education will know, in great detail, which languages and skill sets need to be altered to be successful. The program will adjust accordingly and will continue in an improved manner. Also, as the program works with teachers to improve their abilities to teach reading, the Ministry and USAID will evaluate the teachers' progress and success, based on student outcomes. Teachers with underperforming students will be identified and provided with the necessary skills upgrading.

IR 3.2 is an innovative pilot program in the development stages; a learning agenda is critical to the success of this pilot. USAID will begin the program with a rural youth and workforce development assessment, something that has not yet been done in Ethiopia and is highly anticipated across the US Mission and among all donors and partners. The development of the program will depend on the findings of the assessment and will be data driven as well as linked to the development of USAID Ethiopia's economic growth and agricultural programs. The learning agenda will include tracking the success of individuals who partake in the skills-building programs, including the impact of the program on their lives and livelihood. In learning about the outcomes and impact of the skills training on overall economic livelihood, USAID will be able to adjust the program as needed to focus energies into those skills and program elements that lead to the largest economic gains for individuals and families.

Alignment with Government, Donors and other actors

The DO3 strategy aligns well with the priorities of the 2011-2015 USAID Agency-wide education strategy, the goals and priorities of the GOE, and other donors and stakeholders. In fact, DO3 is heavily dependent on donor coordination and the inputs and resources of all stakeholders. In order to reach the DO3 goal of improved reading outcomes for 15 million children, USAID will rely on existing quality improvement programs, and their resources, to implement major portions of USAID's program, including the printing of all textbooks for children at a 1:1 ratio, a deliverable which is crucial to the success of USAID's program

The GOE recognizes that access to quality universal primary and secondary education is necessary for the nation to reach its economic development goals. The MOE is committed to improving the quality of education, as evidenced both by the 2011-2015 Education Sector

Development Plan Phase IV (ESDP IV). USAID's education strategy and programs will use ESDP IV as a guide.

GEQIP is the pooled donor fund program managed by the World Bank in Ethiopia. USAID coordinates closely with the program and develops synergistic and complementary programs. As with USAID, GEQIP will measure its success based on learning outcomes, with a focus on the Grades 4 and 8 national learning assessments. The MOE, GEQIP pooled donors and all other education sector donors in Ethiopia are fully aware of USAID's strengths and added values in early grade reading, reaching the marginalized and building the capacity of the system to manage itself. Coordination and collaboration with all stakeholders will continue to create a demand for a focused, targeted and well-leveraged USAID program moving forward.

The 2010 external assessment of USAID's education portfolio found that one of its greatest strengths is USAID's ability to introduce innovative and sustainable interventions to the education sector. Many of these interventions have, over time, been scaled up and translated into national policy: PTAs, Girls Education Advisory Committees, alternative basic education centers and the use of continuous formative assessment in primary school. USAID/Ethiopia will continue with this trend.

As all capacity building efforts are heavily coordinated with the MOE and all other education donors, USAID will focus on local and school-level capacity building. Because provision of training alone has not improved institutional capacity building, USAID will focus on investing in institutions rather than individuals.

Support Objective - Improved Governance Environment for Sustainable Development

Background and rationale for the Objective

The donor community is torn between the competing objectives of engaging with and assisting Ethiopia as a high profile example of poverty and vulnerability to famine, and addressing the major challenges and constraints to democratic space, human rights abuses, and severe restrictions on civil society and constitutionally guaranteed freedoms of speech, association and access to information. The GOE does not make this any easier, wavering between seductive and sophisticated rhetoric on development and economic topics on the one hand, and political repression, state dominance over the economy, and outright downplaying of humanitarian emergencies on the other hand. Added to this double-edged sword is the GOE's extreme sensitivity to any direct or even implied criticism, and its willingness to actively punish the criticizer, including members of the international community.

Ethiopia's dismantling of political space has been the subject of regular criticism by Human Rights Watch and other international watchdog organizations (including Freedom House, which recently downgraded Ethiopia from "partly free" to "not free"), as well as the State Department's Human Rights Report. The consequence for competitive elections has been devastating. Opposition parties won only a handful of the 3.8 million seats contested in the 2008 local elections and largely boycotted the poll. In 2010, the ruling party swept 99.6 % of the seats in the national House of Peoples' Representatives and 100 % in the State Councils. The European

Union Election Observation Mission characterized the 2010 elections as flawed and not up to international standards. EPRDF officials assert that there are Ethiopian forces bent on regime and constitutional change. Thus it is not surprising that now, a year after the 2010 elections, there are continuing and credible reports of harassment and arrests of alleged opposition/insurgent supporters.

For donors, traditional avenues of support for democratic reform have been made largely illegal by the Charities and Societies Proclamation (CSP), sometimes referred to as the CSO Law. The CSP severely limits foreign funding for the promotion of democratic and human rights, the rights of children and the disabled, gender, religious and ethnic equality, conflict resolution and reconciliation, and the efficiency of the justice and law enforcement services. It also establishes an intrusive regulatory regime with largely unchecked powers housed in the new Charities and Societies Agency. Most standard forms of international support for political reforms and competitive elections have been co-opted or marginalized by government partner institutions, which have successfully maneuvered to control funding and eliminate international technical assistance. As a result, the more than $13 million of its DG budget that USAID/Ethiopia invested between 2006 and 2010 specifically to promote democratic transition produced little in the way of tangible results, and specific programs have been the subject of stalling and even outright hostility.

Nevertheless, Ethiopia transitioning to a stable multi-party democracy remains a long-term U.S. foreign policy objective – as well as the subject of rhetorical commitments by the GOE – and therefore the focus of diplomatic engagement by the U.S. Embassy in Addis Ababa. There is an active Inter-governmental Democracy and Human Rights Working Group and on-going efforts by the U.S. Ambassador and Political and Public Affairs staff to highlight American democratic values and to stress that the current lack of political space and respect for constitutionally guaranteed freedoms can only result in a rise in frustration that may eventually threaten Ethiopia's stability.

