

**Ethiopia: Sustainable Development and Poverty
Reduction Program (SDPRP)**

**Annual Progress Report
(2003/04)**

Development Planning and Research Department (DPRD)

**Ministry of Finance and Economic Development
(MOFED)**

**March 2005
Addis Ababa**

Table of Contents

| | Page |
|--|-----------|
| I. Introduction and Overview | |
| 1.1. Role and Purpose of the APR..... | 4 |
| 1.2. The Evolving Sustainable Development and Poverty Reduction Program..... | 4 |
| 1.3. Major Highlights of 2003/04..... | 5 |
| II. Poverty Developments..... | 8 |
| III. Macroeconomic Development | |
| 3.1. Overview of Past Year's Economic Results..... | 10 |
| 3.2. External Sector Developments..... | 10 |
| 3.3. Financial Sector Developments..... | 12 |
| 3.4. Overall Macroeconomic Policy and Targets..... | 12 |
| 3.5. Fiscal Performance..... | 13 |
| IV Public Expenditure | |
| 4.1. Trends and composition..... | 15 |
| 4.2. Sectoral Performance of poverty Reducing Spending 2003/04..... | 15 |
| 4.3. The 2004/05 Budget..... | 17 |
| 4.4. Recent Developments in Public Expenditure Management..... | 18 |
| 4.5. Foreign Aid and Aid Management Issues..... | 21 |
| V. Sectoral Performance and Developments | |
| 5.1. Agriculture, Rural Development & Food Security..... | 23 |
| 5.2. Education..... | 27 |
| 5.3. Health..... | 31 |
| 5.4. Water Supply and Sanitation..... | 35 |
| 5.5. Roads..... | 36 |
| 5.6. Private Sector Development..... | 38 |
| VI. Development in Cross-Cutting issues | |
| 6.1. Capacity Building..... | 42 |
| 6.2. Gender..... | 48 |
| 6.3. HIV/AIDS..... | 49 |
| 6.4. Population..... | 51 |
| 6.5. Environment..... | 52 |
| VII. SDPRP Monitoring & Evaluation of SDPRP Implementation..... | 53 |
| VIII. Challenges and the Way For ward..... | 57 |
| List of Boxes | |
| List of Tables | |
| List of Annexes & Annex Tables | |

List of Boxes

Box 1: Growth and Poverty

Box 2: Taking Services to the Poor: The Health Extension Worker Program

Box 3: A Promising Private Sector Success Story: The Opening up of Horticulture/ Flower Farms

Box 4: Increasing Openness and Consultation: The Public Debate on Education Policy

Box 5: Improved service Delivery: Making Public Institutions Transparent, Efficient and Effective

Box 6: Progress with the Implementation of the M&E Action Plan

List of Tables

Table 1: Summary of Some Main SDPRP Outcomes and Outputs for the First Two Years of Implementation

Table 2: Trends in Macroeconomic Indicators for 1999/ 2000-2003/04

Table 3: Comparison of 2003/04 Fiscal Out-turn with the Budget, Million Birr

Table 4: Share of Public Expenditure on Poverty-Oriented sectors

Table 5: Trends in the Capital Component of Poverty-Oriented Spending by Source of Finance

Table 6: Poverty Targeted Expenditure in 2003/04 and the 2004/05 Budget

Table 7: Foreign Aid Flows 2001/02-2003/04

List of Acronyms , Annexes & Annex Tables

List of Acronyms

List of Annexes

Annex 1: SDPRP Policy Matrix (2003/04-2005/06): Progress on Targets and Actions for 2003/04 and Planned Targets for the 2004/05 and 2005/06

Annex 2: The 2003/04 -2005/06 MEFF and the 2004/05 Consolidated Budget

List of Annex Tables

Annex Table 1: Education: Selected Monitoring System Outputs and Outcomes

Annex Table 2: Selected Health Outputs and Outcomes

Annex Table 3: Selected Agriculture and Food Security Outputs and Outcomes Annex Table

4: Water Sector main outcomes and Targets Under SDPRP

Annex Table 5: Road Sector Outcomes and Targets Under SDPRP

Annex Table 6: Service delivery Improvement for the three institutions

Annex 7 – Education Developments in 2003/04

Annex 8 - Report on Urban Development and Capacity Building Progress in 2003/04

List of Acronyms

| | |
|------------------|---|
| AAP | |
| ADLI | Agricultural Development Led Industrialization |
| AFA | Annual Fiduciary Assessment |
| ANC | Antenatal Care |
| APR | Annual Progress Report |
| ARM | Annual Review Meeting |
| ARV | Antiretroviral |
| BCG | Bacille Calmette Guerin |
| BOFED | Bureau of Finance and Economic Development |
| BPR | Business Process Re-engineering |
| BSS | Behavioral Surveillance Survey |
| CBE | Commercial Bank of Ethiopia |
| CBO | Community Based Organizations |
| CEA | Country Environmental Assessment |
| CFAA | |
| CMP | Current Market Price |
| CPAA | Country Procurement Assessment Report |
| CPF | Counter Part Fund |
| CPR | Contraceptive Prevalence Rate |
| CRDA | Christian Relief Development Association |
| CSA | Central Statistics Authority |
| CSO | Civil Society Organizations |
| DAG | Development Assistant Group |
| DBE | Development Bank of Ethiopia |
| DFID | Department for International Development |
| DHS | Demographic and Health Survey |
| DPT ₃ | Diphtheria, Pertusis and Tetanus |
| EFY | Ethiopian Fiscal Year |
| EIA | Environmental Impact Assessment |
| EICDA | Ethiopian Information Communication Development Authority |
| EMCP | Expenditure Management and Control Program |
| EMIS | Education Management Information System |
| EPA | Ethiopian Road Authority |
| EPA | Environmental Protection Authority |
| EPI | |
| EPP | |
| ERTP | Ethiopian Rural Transport Program |
| ETB | Ethiopian Birr |
| ETC | Ethiopian Telecommunication Corporation |
| EU | European Union |
| FDS | Fiscal Decentralization Strategy |
| FMOH | Federal Ministry of Health |

I. Introduction and Overview

1.1. The Role and Purpose of the APR

This is the second Annual Progress Report on implementation of Ethiopia's Sustainable Development and Poverty Reduction Program (SDPRP), covering the period August 2003-July 2004. The APR documents achievements and outcomes during the year, and provides an update on plans for the coming year.

The Report is not meant to be a comprehensive policy document, but rather to report on implementation of the major policy directions laid out in the original SDPRP. It thus concentrates mostly on outcomes and progress against actions planned for 2003/04 in the SDPRP matrix. Inevitably however policies do evolve, and the report does highlight any major new initiatives, as well as reflecting on lessons learned as a result of the experience of the past year. The report is concise, and in most cases both developments and policies are covered in more depth in other documents.

The audience for the report is both internal and external, and this affects its presentation. Not surprisingly there are different views and expectations of the PRSP process, and of the APR – for example from government, civil society, and donors. Government views the SDPRP as an important opportunity to articulate and provide leadership on its development program to both internal and external constituents. Many donors view it as a step on the road to greater interaction on the broad development framework, and a new context for aid relations. Civil society organizations see the PRSP approach as an additional opportunity to interact with government on public policy.

These expectations are not necessarily in conflict. However, the APR cannot be expected to fully satisfy the expectations of all the different constituencies. The interplay however is productive, and part of movement forward in an evolving process of openness and consultation. As part of this process, this APR benefited from a round of consultation with civil society and donors in February 2005. A two-day meeting was held at which views were sought from a range of partners. Over 60 pages of written comments were submitted, many of which are incorporated in this final draft. More widespread public consultations are not feasible on an annual basis, but major public consultations will be undertaken in the context of updating the full SDPRP (SDPRP II) in the next year.

1.2. The Evolving Sustainable Development and Poverty Reduction Program

The broad thrust of the Government's strategy remains rural growth, accelerating private sector growth in the modern economy to create employment and incomes, and strengthening of public institutions to deliver services. Ethiopia is in a particularly difficult situation: the combination of population, productivity, and resource base, and recent history all combine to create challenges almost unparalleled anywhere in the world. It needs to be recognized that progress in reducing poverty in these circumstance is an incremental process, and major changes are often not noticeable in a single year. The Government has embarked on an aggressive program to accelerate progress as rapidly as possible – including a big push on

education to create human capacity, expanding infrastructure as rapidly as financing and capacity will allow, opening the economy, building institutions, and decentralizing government. At the same time it is trying to manage this in the context of continuing food security pressures, and a volatile external and regional environment.

The financial resources available, and capacity, limit the speed at which progress can be made. Nonetheless there has been significant progress in the past year, most notably in food security and the evolution of safety nets, education, public expenditure management, and an improved private sector investment environment. This year's APR is strengthened by greater linkage with results monitoring, reflected in the new data generated by the Monitoring and Evaluation (M&E) systems reported in the sector sections, and in the tables on outputs and outcomes. Among other areas the Report describes measures taken in the last year to accelerate financial and private sector development, progress in relation to rural development, food security, and land reforms, and steps to revise the public expenditure management framework for the SDPRP system, as well as an update on the substantial progress made in relation to decentralization and the development of the SDPRP Monitoring & Evaluation system.

Looking forward, a large number of studies have been completed¹, new policies have been evolving, and lessons have been learned from the first two years of the SDPRP. In the coming year these will all be built into formulation of SDPRP II, which will map out strategy for the period 2005/06-2008/09. The focus is expected to be on making progress towards the MDGs, accelerating growth, and transforming agriculture. At that time there will also be a major round of consultation to assess the views of society on the progress made to date and the directions the strategy should take. A major MDG Needs Assessment is being completed as this APR is being drafted, and the synthesis report is being circulated for consideration in parallel.

1.3. Major Highlights of 2003/04

Major achievements in the past year (2003/04) include:

- Very good economic growth, of 11.6%, driven mostly by recovery from the drought;
- Strengthened support to exports and private sector: improved responsiveness of services, access to finance, access to land, etc;
- Maintenance of macroeconomic stability, inflation was reduced from 15% to 9%; the deficit was contained; expenditure was maintained within the budget, and revenue exceeded targets; exchange rate stability also whose average exchange rate reached Birr 8.6197/USD compared with Birr 8.5809/USD showing an annual nominal depreciation of 0.45 percent;
- Major progress in expanded education, at primary, secondary and university levels;
- Progress in implementing capacity building programs including, civil service reform, decentralization, justice system reform and formulating a Fiscal Decentralization Strategy;

¹ Including for example the Long Term strategy and Sources of Growth; and, Roads out of Poverty studies, the ongoing MDG Needs Assessment, and recent Country Status Reports on Health and Education.

- The beginnings of transformation of relief aid into a productive safety net program;
- Continued increases in public spending on poverty-oriented sectors;
- Increased coverage of the water supply and transport network;
- Adoption of a Privatization Strategy; progress in financial sector reform, and sharply increased private bank activity and lending to small businesses and farmers; and measures to increase security of tenure in urban land;
- The telecom sub-sector has witnessed significant network expansion, reduced pricing for international calls, rollout of the "School Net" and "Woreda Net" networks, and corporate reform during 2003/04, including the preparation of a national strategy that lays the basis for future private partnerships; ;
- Continued expansion of agricultural extension coverage, increased irrigation coverage, accelerated adoption of new technologies;
- Achievement of almost all SDPRP targets in health, and successful initiation of a major new community-based system of outreach health support to the poor;
- Completion of the Welfare Monitoring Surveys, launching of a major Participatory Poverty Assessment study, and of the second round national Household Income and Consumption Expenditure Survey;
- Adoption of a Monitoring and Evaluation (M&E) Action Plan for the Monitoring and evaluation of SDPRP implementation, and agreement on its funding;
- Achievement of all of the governance indicators in the SDPRP policy matrix, including mobilization for national elections;
- Achievement of targets for reduction of HIV/AIDS prevalence (based on preliminary data);
- Adoption of a more integrated process of expenditure review, budgeting, and interaction with aid donors (the Joint Budget and Aid Review process);

Areas in which there remain challenges include:

- Achieving faster private sector growth to create employment and raise incomes;
- Reconciling the massive costs of the MDGs with likely available financing;
- Building adequate administrative capacity to meet the implementation challenge, especially at the decentralized level;
- Continued efforts to effectively accelerate the transformation of agriculture;
- Strengthening the implementation in infrastructure expansion: power, roads, and telecommunications;
- Implementing expansion of the safety net program to cover 5 million people;
- Managing the risks associated with the implementation of resettlement;
- Implementing the many monitoring and evaluation systems now developed;
- Achieving greater predictability in aid inflows; continuing to improve reporting on public expenditure (including aid resources), and reducing the variation between budgets and reported actual expenditure.
- Overcoming service delivery bottlenecks related to staffing in health and education;

Further details and progress against specific SDPRP targets are presented in the sectoral sections of the Report, and in the SDPRP Policy Matrix (Annex 1). Finally, Table 1 below summarizes the most important poverty-related **outcomes** achieved in the past year.

Table 1: Summary of Some Main SDPRP Outcomes and Outputs for the First Two Years of Implementation /a

| Sector | Indicator | Target for SDPRP Period (2002/03-2004/05) | Achievements by end 2002/03 | Achievements By end 2003/04 |
|--|---|---|-----------------------------|-----------------------------|
| Poverty and Growth | GDP Growth to create employment and incomes | Target for EFY 1996 (2003/04) = 6.7% | -3.9% (2002/03) | 11.6% |
| Agriculture & Food Security | Number of farming households covered by extension | 6 million by end of the SDPRP Period (2004/05) | 4.1 million | 4.5 million |
| | Quantity of fertilizer Consumption | 1,089,000 MT (over 3 years) | 277,000 MT | 322,938 MT |
| | Quantity of improved seed sales | 710,000 Quintals (over 3 years) | 159,220 Quintals | 204,032 Quintals |
| Education | Gross Primary Enrolment | 66 percent | 64.4 percent | 68.4 % |
| | Average Grade 4-8 Repetition Rate | 6.4 percent | 9.8 percent | 5.6% |
| | Girls/Boys Ratio | 0.79 | 0.72 | 0.80 |
| | Primary School Drop-out Rate | 8.9 percent | 19.2 percent | 19.2% |
| | Grade 5 Completion Rate | 34 percent | 34 percent | 37 % |
| | Text Book/ pupil ratio for Core subject for grade 1-8 Pupil to teacher ratio (1-8) | 1.2 63 for 2002/03 | 1.2 64 | 1.15 (Estimated) 65 |
| Health | Access to health service (%) | 65 percent | 61 percent | 64% |
| | Malaria prévalence rate | 7.2% and 6.7% for 2002/03 and 2003/04, respectively | 8.7 % | 8.7% |
| | Contraceptive Prévalence Rate | 23.5% by the end of 2003/04 | 21.5% | 23% |
| | Immunization Coverage (DPT3) | 55% by 2003/04 | 50.4 | 60.8 |
| | Nurses to Population Ratio | | 1:4,882 | 1:4,572 |
| | Technicians to Population Ratio | | 1:19,967 | 1:18,344 |
| | Under Five Child Mortality Rate (Deaths per 1000) | 160/1000 | 140.1/1000 | 140.1/1000 |
| Water | Access to Clean Water (%) National | 39.4 percent | 34.1percent | 37.9% |
| Roads | Road Network (Density) | Road Density 32.3 km/1000sq.km | 31km/1000sq.km | 33.2 km/1000sq.km |
| | Proportion of Networks in Good Condition | 38% | 34% | 37% |
| HIV/AIDS | Transmission | Reduce transmission by 25 percent | 4.4 | NA ² |
| | Prévalence | Contain prévalence at 7.3 percent | 6.6 percent | 4.4% ³ |
| Public Expenditure | Share of Poverty-Targeted Spending in Total Budget | | 41.9% | 53.3% |

Data Not Measurable on Annual Basis Poverty Head Count (Po), Infant Mortality Rate, Under 5 child mortality rate, Maternal Mortality rate /b

Notes: a/ See sector sections for more detailed reporting and corresponding annex tables on outputs and outcomes/ Note some key indicators of outcomes (especially in relation to health status and income poverty) are not measured annually. These can only be measured when nationwide surveys are undertaken; these are expensive and time-consuming, and thus usually only conducted every 5 years or so; preparatory works are under way to conduct next Demographic and Health Survey; and Household Income and Consumption Survey results in 2005/06.