The recent Conflict Program Review underlined that Ethiopia's past and future development are vulnerable to the tensions, violence and perceived or actual insecurity associated with endemic, largely resource based local inter-communal conflict and administrative boundary demarcation processes in much of the southern half of the country. In parts of Somali Regopm, there is no development at all due to the on-going insurgency and counter-insurgency operations. In a number of cases, small development projects themselves, planned with little or no understanding of local political, economic and social dynamics have actually exacerbated tensions and led to violence.

The entire government is now focused on achieving the ambitious GTP goals of delivering accelerated development and economic growth, thus further eroding minimal existing capacity to integrate conflict sensitivity into the planning of new infrastructure, agricultural and industrial projects. As the pace of project approval increases so will the potential for implementation to disrupt livelihoods, cause displacement, aggravate local conflicts and perhaps lead to attacks on development projects themselves.

More positively, both the DG Program Assessment and the Conflict Program Review also noted that GOE conflict prevention, management and reduction (CPMR) policies began a remarkable transformation following the rise in local conflict in the 2002 to 2004 period. Largely as a result of USAID support, first state and local governments and finally national level institutions (particularly the Ministry of Federal Affairs) are abandoning inclinations to respond to local conflict primarily through security forces, and are increasingly developing and applying capacities to assist conflicted communities with local government support to negotiate and consolidate local peace agreements and ensure that their own administrative actions at a minimum "do no harm." Also, in spite of the weaknesses in policy and legislative development processes, senior GOE rhetoric and specific language and sections in the GTP include categorical commitments to improving accountable governance and promoting conflict sensitive development and emphasizing the important service delivery roles to be played by NGOs. On the practical side, the GOE is making progress through the gradual rolling out of its "good governance" trainings around the country.

There have also been examples of GOE willingness to partner with international donors to promote civic participation in the planning and monitoring of service delivery, most notably through the multi-donor funded World Bank Protection of Basic Services Program (PBS). PBS was put in place by the donors that cancelled direct budget support commitments to Ethiopia because of the turmoil following the 2005 national election. The program provides block grants to local governments to fund basic services. Through Component 4, PBS promotes "social accountability" by contracting local NGOs to facilitate local government-community dialogues and processes designed to improve and make service delivery more responsive to community needs. Social accountability tools, such as community score cards, citizen report cards and participatory budget and expenditure tracking (with the first proving most effective) enable service providers to better understand the needs of users; users to better understand the capacities of and resources available to providers; both to agree on targets for improvement, whether these are being met and if not why; and for providers to take appropriate corrective actions. An evaluation of the pilot phase of Component 4 concluded "that use of appropriate social accountability mechanisms can work in Ethiopia and have beneficial outcomes for the actors involved and improves the quality of basic service delivery," and that, "the pilot social accountability project has increased citizens' awareness of their rights, responsibilities and entitlements to the selected basic services."

USAID engagement in policy and legislation formulation processes across several sectors provide a large and diverse pool of activities through which both civic participation and conflict sensitivity could be actively promoted. In a number of consultations held as part of the strategy development process, both international and local partners stated that they have effective structures and capacities to ensure that their services are responsive to community needs through planning and oversight committees, but the projects do not seem to have built-in independent verification mechanisms (as does PBS) or use standard social accountability tools. Ethiopian NGO partners are firm that, due to the explicit restrictions in the CSP, active engagement in local conflict is off-limits, but this should not preclude efforts to ensure conflict sensitivity in their planning and implementation. International NGO partners seem to only deal with conflict when they encounter it, but express the belief that their community consultative fora provide a perfect

venue to implement conflict sensitivity and that their results would be more sustainable if they were more systematic about it.

Description of the SO: Improved Governance Environment for Sustainable Development
This objective recognizes that traditional DG programming to promote democratic reform in Ethiopia is too constrained by political and legal roadblocks to achieve meaningful results. It also recognizes that sustainable development in Ethiopia and USAID's support for it, particularly the GTP's ambitious goals, is threatened by: a) generally weak governance; b) narrow and exclusive policy, legislation and service delivery planning, implementation and monitoring processes; and c) limited understanding and application of "Do No Harm" and conflict sensitivity principles. The objective stands firmly on explicit GOE commitments to improve and make governance more accountable, to ensure that policies and development projects are planned to minimize the disruption of affected populations, and to reduce the chances that violence and insecurity will hamper economic growth; and posits that increased social capital, cohesion and resilience will mitigate the political brittleness associated with the EPRDF's overwhelming dominance. All this makes up the governance environment in which development activities take place.

Details of IRs, Causal Logic and Development Hypothesis
To achieve this objective, DG programs will focus on supporting Ethiopia's sustainable development through public involvement that will help safeguard investments made by all USAID programs and projects. Wherever possible, all development activities will be designed and implemented to promote conflict sensitivity and greater community participation in accountable governance processes. Thus, it is considered a special "supporting objective," working across the development objectives, rather than a development objective itself.

SO IR1: Increased resiliency and adaptation to manage conflict
Confidence in long-term local peace and security is absolutely essential to the willingness of all actors, whether government institutions, international donors, private companies or individuals, to make the investments required for transformative development. Developing that confidence and ensuring that it is based on sound evidence requires frequent weighing of relevant political, ideological, social and economic factors and dynamics, as well as the capacities, processes and will to manage evolving competition and actual or perceived inequity. But it also requires an understanding that investments themselves, depending on how they are planned and implemented, can either reinforce social cohesion and contribute to peace and security or exacerbate tensions and possibly contribute to violent conflict. Even more importantly, it requires taking concrete effective steps to ensure the former.

Under this IR, USAID/Ethiopia will continue and expand efforts to increase resiliency and adaptation to manage conflict at the national, state and local levels. The Mission will support the Ministry of Federal Affairs' efforts and capacities to: a) conduct conflict analysis; b) strengthen inter-governmental relationships, both vertically to state and local governments, and laterally to other Ministries and national-level institutions; c) work with state governments to develop and operationalize conflict early warning and rapid response mechanisms; and d) improve outreach, particularly through peace radio. (Peace radio is an initiative that has broadcast weekly programs raising awareness on conflict prevention and mitigation, promoting a culture of peace, both nationally and in the Southern Peoples Region).

At the state level, the Mission will continue capacity building efforts, but increase focus on complementary knowledge and skills essential to improve conflict management and sustainable development, such as land use planning and natural resource management. Links to other USAID and donor programs on sustainable land management have already been initiated to ensure quality and coherence. The Mission will maintain support for the innovative Somali-Oromia Joint Border Development Program, now progressing well beyond the piloting stage. The success of this program has attracted attention from other regional states in Ethiopia experiencing tensions and violence along their borders. The Mission is receiving and will explore responding to requests to support nascent or proposed border development partnerships between Oromia Region and respectively Gambella, SNNPR, Benishangul-Gumuz and Afar Regions, and additionally border areas between Somali and Afar Regions. With the success of USAID's work to reduce ethnic tensions in six universities having attracted the positive attention of the Ministry of Federal Affairs, the Mission will now partner with the Ministry to expand the program to additional campuses.

Where possible the Mission will orient and expand these activities to monitor and mitigate the potential for a rise in inter-ethnic tensions associated with the EPRDF leadership transition. For example, with the potential for the Amhara-Oromia and the Amhara-Tigray inter-state boundary areas to be the focus of rising ethnic tensions, efforts will be made to expand support for cross-boundary cooperation and linkages to these states. To inform the expansion of the university program, the Mission will consider ways to better target at-risk elements among the student populations. This same program, operating in national universities all located in major cities,

provides a base from which to gauge and consider similar responses to risks in the surrounding urban and peri-urban communities.

At all levels, the Mission will seek out opportunities to promote conflict sensitive development planning and implementation, and will incorporate "Do No Harm" principles into all of the programming. This concept is already being applied in pastoralist areas of Ethiopia in cooperation with other USAID programming. The Mission will also develop and implement high level advocacy strategies focused on the current lack of conflict sensitivity in the rapid expansion of large scale agricultural concessions, infrastructure projects and villagization policies, and use USAID-Ministry relationships as entry points of engagement. The Mission will be ready to follow-up with technical assistance to build the understanding of and capacity to integrate "Do No Harm" and conflict sensitive principles into policies and project planning, implementation and monitoring processes.

The Mission will also continue to assist direct GOE interventions across the southern half of the country to prevent or respond to brewing or actual local inter-communal conflict and local government-community efforts to negotiate and consolidate peace processes. Increasingly, resources and programs from of other sector offices, such as FtF, will be oriented to provide peace dividends to support local peace processes. Looking to the long-stalemated insurgencies that have turned much of Somali Region into a garrison state and continue to fuel heavy handed government interventions across Oromia Region, the Mission will work with like-minded donors to use development programs to provide dividends both for progress in abandoning insurgency and to consolidate eventual peace agreements.

Under this IR, the goal is to reduce conflicts, but expert opinion is not clear on how to measure this. How do we measure conflicts which have not happened (if successful)? Even trends in conflict are difficult to attribute. This will be a work in progress, but the measurement of resiliency and adaptation, particularly through attitude and behavior change, should address the goal for this IR.

SO IR2: Strengthened accountable governance

In the absence of competitive elections and other democratic processes, governance that is responsive to the aspirations and needs of its citizens and the knowledge and perspectives of stakeholders provides an important alternative release mechanism for political frustrations that have no other constructive outlet. It also helps to ensure that government and constituencies come together to develop consensus on improving service delivery and on framing legislation and policy, and are thus much more likely to take collective ownership of and responsibility for both intended and unintended consequences of their decisions and actions. This accountability builds social capital, cohesion and resilience that can mitigate political brittleness and absorb unforeseen political and economic shocks. As noted above, Ethiopia's new five year GTP contains explicit commitments and targets to improve governance. However, traditions, capacities and resources to conceptualize and implement bottom-up accountability are lacking in a country where good governance was not a high priority during the imperial and communist periods and is only becoming a priority but constrained within the ideology of Revolutionary Democracy.

Under this IR, the Mission will promote informed and inclusive policy and legislative development with the assistance of outside experts as needed, and increased civic participation in the planning and monitoring of service delivery in the following ways:

- At the national and state level, using the resources of its proven Constructive Dialogue Initiative, continue to support and initiate efforts to bring government and civil society counterparts together in dialogue fora focused on sharing perspectives, considering competitive ideas, resolving differences and building consensus on specific issues. The Mission will work with government partners to see the advantage of engaging with civil society and developing the skills to do so. (The USAID supported Constructive Dialogue Initiative (CDI) program is working to support government organizations, civil society organizations and community initiatives to enhance Government-civil society collaboration, increase access to relevant information and increase effectiveness of conflict management policies and practices.)

- Explore possibilities to help Ethiopia's burgeoning community radio sector improve the quality and availability of information about development projects, and develop discussion programs focused on understanding community needs and improving service delivery accordingly.

- Assist civil society organizations that have accepted the activity restrictions in the CSP in order to continue to receive foreign funding to reduce inclinations to self-censorship and to build capacities and strategies to conduct independent research and engage and advocate on issues that are not restricted by the CSP. The Mission will also assist civil society organizations that have opted to forgo foreign funding to be able to engage in otherwise restricted advocacy activities to improve their domestic fundraising capacities. If the registration difficulties of implementing partners are resolved, the Mission will ramp up efforts to promote improved strategic planning, and improved and responsive service delivery in Gambella and Somali Regional States in order to make on-going insurgencies less attractive.