² Issued every 2 years

³ Note both targets and outcomes are being updated based on new data – see section on HIV/AIDS in Chapter 6 of the Report.

II. Poverty Developments

It is not possible to report definitively on year-to-year changes in income poverty, because new household level primary data are generally generated every 5 years with the production of nationwide Household Income Consumption Expenditure (HICE) surveys. Nonetheless, based on strong economic growth, and especially the recovery of food production, it would be expected that there was a significant improvement in the poverty situation of many households in the past year, especially in those localities most affected by the drought in EFY 1995(2002/03). One simulation that links household data with sect oral growth, estimated roughly that the pattern of growth in 2003/04 would have reduced the headcount poverty index by about 10% (from around 40% to about 36.2%). Note however that short-run poverty varies widely from year to year in Ethiopia as a result of rainfall (and hence crops), making it difficult to generalize from annual data.

According to data from CSA's 2004/05 Welfare Monitoring Survey (WMS), which provide outcome indicators on the non-income dimensions of poverty, education enrollment (1-6) has nearly doubled (74.2%) compared to its level in 1995/96(37.4%). Primary Gross enrollment as defined by the Ministry of Education (1-8) reached 67%, which is in line with what is reported by the Ministry of Education (68.4%) as an input to this APR (section 5.2 below). Note that what is reported here is based on sample and the Ministry's report is based on census from school reports. With regard to health, under 5immunization coverage for Measles and BCG increased from 39.1 % and 35.1%, respectively in 1996 to 56.8% and 52.5% in 2004/05(45.3% and 49.6% increase, respectively). With regard to access to clean water, overall access to clean water increased from about 19% in 1996 to 35.9% in 2004/05. This is also in line with what is reported by the Ministry of Water Resources (37.9%), (section 5.4 of this report).

| Sector | Indicator | Years | | | | %Change 2004/1996 | %Change 2004/2000 |
|-----------|---|---------|---------|---------|---------|----------------------|----------------------|
| | | 1995/96 | 1997/98 | 1999/00 | 2004/05 | | |
| Education | Primary (1-6) Gross Enrollment Rate (%) | 37.4 | 52.3 | 61.1 | 74.2 | 98.4 | 21.4 |
| | Primary (1-8) Gross Enrollment Rate (%) | NA | NA | NA | 67.0 | | |
| | Literacy Rate (%) | 25.8 | 26.6 | 29.2 | 37.9 | 46.9 | 29.8 |
| Health | U5 Child Immunization | | | | | | |
| | Measles | 39.1 | 46.9 | 48.1 | 56.8 | 45.3 | 18.1 |
| | BCG | 40.1 | 50.9 | 49.1 | 54.9 | 49.6 | 14.4 |
| Water | Access to Safe Drinking Water (%) | 19.1 | 23.7 | 27.9 | 35.9 | 88.0 | 28.7 |

The 2004/05 second round (January-February 2005) nationwide Household Income Consumption and Expenditure (HICE) Survey was completed (the first round of HICE conducted in July and August 2004). Compilation and consolidation of the HICE 2004/05 is currently well in progress, which will allow a major update of the poverty profile, and the first meaningful assessment of changes in poverty since 2000.

The 2004/05 Ethiopian Participatory Poverty Assessment (PPA) study conducted over 45 research sites distributed across the country (31 rural and 14 urban sites) is successfully completed and draft national level report made available and is currently being refined. The PPA will yield important qualitative information on the many dimensions of poverty by way of supplementing/complementing the outcomes of the 2004/05 HICE and WM quantitative surveys results. The key outcomes of the HICE and WM 2004/05 survey and PPA results will feed into the upcoming SDPRP II.

In addition, we have also consulted a recent study of urban poverty in five towns under the Urban Participatory Research Initiative (UPRI) conducted by the Urban Development Capacity Building Coordinating Office of the Ministry of Federal Affairs in collaboration with the UNDP through financial support from the Italian Government. This study indicated that pressure of population growth and in-migration is fueling urban poverty as the number of new town-dwellers exceeds the capacity to create employment opportunities or provide services.

Box 1: Growth and Poverty.

One of the central agenda of the government is to bring about faster and sustained growth and to make sure that the benefits of that growth spread to the poor. To move the strategy forward, a number of pieces of analytical work have been undertaken in the past year aimed at better understanding of the linkages between growth and poverty reduction. They include “Sources of Growth”, “Concretisation of ADLI and Analysis of Policy and Institutional Change for the Ethiopian Diversification Strategy” commissioned by MOFED; the “Roads out of Poverty” study and draft poverty assessment (“Well-Being and Poverty in Ethiopia – the Role of Agriculture, Aid, and Agency”) by the World Bank. Some are still in draft, but all reaffirm the need for sustained high growth to reduce poverty, and all confirm the central importance of transforming agriculture to improving the incomes and lives of the poor. They also confirm the need for institutional strengthening, and for substantially higher levels of investment in both physical and human capital. The results of these have not been fully digested in time to inform this year’s Progress Report, but, along with the better data on poverty to be produced by the three surveys, will be combined to inform the growth-poverty strategy in preparing SDPRP II.

III. Macroeconomic Developments

3.1. Overview of Past Year's Economic Results

During the period under review, Ethiopia's real GDP rebounded strongly, growing 11.6 percent in 2003/04. This was almost double the projected 6.7 percent growth rate. The reason for this real growth is that agricultural production improved significantly following two consecutive drought years' (2001/02-2002/03)... This also implies an improvement in welfare terms given that 13 million people were victims of drought the previous year... Overall agricultural output in the past year (2003/04) has increased by 18.9 percent over the preceding period, which was the worst record in the country (-12.6 percent) in the last decade. Growth in the past year was broad-based, however, with growth of 7 % in industrial output, 8.2% in construction, and 6.2% in services.

The average annual inflation rate, as measured by the change in consumer prices, declined to 9 percent by the end of fiscal year 2003/04 from 15.1 percent of the previous year, mainly due to the increase in agricultural production and falling food prices.⁴

Based on updated estimates, in 2003/04, the overall fiscal deficit is likely to be lower (4.8 percent of GDP) than targeted under the revised program (7.1 percent of GDP) reflecting a better than programmed revenue performance and efforts to hold expenditures in line with the program estimates. The revenue over-performance was mainly due to the improved collection of import duties and the introduction of new tax policies like VAT (Fiscal developments are discussed in more detail below). Broad money supply (M2 annual change) increased by **15.2 %** during fiscal year 2003/04 to reach Birr 34.7 billion, driven mainly by a **17.7%** rise in net foreign assets (NFA). Overall, macroeconomic performance is summarized in Table 2 below.

3.2. External Sector Developments

An improvement in total export earnings has been recorded for fiscal year 2003/04. During 2003/04, a total export earnings surged by 24.5 percent and reached USD 600 million compared with USD 482.7 million a year earlier. The position of coffee in the country's export market that used to stand above 60 percent showed a relative decline to less than 40 percent by the end of 2003/04. As a share of GDP, export earnings stood at 7.5 %, a little higher than the 7.3 % in the preceding fiscal year (2002/03).

During the same period, imports as a share of GDP increased from about 28 percent in the previous year to 32.2 percent in 2003/04 owing to the rise in imports of capital goods, fuel and consumer goods. As a result, the trade deficit widened from 20.7 percent to 24.7 percent of GDP.

Current account deficit (including official transfers), which stood at 2.7 % of GDP in 2002/03, increased to 6.2% of GDP in 2003/04. In the meantime, the overall balance of

⁴ Note that decline in inflation was due to the overwhelming impact of falling food prices, non-food inflation in fact increased during the period.

payments continued to register a surplus of USD 110.8 million (or about 1.4 % of GDP). The recorded surplus, however, was lower than USD 274.5 million in 2002/03.

With the establishment of the inter-bank foreign exchange market in October 2001, the Government moved towards allowing greater market determination of the exchange rate. During fiscal year 2003/04, development in the inter-bank foreign exchange market reveal persistent but slow depreciation of the Birr at a **0.5** percent annual depreciation of the average weighted inter-bank exchange rate during fiscal year 2003/04, a slightly lower rate than the previous fiscal year.

Table 2: Trends in Macroeconomic Indicators for 1999/ 2000-2003/04

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---------|---------|---------|---------|---------|
| Real Sector & Prices | | | | | |
| (Percentage change over previous year) | | | | | |
| • Real GDP | 5.4 | 7.7 | 1.2 | -3.9 | 11.6 |
| • Agricultural Value Added | 2.2 | 11.5 | -2.3 | -12.6 | 18.9 |
| • Non-Agricultural Production | 7.9 | 5 | 4.8 | 4.6 | 6.9 |
| • Services | 9.5 | 4.7 | 4.6 | 5.0 | 13.9 |
| • Consumer prices inflation | 4.2 | -5.2 | -7.2 | 15.1 | 9.0 |
| Financial Balances (Percentage of GDP) | | | | | |
| • Gross Domestic Saving | -0.1 | 2.2 | 2.2 | 0.5 | 2.8 |
| • Gross Domestic Investment | 15.3 | 18 | 20.5 | 19.2 | 22.6 |
| • Resource Gap | -15.3 | -15.8 | -18.3 | -20.6 | -19.8 |
| • External Current Account ⁵ | -5.1 | -3.7 | -6.0 | -2.7 | -6.2 |
| Government Finance (% of GDP) | | | | | |
| • Domestic Revenue | 18.4 | 18.8 | 20.1 | 19.6 | 18.7 |
| O/w: Tax Revenue | 11.5 | 13.7 | 15.3 | 14.5 | 14.8 |
| • External grants | 2.9 | 4.8 | 4.7 | 8.0 | 7.8 |
| • Total expenditure ⁶ | 33.0 | 29.1 | 34.1 | 34.8 | 31.5 |
| O/w: poverty related | 8.8 | 11.8 | 14.4 | 15.1 | 14.8 |
| Defence Expenditure as % of GDP | 13.1 | 6.1 | 5.0 | 4.1 | 3.4 |
| Overall balance (incl. grants) | -11.7 | -5.5 | -9.3 | -8.4 | -6.8 |
| External Sector (US\$ million) | | | | | |
| Exports | 486.1 | 462.7 | 452 | 483 | 601 |
| Imports | 1611 | 1556 | 1696 | 1856 | 2587 |
| Average Exchange Rate Birr/USD | 8.1426 | 8.3279 | 8.5425 | 8.5809 | 8.6197 |
| Reserve in months of imports | 2.2 | 2.0 | 3.4 | 3.7 | 4.1 |
| Broad Money Supply growth rate (June 30) | 14.3 | 10.5 | 11.4 | 10.1 | 15.2 |
| GDP @ CMP or nominal GDP | 53,190 | 54,211 | 51,933 | 57,077 | 69,196 |

⁵ Including official transfers

⁶ Excluding special programs

* Excluding Special Program

3.3. Financial Sector Developments

There have been very encouraging developments in the financial sector. The market share of private banks has increased substantially from 16.6% of total deposits in June 2002 to 21.1 % at the end of June 2004; and from 12.8 % of loans to 20%. Progress is being made in the restructuring of the Commercial Bank of Ethiopia and the NBE (see section 5.6); preliminary information on non-performing loans (NPLs) indicates that for the last year (June 2003 to June 2004) the level of NPLs of the CBE has declined to 35.4%, and its capital adequacy ratio stood at 11.7% by the end of June 2004. Finally, with respect to access to financial services for the population at large, and particularly for small holders, entrepreneurs and traders, the trend continues to be very positive. The number of clients served by MFIs increased by 26 percent between June 2003 and June 2004, while the volume of loans of MFIs progressed by 62% during the same period.

Total loan and deposit volumes grew in nominal terms, albeit at a slower pace than GDP⁷. Excess liquidity has continued to increase and now stands at around Birr 14 billion, representing nearly 44% of total deposits. Excess liquidity of this magnitude represents a huge missed opportunity, and a study will be undertaken to explore the issue further and identify solution (Banking and financial sector reforms are discussed in Section 5.6).

3.4. Overall Macroeconomic Strategy and Targets

To promote the planned targets of economic growth and achieve internal and external equilibrium, a prudent combination and coordination of fiscal, monetary, and exchange rate policies is very important. The Government has a strong track record in sound macroeconomic management and reaffirms its commitment to maintaining macroeconomic stability by pursuing sustainable fiscal policies, and a monetary stance that is non-inflationary, even as it seeks to vigorously promote economic growth and poverty reduction.

On the other hand, external debt service ratio is 7.4 % of GDP in 2003/04, remaining almost on the same level as of last fiscal year following the debt relief. Despite the continued deterioration of the terms of trade, all performance benchmarks with the IMF have been met. Average real GDP growth rate for the current fiscal year (2004/05) has been targeted at not less than 7%.

The Government will continue to maintain a cautious expenditure policy, while making every effort to increase poverty-reducing spending. The budget for poverty-targeted outlays (Health, Education, Agriculture and Food Security, Water and Sanitation, and Roads) is programmed to increase to 16.8 % of GDP in the coming year (2004/05), from around 12% at the preceding of the SDPRP (2000/01) (Table 2 above).

⁷ GDP rebounded sharply following the end of the drought, thus both total loans/GDP and total deposits/GDP declined

3.5. Fiscal Performance

3.5.1. Deficit and Financing during 2003/04

As indicated in Table 3 below, total revenue including grants stood at about 17,187 million Birr in the past year (2003/04), while total expenditure including special programs amounted to 20,369 million Birr. This resulted in to fiscal deficit amounting to 3,182 million Birr. The deficit was financed through an estimated net external borrowing of 2,020 million Birr and net domestic bank and non-bank borrowing of 1,162 million Birr. Fiscal deficit including grants narrowed from 8.4% of GDP in 2002/03 to 4.6 % of GDP in 2003/04.

Total spending in 2003/04 was below budget, in part because of overly optimistic estimates of aid levels. Details of expenditure composition and performance are discussed in the next section on public expenditure.