Understanding that faith in the efficiency and impartiality of the justice system is a key factor in the risk calculations that govern investment decisions by the private sector, individuals and donors, the Mission will assess whether and how capacity, procedural and ideological constraints in the courts hamper development efforts. Another concern is that politically favored businesses or sectors are able to leapfrog over methodical and inclusive planning processes and legally required contracting procedures. Expectations are more modest here, recognizing that the system itself is thoroughly under the control of the ruling party. The Mission will develop programs that promote the rule of law for sustainable development practices. It will also scale up efforts to improve curricula and teaching in selected law schools, and strengthen legal aid capacities and/or to deliver legal services, building on a new mandate for university law schools to work in this area.

USAID will also respond to a recent request by the GOE to support the institutionalization of the Joined Up Justice Forum that brings key justice sector actors including the Ministry of Justice, the Federal Supreme Court, the Federal Police, the House of People's Representatives and civil

society stakeholders together for regular consultations on improving the administration of justice in Ethiopia. Per GOE's request, the United States will collaborate with the United Kingdom to support the Forum under the auspices of the Federal Supreme Court. Funds will also be used to increase the awareness and understanding of key decision makers of the highest standards of judicial administration in democratic societies through including experience-sharing visits with a focus on priority areas identified by the GOE, such as community policing, prosecutorial thresholds, and codes of conduct for law enforcement personnel. Support may also include the design and implementation of justice sector reforms based on international best practice.

Common to both IRs will be vigorous efforts to ensure that all USAID programs, as well as USAID (and broader USG) engagement and advocacy with the GOE, are conflict sensitive and promote informed inclusive civic participation in the planning and monitoring of improved service delivery and development projects. To do this, the Mission will conduct a thorough desk and targeted field review and assessment of the extent to which USAID offices and implementing partners are currently promoting these objectives; and assess relevant best practice and lessons learned from USAID/Ethiopia and efforts in other countries. Following this review, the Mission will begin with a pilot phase, holding consultations with government and civil society partners to promote understanding, seek input, and gain buy-in. With their participation, the Mission will:

- Identify, test and refine "low cost, low maintenance" conceptual, implementation, monitoring and capacity building models and modules to improve civic participation and conflict sensitivity in on-going engagement, programs and projects;
- Consider and test changes to USAID design, procurement and monitoring processes that will ensure more explicit requirements for civic participation and conflict sensitivity promotion activities are included in the Requests for Proposals, Requests for Applications, concept papers, proposals, awards, and work plans for new programs and projects; and
- Consider and test ways to make USAID's engagement to promote civic participation and conflict sensitivity in all development activities more strategic, coordinated, and effective, through the sharing of successes and lessons learned and building or re-enforcing useful skills.

An expansion phase will follow to extend design, implementation, monitoring and capacity building models proven during the pilot phase more widely throughout USAID programs and projects. For example, building conflict sensitivity into programs operating in conflict prone areas may be deemed a first priority.

Women as voices for peace and participatory community development

USAID recognizes that women and men experience violent conflict in different ways and play multifaceted roles when conflict arises. They also have differences regarding community affairs, with women's voices often not being heard in public settings. A deepened understanding of women and men's various roles, needs and interests, and how these are impacted by conflict and community development provide invaluable knowledge to be integrated into peace building and social accountability processes. Therefore, programming will continue to strengthen the role of women in formal and informal conflict prevention, early warning, reduction and peace building

processes, as well as their involvement in social accountability. Activities key to realizing this will be to strengthen gender equality and women's empowerment through gender awareness raising and sensitivity training, and through developing practical and context sensitive gender mainstreaming tools and gender –specific facilitation skills. Expanded peace building, leadership and small business skills training leading to income generating activities will strengthen confidence, skills and capacities to ensure women's agendas are adequately included into discussions on peace and development. Men will also need awareness raising and training in order to accept efforts of gender integration, lest women shy away from participating in public fora that end up turning into male-only structures, devoid of any female participation.

The Expanded DG Support Role

USAID/Ethiopia has identified a number of important objectives for early promotion of conflict sensitivity and accountable governance in its new strategy:

DO1:

- ✓ Improve adherence to and respect for PSNP safeguards (e.g. graduation criteria and community participation in project selection) by creating space for and strengthening implementing partners' engagement with GOE counterparts
- ✓ Mainstream conflict sensitivity and civic participation in the roll-out of FtF, CAADP and climate change adaptation activities
- ✓ Expand implementation of linked peace building and humanitarian assistance activities to ensure sustainable IDP return

DO2:

- ✓ Improve the targeting, delivery and effectiveness of investments in the healthcare system through technical assistance for improved strategic planning in the Ministry of Health

DO3:

- ✓ Promote parental involvement in the new early grade reading program through support for the design, implementation and monitoring of community level campaigns

What's different from the current portfolio?
There has been a significant re-thinking of Democracy, Governance and Conflict Mitigation work in Ethiopia, and new directions are being taken. In this strategy USAID/Ethiopia recognizes that there is no policy space to conduct programs focused on competitive elections. Instead, the Mission will focus primarily on tackling the deeper issues of governance by aligning its focus with the achievement of the GOE's GTP sustainable development goals and commitments to improve accountable governance and conflict reduction. The GTP provides an entry point for the Mission to hold the government to its own stated principles of accountability. The Mission will work to ensure that government and stakeholder capacities, policies and practices promote rather than detract from these goals. The Mission will apply the same focus to USAID's programs and engagement across the board to ensure that its programs are not inadvertently compromising sustainable development.

The Mission is limited in implementing partner choices, given that very few have built enough trust with the GOE to work in areas that are particularly sensitive. The Mission will continue to work with successful partners to modify/extend existing programs to be more in line with the new strategy. The Mission already embarked on its own procurement reform three years ago with a major grant to one of the local NGOs that was eventually exempted from the CSP restricted activities. Given the extensive effort made to improve its financial and contract management capacities and its unique freedom to operate, the Mission is more than likely to continue this partnership.