Table 3: Comparison of 2003/04 Fiscal Out-turn with the Budget, Million Birr

| S.N | Items | 2001/02 Actual | 2002/03 Actual | 2003/04 Budget ⁸ | 2003/04 Pre. Actual | % Change over 2002/03 ⁹ | 2003/04 estimated out- turns as % of Budget (%) |
|-----|--|-------------------|-------------------|--------------------------------|------------------------|--|--|
| 1 | Domestic Revenue | 10409 | 11149 | 13139 | 13186 | 18.3 | 100.4 |
| 1.1 | Tax Revenue | 7926 | 8244 | 10431 | 10520 | 27.6 | 100.9 |
| | Direct Tax | 3120 | 3010 | 3932 | 3132 | 4.1 | 79.6 |
| | Domestic Indirect Tax | 1498 | 1668 | 2280 | 2112 | 26.6 | 92.6 |
| | Foreign Trade Tax | 3308 | 3565 | 4228 | 5276 | 48.0 | 124.8 |
| 1.2 | Non-Tax Revenue | 2483 | 2906 | 2708 | 2666 | (8.3) | 98.4 |
| 2 | External Grants ¹⁰ | 2425 | 4553 | 4677 | 4002 | (12.1) | 85.6 |
| 3 | Total Revenue & Grants | 12834 | 15702 | 17816 | 17187 | 9.5 | 96.5 |
| 4 | Total Expenditure including Special Programs | 17652 | 20495 | 22122 | 20369 | (0.6) | 92.1 |
| 4.1 | Recurrent | 10550 | 13527 | 13364 | 11961 | (11.6) | 89.5 |
| 4.2 | Capital | 6130 | 6313 | 8114 | 8136 | 28.9 | 100.3 |
| | Domestic Source (Treasury) | 2742 | 3265 | 4645 | 5268 | 61.3 | 113.4 |
| | Projects (External Loan) | 2276 | 1852 | 2143 | 1821 | (1.7) | 85.0 |
| | Projects (External Grant Assistance) | 1113 | 1196 | 1326 | 1047 | (12.5) | 79.0 |
| | Regional Subsidy (treasury) | 3848 | 4523 | 5056 | 5056 | 11.0 | 100.0 |
| | Poverty Targeted Expenditure | 7552 | 8593 | 11763 | 10123 | 17.8 | 86.1 |
| | Recurrent | 3093 | 3672 | 4400 | 4045 | 10.2 | 91.9 |
| | Capital | 4459 | 4921 | 7363 | 6078 | 23.5 | 82.5 |
| | Poverty Targeted Expenditure as % of Total Expenditure (%) | 37.0 | 41.9 | 53.2 | 49.7 | 18.6 | |
| 5 | Fiscal Deficit including Grants | (4818) | (4793) | (4306) | (3182) | (33.5) | |
| 6 | Deficit as % of GDP | (9.3) | (8.4) | (6.7) | (4.6) | (45.1) | |

⁸ Consolidated General Government (Federal + Regional)

⁹ The 2003/04 Preliminary actual compared with performance over the previous fiscal year (2002/03); note project grant outturn is still an estimate for 2003/04.

¹⁰ 'External Grants' includes recurrent budget support and all other non-project grants as well as grant-financed project spending shown under the capital budget; budget support loans are part of external financing of the "Fiscal Deficit including Grants (line 5).

Revenue: During fiscal year 2003/04, general government revenue (domestic) is estimated at Birr 13,186 million, an increase of over 18% over the previous fiscal year. This increase is mainly attributed to the increase in tax revenue by 27.6 %, which is largely accounted for by increased foreign trade revenues and the impact of the implementation of tax reform measures taken so far. Non-tax revenue showed an 8.3 % decline over the previous fiscal year (2002/03) which is consistent with the effort to make domestic revenue sustainable by relying largely on tax revenues. The decline in non-tax revenue has been more than compensated by the overall satisfactory achievement of tax collection improvements following the introduction of the VAT as indicated by the significant increase in domestic indirect and foreign trade taxes.

During 2003/04, total revenue **including external grants** is estimated to have shown a 9.5% increase over the preceding fiscal year. External grants out-turn (mainly emergency and project assistance and CPF grants) are estimated to have declined by over 12% relative to the preceding fiscal year (2002/03), due in part to lower levels of emergency assistance (Table 3)

Overall, tax to GDP levels are on target, improving and impressive. The computerized Tax Identification Number system is in place, and an Integrated Tax management system has begun its roll out at federal level in EFY 1997(FY 2004/05). The VAT has been successfully implemented at federal level, and authorization is now being sought to pass on administration of this to regions and city administrations.

3.5.2. Forward-looking Fiscal Program

Planned Budget Deficit and Financing during 2004/05. For the fiscal year 2004/05, General Government total revenue including grants is projected at Birr 22,394 million while total expenditure (both recurrent and capital) excluding special programs is budgeted to be Birr 26, 667 million. Thus, an overall fiscal deficit of Birr 4,639 million is to be observed. This is to be financed through net external borrowing of Birr 3,131 million, and net domestic borrowing of Birr 1,509 million.

The government's intention is to maintain a fiscal stance that is prudent but also addresses the development needs of the country. There is a need to balance the tremendous demands for services and investments with the need for macroeconomic discipline, which will protect the poor from inflation, and maintain the economic stability needed for private sector growth to create jobs and incomes. The government's intention is to expand investments in education, infrastructure, and other services as fast as possible, but only to the extent affordable with rising domestic resource and aid inflows. The indicative Macroeconomic and Fiscal Framework-MEFF (2004/05-2006/07) is attached as annex (Annex 2). This shows the government's broad plans to expand spending within a responsible framework. Note that the future year plans are still indicative, and will be firmed up during the annual budget and JBAR processes as better estimates of revenue and aid resources become available.

IV. Public Expenditure

4.1. Trends and Composition

During fiscal year 2003/04 total government expenditure including special programs is estimated to have been Birr 20,369 million, of which 59% was for recurrent expenditure and 40% for capital expenditure and the residual (1%) for special programs. Total general government expenditure showed a 0.6 percent decline from the preceding fiscal year (2002/03). Capital spending has increased faster than recurrent largely because the new food security initiative was included in the capital budget. On the other hand, defence spending has been maintained constant in nominal terms and has been declining in real terms. Defence spending has declined from over 13% of GDP in 1999/2000 to about 3.5% of GDP in 2003/04. Much of the balance of the decline in recurrent expenditure last year is attributed to the decline in external food relief assistance and interest charges from the previous year.

Capital spending increased substantially in the past year's budget, with large budget increases for agriculture, food security, education, and road construction. It is important to note that the health capital budget declined somewhat due to the completion of several large projects, and the fact that very large amounts of funds are now being provided outside of the budget framework by donors through such mechanism as the Global Fund.

According to preliminary actual data for 2003/04, spending on poverty-oriented sectors increased markedly compared to the preceding fiscal year (by about 18% compared to 2002/03); however actual utilization has still fallen short of the budgeted amount, by about 14 percent, owing to shortfalls in the external loan and assistance component of the capital budget relative to the levels anticipated at the time of the budget. The reasons for this are discussed in the section on budget out-turn below.

Overall, regions' own revenue finances on average less than 40% of their expenditure assignments. The resource gap at regional and sub-regional level has been bridged through the federal subsidy (block grants to regions). In this regard, federal subsidy to regions accounted for the bulk of spending by regions and *woredas*. Regions and *woredas* account for the bulk of poverty targeted spending (particularly of social spending). For instance, during 2003/04 spending by regions on education and health accounted for 69.7% of total government expenditure on these sectors. As depicted in Table 3 above, the federal regional subsidy, which stood at over 5.1 billion Birr during fiscal year 2003/04 showed about 11.8% increase over the preceding fiscal year. The subsidy is now being supplemented by specific-purpose grants (see discussion under decentralization).

4.2. Sectoral Performance of Poverty Reducing Spending 2003/04

The share of out-turn on poverty-targeted spending (both recurrent and capital from all sources) increased from about 42% of total expenditure in 2002/03 to about 50% by the end of 2003/04. As Table 4 shows, there were increases in all of the poverty-oriented sectors in the past year, with recurrent poverty-targeted spending increasing by 21%, over the previous year, and capital by 39%, due mostly to the new food security program.

Table 4: Share of Public Expenditure on Poverty-Oriented sectors

| Sectors | 2002/03 | | | 2003/04 | | |
|--|-----------|---------|--------|-----------|---------|--------|
| | Recurrent | Capital | Total | Recurrent | Capital | Total |
| As a Share of Total Public Expenditure (%) | | | | | | |
| Agriculture & food security | 3.3 | 14.7 | 6.9 | 6.3 | 28.0 | 14.5 |
| Education | 16.8 | 16.1 | 16.6 | 19.7 | 14.1 | 17.6 |
| Roads | 1.0 | 30.0 | 10.3 | 1.4 | 29.8 | 12.1 |
| Water | 2.1 | 9.4 | 4.4 | 1.9 | 8.3 | 4.3 |
| Health | 3.9 | 7.7 | 5.1 | 5.6 | 8.1 | 6.5 |
| Total poverty Targeted Spending | 27.1 | 78.0 | 43.3 | 34.9 | 88.3 | 55.0 |
| Values in Millions of Birr | | | | | | |
| Total poverty targeted spending | 3,672 | 4,921 | 8,593 | 4,446 | 6,820 | 11,266 |
| Total Public Expenditure excluding special program | 13,527 | 6,313 | 19,840 | 12,750 | 7,725 | 20,475 |

The 2003/04 Budget Outturns: As noted earlier, the data suggest that there was a shortfall in total spending relative to the budget of about 8% in 2003/04 (Table 3). Recurrent spending was below budget due in large part to lower interest charges, defence spending, and relief aid (some of which goes through the budget) which was lower because there was no drought in 2003/04. On the capital budget, expenditure out of domestic resources increased substantially (especially for agriculture and education), and was somewhat over the original budget, while expenditure on aid-funded projects was below budget estimates (by about 20% in the case of loan-financed projects, and about 15% in the case of grant-funded ones).

There are several reasons for under-spending on aid-financed projects relative to the budget. (i) the estimates received from donors at the beginning of each year to feed into the budget appear to be consistently too optimistic, relative to what can actually be disbursed or spent; (ii) there could be legitimate physical bottlenecks to implementation for capital projects (related to cumbersome procurement and contracting arrangements, weather, transport, and capacity) – although these do not seem to be the major explanation, since treasury funds on capital projects are generally fully spent; (iii) there are difficulties and delays that affect disbursement of funds, sometimes related to reporting and accounting requirements, and sometimes to cumbersome disbursement procedures; and (iv) funds may be spent directly by donors but not reported to the Finance officials, accentuating the apparent gap between budget and actual spending.

It is important that the government receive better information from donors to feed into the budget process. Steps are underway to improve this system, but it is critically important that donors strive to provide more accurate estimates of expected spending. Secondly, there needs to be more complete and timely reporting on actual spending by donors. The use of financing channels (such as channels 2 and 3) for externally financed projects that are not directly amenable to government reporting systems also has had a role to play for incompleteness of reporting on spending under externally financed projects.

Table 5 shows the shifting trends in the composition and levels of financing of the capital budget. For the year under consideration (2003/04), spending declined (compared to the preceding fiscal year) in the capital budget on roads and health. For both sectors, the decline was mostly attributed to lower disbursements of donor funds to the sectors.

As can be seen from Table 5, the treasury component of the capital spending on poverty-oriented sectors increased consistently (over 2002/03) while the external assistance component showed a uniform decline over the same year (2002/03). The treasury component for all sectors increased by 76 % while external grant and loan-financed projects showed a 1.5 % and 62 % decline, respectively. This is consistent with the shift in external support more generally, away from projects to greater direct budget support, as well as the shift in recent years of a part of World Bank support from loans to grants.

Table 5: Trends in the Capital Component of Poverty-Oriented Spending by Source of Finance

| | 2002/03 | | | | 2003/04 | | | | % Change over 2002/03 | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|-----------------------|-------------|--------------|--------------|
| | Treasury | Loan | Assistance | Total | Treasury | Loan | Assistance | Total | Treasury | Loan | Assistance | Total |
| Roads | 961.6 | 609.6 | 324.9 | 1896.1 | 1034.2 | 628.3 | 184.9 | 1847.4 | 7.5 | 3.1 | -43.1 | -2.6 |
| Health | 145 | 152.9 | 190.1 | 488 | 140.6 | 192.1 | 45.7 | 378.4 | -3.0 | 25.6 | -76.0 | -22.5 |
| Education | 577.8 | 214.9 | 224.3 | 1017 | 1473.4 | 75.6 | 86 | 1635 | 155.0 | -64.8 | -61.7 | 60.8 |
| Water | 269.8 | 30.2 | 290.7 | 590.7 | 277.5 | 7.4 | 70.1 | 355 | 2.9 | -75.5 | -75.9 | -39.9 |
| Agriculture | 561.4 | 201.3 | 166.7 | 929.4 | 1505.8 | 287.1 | 69 | 1861.9 | 168.2 | 42.6 | -58.6 | 100.3 |
| Total | 2515.6 | 1208.9 | 1196.7 | 4921.2 | 4431.5 | 1190.5 | 455.7 | 6077.7 | 76.2 | -1.5 | -61.9 | 23.5 |

During 2003/04, total capital spending on poverty-oriented sectors increased by about 24 percent notwithstanding the decline in poverty-oriented sectors financed from external assistance and loans.

4.3. The 2004/05 Budget

The 2004/05 fiscal year is the third year in to the implementation of Ethiopia's PRSP (the SDPRP), and the budget is progressively being realigned with SDPRP priorities. Poverty-oriented sectors have been given due emphasis during the formulation of the Macroeconomic and Fiscal Framework (MEFF) and the preparation of the 2004/05 budget. The basis for 2004/05 budgets is the 2004/05-2006/07 MEFF (Annex 2 shows the 2004/05 budget framework). During fiscal year 2004/05, total general government expenditure excluding special programs is budgeted at Birr 26,267 million, of which about 60% is recurrent expenditure and 40 % capital expenditure.

Of the total expenditure (from all sources) Birr 14,139 million, or 54%, is allocated for the poverty-targeted sectors of education, roads, agriculture and food security, health, and water. In accordance with the SDPRP objectives, the government has budgeted continued increases in funding for education (up by about 32 % compared to 2003/04), health (4%), and water supply (94%), agriculture and food security (36%). Only spending on roads is expected to decline from the previous year (by about 8%), partly because of lower levels of financing required for some large on-going projects and also taking account of the difficulties experienced in spending under donor- financed projects in past years (Table 6). Note that the

relatively small apparent increase in health spending is somewhat misleading, as there are very large (and increasing) amounts of financing being provided by donors outside of the budget framework – for example by the Global Fund and GAVI. A recent public expenditure review estimated very roughly that these resources might amount to US\$80 million or more annually (about 790 Million Birr equivalent – greater than the entire existing recurrent health budget).

The significant increase in spending on agriculture and food security is a reflection of the renewed emphasis on food security as witnessed by the increase in the food security budget (specific grants to regions) from 1 billion Birr in 2003/04 to 2 billion Birr in 2004/05 budget. Such increases in budget allocation to poverty-oriented sectors such as agriculture and food security, roads, health and water is a reflection of the continued pronounced focus by the government on those sectors. Table 6 below depicts the details on budget allocation to poverty-targeted sectors.