Learning Agenda
Already noted are a number of learning agenda items: a) the DESP will allow the U.S. to test the levels of commitment and political will for the promised longer-term transition to multi-party democracy; b) consideration of whether and how the justice sector promotes sustainable development; c) an evaluation of Mission human rights programs to help determine whether and how to proceed, given CSP restrictions; and d) a vigorous effort to develop effective methodologies to ensure that all USAID programs, engagement and advocacy are conflict sensitive and promote informed inclusive civic participation in the planning and monitoring of improved service delivery.

As detailed in the Development Opportunities and Challenges section, the operating environment for DG programs in Ethiopia is complex and fraught with clear constraints and disruptive interventions that are applied without warning when the GOE, hostile to "foreign intervention in politics," sees its interests threatened. To operate successfully in such an environment, the DG Office and its programs must have a constant learning agenda that quickly identifies both opportunities and threats and modifies engagement, approach and activities accordingly.

Measurement of the conflict resolution IR has generated considerable discussion, which will inform the set up and implementation of the monitoring and evaluation system. There is considerable thought being given to the challenges of measuring conflict resolution program impacts, and this input will be used to set up indicators based on attitude and behavior change measured through a baseline and regular surveys.

The social accountability IR is an innovative new approach with few national or international models to follow. This program will therefore have to be even more specially designed to ensure learning, so that lessons can be incorporated and an iterative planning approach used. Measurement of social accountability progress and milestones based on evidence is a new field, and much of this needs to be undertaken on a learning basis. Program design for the social accountability program will include consultation processes with experts and experienced partners. Indicative performance measures include:

- % of citizens (men and women) aware of their rights to demand quality public basic services and to hold accountable basic services providers
- % of service providers' aware of their responsibility and accountability to citizens/service users (men & women).
- Number of collaboration and partnerships among public actors and citizens in the provision of basic public services.
- Number of citizens given awareness about their rights/responsibilities to demand improved public services and to hold service providers accountable and how to do so.
- % of citizens surveyed that indicate their awareness about their right to demand improved public services and their involvement in the process and to hold service providers accountable has increased.
- % of citizens surveyed that indicate participation in planning, implementation and monitoring of service delivery
- % of citizens surveyed that indicate service providers are increasingly responsive.

- Access to and quality of services in social accountability sites improved.

Alignment with government, donors and other actors
The Mission has noted above the rationale for and the potential focus of aligning the DG portfolio behind the GOE's GTP. While the GTP is accompanied by a very detailed, albeit at times disorganized and structurally weak results and monitoring framework, the GOE is only beginning to convene meetings to consider, agree and coordinate support from international donors and Ethiopian civil society. As these fora are apt to continue to be large scale and dominated by a top-down ideological approach, productive planning is likely to come from more informal discussions with current GOE counterparts. The Mission believes that the Ministry of Federal Affairs' commitments to improving governance and conflict management, its belief that neither is possible without improved civic participation and accountability, and its central role to coordinate the GOE governance reform agenda, horizontally to other ministries and vertically throughout the regional states, make it the natural partner for the planning, implementation and monitoring of activities under both IRs.

Many other donors are also in the process of reviewing and modifying their objectives and programs in the DG sector and, for reasons similar to USAID's, are focusing on improving governance and civic participation. As such, there is currently much sharing of analysis and discussion of options in the donor DG coordination architecture. Through its involvement as Co-chair of the Conflict and Civil Society Groups and member of the Justice and Democracy and Human Rights Groups and its more recent involvement in the informal Social Accountability Group led by the World Bank, the Mission will ensure that programs and activities promoting both IRs are thoroughly coordinated with the on-going and planned activities of other donors.

With a view to improving the collaboration on shared values and objectives with civil society organizations (CSOs), under USAID's lead, the donor Civil Society Group has recently expanded membership to include representatives of the CSO Task Force (formed to coordinate engagement on the Charities and Societies Proclamation) and donor partners implementing civil society support programs. With multi-lateral and bilateral grant making mechanisms increasing, including the second phase of the European Commission's Civil Society Fund and the new Civil Society Support Project developed by Irish Aid and DfID, and USAID's on-going Constructive Dialogue Initiative, the donor group is also moving forward to develop information sharing mechanisms to ensure broad understanding of access parameters among CSOs and to prevent funding overlaps. The group will also shortly join the Ministry of Federal Affairs, newly responsible for civil society issues and the Charities and Societies Agency (established to ensure compliance with the Charities and Societies Proclamation and now under the Ministry's authority) to plan a new joint GOE-donor-civil society sector working group to deal with problems associated with the implementation of the law. All of these coordinated efforts will focus on widening the space for civil society engagement and to overcoming the hesitation and even paralysis which can affect this sector.

The donor Conflict Group, also co-chaired by USAID, ensures coordination and linkages between bi-lateral and multi-lateral programs supporting improved conflict prevention, management and reduction capacities, policies and practices at the federal, inter-state, state and

local levels. Here again, the Group's key GOE peace building partner at the national level is the Ministry of Federal Affairs. Much of the Group's work focuses on coordinating support for the Ministry's efforts to develop viable national conflict prevention/management architecture. The Mission believes that the Group's trusted partnership with the Ministry (as well as the Ministry's additional responsibilities for governance reform and civil society issues noted above) provide an important foundation and entry points for potentially sensitive donor engagement to promote consideration of ways and means to make Ethiopia's fast paced agricultural infrastructural development more conflict sensitive.