Table 6: Poverty Targeted Expenditure in 2003/04 and the 2004/05 Budget¹¹
(Values in Million Birr)

| Sectors | 2003/04 | | 2004/05 | |
|-------------------------------|---------|-------------|---------|------------------------------|
| | Budget | Pre. Actual | Budget | % Change over 2003/04 Budget |
| Agriculture and Food Security | 2,739.7 | 2,966 | 3734.3 | 36.3 |
| Water | 522.9 | 874 | 1016.1 | 94.3 |
| Roads | 3,169.4 | 2,484 | 2,922.0 | (7.8) |
| Education & Training | 3,972.2 | 3,601 | 5244.9 | 32.0 |
| Health | 1170.3 | 1,340 | 1221.9 | 4.4 |
| Total | 11574.5 | 11,266 | 14138.9 | 22.2 |

During fiscal year 2004/05, the total regional transfer (from treasury) has been budgeted at 5,556 million Birr, representing an increase of 10 percent compared to what has been budgeted during fiscal year 2003/04. In addition, it should be noted that although food security is a federal government program, the implementers are regional states; in effect the food security budget is regional resource.

4.4. Recent Developments in Public Expenditure Management

There have been positive developments in public expenditure management in the past year:

- Expenditure reporting has improved: the timeliness of reporting has improved during 2003/04 and subsequently compared to the preceding fiscal year (2002/03). The consolidated budget for the current fiscal year (2004/05) was available by the end of September 2004, preliminary actual expenditure data for 2003/04 was available by the end of July 2004 and quarterly actual expenditure data is generally available with only a three month lag; although there are still challenges in getting complete data from local levels;
- The **MEFF** system is now fully functioning – a framework for the coming three years is available by the end of January each year and the MEFF now includes indicative numbers for sectoral and regional expenditure;

¹¹ From all sources (treasury, loan and assistance). See also foot note 4

- The **Joint Budget and Aid Review (JBAR)** process has replaced external expenditure reviews with a rolling process of review and consultation that is integrated with the budget cycle.
- The revised **financial calendar** (aligning budget, planning and sectoral review cycles) has been rolled out at federal level. At regional level BOFEDs are now preparing for the rolling out. The target to have four BOFEDs working to the calendar in EFY 98 will be achieved.
- **Budget and Accounts Reform** - There has been progress in rolling out budget and accounts reform to four regions (Addis Ababa, SNNPR, Tigray and Amhara), with a fifth having completed budget reform (Ormiya); this FY, the rollout has commenced in Benshangul-Gumuz and Dire-Dawa.¹²
- **Cash Management** – New procedures for cash management have now been issued to federal institutions, and will be piloted to regions this year. Government expects to meet the target of all regions preparing cash flow projections and complying with the new procedures during EFY98.
- **Internal Audit** - MoFED has prepared and issued an Internal Audit Manual to be used by all government internal auditors, and conducted awareness events for senior government officials, including those from regions. Training is being conducted this year in readiness for implementation of standardised reports through federal regions next year. Progress has also been made, regarding CFAA recommendations to review the structure of the federal internal audit function.
- The **Public Finance Management Committee** has been revitalized its TOR has been revised and the composition of the committee will be strengthened to institutionalize dialogue on JBAR, and AFA. The members of the PFM Committee from the Government side have been reconstituted in light of MOFED's internal restructuring and a revised TOR prepared and is being discussed with in MOFED.
- **Integrated Planning and Financial Management Information Systems (IPFMIS)**: With financial support from the European Union, hiring of consultancy service for implementation supervisor finalized. As the consultant is already in place; he is expected to finalize bid documents for the purchase of equipments for IFMIS infrastructure. IFMIS implementation is going to commence before the end of FY 2004/05
- A program of annual **Fiduciary Assessments** has been initiated (the first annual FA is discussed below).
- **Agreement on a strategic plan linked to Expenditure Management and Control Program (EMCP)** - a strategic plan of EMCP, vital to coordinating and monitoring progress on public financial management reform, has been revised and submitted for MoCB along with an annualized EMCP Action Plan. The challenge will be ensuring the capacity to fully implement the program, at both local level, and in terms of retaining sufficient staff.

¹² The package of reforms includes the introduction of new chart of accounts for budgeting and reporting, use of a computerized *Budget Information System* (BIS) and *Budget, Disbursement and Accounting System 3* (BDA 3) and the introduction of modified cash basis/ double entry accounting systems

- A target for EFY 1997 in the SDPRP matrix is to **reduce audit backlogs** to one year, i.e. completion of the audit for EFY 1994. Accounts for EFY94 have been closed and submitted to the Office of the Federal Auditor General, although the audit itself is only just getting underway.¹³

Challenges: Current challenges in the area of public expenditure management include:

Timeliness and comprehensiveness of expenditure data: this improved dramatically in the past year (2003/04). However, challenges still remain owing to the need for standardizing reporting formats at all levels of government until the budget and accounts reform are fully rolled out across all levels, coupled with the capacity constraints at the local level. However, it needs to be recognized that the structure of the government sector inevitably raises challenges in expenditure reporting, as it does in any Federal system, including consolidating three layers of expenditure (for Federal, 11 Regional and more than 600 woreda administrations).

Apparent divergence between budgets and reported actual expenditure: This is due in part to the variance in spending on donor-financed projects relative to projected levels. As noted in the section below on aid management, improving the predictability of aid, and completeness of reporting, would help reduce divergence between budgets and reported actual expenditures. In addition, specialized tracking studies can help better understand the reasons for variance between budgets and actual spending.

The first Joint **Budget and Aid Assessment** in September-October 2004, highlighted some of these issues as well as: (i) debt strategy post-HIPC; (ii) the relationship between block grants and specific - purpose grants; (iii) the apparent variance between budget and reported actual spending within some sectors – especially health; and (iv) the balance between capital and recurrent spending, and implications for future recurrent cost implications.

Finally the government and donors are jointly undertaking a **Fiduciary Assessment (FA)**. The objective of the Fiduciary Assessment is to provide a comprehensive view of the strengths and weaknesses of public financial management and procurement systems. The FA will consolidate existing diagnostics (the CFAA/CPAR, World Bank-IMF's AAP, donor reviews) and then will perform a "light-touch" update. Comparative reviews of regional systems will also be undertaken. Finally qualitative reviews of EMCP reform processes will be undertaken by analyzing the changes in performance resulting from particular interventions. The Fiduciary Assessment was just being finalized as this APR was drafted, and will inform public programs that constitute part of SDPRP II.

¹³ Since the closure of the accounts was the bottleneck in reducing the backlog, the main obstacle has been overcome, and closure of accounts for EYY 1995 and 1996 can be expected before the end of the first quarter of EFY 1998 thereby eliminating the accounts backlog at that point. In addition a directive will be issued in FY98 setting a time limit for the Auditor general to report on closed accounts once they are received.

4.5. Foreign Aid and Aid Management Issues

Total foreign aid disbursed during the 2003/04 Fiscal Year is estimated at about Birr 7,965 million (US\$926.5 million) which is higher than the level originally forecast, (US\$793 million) for the year under consideration, and substantially higher than the previous year. (Note that these numbers do not include food aid or emergency relief).

It is important to note that the external finance flows depicted in Table 7 below represents information on disbursements received by the government from donors and includes much external finance flow that does not pass through the annual budget. By way of comparison, the budget outturn for 2003/04 shows about 5,416 million Birr or about US\$630 million, in foreign aid (budget support plus project funding); suggesting that at least one-third of aid is not captured in the budget data. The reasons for this are multiple, some of it is accounted for by loans for infrastructure financing to public utilities which are not budgetary bodies, credit lines for micro finance and the private sector, and aid to agencies (such as the power sector). While there has been some improvement in the share of funds passing through the budget in recent years, there is still a way to go in convincing all donors to coordinate through the budget mechanism rather than pursuing parallel mechanisms.

Table 7: Estimated Foreign Aid Flows 2001/02-2003/04

Value in Million ETB unless otherwise specified

| <i>Item</i> | 2001/02 | 2002/03 | 2003/04 Actual |
|--|---------|---------|-------------------|
| External Grants | 2343 | 2352 | 5084 |
| External Loans | 5235 | 3601 | 2881 |
| Total | 7578 | 5953 | 7965 |
| Total in Million \$USD(Approximate) | \$881 | \$692 | \$926 |

Aid processes have been streamlined in the recent past, and an increasing share of assistance has been provided as direct budget support, amounting to \$296 million in 2003/04, or about 31% of total disbursements for the year. This figure is expected to increase to around \$379 million, in 2004/2005. A major step forward has been the move to Joint Budget Support; with a group of major donors (the World Bank, the European Union, DfID, Canada, the African Development Bank, Ireland, Germany, and Sweden) engaging in a unified dialogue with government in common support of the SDPRP. Besides, the government and donors are preparing a Memorandum of Understanding, intended to guide actions and processes relating to budget support; and an Aid Management Platform is being developed, which would help strengthen aid information flows.

There are still difficulties caused for Ethiopia by the unpredictability of aid, and lack of information - both on expected aid flows and actual spending. The unpredictability makes it difficult for the federal government to deliver promised resources to Regions and Ministries; and the lack of adequate information makes it difficult for government to determine how much of its own resources it should allocate to different activities.

The discussion under the Memorandum of Understanding is expected to address issues related with the importance of donors aligning with the financial calendar, making multiyear commitments wherever possible, and not allowing bilateral agreements to specify additional processes outside of the MOU. Donors have agreed to indicate budget support intentions by September each year for the following budget year, and to try to confirm them early in the year following issuance of the APR.

Finally, it is important to recognize that despite the increased level of aid inflows in the past year, significantly, more will be needed to finance the essential human services and investments needed to enhance growth and reduce poverty and achieve MDGs.

V. Sectoral Performance and Developments

5.1. Agriculture, Rural Development and Food Security

Smallholder peasant agriculture remains a pillar for poverty reduction and economic growth in the country. Nevertheless, the sector still suffers from a set of constraints that result in both low and erratic agricultural growth. Reversing the situation through appropriate policy measures and well articulated development interventions are central to the SDPRP. The rural and agriculture centred development strategy serves as a means of ensuring rapid economic growth, enhancing benefits to the people, eliminating the country's food aid dependency, and promoting the development of the market oriented economy.

Growth in agricultural GDP of 19% in 2003/04 exceeded the target of 14%. Growth in agricultural **incomes** will only be measured once the HICE data become available next year; however the large increase in output has certainly increased consumption of most rural households in the past year. Also, as a result of the good harvest food grain prices fell, improving the welfare of the large share of the poor who are net purchasers of food.

The main elements of the SDPRP agricultural program include improved research and extension packages for Ethiopian farmers, expanding irrigation (mostly through the food security program), a major farmer-training exercise, and fertilizer reform. The government is strongly committed to private sector development of agricultural markets. The Government has endeavored to create enabling environment for the private sector through increasing domestic credit channeled to the private sector and subsequently ensuring functioning credit markets. The on-going land certification has also helped improve security of land tenure and transport linkages.

Major achievements during the 2003/04 FY include:

- Production of food grains increased to 103 million tons, an increase of about 39% over 2002/03;
- 156,400 tons of coffee and 156,000 tons of pulses and oilseeds were exported during 2003/04. Coffee export performance (in terms of volume) was over 24% higher than the previous year (2002/03) while earned revenue from coffee stood at USD 223.5 million (over 35% increase compared to the 2002/03 level);
- Fertilizer use rose to 322,938 MT, an increase of 16% over the previous year;
- 4.5 millions farming households adopted improved extension packages, against the planned 4.1 million
- New irrigation works are estimated to have benefited some 324,000 households¹⁴
- 204,032 quintals of quantity of improved seed sales realized; an increase of 28% over the previous year.

¹⁴ Based on 250,000 reported under the food security initiative, and 74,000 under the Ministry of Water – this does not include additional irrigation under NGO and other rural development projects.

Rural Land Tenure:

- Certificates of land use holdings issued for more than four million farming households in the major regions.

Agricultural Extension and Research:

- The agricultural technical and vocational education and training program aims at providing 55,000 skilled development agents in five-year period, of which 37,482 trainees were enrolled, and about 17.2% have already graduated.
- The agricultural research and extension programs, which aim at adapting and generating, demonstrating, disseminating and utilizing agricultural technologies in a view to increased productivity and income on sustainable bases. The new arm of the extension program is the Farmers Training Center, which is the more decentralized extension institution; about 4,000 Farmers Training centres (FTCs) constructed in the past year, far exceeding the target of 600.
- 46 technologies were released for use, against the planned 30 technologies.
- The agricultural commodity development plan identified more than twenty high-value marketable agricultural commodities, and to apply them under the diversification-based specialized farming system, in order to improve the livelihood of farmers and significantly contribute to the export economy.
- Over 3,000 trainers provided with training in promotion and implementation of agricultural commodity development -specialization and diversification-plans.

Agricultural Market Reforms:

- Efforts to have extension staff focus on technical support to farmers (a shift from direct input distribution and credit administration) in the four major regions, which planned for 85%, have been achieved ahead of the SDPRP schedule.
- The Warehouse Receipt Scheme has been designed; the system is in place, implementing agency established and preparation for piloting completed.
- Terms of Reference for the Fertilizer Sector Study have been finalized, and the study is to be launched in the next few months.
- 600 cooperatives were restructured and newly established, as planned.
- In the coming year, the government also intends to articulate plans to phase out the regional credit guarantees, in a manner to be phased out with strengthening in parallel the capacity of cooperatives and the private sector to cover these services.

In addition there was a major institutional reorganization of the Ministries of Agriculture and Rural Development in the year under review. This, together with the on-going implementation of the Public Service Delivery Policy (PSIP) at the Ministry and related agencies is anticipated to yield improvement in critical services, although it is too early to judge results yet.

Despite good information on inputs in the system, there is little way of measuring the effectiveness of these interventions in increasing farmers' output and incomes. Work in the coming year will focus on strengthening M&E systems to better capture the impact on farmers, although it needs to be realized that measuring these effects is always difficult, in any country, because agricultural outcomes are affected by many factors apart from government programs, including weather and the behavior of farmers.

It is clear that the process of agricultural transformation remains a significant challenge. The government is addressing this not just through its agricultural and food security programs, but also through major investments in education and in rural infrastructure – especially roads- and encouraging the development of robust private markets. It has to be recognized however that these processes will take time to have an effect on productivity and output.

Public Spending: According to the preliminary consolidated out-turn; overspending (108.3% of the budget) was recorded for agriculture and food security in the past year. As is evident this information does not capture the broad rural development sector as it may fall in other related sectors and sub sectors. Note that it is difficult to clearly track spending, which falls under multiple levels of government (for example much is spent out of block grants), different program instruments, and under a wide variety of agencies and sub-sectors. As indicated there is an obvious need for improving the M&E system of Agriculture and Rural Development. A public expenditure review/analysis focused on rural development (including the coverage and scope of rural development), including food security expenditure is proposed to commence in 2005.

Rural Finance Strategy: The need for fostering and enhancing micro-finance institutions is highlighted in the Rural Development Strategy. Some 23 micro-finance institutions were established and operating throughout the country by end June 2004, serving some 800,000 clients. Despite these developments, however, efforts have to be geared in a coordinated manner to strengthen MFIs and rural credit and saving institutions with regard to their legal and institutional arrangement as well as building their capacities.

During the past year government adopted a **Micro-Finance Strategy**, aimed at strengthening the legal and institutional framework for MFIs, and building their capacity. Among other elements the strategy includes:

- Establishment of a separate division in the National Bank of Ethiopia to supervise, regulate and license MFIs, to ensure their soundness and development;
- A 7 year Strategic Plan has been developed for MFIs, coordinated by Development Bank of Ethiopia and run by Program Management Committees from various institutional stakeholders, to oversee and coordinate activities related to MFIs development. The program activities broadly involve two major categories, namely:
 - (i) Extension of credit to micro and rural financial institutions and equity participation, and
 - (ii) Capacity building for all stakeholders.