Procurement Reform

USAID/Ethiopia is already off to a good start in spearheading Implementation and Procurement Reform. The Mission must leave behind sustainable systems that are capable of delivering developmental impact rather than simply paying to do things "for" the Ethiopians. To do so, the capacity of both the host-government and local NGOs must be built up. For the former, the Mission is:

- Providing $10 million in support to the GOE's new Agriculture Transformation Agency (ATA), a new entity mandated to identify, direct and support much needed transformational policy and implementation reforms to the agricultural sector. As a new entity, the GOE requested the funds be provided through a PIO grant to the International Food Policy Research Institute until ATA's capacity is sufficiently built up.
- Under its FtF Systems Change Initiative Fund, releasing an Annual Program Statement (APS) calling for proposals that GOE entities are expected to be among the recipients of.
- One of the lead donors to the $7.5 million Multi-Donor Fund for Private Sector Development, which will provide grants to key GOE ministries to support policy changes and an increase enabling environment for private sector development.
- In support of establishing baseline data for the GOE's new AGP, supporting the GOE's Central Statistics Authority (CSA) to perform a baseline household survey for the AGP, from which future analyses can be made. The survey will be procured through a FARA contract with CSA.
- Exploring a Fixed Amount Reimbursable Agreement (FARA) for health infrastructure; shortlisted priorities from the MOH include construction of warehouses for the commodities and logistics system, a training center, and housing for specialist doctors.
- Considering a FARA to ALERT hospital, being developed by the GOE as a center of excellence, to train necessary teaching staff, establish in-service training facilities, and obtain accreditation. ALERT may also use the funding to explore and establish new information technologies such as internet and mobile phone-based training for distance learning to improve the cost effectiveness of training, and address faculty and teaching staff shortages.
- Examining how best to support the GOE's new public financial management (PFM) plans. PFM is a component of the World Bank and multi-donor-funded Protection of Basic Services program, but there are gaps to be filled that USAID may complement. For instance, the Ministry of Finance and Economic Development (MOFED) is piloting a new PFM software system that will improve transparency and accountability of the budget down to the *woreda* level. The Mission is reviewing this system, and seeking

technical assistance from USAID/Washington colleagues (per ADS Chapter 548: Program-Funded Independent Verification and Validation (IV&V) Reviews) to determine its feasibility, as well as in discussion with World Bank colleagues on whether there are better avenues of complementarity.

To support local partners:

DO 1

- Under its FtF Systems Change Initiative Fund, USAID will release an APS that will broadly solicit grant applications for FtF Support; local NGOs are expected to be among the recipients.
- USAID/Ethiopia, a lead donor to the $7.5 million Multi-Donor Fund for Private Sector Development, anticipates private sector recipients – Ethiopian firms, NGOs, business development organizations, and entrepreneurs – to become competitive in domestic and international markets.
- Relief Society of Tigray (REST), a local NGO --currently receives an average of $47 million in P.L. 480 DFAP assistance a year (5 year award) for PSNP implementation, and is considered a model to the other DFAP NGOs for the high quality of its water management public works projects.

DO 2

- The new flagship OVC award will allocate 75% of its funding to Ethiopian and African entities (i.e., indigenous entities that are not part of or connected to non-African entities), to provide services to children and select the terms and providers of technical assistance that they determine are appropriate to improve care and support to OVCs. Previously, the USG, along with international non-governmental organizations (NGOs) were the primary drivers of decision-making and determined the type of technical assistance provided to benefit children through OVC programs. However, under this new award, the prime partner's focus is instead on grants management and capacity building of local partners.

DO 3

- Early Grade Reading and Writing Improvement Program, currently in design, will be the principle Education program for USAID/Ethiopia. One component is expected to directly fund Regional State Bureaus of Education in order to build a sustainable, quality reading and writing pre-service training program. For regional states unable to implement this project successfully, a technical assistance contract will provide support to build their capacity for future activities.

SO 4

- The DG portfolio includes a cooperative agreement with Justice for All-Prison Fellowship of Ethiopia, a local NGO that has secured an exemption to the activity restrictions in the CSP, and provides training and targeted advocacy to deter human rights violations in police and court institutions.

Cross-cutting

- USAID/Ethiopia intends to issue an Annual Program Statement targeting local disability organizations in order to directly fund local projects and build a partnership between USAID/Ethiopia and the disability community in Ethiopia. In conjunction with direct funding to support local disability organizations, capacity building interventions will be provided to strengthen sustainability and systems of targeted local organizations.

- One of the seven Washington-based Development Grants Program (DGP) awards for new USAID partners is to a local NGO (the other awards are to smaller, non-traditional U.S. NGOs).

Challenges to local partnerships

Perhaps USAID/Ethiopia's greatest dilemma with directly funding the GOE is the EPRDF's total dominance over the entire political and economic arena, making it virtually indistinguishable from the government. So, if USAID was to provide direct funding to GOE institutions, the United States could be accused of funding the ruling party.

Further solidifying its control over civil society, the GOE promulgated the Charities and Societies Proclamation (CSP), passed January 2009. The CSP prohibits NGOs that receive more than 10% of their annual budgets from foreign sources from promoting democratic or human rights; the rights of children and the disabled; gender, religious or ethnic equality and conflict resolution and reconciliation. The CSP also imposes onerous reporting requirements on NGOs, and gave the new Charities and Societies Agency virtually unchecked powers to interfere in the operations of NGOs, to change their staff, and to seize assets.

In addition, based on the Mission's experience of directly funding some GOE programs or offices (about 1% of USAID's annual budget does so), there are concerns over capacity of GOE systems to absorb and manage USAID resources. It often takes much longer than planned for the GOE to spend the money given to them, and to account for it in ways that could withstand USG financial management scrutiny. However, support for the GOE's PFM software system (described above) could alleviate some of these concerns, and aligns with the PBS' goal to "strengthen the budget process especially at the sub-national level by developing financial transparency and accountability mechanisms."

Finally, there is the issue of management burden. With some 120 projects, the Mission already carries a very large A/COTR, and attendant support staff, load. Experience with the Mission's seven DGP recipients and with direct grants to the host government has shown that oversight of local and GOE partners is much more management intensive than traditional USAID partners. With limited OE and space limitations in the new Embassy, it is not just a problem of hiring more staff. In addition, plans to hire the above-mentioned new contractor to provide training and technical assistance to Ethiopian entities, as well as a new M&E contract that will help all USAID partners establish or improve their M&E systems (see below) will also take some time to implement.

Monitoring and Evaluation

USAID/Ethiopia is one of the largest Africa Missions, currently implementing some 120 projects with an average LOP budget of $12.8 million. If the Mission were to conduct an external evaluation of all of its large projects at least 18 months before their end (and assuming each project is five years), per the New Evaluation Policy's guidelines, 26 projects would have to be evaluated within the next 3.5 years, not an easy task. Because of USAID/Ethiopia's nearly $200 million PEPFAR and $110 million P.L. 480 resources *annually* (accounting for 3/5 of the

Mission's budget), however, no education or DG projects would be evaluated, nor would the vast majority of its FtF projects. Therefore, the Mission requires extensive planning for its performance evaluations to ensure each DO's major projects are evaluated, as well as any pilot projects. In addition, impact evaluations will test several of USAID/Ethiopia's CDCS development hypotheses, such as whether: 1) FtF push-pull factors benefit poorer pastoralists and farmers outside the AGP *woredas*; 2) improved healthcare services and systems increase demand for healthcare; 3) teaching reading at the earliest grades improves learning outcomes; and 4) an improved governance environment strengthens the Mission's agriculture, health and education efforts.

To best adhere to USAID's New Evaluation Policy so that an evidence-based learning agenda forms a core element to strategic and programmatic management decisions, the Mission is in the process of procuring a new contract, entitled the Ethiopia Performance Management System (EPMS). The purpose of this contract is to develop a web-based performance management system to measure the performance of USAID/Ethiopia's DOs, programs and activities as laid out in the CDCS, as well as its Operational Plan (OP) and Performance Plan and Report (PPR) documentation. The system will greatly facilitate USAID/Ethiopia's efforts to fulfill its performance monitoring, evaluation, reporting, and dissemination requirements as mandated in the Automated Directives System (ADS), the new USAID Evaluation Policy, and other Agency guidance. (The Mission already has a GIS mapping contractor, thus spatially representing pertinent M&E data will be relatively easy to incorporate into decision making.)

The focus of EPMS will be on standardizing the monitoring of partner performance, via a web-based application, so that the Mission can more efficiently manage for results, particularly during its biannual Portfolio Reviews. Specifically, the EPMS contractor will:

- Design and implement a web-based performance management system to help USAID/Ethiopia better manage and maintain performance information;
- Provide training and capacity building support to USAID/Ethiopia and its Implementing Partners (IPs) to use and manage the new system, and fulfill the performance monitoring, evaluation, reporting, and dissemination requirements mandated in the ADS;
- Develop, schedule and integrate the DQA assessment template into the web-based performance management system;
- Train and advise USAID/Ethiopia and IP personnel to undertake DQAs and understand the use of data in project implementation and improvement;
- Develop Performance Management Plans (PMPs) for each DO, aligned with the CDCS, and for the IPs; and
- Assist the Mission to implement the new USAID Evaluation Policy.

For this last task, and to support an evidence-based learning agenda for Mission management, the contractor will work with the Program Office's M&E specialist and the M&E counterparts in the technical teams to formalize the evaluation process, as follows:

- Provide technical assistance to help organize the Mission in implementing the new USAID Evaluation Policy;
- Identify the existing central Indefinite Quantity Contracts for evaluation services and establish a roster of Ethiopian evaluation firms/expertise (local evaluators' capacity will

be built by working closely with the M&E contractor), and develop an approach that will provide Mission-wide access to these resources;

- Guide and support Mission activity managers on the development of SOWs for performance and impact evaluations that meet USAID standards;
- Establish in-house technical review process to provide comments on SOWs and draft evaluation reports;
- Establish a tracking mechanism in the web-based PMS to ensure effective and timely use of evaluation findings and recommendations to facilitate corrective actions, and ensure quality, timeliness and adequate dissemination of evaluation reports within and outside USAID; and
- Help update the Mission's M&E Mission Order, detailing specific approaches and expectations for implementing the new USAID Evaluation Policy.

USAID/Ethiopia will continue to conduct targeted impact assessments. Such assessments over the last several years examined USAID investments in livestock, pastoral and livelihood programs, namely the impact of livestock market construction on pastoral incomes, the effectiveness of emergency animal vaccination programs, de-stocking of animals in the early stages of drought, and the use of cash-for-work programs. These studies presented findings that, in some cases, were highly critical, but a continuous learning process is critical for the Mission to evaluate progress of its portfolios and during project implementation. CDCS impact assessments will provide USAID/Ethiopia with evidence of innovative approaches for the GOE, to contribute to the national policy discourse. The Mission will work with the new M&E contractor will support the each DO to do impact evaluations at the DO level over the life of the strategy, as an integral part of our learning agenda.

Local partners will be involved in their evaluations and findings and PMP development, supported by the M&E contractor. Moreover, USAID /Ethiopia is supporting the GOE's Central Statistics Agency to conduct a Demographic and Health Survey and a baseline survey for the Agricultural Growth Program.

Baseline values for the below and all other indicators will be provided from the most reliable sources, such as: a) completed June 2011, the AGPs' Joint Review Implementation Survey, co-funded by USAID, through a FARA, and the World Bank, and conducted by the GOE's Central Statistics Agency; b) this year's Demographic and Health Survey, the principal financial supporter of which is USAID, also conducted by CSA; and c) last year's EGRA, which USAID funded. Remaining baseline surveys will be conducted with the assistance of the new M&E contractor, which will also help the technical teams develop their CDCS-specific PMPs. Specifically, the baselines, and the web-based monitoring system will include sex-disaggregated data and gender-related outcomes.

High-level Indicators and evaluation questions by Development Objective

Portfolio-wide evaluation questions:

- Do we achieve greater development results for DOs when programs for all operate in the same *woreda*, compared to programs for each DO that operate in isolation?
- What are the obstacles to coordination and increasing results when the DOs operate in the same *woreda*?