Food Security and Safety nets: A major development in the past year has been the launch of the new Coalition for Food Security. At the root of the program is transforming Ethiopia away from reliance food aid to a more sustained combination of productive solutions to food insecurity, combined with a systematic safety net program for the poorest. The program is aimed at addressing the immediate needs of over 5 million chronically food insecure households on a continuous basis.

A significant achievement in 2003/04 has been the development of the Productive Safety Nets Program. The plan represents a major shift from relief aid to a combination of productive safety net transfers (for example by employment of the poor on labor-intensive works), and unconditional transfers to those such as the elderly, disabled, or orphans who are unable to work. It also represents a significant shift from food to cash transfers, and embodies an emphasis on promoting productive behavior. A document outlining the main features of the plan was developed in July, and a sub-budget line for the safety net program has been included in the federal budget. A major challenge is going to be rolling the program out in one step to all 5 million potential beneficiaries. Part of the work at the moment is in developing contingency and support measures to support implementation and address challenges as they arise.

The Food Security Program: A significant departure was made in the food security budget line during the 2003/04-budget allocation. The food security budget from treasury, which used to hover around 150 million annually during the years preceding 2003/04, increased to Birr 1 billion for the first time in 2003/04. The budget on food security from treasury doubled (Birr 2 Billion) during 2004/05. The funds are passed as grants to the Regions and *woredas* to support a combination of measures, including irrigation and water harvesting, promoting ‘food security packages’ aimed at diversifying income through small-scale agricultural and commercial activities, promotion of seeds and marketing for higher-valued crops, and voluntary resettlement from food insecure areas to more productive ones.

The experience in the first year has been mixed. Different Regions have tried different strategies, with some relying more on the productivity packages and irrigation, and others more on resettlement. About 79,000 households have been resettled to about 81 sites; and water harvesting and ground water schemes benefited about 250,000 households. It is too early to assess the effectiveness of these interventions, and monitoring and evaluating the outcomes will be a major need in the coming year. **The Monitoring and Evaluation (M&E) design process for Agriculture and Rural Development is underway.** With respect to resettlement, the social and environmental risks need to be carefully managed to avoid hardship to settlers. Social and environmental risk mitigation guidelines have been developed, and further work is needed to make them operational by the start of the 2004/05-resettlement program, and to ensure that they are universally applied.

The two programs are meant to be complementary: the Food Security Program primarily targets community assets, while the SNP primarily targets household assets. They are also connected through targeting approaches (people who benefit from one program would also have access to the other), and through a combined M&E system, which is integrated. A major challenge for both in the coming period will be the implementation capacity at local level as the programs rolls out.

A final issue is that the level of budgetary support for the new coalition for food security remains lower than expected, and further dialogue is needed with donors to follow up on their commitments. Also, given the speed of implementation, tracking finances and spending still requires additional effort.

5.2. Education

This brief report highlights the major activities accomplished in the second year of ESDP II i.e. July 8, 2003 to July 7, 2004 incorporating the targets set and policy actions identified in the SDPRP Matrix (A more detailed report is attached as Annex). There has been tremendous success in expanding schooling at primary, secondary, and post-secondary levels in the past year. There remain major challenges in upgrading quality under the pressure of rapid expansion, but as described below, a large number of programs and policy measures are being pursued to address these concerns.

Targets and performances during 2003/04

Major highlights of performance during 2003/04 are outlined below.

- Gross enrolment rate at primary level (grades 1-8) for the country as a whole reached to 68.4% in 2003/04, above the target set for the year of 66%. Disaggregated by gender, GER for girls was 59.1% and for boys 77.4%; the targets being 57 and 75% respectively. Accordingly the Gender Parity Index (GPI) was 0.76 as targeted. Therefore, all access indicators show progress compared to the results of 2002/03.
- The national GER for secondary schools (Grades 9-10) was 22.1% in 2003/04, which is 6.1% above the target set for 2004/05.
- Textbook/pupil ratio for core subjects for grades 1-8 is estimated to be 1:1.5. However, A TOR has been prepared to undertake a quick survey on textbook/pupil ratio for core subjects in order to have a baseline data for future monitoring.
- The pupil: teacher ratio for 2003/04 has reached to 65, although the target was 63. This is because the demand for education has increased to the extent that the provision of teachers could not grow with the same pace.
- About 26,556 students were admitted to higher education in 2003/04 as planned.

The **outcomes** of education are harder to measure. A National Learning Assessment was carried out this year for grades 4 and 8; the results are not yet released, but the outcome of the assessment will be an input for policy decisions, for the improvement of educational inputs, quality, management and supervision and support. Table 1 in Chapter 1(the block on education) summarizes some key results for the year under consideration (2003/04).

Measures Taken During the Past Year (2003/04)¹⁵

- Primary school curriculum has been evaluated and revised based on the recommendations and ideas collected from communities, teachers, educators, and students;
- Education Sector Development Programme Implementation Manual (PIM) revision is completed; including a new sector review calendar aligned with national budget/financial calendar;
- Design options and guidelines for primary school construction with lower unit costs and community participation have been issued to regions;
- A three-year fast track strategy has been developed in consultation with the regions in order to improve access in the pastoralist and semi-agriculturalist regions;
- The second national learning assessment was carried out for grades 4 and 8;
- Annual Review Meeting (ARM) for Education from March 15-17, 2004. Government and donors agreed on major undertakings during the ARM 2004; which cover all of the areas of quality enhancement discussed in this section.
- Key performance indicators and targets are being prepared along with the preparation of ESDP III, drawing on findings of the ARM, the MDG Needs Assessment and recent Education Country Status Report. This shall be finalized and sent to Regional Education Bureaus and Woreda Education Offices;
- Analysis of teacher supply and demand situation has been carried out. The strategies to meet the requirement has been incorporated in the Education- MDG Needs Assessment Report;
- Alternative Basic Education is now fully accepted as part of a strategy to address the low enrolment problem. The construction of Alternative Basic Education Centres closer to the community encourages out-of-school children and children from pastoralist communities to attend school;
- To help upgrade quality quickly a national “**Teacher Education System Overhaul**” is being implemented; including: (i) new curriculum was introduced in all teacher training institutions; (ii) an advanced diploma program has been initiated for teacher trainers; (iii) a distance teacher education program was specifically designed to upgrade the unqualified teachers; as a result about 17,000 teachers have graduated in 2003/04 raising the proportion of qualified teachers in the second cycle to over 70%; (iv) an “English Language Improvement Program” has been launched in the last two years focusing on improving the language skills of teachers;
- The Guideline for Organization of Educational Management, Community Participation and Educational Finance has been implemented throughout the country. Education and Training Boards have been established in *woredas* and *kebeles*. Parent Teachers Associations are operational in all schools. These have made it possible for communities to own and administer schools, and contribute in cash, labour and skill for the betterment of schools;
- About 362 secondary school and TVET directors and supervisors were trained to build capacity for school administration, professional support, and teacher supervision to ensure that there is quality teaching learning process;

¹⁵ Note these measures are described in more depth in Annex --.

- To compensate for the strains introduced with decentralization, building the capacity at woreda level was given due attention in 2003/04. Over 3,000 education personnel drawn from all 600 *woredas* were trained in educational management, planning, monitoring and supervision.

Monitoring and Evaluation: There is an elaborate M&E system in place: an EMIS (Education Management Information System) takes data from school level up to national level. Coordination mechanisms such as the Joint Review Mission and the Annual Review Meeting are in place. There is a regular education donor meeting, as well as monthly meetings between MoE and donors, there is a central steering committee and regional steering committees are in place (not in all regions as yet). Lack of or delays in getting education budget and expenditure data in the regions and Woredas remains a drawback in monitoring the sector's outcome /output and progress both from budget allocation priorities and utilization.

HIV/AIDS and Education: HIV/AIDS has a multifaceted impact on the demand for and supply of education. Therefore the education system has to respond to this. Accordingly, following the establishment of National HIV/AIDS council, MOE organized HIV/AIDS task force. HIV/AIDS education is integrated in the curricula at all levels. Anti-AIDS clubs are established in schools. Training workshops were conducted for anti-AIDS clubs and a guideline on how to facilitate and conduct anti-AIDS clubs was produced and distributed to schools.

A study was conducted on the impact of HIV/AIDS on the education sector. Based on the report, activity is underway to further strengthen integration of HIV/AIDS education in the curricula of various school subjects. A comprehensive source book on HIV/AIDS education has been developed for teachers. HIV/AIDS education booklets are prepared as readers for secondary schools.

Overview of Challenges

The number of students has been increasing from year to year. However, the number of classrooms as well as teachers has not been able to grow with the same proportion. This has resulted in large class sizes and high student-teacher ratios, affecting the quality of the teaching/learning process. There is also a need to print and effectively distribute more textbooks so that every student gets a copy of textbook for each core subject. The government is acutely aware of the challenge of increasing quality to overcome this shortfall, and many of the measures described above are designed to do this.

In order to address these challenges, communities are being encouraged to construct low cost primary schools. Besides expanding regional teacher training institutes (TTIs), private TTIs are now flourishing in the regions producing primary school teachers. The regular TTIs have also started opening extension classes giving opportunity to thousands of students to be trained as teachers with their own expenses. Therefore, although not yet sufficient, the supply is increasing and regions are now making use of these sources to hire teachers. Generally, great effort and resource is required to reduce the class size and teacher pupil ratio from 74 and 65 respectively to 50.

Dropout rates also remain high, limiting the effectiveness of schooling. The dropout rate for primary in 2002/03 was 19.2%. At national level, 31.5% of pupils enrolled in grade 1 in 2002/03 have left school before reaching grade two in 2003/04. Students' dropout of school due to in-school and out-of school factors, and reducing the dropout rate is a major challenge. Many of the on-going measures are geared to improve quality in order to reduce dropouts and improve quality.

Although overall primary enrolment has significantly increased, coverage of primary education is marked by regional and gender disparities. At one extreme are the Addis Ababa and Harari Regions where in 2003/2004 the GER was as high as 142.6% while the GER for Afar and Somali regions in the same year was as low as 14.8% and 15.1% respectively. Therefore, the gap between the lowest and highest performing regions is 127.8 percentage points. Likewise, the gender gap in GER for primary education is high in favour of boys with a gender parity index of 0.8 at national level. Therefore the prevalent regional as well as gender disparities are challenges in the education sector.

While attempts have been made to improve the quality of education, major efforts are needed to avoid further quality deterioration as a result of the rapid expansion of access. There is a need to monitor the possible quality tradeoffs associated with such expansion. The quality of education needs to be improved in order to increase completion rates, to enable teachers to effectively use their skills, and to maintain the confidence of parents in the school system. Many of the policy measures described below are intended to address this challenge. To this effect, urgent improvements need to be achieved in the areas of recurrent school budgets per capita, student-section ratios, the availability of textbooks in schools, and the supervision of the teaching learning process.

A major continuing challenge is the adequacy of non-wage recurrent funding at the local level; and the capacity of woreda-level budgets more generally to finance all of the competing claims for expansion of services. This is particularly acute in the case of the financial sustainability of the basic education system, which needs significant increases in funding both to expand the number of teachers and to restore non-wage recurrent budgets.

Implementation capacity at woreda level is not yet at the level expected to carry out their responsibilities. *Woreda* capacity-building programs have been initiated. Deployment of staff at regional level was undertaken as a first step in building the capacity at other levels. However, there is still a huge need for training on supervision, strategic planning and budgeting, education management information systems, etc.

Technical and Vocational Education and Training

The government is engaged in a major expansion of TVET. It is too early to judge the effectiveness of the program in terms of impact on incomes, but tracer studies will be undertaken in the coming year to track the employment outcomes for trainees.

The Technical and Vocational Education and Training Proclamation was issued in March 2004. As a result the Federal TVET Council has been established with members selected from relevant government offices, associations/ federations of employers, non-government organizations and technical and vocational training institutions.

The participation of the private sector in the education sector is growing from year to year. Accordingly, pre-accreditation license was given to 81 new private, government and non-government TVET schools in the fiscal year, and accreditation was given to 10 private colleges.

The shortage of teachers in TVET and higher education is very acute. In order to mitigate the problem, over 120 expatriate teachers were hired and assigned in the TVET schools. Similarly 183 new expatriates were hired to teach in higher education. In addition a summer in-service degree program has been started in order to upgrade the qualification of teachers teaching in the TVETs, in the fiscal year.

Also during the year under review occupational and training standard and curriculum was prepared for 30 new trades; and civil works were underway to upgrade 11 TVET schools to college level. Expansion in 3 teachers training institutes and construction of 30 libraries were accomplished.

Universities.

A major university reform and expansion is underway to build the human capacity needed to reduce poverty. University intake has been doubled in the last three years; construction is now going on at 69 sites, and a Development Initiative Fund has been launched to build capacity at universities. Also during the past year Arbaminch Water Technology Institute and Gondar University College were upgraded to full-fledged university, raising the total number of universities in the country to 8.

These measures have been accompanied by reforms to give universities greater autonomy and to strengthen management. A cost-sharing scheme, whereby any student who has graduated from higher education of the public institution is required to share the cost of education, training and other services, has been introduced in the form of a graduate tax in all universities.

5.3. Health

A major shift in emphasis is taking place with the launch of the Institutionalization of Village Health Services Package, based on a recognition that the traditional static, facility-based pattern of care cannot improve coverage rapidly enough, is not effective enough at reaching the rural poor, and will not improve outcomes fast enough to reach the basic health targets in the MDGs. At the center of this is the Health Extension Worker program, which is but one element of the wider Health Sector Development Program (see Box 2).

Box 2: Taking Services to the Poor: The Health Extension Service Program

Even if health facilities exist and are staffed, people often do not use them for a combination of reasons related to travel costs, attitudes, and unease in dealing with formal institutions. Improving health for the poor depends in part on getting services out from facilities and into rural communities. A major initiative in the past year has been the launch of the Health Extension Service program (HEP). Two Hundred Health Extension Workers have been trained and deployed in four regions on a pilot basis. Although it is too early to rigorously evaluate effectiveness, there has been an immediate impact on such outcomes as immunization and sanitation coverage in the areas served, and the program is now being scaled up nation-wide. A notable attribute of the HEP is that the workers are all women, and all come from the areas in which they serve, dramatically increasing their effectiveness in dealing with female clients and the poor, and also overcoming the problem of languages, culture incentives and retention that affect programs that depend on centrally-recruited staff being posted to remote areas.

Preliminary data¹⁶ show some notable achievements in service delivery in the past year (see also the health bloc of Table 1 above):

- Immunization coverage has reached 60%, well above the target of 55% for 2003/04;
- Contraceptive prevalence slightly exceeded the target coverage rate of 23.5%¹⁷;
- Coverage of the health system, defined as share of the population within 10 km. of a health facility, increased from 61.3% in 2002/03 to 64% in 2003/04;
- Health service utilization rate has increased tremendously, too from 0.29 visits per person in 2002/03 to 0.36 in 2003/04;
- Malaria programme implementation has also shown very encouraging signs of improvement. With improved introduction of ITN since 1998, it is now available in most regions on free distribution or on cost recovery basis. This situation will further improve with the expected supply of around 1.5 Million units before the end of this year using financial support from the Global Fund. Indoor residual insecticide spraying and nearly completed procurement of the ACT of anti-malarial drugs coupled with community mobilization for the control of malaria epidemic will continue to be on the planned targets of implementations.
- As a result of intensified training it appears that for 2003/04 SDPRP targets have been achieved for all professional categories except for the pharmacists¹⁸

¹⁶ From the Annual Review Meeting of the Health Sector Development Program

¹⁷ Note that CPR can only be measured when there is a major survey; the proxy used is Couple Years of Protection.