DO1: Increased growth with resiliency in rural Ethiopia

Indicators to monitor changes in country context:

- Prevalence of Poverty: Percent of people living on less than $1.25/day
- Expenditures of rural households
- Prevalence of stunted children under five
- Change in average score on Household Hunger index
- Percent growth in agricultural GDP

Performance indicators:

- Number of beneficiaries with increased incomes (*FtF-specific indicator*)
- Percent growth in agricultural GDP (for select commodities)
- Percent change in value of exports of targeted agricultural commodities as a result of USG assistance
- Post-harvest losses as a percentage of overall harvest, for selected commodities
- Gross margin per unit of land or animal selected product
- Value of new private sector investment in the agriculture sector or food chain leveraged by FtF implementation
- Value of agriculture loans made to medium, small and microenterprises
- Reduction in the number of days required to trade goods across borders as a result of U.S. Assistance
- Reduction in the cost to trade goods across borders as a result of USG assistance
- Number of undernourished children reached (*FtF-specific indicator*)
- Prevalence of wasted children under five years of age
- Percent of children 6-23 months that received a Minimum Acceptable Diet
- Prevalence of underweight children under 5

Evaluation questions:

- Is our impact on food security greater in the places where we have both nutrition and agriculture interventions, as compared to places where we only have one of these interventions?
- Do AGP farmers have higher yields, incomes and nutritional status compared to other farmers in non-AGP productive areas of Ethiopia? Do AGP farmers have better access to inputs and markets compared to non-AGP beneficiaries?
- Is the push-pull hypothesis working? Are the pastoralists and vulnerable farmers living adjacent to AGP woredas benefitting from AGP farmers' success? Are pastoralists and vulnerable farmers looking to replicate best agriculture practices of AGP areas? Are vulnerable farmers graduating from safety net programs?
- Are interventions and approaches, such as private sector led value chain activities and push/pull methodologies, used by USAID being scaled up by government and fellow donors?

DO2: Increased utilization of quality health services

Indicators to monitor changes in country context:

- Under-5 mortality rate
- Percentage of children underweight
- Percentage of children stunted

- Percentage of children wasted
- Modern contraceptive prevalence rate
- Total Fertility Rate
- Maternal Mortality Ratio
- Percent of Births Attended by a Skilled Doctor, Nurse or Midwife
- Percent of women with at least four antenatal care visits
- Percent of population using an improved drinking water source
- Percent of population with access to an improved sanitation facility
- Prevalence of exclusive breast feeding of children under six months

Performance indicators:

- HIV prevalence in target most at risk populations
- TB treatment success rate in USAID-supported facilities
- Total fertility rate in USAID focus areas
- Percentage of women with anemia
- Number of OVCs receiving care and support services in USG-supported sites
- Percentage of USAID Service Delivery Points offering modern Contraceptive Methods
- Number of USG-assisted service delivery points experiencing stock-outs of specific tracer drugs
- Number of USG-assisted service delivery points providing FP counseling or services
- Number of HIV+ individuals accessing palliative care in USG-supported sites
- Number of antenatal care (ANC) visits by skilled providers from USG-assisted facilities
- Number of women receiving active management of the third stage of labor (AMTSL) through USG-supported programs

Evaluation questions:

- Does increased availability of service (staff are present, waiting times not excessive) increase the demand for services?
- What is the most important constraint in reaching IR 2.1: Improved provision of healthcare services by healthcare professionals, and how does that vary by geographic location?
- What prevents women from obtaining the FP/RH or MCH services they are seeking?

DO3: Improved learning outcomes

Indicators to monitor changes in country context:

- Performance on National Learning Assessment Exams
- Dropout rates for males and females at each grade
- Percent of females and males graduating from grade eight
- Qualifications of teachers in grades 1-4
- Survival rates to grade 5 and 8
- Youth unemployment and underemployment rates (recognizing that the impact of improvements in basic education on employment will be very long term)

Performance indicators:

- Nationwide literacy rates at end of grades two, three and four

- Regional achievements in literacy in grades two, three and four
- Percentage of students who drop out of school
- Percentage of highly skilled reading teachers placed in grades one through four
- Percentage of trained youth able to increase individual and/or household assets and incomes
- Proportion of students reading English with fluency & comprehension after X years of English language instruction

Evaluation questions:

- Does increased achievement in early grade reading contribute to decreased dropout rates?
- Does increased achievement in early grade reading contribute to greater achievement in secondary school and tertiary education?
- Do literacy, numeracy and life skills services (training) lead to increased assets and incomes?

SO: Improved governance environment for sustainable development

Indicators to monitor changes in country context:

- USAID CMM annual Alert List
- Perceptions of safety and security
- Attitudes/perceptions between groups and between state/non-state structures
- Incidence of violent (armed) conflict by type and geography

Performance indicators: (areas of USAID Ethiopia engagement)

- Incidence of violent (armed) conflict by type and geography
- # of dialogue engagements with active citizen participation
- Incidences/Percentage of citizens' participation and representation
- Beneficiaries' satisfaction with local government performance and service delivery
- Incidences where new laws, regulations or amendments that protect fundamental freedoms consistent with international human rights standards were adopted with USG assistance

Evaluation questions:

- Do USAID-supported rangeland, water sources or other natural resources shared and jointly managed by different ethnic groups or clans result in increased cooperation between those groups?
- Do improvements to governance processes and increased civil society involvement in our selected districts translate into on-the-ground improvements in service delivery and accountability?
- Do USAID programs operating in conflict prone areas of Ethiopia positively influence inter-group tensions when incorporating conflict sensitive principles and practice?
- Does the current relationship/partnership between USAID and the Ministry of Federal Affairs provide legitimate leverage and influence to improve the conflict-sensitivity of GOE development policies and programs?

- Does DO 1's push-pull model create any conflict over resources (or risks thereof), especially if large amounts of resources are provided to one *woreda* versus a neighboring *woreda*, or through labor migration to a well-resourced AGP *woreda*?