¹⁸ The ratios for selected health professional to population for SDPRP monitoring milestones were as follows: Doctors/Health officers 1: 27,302; Nurses 1:4,572; Technicians 1:18,344; Sanitarians 1:60,792; Frontline Health Worker 1:4,518 and Pharmacists 1: 415,590. However, all are only preliminary reports. The FMOH still has to make progress in resolving the incomplete health service data with Regional Health Bureaus before releasing its official report on these important indicators. Judged by past experiences, the FMOH expects a better picture than indicated in this preliminary report (See Annex Table 2 for details).

Note it is difficult to report on year-to-year changes in health **status**, as these can only be measured meaningfully when comprehensive (and costly) nationwide surveys are taken every 5 years or so. The strengthening of health information systems over time will allow better tracking of outcomes.

The quality of the existing health management information system (HMIS) is variable from site to site and region to region. Routine health data is collected through a variety of systems by health facility staff with a range of skills from expert to those that need strengthening. The need to revisit the HMIS system has been recognized for a long time by the federal Ministry of Health. Some regions have already started to revise their HMIS. However, a common format is needed to allow comparison of data at the national level. The Joint HMIS and M & E National Advisory Committees were recently established, and this should accelerate the implementation of the proposed reviews, studies and design of a new HMIS. In addition, the annual JRM and ARM are conducted on a regular basis to further monitor the implementation of the HSDP. The Performance Based Contracting approach started in some regions is also an important mechanism for monitoring progress toward indicators from the kebele and woreda to the regional level.

The Ethiopia Demographic and Health Survey (DHS) 2005 will provide national, population based data on key indicators which will verify Ethiopia's progress on the HSDP, MDG and PRSP indicators and will supplement data from the routine HMIS.

A number of important **policy and program achievements** were recorded in the past year:

- Completion of a Child Survival Strategy and implementation plan;
- Completion of the study **“Accelerated Expansion of Health Care in Ethiopia 2005-09”** which deals with the requirements to expand lower-level health facilities to reach full PHC care coverage by 2009, as an essential basic infrastructure on which to launch a high-impact, cost-effective and proven interventions towards achieving MDGs. The study has been published and the Program was launched by the end of November 2004 by holding broad consultation with Government bodies, National and International Donor Agencies;
- Completion of the draft Health Sector MDG Needs Assessment, which is currently under review by the MOFED and is to be incorporated in the MDG Needs Assessment Synthesis Study Report;
- The Development of the 2nd Draft on Minimum Health Service Package to be implemented at each level of health facilities;
- Completion of the National Health Accounts, and work to strengthen the Health Management Information System;
- A reproductive health strategy was drafted (see population section).

Health Expenditure. As noted in Chapter 3, there are issues and uncertainties surrounding public expenditure in the health sector. The reported level of 6.4% of total spending is below the target of 8.2%, but it is important to note that absolute spending on health has increased very substantially, by about 9.1% since 2001/02. The **proportion** has fallen in part because of very large increases in spending in other areas (notably food security, education, and roads). Secondly, the data needs to be interpreted with caution. There are very large (and increasing) amounts of money spent by donors that do not get reported to the government

accounting system. These amounts have grown substantially in recent years. Nonetheless many countries experience challenges in ensuring sufficient recurrent health financing during the early stages of decentralization, and these need to be closely monitored. It is worth noting that the Health Extension Worker program appears relatively cost-effective. The cost of HEP -including routine immunization and contraceptives- has been estimated to be about US\$ 0.7 to US\$1 per capita and could potentially contribute to 10-15% reduction in child mortality. This amount (US\$50m - US\$70m per year for the entire country) represents a relatively low proportion of current financing available to the sector.

Overview of Challenges and the Way Forward

Although good progress has been made on several fronts in the past year, health status, and delivery, remains a concern. The government's strategy remains focused on outreach-based services, tackling primary health needs, and a focus on child survival. Particular challenges are in addressing the high regional variation in basic services (E.g., Immunization and contraceptive coverage), and the high levels of maternal mortality.

A major constraint is staffing. Good progress has been made in 2003/04 in meeting staffing targets set in the SDPRP in all areas except for pharmacists, but in the long run there remain problems of adequacy, allocation, and retention of staff. The concept paper developed for training of Health Officers in the last year represents a good step forward, the importance of a wider health personnel strategy, including issues of training and deployment, is recognized. These problems are not unique to Ethiopia, but represent a major challenge in implementing the health program. A Human Resource Development Study is being carried out and is to be finalized by the end the 2004/05 fiscal years to identify how to resolve these problems.

This is the last year of phase II of the Health Sector Development Program (HSDP II). A review in September 2004 was concluded by issuing a joint statement with stakeholders focusing on endorsing the major agenda items of the review by noting the laudable progress and achievements made in the health extension program, the accelerated expansion of primary health coverage, and minimum health service package. Other notable achievements cited during the concluding session of the sixth Annual Review Meeting (ARM) were the introduction of new policies and guidelines on HIV/AIDS, ARVs and the change of Anti-malarial SP to ACT in response to drug resistance. The next step is preparation of HSDP III, which will be aimed at what is needed to approach the MDGs, and continue the thrust on primary health care. In preparing the HSDPIII government and donors will draw on the ongoing MDG costing exercise, recent Health Country Status Report, and HSDPII reviews, all of which confirm the importance of concentrating resources on a number of cost-effective high-impact interventions. The HSDPIII is to be completed by June 2005. In the coming year government will also undertake a Pharmaceutical Master Plan.

5.4. Water Supply and Sanitation

There have been some notable achievements in the sector, and the SDPRP targets for increased water coverage were met:

- The construction and rehabilitation of water supply in urban and rural areas enabled residents to improve their livelihood and avoid risks of using contaminated water sources. Access for the National Water Supply for the year 2003/04 stood at 37.9%, slightly higher than the 36.1 % target for the year;
- To achieve and ensure optimum and sustainable development of the country's water resources, integrated water resources master plan studies for two basins have been carried out in 2003/4;
- Studies and design of three projects have been carried out to enhance the development of untapped potential of hydropower generation,
- The construction and rehabilitation of meteorological stations in many parts of the country were undertaken to strengthen the early warning system, and build regional capacities in forecasting and meteorological information management;
- Training and capacity building activities have been carried out during the year at Federal, Regional, Woreda and Community levels to achieve sustainable development and utilization of water resources;
- . Currently more than 2200 trainees, who had nominated from different Woreds, are taking part on the training. Training is also extended to the communities to acquaint them with operation and maintenance of pumps and related items;
- During the year small-scale, medium and large-scale irrigation works are put operational and there are others still under construction. More than 360,000 people have been benefited from newly constructed and rehabilitated small-scale irrigation schemes¹⁹. This will bring the rate of beneficiaries at 223 % of the SDPRP target for 2003/2004;
- The Achievement in terms of medium and large-scale irrigation is lower than the target set at SDPRSP, which should, however, be compensated in the coming years,
- In terms of utilization, 98.8% of government fund was utilized. Besides, 87.8% of loan and 54.7% of grant resource have been used.

Table 1 in Chapter 1 (water section) summarizes the main outputs and outcomes for the year. More detail is provided in Annex Table 4.

Sanitation is as critical as improved water supply to improving health. During the year under review, a national sanitation strategy was prepared and presented at a workshop in the presence of regional representatives all regions for review in late 2004. At the same time progress is being made in a number of areas: for example in Ahmara and SNNP regions sanitation coverage has been increased substantially, with over 600,000 latrines constructed,

¹⁹ Due to lack of information this figure does not include the schemes constructed and rehabilitated by NGO's and the Private sector.

accompanied by hygiene education; and 'Wash' movement has started in 2004 at the national level and in two regions, which will improve hand washing practices in the country.

There remain a number of significant challenges in the water and sanitation sector:

- **Lack of standard procedures for information flow and weak M&E hampers** data gathering and analysis and sharing. Hence, national and regional efforts and resources should be coordinated and devoted on the establishment of "**Monitoring and Evaluation System**" at national and regional levels to standardize information, for reliable and regular flow of information/data as well as for monitoring and tracking implementation;
- Adequate attention needs to be given to timely operation and maintenance of water schemes: Sustaining the functioning of several water supply schemes remains to be a real challenge. The main reasons mostly given for this are (i) shortage of manpower; (ii) non-availability of materials, equipments and outdated system; (iii) lack of standardization of pumps, generators etc. that are brought by NGOs working in the water sector; (iv) lack of awareness and low investments on sanitation sub-sector; and (v) low participation of communities in the project identification, planning, construction, operation and maintenance in water supply and sanitation.

5.5. Roads

The current strategy for resource allocation to the road sector is broadly dictated by the commitment of the Government as set out in its Long-term Road Sector Development Program whose second five-year phase, Second Road Sector Development Program (RSDPII) is currently under implementation (2002-2007). Road infrastructure development has been and is being accorded highest priority given its critical role to enhance rural growth (increased productivity of agriculture) to be realized through improved delivery of agricultural inputs and connection of farmers to markets, as well as the critical inter-sectoral linkages in promoting delivery of services such as education, health, HIV/AIDS control, and improving the efficiency of public administration. Road rehabilitation and maintenance works have also been given top priority during 2003/04.

The Government realizes that the sustainability of the road sector program depends to a greater extent, on the performance of the local construction industry. This requires a new partnership between the Government and the private sector through facilitating capital/credit access, and relaxing some of the contract conditions, which are currently in place.

Main Developments in the Road Sector in 2003/04

- Total road density increased to 33.2 km of road per 1,000 sq.km exceeding the 2003/04 target of 31.5km of road per 1,000 sq. km;
- The proportion of the network in good condition has improved to 37%, from 30% at the beginning of the SDPRP period, and ahead of the target for the year;

- However the planned volume of works and expenditure both fell short of projections for 2003/04, with physical accomplishments of between 60% and 87% in different categories of construction and upgrading for reasons discussed below (see Annex Table 5 for details);
- Performance of maintenance however was satisfactory, and according to plan;
- Spending on roads was below budget owing in most part to complicated donor procedures that reduced the chance of implementing agencies executing projects at the pace they were originally envisaged;
- Most of the policy and institutional reforms aimed at reorganizing the Federal and Regional Road Authorities on a commercial basis, strengthening road maintenance system, increasing the role of the private sector in the construction industry, establishing a Road Fund have been fully implemented;
- The implementation of the reform study of Ethiopian Road Authority (ERA) is completed. As a continuation a reform study has started in two pilot Regional States (Amhara and Benshangul)²⁰, which is to be replicated to other regional states;
- The roles of ERA versus RRAs have been clearly defined. This has enabled the decentralization of decision-making by the ERA. ERA is currently decentralizing maintenance districts to the level of cost centres, to effectively maintain and administer the road network;
- With the assistance of DFID, the decentralization and commercialization study of ERA is also well underway. The DFID team is also helping ERA in Labour Based Maintenance, Equipment Management, Financial Management and Computerization;
- Measures to facilitate local contractor participation have been introduced including contracting out works, launching the study to identify the problems of the industry, and reforming the contract documents of Government financed projects as required;
- The Monitoring system for the RSDP has provided Annual Monitoring Reports that have enabled ERA and the Donor Community to draw lessons from the perspective of the investment impact and sustainability. The EU has agreed to assist the financing of the service for additional six years and currently the procurement process is underway;
- A study to analyze the Ethiopian road network using road network-based planning theories related to accessibility and connectivity has been undertaken. The effort is to develop a more coherent network;
- Road Safety and Axle Load Control: Action plans for the implementation of the recommendations on road safety and axle load control studies have been prepared with the involvement of stakeholders. ERA and Road Transport Authority (RTA) are implementing the recommendations, and proposals has been submitted to the EU to finance renovating the existing weighbridges and establish two additional weighbridge stations on the main shipping routes;
- Given increasing concern with road safety, an Interim Working Group (IWG) composed of RTA, ERA, the Road Fund, and the Federal Police Commission has been established. The IWG has started its work and is implementing a two year road safety program;

²⁰ The reform study of Amhara region is almost completed and in Benshangul Region the implementation is under way.

- Mitigation of Environmental Impact during Road Construction: Preparation of documents like the standard Environmental Methodologies and Procedures Manual and Resettlement/Rehabilitation Policy Framework are completed. The Branch also has plans to undertake EIA studies in future and incorporate social dimensions into road network planning.

Annex Table 5 provides detailed physical accomplishments during the year (2003/04). Also note during the year studies were carried out by ERA on the Poverty Impact Analysis of Selected Road Corridors; preparation of corridor development plans; and the establishment of baseline data and poverty observatories to better inform the program on the extent of the impact of road improvements on the poor along the roads. Also, under the Ethiopian Rural Transport program (ERTP), studies leading to the preparation of woreda development plans and implementation of the interventions in 8 woredas have been undertaken; as well as the studies on urban transport which would contribute significantly to addressing some elements of urban poverty.

Challenges: Improving the condition of the road network is still a challenge, especially as a huge regional network has not been receiving adequate maintenance. The condition of the road network is however improving slowly. In the year 2002 the proportion of the road network in good condition was 30% and the figure has increased to 37% in 2004. The slow change in the condition of the road network is mainly due to the slow implementation pace of many of the civil works.

Contractors suffer from a lack of relevant exposure to road construction and international construction procedures, and also have problems in coordinating and managing project activity. In addition to the shortage of skilled manpower, there are also shortages of key construction equipment and machinery in some contract projects. There is also delay in mobilizing all the necessary resources, and local contractors face serious financial and managerial limitations.

Measures Taken: A new management team has been assigned in those projects where there was a problem of site management. In addition, in almost all contractor- implemented projects it has been arranged that the three implementing agencies regularly meet at site on a monthly basis to discuss on the critical issues of the respective projects. By so doing certain improvements have taken place. Among other things, in order to improve the contract administration and management capacity of ERA, the Construction Contract Implementation Division of the Authority has been restructured and newly created vacant positions are being filled.

5.6. Private Sector Development

Private sector development was very encouraging in 2003/04, as evidenced by the strong growth in industrial value added (7%), service/ trade (7%) and construction (8%), as well as the 24.5% increase in merchandize exports. While the role of the government in creating an enabling environment is critical to private sector development, much of the response is outside of the government's direct control. Nonetheless, very substantial progress has been

made in the last year (2003/04). The following sections report on progress against the specific targets set out in the SDPRP:

Privatization: A proclamation establishing the Privatization and Public Enterprises Supervising Authority (PPESA) was gazetted on 2 August 2004. The Privatization and Public Enterprise Supervising Authority (PPESA) has already finalized and submitted the Privatization Action Plan to the Minister of Trade and Industry for adoption. The Plan includes the list of public enterprises (PEs) to be handled under the PPESA, and underlines key principles of the privatization program in Ethiopia, including (i) commitment to a market-oriented, transparent and competitive bidding process; (ii) speeding up privatization transactions by increasing capacity and by providing more discretion for sale at market offered prices; (iii) a sale process that allows the successful bidder flexibility to restructure the labor force of the enterprise; and (iv) introduction of a voluntary separation package to mitigate the social impact of possible labor restructuring.

Competition Policy: In the past year, the Government has initiated the implementation of the Trade Practices Proclamation (TPP), which contains articles against collusive behavior and abuse of market position, with training officials and preparing seminars to disseminate information, holds consultations, enhance understanding, and build support for the TPP and market competition. In addition, the members of the Competition Commission have been appointed, including two from the Chamber of Commerce and industry associations. The Ministry of Trade and Industry (MOTI) has also selected and appointed an official to head the Competition Secretariat. The challenge now will be in pursuing implementation of the proclamation.

Improving the Business Environment: A major achievement during 2003/04 has been the reduction in processing times and bottlenecks to doing business in Ethiopia. For example customs clearance times have been cut from days or weeks to a matter of hours in many cases. Similarly processes for granting business and trade licenses have been streamlined, and waiting times drastically reduced or eliminated. Access to urban land for business purposes has been made much easier (see discussion below), industrial estates have been developed, with serviced lots available to business investors for immediate start-up, and easy access to land has been provided for horticultural enterprises, resulting in a rush of new investment and employment (See Box below).

Box 3: A Promising Private Sector Story: The Opening up of Horticulture/Flower Farms

Ethiopia's high altitude, with much sunshine and cool nights, make it ideal for growing roses and various other forms of high-value horticulture. With the streamlining of procedures for business ventures, and especially the increased ease of access to land, there has been a rush of investment in horticulture in the past year. As it stands now, most of the flower farms are located in the regional state of Oromiya. The total investment capital as at end of FY 2003/04 stood at about Ethiopian Birr 2.6 billion with land area of 1787.6 hectares. Such investments are an important part of reducing poverty: these businesses provide regular incomes to large numbers of the rural poor, many of them women. They pay better than casual agricultural work, and lead to spin-off expenditures on goods and services in rural areas. In addition, the export earnings help Ethiopia close the critical foreign exchange gap. According to the National Bank of Ethiopia, a total of USD 4 million worth of foreign exchange was earned from flower/ horticulture products in 2003/04. Foreign exchange earnings from flowers during the first five months of FY 2004/05 (July 2004 to November 2004) stood at about USD 2.9 Million.

Investment Climate Assessment Study: An Investment Climate Assessment Study was undertaken which analyzes the conditions for private investment and enterprise growth in Ethiopia, drawing on the experience of local firms to pinpoint the areas where reform is most needed to improve the private sector's productivity and competitiveness (April 2004). The study confirmed that improved conditions prevail in business registration and licensing, customs clearance, telecommunication services and labour regulations. The Update also signalled deterioration in areas such as access to land, the firms' perceptions of the overall tax regime, access to credit; and utilities (electricity and water).

A critical element of the PSD agenda is implementation, and the associated institutional and efficiency aspects of public agencies that administer regulations. In this regard, the public sector reform program represents an important part of the overall strategy to strengthen the responsiveness and delivery of business services. For practical example of the progress made in the last year, see Box 5 in the section on capacity-building and civil service reform, that describes the streamlining of business and trade licensing processes in the Ministry of Trade and Industry, the Ethiopian Investment Commission, and the Ethiopian Customs Authority.

Trade and WTO Accession: The Government has prepared a Road Map for WTO accession and organized a workshop for government officials and private sector representatives in September 2004. It was well attended and found useful by the Government. The Memorandum on the Foreign Trade Regime has been reviewed by external experts and found to be ready for consideration by WTO member states. Submission of the Memorandum to the WTO has been included as a planned SDPRP target for the year 2004/5. In addition, reforms are underway in customs administration. (See Box 5 in section on civil service reform), and a Diagnostic Trade Integration Study were completed in the year under review.

Urban Land: A draft compensation law has been prepared, to ensure fair compensation and strengthen property rights²¹. A revised urban Land Lease Regulation was adopted in Addis, and a draft prototype for Regional Urban Land Lease regulations is being finalized. An implementation program and project office is in place, and in the coming year the regulations will be issued in between 2 to 4 regions.

Banking and Financial Sector Reform: As noted in the section on financial sector performance, there have been big improvements in the market share of private banks; in the decline in non-performing loans, and access to credit by small businessmen and farmers, as indicated by the 26% increase in clients served by MFIs during the last year. There has also been much progress on the studies and action plans developed in previous years. The status of actions taken in the last year or planned/ expected to be completed successfully by the end of EFY 1997 (2004/05) include the following:

²¹ Following a review of the Urban Federal Land Lease Law (originally scheduled in last year's SDPRP matrix) it was determined that revision of the law was not required, but that the existing law need to be supplemented by compensation law and regional-level urban land lease regulations.

- The draft Micro-Finance Strategy and action plan has been completed (described in the section on rural finance in 5.1);
- Satisfactory implementation of the CBE restructuring plan: indications are that there has been progress in the implementation of the restructuring plan, with NPLs being reduced to 35.4%;
- Develop adequate loan and deposit pricing system for public sector banks: CBE is developing these systems with Technical Assistance (TA) from the Bank of Scotland;
- Mechanisms to upgrade the know-how and technology of private banks (e.g. from foreign sources, matching grants, twinning arrangements, management contracts, etc) are under consideration;
- As part of the civil service reform program, complete the on-going business process re-engineering (BPR) at the Development Bank of Ethiopia (DBE) and on the basis of the outcomes prepare an action plan and start implementation;
- Strengthening CBE's retail lending operations for the rural sector and CBE's on lending operations for the MFIs;
- Strengthening the regulatory and supervisory capacity of NBE for MFIs;
- Finalize the study on excess liquidity problem of the banking system, and development of an action plan to address it; and;
- Setting up of National Payment Council.

Finally, the efforts of the NBE have resulted in the design of a credit information system proceeding well ahead of schedule. The system is fully operational and is being actively used by the financial institutions in their loan analysis process. Another area where good progress was made was concerns the initiative to allow foreign exchange accounts for non-resident Ethiopians in the Diaspora.

Telecommunications: Encouraging developments have taken place during the last two years in the Telecom Sector in terms of network expansion, reduced pricing for international calls, and corporate reform. In terms of network expansion, the Ethiopian Telecommunication Corporation (ETC) has initiated the rollout of the "School Net" and "Woreda Net" networks. This has resulted in the increase of total teledensity from 0.6 lines per 100 inhabitants in 2002 to 0.95 lines per 100 inhabitants in 2004. Current ETC expansion plan aims at raising telecom density to 1.7 per 100 inhabitants in 2005.

Recognizing the central importance of improved telecommunications in facilitating business development to create incomes, and in delivering services, the government has also issued a telecommunications sector policy statement during 2003/04 outlining its vision for the telecommunication sector. The main element of the policy statement include expansion targets that would increase fixed line capacity by 100,000 subscribers annually, and mobile by 300,000 annually, to reach a coverage of 4 to 5% (from 1% today), bringing Ethiopia up to the African average of telecommunications coverage, as well as the beginnings of a strategy to attract private financing into the sector.

VI. Developments in Cross-Cutting Issues

6.1. Capacity Building

Capacity building is one of the four pillars upon which the SDPRP and hence Ethiopia's MDGs rests. It is considered to be critical to ensure rapid, broad-based and sustainable growth and poverty reduction as well as deepen the democratization process in the context of Ethiopia. The National Capacity Building Strategy/Program developed in 1998 has been refined and augmented over time. A major step in the past year was the formulation of a Sector-Wide Approach to the Public Sector Capacity Building Program, with its harmonized financing and monitoring system. Fourteen sub-programs (falling across various institutions and sectors) are on-going under the umbrella of the National Capacity Building Program. Developments in the past year (2003/04) in the various aspects of the Program: **Improved Democratic Governance, Justice System Reform, and Decentralization** are briefly outlined below. Developments in the other dimensions of the **Capacity Building Program** are addressed in relevant sector sections (education, agriculture, health, tax reform, public expenditure management).

Improved Democratic Governance: All targets related to in the SDPRP matrix for 2003/04 have been met, and targets for 2004/05 are likely to be reached:

- **Improved Law Making:** The consultation process of parliament with stakeholders in preparation of new laws is in place, and strengthening is ongoing. This year, for instance, consultations on the budget took place. Consultation mechanisms include use of media including TV and radio to reach out to the population, as well as targeted consultations with, for instance, the private sector in matters relating to that group (see Box 4);
- **Human Rights:** The names of the Commissioner for Human Rights and of the Ombudsman were announced in June 2004. The focus now is on institutional establishment. This includes, among other things, appropriate staffing, secured funding, and establishing a work program;
- **Elections:** The National Electoral Board is continuing to make preparations for the elections. A timetable leading up to the elections has been established. Preparations to date include civic and voter education material, manuals for officials etc;
- **Transparency and Judicial Independence:** Names and qualifications of approved judges have been publicly announced;
- **Women's Empowerment:** Preparation of the National Action Plan (NAP) on gender is under way (see also the section on gender);

Box 4: Increasing Openness and Consultation: The Public Debate on Education Policy

The process of increased consultation, and creating an atmosphere of open debate, is one that has evolved markedly in the past few years. This does not take place only, or even mostly, through the formal SDPRP process, but manifests itself in a range of developments in Ethiopian society. A notable example in the past year has been the holding of a series of national-level debates on the future of education policy, involving both government and the opposition parties. The debates were nationally televised and widely reported in the press, and were followed with great interest by the public at large. Such a process marks a significant movement in the evolution of consultation and discussion of public policies.

Justice System Reform: A number of reform actions were planned to be undertaken during 2003/04 by way of improving the justice system that form part of the SDPRP matrix. Developments in these areas include:

- A final consolidated Baseline study Report covering all pertinent institutions of the justice system (federal and regional law making bodies, Courts and police, prosecution service higher education institutions providing legal training, and civil society organizations, was produced);
- The National Court Administration Reform Program has been already implemented at the Federal Supreme Court Level. The findings (lessons drawn) and reform initiatives at federal level are to be replicated to 78 regional courts at different levels;
- The judicial training centre has been established, equipment and facilities produced, and the Centre has started training federal and regional judges and prosecutors;
- Short and long-term training given to judges, prosecutors and members of police. In terms of short-term training, various professional training was given for about 300 federal and regional prosecutors. Computer training was given for support staffs. About 60 police officers drawn from federal and regions are taking training on forensic laboratory service. Professional training was given for Higher and middle experts on penitentiary administration service. In terms of Long-term training, about 40 judges, prosecutors, police officers drawn from Federal and Regions are taking law program in Graduate (master) level. 71 police officers are taking training in undergraduate and graduate program in law;
- The study on justice system and working manual of law enforcement organs was conducted;
- The justice sector capacity building program was prepared.

Substantial progress has been made on the **procurement reform actions in the SDPRP matrix**. The status of implementation is summarized below:

- *Procurement Law and Regional Procurement Proclamations.* The Procurement Law has been cleared by the council of Ministers and submitted to Parliament for approval. In accordance with the code, the Procurement Regulatory body will operate as an independent Agency and have full autonomy in performing its day-to-day activities. In addition, a model law has been prepared and is to be adopted

by the four major regions prior to the end of the EFY 1997 and by all Regions during EFY 1998;

- **Procurement Directives at Federal and Regional Level:** development of directives at federal level has been started and will be finalized and implemented immediately upon enactment of the law. Procurement directives will be prepared and adopted in four regions during EFY 1997 and in all regions in EFY 1998;
- **Creation of Tender Committees and Procurement Units at Federal level:** The Government has already created tender committees and procurement units in all the Federal ministries, and a number of workshops held to train members of the Procurement Committees and Units;
- **Transformation of the Procurement Department in the MOFED to a Regulatory Body:** Procurement functions have been decentralized at federal level and the old central procurement Department has stopped prior-review of procurement decisions as of July 2004. Preparatory work is ongoing for the development of organizational structure of the regulatory body that will be established.

Decentralization: Progress has been made on a number of important issues, the most notable being preparation of a draft Fiscal Decentralization Strategy (October 2004) that provides a clear articulation of the objectives and goals of fiscal decentralization, the fiscal instruments that the Government is employing, and some of the forward-looking challenges associated with creating an accountable local government tier in urban and rural areas. In addition, establishment of a legal framework was effected for functional assignments in *woredas*, and improvement of the formulas governing federal-regional and regional-woreda financial transfers.

The **Fiscal Decentralization Strategy** includes (i) an update of the federal-regional fiscal framework including a reiteration of the role of the regional subsidy vis-à-vis other transfers (such as PSCAP and food security); and (ii) an update on regional-local fiscal relations including the role and management of the consolidated woreda block grant as well as municipal finance legislation. The FDS also stresses the importance of creating a unified, modern public financial management system to manage the risks associated with rapid fiscal decentralization. It lays out a balance between transfers and own revenue mobilization, a forward-looking agenda for capital funding, approach to addressing the transitional costs of decentralization, and the links to medium-term planning and financial management. These aspects will help it to serve as a guide for federal, regional, and local finance officials to make better choices in utilizing the existing and new fiscal instruments to further the SDPRP objectives of improved service delivery and empowerment. The Federal Government now intends to discuss broadly with BOFEDs, and other local officials, as well as relevant sectoral institutions and donors, the implications of the strategy and implementation modalities.

The following is the status of other key actions planned for the past year (2003/04):

Preparation of work plan for the review of district functional assignments: Generic TOR has been prepared. Meanwhile the reforming Regional States are undertaking preparation work for refining, consolidating, and developing laws and regulations pertaining to functional assignments.

A study on human resource plan and training needs assessment and perpetration of HRD guidelines for *woredas*: consultants have been contracted, an inception report prepared, and field visits were carried out in 12 *woredas*. The preliminary report provides basic information on systems, gaps of manpower, and training needs at *woredas*. The task would be completed with in the next two months.

Preparation of grass-root participation framework for informed decision-making, holding accessibility, and disclosure: The manual was distributed to the Regional States for feedback and consultation before the end of 2004.

Development of proto-type district level decentralization strategy: Background works are underway to a full-fledged assessment of capacity building and decentralization and this would lead to the design of strategy. The existing Region-woreda fiscal transfer processes have been made transparent as part of the overall fiscal decentralization strategy.

Adoptions of updated region-*wereda* transfer system: This has been postponed owing to the revision of plan. Reviews and improvements will be made, at first, based on assessment of the existing region-woreda fiscal transfer practices.

It is too early to fully assess what the impact of woreda-level decentralization has been on outcomes or empowerment, but the preliminary assessment is that many of the early difficulties associated with the transition, and with expenditure reporting, are being overcome. In addition, the fruits of decentralization are beginning to be seen in increased empowerment of communities and the establishment of local institutions that can be strengthened and scaled-up.

However the major decentralization initiative of the last two years continues to bring challenges: particularly in relation to capacity at the woreda level, and continuing need to sort out financing arrangements. There remain issues in relation to the restructuring efforts in *woredas* and municipalities, ensuring that the municipal finance regulations are adopted by the Regions and help outsourcing service delivery in municipalities.

Urban Government Decentralization and Reform: A large number of developments took place in the past year in the rapidly-evolving area of municipal governments – which were established with increased autonomy major part of the decentralization effort at the same time as woreda decentralization took place. The developments and progress against each SDPRP matrix indicator are reported in depth in Annex 8, but main achievements includes:

- Completing the legal and institutional framework for municipalities in the four main regions
- Establishment of institutional structures, developing conditions of service, and recruitment of key staff;
- Mayors and councils have been put in place, and extensive training conducted of mayors, councilors, and staff;
- Regulations for urban land lease, and personnel regulations, have been put in place, and prototype financial management legislation has been developed and;
- Each region has developed prototype service delivery manuals for selected services.

Annex 8 provides a more in-depth discussion of outstanding challenges and plans for the coming year.

Improved Service Delivery: The Public Service Delivery Improvement Policy (PSIP) was adopted by the Council of Ministers in 2001. Federal Civil Service institutions have started implementing the policy and this is also being rolled out to regional states. Most federal civil service reform offices have established Customer Services and Complaints Handling units and have finalized the preparation of service standards. The significance of the PSIP as a civil service wide performance management system (including, the focus on self-scrutiny for attitudinal change, business process reengineering and restructuring); has been recognized by the Government of Ethiopia as critical to addressing implementation bottlenecks.

Five key federal ministries (the Ministry of Finance and Economic Development, the Ministry of Trade and Industry, the Ministry of Revenue, Ministry of Infrastructure, and the Ministry of Agriculture and Rural Development) together with their affiliated agencies have been selected to undertake service improvement measures on critical service areas to bring about immediate results (See Box 5 below).

A challenge to moving forward will be to encourage the uptake of the PSIP facility by Ministries, Authorities, and Bureaus (MABs), and the involvement of some of the larger Ministries, and the integration of institutional reforms other than BPR into the PSIP framework, such as functional reviews, human resource reforms, and linkages with the planning and budgeting system, all of which constitute important elements of the Government's Civil Service Reform Program.

Box 5: Improved service Delivery: Making Public Institutions Transparent, Efficient and Effective

The experiences of the Ministry of Trade and Industry (MOTI), the Ethiopian Investment Commission, and the Ethiopian Custom Authority are instructive examples of how institutions can be transformed to be more responsive, efficient and effective. By way of highlighting the major achievements of the implementation of the **Civil Service Reform Program**, the following are worth noting:

The Ethiopian Investment Commission: It used to take 18 steps and 25 days on average for an individual business person to secure an investment licence, where as now after the conduct of Business Process Reengineering (BPR) by the Commission it only takes an individual 4 steps and 2 days to get his/her investment license. The same service used to take 39 steps and 108 days for a company where as now (after BPR) it only takes 4 steps and 2 days. Securing main registration certificates used to take 18 steps and 28 days for an individual businessperson before the BPR where as now it only takes 4 steps and 2 days. The same service used to take 39 steps and 96 days for a company, whereas now it takes the steps and time as the individual business to secure registration certificates.

The Ministry of Trade and Industry (MOTI): It used to take 14 working steps (processes) and two and a half days to secure a trade licence for an individual business person where as now (after the Ministry conducted BPR), it now only takes a business person 6 work steps and 34 minutes to get a trade license. This same service used to take a company 26 working steps and 35 days. After the conduct of the BPR, it only takes the same work steps and time as an individual business (6 work steps and 34 minutes, respectively).

The Ethiopian Custom Authority: Securing loading permits from Djibouti used to take 43 work steps (processes) and 2 days where as after the Authority has been re-organized and undertook BPR, it only takes 6 steps 15 minutes to get the service. Checking and fixing a container with a customer seal used to take 8 steps and two days before the BPR, whereas now it only takes 3 steps and 40 minutes to get the same service.

Declaration acceptance, approval, examination, release of exported items and distribution of declaration used to take 8 steps and 2 to 15 days, where as now it only takes three steps and 26 minutes to get same service for a business entity (Annex Table 6 for details of service delivery improvement for the three institutions).

6.2. Gender

Gender is extremely important in affecting poverty status in Ethiopia. Rights such as access to land, credit, and other productive resources are difficult for women to attain. They also experience multiple forms of other deprivations, such as longer working days, women-specific ill health, and low levels of education relative to men. Furthermore violence and discrimination against women is still widespread in the country.

The SRDPRP places a strong emphasis on the importance of gender equality for development and poverty reduction. The government has moved decisively to advance the agenda on gender dimensions of poverty in the past year, and a significant number of initiatives are underway, including preparation of the National Action Plan on Gender (which is a target in the SDPRP matrix), as well as a Gender Budget Analysis. A next step is to strengthen gender-disaggregated data reporting, in order to better inform policy (see more detailed discussion in the M&E system section of this APR).

The National Action Plan (NAP) is intended to provide an implementation instrument to mainstream gender into policies and programs for more gender equitable poverty reduction outcomes. Specific elements include:

- (i) To mainstream and articulate gender concerns on broad policy processes including the SDPRP, MDGs, and budget processes;
- (ii) To strengthen gender analysis and overall gender sensitivity of the SDPRP monitoring and evaluation system (including the core indicators and data collection systems);
- (iii) To assess the capacity of the Women Affairs Office (WAO) institutional structures and functioning, and identify entry points /activities for enhancing gender mainstreaming across government policies and programs.

A concept note was approved following discussion with the Prime Minister, funding was secured, and work is now underway. A draft situation analysis has recently been completed and is being circulated to stakeholders. A framework for consulting with stakeholders at the woreda, regional, and national level is also being developed. In the coming year, it is expected that the NAP will be approved by Cabinet, funding secured, and implementation begun.

In addition, as noted specific steps to review and strengthen gender dimensions of data collection and analysis will be undertaken. For example, asking questions such as how is consumption (and poverty) distributed within households between men and women; to what extent women benefit from extension or irrigation, or analysis of the budget to estimate what the distribution of the benefits of public spending is by gender.

The SDPRP states the government will emphasise gender equality in the process of decentralisation and empowerment, and will take measures to reduce violence against women including enactment of protective legislation. Among other areas, progress has been made in the past year in the adoption of a new Penal Code, which contains stronger measures

in support of women's rights. In addition, the pursuit of the health extension worker program (see health section) is part of an effort to reduce the very high number of maternal deaths, which constitute a major element of gender-based poverty in Ethiopia.

The Gender Budget Analysis (GBA) is another important initiative by government. It is a means to analyze the impact of public expenditure on both women and men as beneficiaries and users of public services; and to enable government to address gender concerns in the budgetary process. It is, therefore, a potentially important analytical tool whose results are expected to feed into both the NAP and the SDPRPII.

6.3. HIV/AIDS

Significant progress has been made in the major task of initiating the National Biological survey, which will provide the essential data needed to refine Ethiopia's AIDS strategy. The survey will be completed in the coming year, and results available in early 2006. In addition, HIV/AIDS Prevention and Control Office (HAPCO) prepared, published and disseminated a comprehensive HIV/AIDS Monitoring and Evaluation (M&E) framework in 2004 and finalized the preparation of Monitoring and Evaluation Operational Manual. It will be fully practical by the coming year and is expected to be a tool for unified monitoring and evaluation system.

During the past year HAPCO also issued the communication Framework Guideline which outlines how to communicate with different target groups about HIV/AIDS information, knowledge and issues; as well as a behavioural surveillance survey (BSS) report, a nationwide study on the sexual behaviour of different target groups, the first of its kind, which is essential to the design of HIV/AIDS projects/programs. The report showed awareness level is more than 90% while behavioural change is low. In addition, the National HIV/AIDS Partnership Forum was established to effecting the sub forums. The Forum includes government offices, faith based organizations, NGOs, private organizations, employers federation, trade unions, mass media, associations of youth, women and donors, etc. And helps in avoiding duplication of efforts, effective utilization of manpower and other resources, share experiences among partners and to prepare a unified plan.

There is also a substantial amount-taking place in relation to supporting orphans and vulnerable children, reported in the section on food security and safety nets later in this report.

The fifth 'Aids in Ethiopia' report that was issued in September 2004 indicated that the national adult prevalence rate is estimated at 4.4% (urban 12.6% and rural 2.6%). There is a major reduction from the previous report. Some major factors accounted for the variation include; the significant increase in the number of rural surveillance sites, change of the software used (from EPI model to EPP) the impact of various intervention programs etc.

Notable results for the year include:

- ***HIV Prevalence among 15 - 24 pregnant women:*** The planned target of 11% has been met and planned targets 10% and 9% for 2004/05 and 2005/06 respectively can be achieved.
- ***HIV Positive pregnant women from ANC receiving complete course of ARV:*** 35% HIV positive pregnant women received complete course of ARV, which is more than the 20% planned target for 2003/04.
- ***The number of people with advanced HIV infection receiving ARV treatment:*** 9000 people or 3% of people with advanced HIV infection received ARV treatment, which is lower than the 4% target for 2003/04. Major activities are under way to scale up the program of free access of the treatment for all needy cases.
- ***Number of Orphans and Vulnerable Children Receiving Support:*** 80,000 OVC are provided with care & support services in the form of food, clothing, school fee, counselling etc
- ***The Revised Strategic Framework:*** The framework is updated and is already in use.

Targets were mostly met in condom distribution and establishing PMCT and VCT (Voluntary Counselling and Testing) Centers, and strengthening blood banks.

The number of people demanding for VCT and voluntarily testing is steadily growing. More and more people are openly disclosing their sero-status, which is a very positive trend. The increasing demand for VCT and care and support services is causing pressure on the health service system.

The issue of Orphans and vulnerable children (OVC) is an increasing area of concern. OVC programming has been fragmented among many actors. However, a number of initiatives are currently underway, to improve the coverage and quality of services. These include;

- HAPCO is currently developing a Comprehensive Home Based Care and Support Guideline, which address the needs of PLWHA and OVC;
- The Ministry of Labour and social Affairs is in the process of forming the National OVC Taskforce. The priority action of the taskforce will be to develop a draft National Action Plan to be used by a wide range of implementing partners;
- A rapid assessment of orphans and vulnerable children has been completed in 2004, and will serve as an input for the development of the Action Plan.

Major challenges:

- Financial disbursement and utilization is still below targets, due to low implementation capacities at all level;
- Poor networking between coordinating offices, donors and implementing partners has made it difficult to exchange information, created duplication of efforts and wastage of resources;
- Care and support services are usually focused on free handouts and do not yet include sustainable IGA schemes.

Way forward:

- (i) Better and sustained organizational structure and salary scale;
- (ii) Improved coordination and networks between coordinating offices, implementing partners and donors at all level.
- (iii) Community empowerment and strengthening **CBOs** such as *Idirs and Mahibers* for sustained Care and support services to reduce dependency on external resources.

6.4. Population

Rapid population growth remains a major barrier to poverty reduction. The addition of about 2 million persons per year puts tremendous strains on Ethiopia's resource base, the economy, and the ability to deliver services. It is much more difficult to make progress in creating sufficient employment, or in raising agricultural productivity enough to keep up with food needs, with this continuing massive additional number of people. A recent World Bank report, for example, estimated that over a third of the massive cost of reaching the MDGs in education was accounted for by expected population growth. Furthermore reducing the number of pregnancies has a tremendous impact on women and children's health, and is one of the most cost-effective health interventions open to government.

However it is possible to make inroads at low cost, and there is demonstrated demand for lower growth and smaller family sizes. The 2000 DHS for example showed that the average desired family size was at least one less than actual current family size; and remarkable declines in fertility have already taken place in urban areas - especially in Addis, where fertility has fallen fairly rapidly to a remarkable 2.0 (births per woman), as opposed to a national average of 6.0

There has been some notable progress in last year, with the CPR (contraceptive prevalence rate) reportedly rising to 23.5 % from 18.7% in 2000/01 and is supported by a recent limited survey. A major step forward in the future will be introduction of female health extension workers, who can interact with women at the village level. This is critically important, since experience worldwide has shown that male workers, and those of a higher social status, are often not effective at supporting family planning interventions.

The institutionalization of the program at the grass root level will also greatly assist the provision of the service and addressing the unmet demand.

In addition, a reproductive health strategy was drafted and a process initiated for the Regional Health Bureaus' review. The Ministry of Health has also begun work on a contraceptive security plan, including a national logistics system.

6.5. Environment

All the planned actions and targets for EFY 1996 (2003/04) have been accomplished. EPA has developed guidelines on environmental impact assessment (EIA) for agriculture, industry, mining, and roads; social impact assessment and resettlement guidelines; and pesticide, fertilizer, and industrial audit guidelines. It also conducted 20 industrial audits.

EPA assisted all regions to establish environmental protection units. It also assisted two regions – Amhara and Oromiya – develop regional environmental laws. Finally, EPA conducted national workshops on the implementation of EIA and pollution guidelines. It also prepared and disseminated environmental awareness materials to the general public.

The EPA in collaboration with Department for International Development (DfID) and the World Bank conducted a Country Environmental Assessment (CEA) in 2003/04. The CEA identified a number of measures to strengthen institutional capacity for sustainable natural resource management. Building on the findings, the government has taken many steps, including enacting the environmental proclamation, and implementation guidelines and standards at the federal level on environmental protection institutions, as well as the measures mentioned above in relation to EIA and pollution control guidelines.

In the coming year (2004/05):

- Regional environmental laws will be adopted in Tigray; two more regional/councils will develop them in the following year (i.e. SNNP and Dire Dawa).
- A review will be undertaken of progress on the establishment of environmental units in line ministries to facilitate mainstreaming of environmental management and agree on follow up actions;
- The use of natural resource accounting will be piloted in a sector to be determined.

VII. Monitoring and Evaluation of SDPRP Implementation

There have been clear improvements in the Monitoring and Evaluation (M&E) outputs based on annual secondary data made available from the various sectoral monitoring and evaluation systems of poverty-oriented institutions such as agriculture and food security (water harvesting and irrigation), education, health and HIV/AIDS, roads, water supply and sanitation, and public expenditure outcomes. However, the results are mostly on inputs and outputs, and the challenge, as in most M&E systems, is to slowly improve information on **outcomes**, which are much more difficult, and expensive, to measure as these are normally generated based on primary data collected every 3 to 5 years.

The most notable development during the year under consideration (2003/04) has been the formulation and adoption of the Monitoring and Evaluation (M&E) Action Plan covering the five year period 2004/05 to 2008/09. This Action Plan is a continuation of the Welfare Monitoring System Program that has been jointly implemented by the Welfare Monitoring Unit (WMU) of the MOFED and the Central Statistical Authority (CSA) since 1996. The M&E Action Plan is designed to: (i) monitor input and process indicators across levels of government (e.g. public expenditure, adoption of reforms) as a measure of implementation; (ii) monitor output indicators (e.g. education, health, infrastructure) at various levels of aggregation (household, woreda, national) as a measure of institutional efficiency; (iii) monitor developmental outcomes and final objectives to track overall progress; (iv) relate performance to indicators of reform processes for decentralization and capacity building to provide information on the effectiveness of the reform process in improving outcomes; and, (v) evaluate impact to determine the effectiveness of key government policies and programs in reaching desired objectives.

Implementation status of the M&E Action Plan includes the following aspects:

- The Action Plan was presented to donors and civil society in the May 2004 workshop;
- Subsequently a Memorandum of Understanding (MOU) has been signed between MoFED and donors for support to the implementation of the M&E Action Plan (USD\$8.5 million) for the period indicated above;
- Both the CSA and WMU have started preparations for the development of data/information management and dissemination systems;
- Hiring of additional staff for strengthening the WMU is well in progress;
- Establishment of a regular consultative process with donors and civil society including a series of M&E workshops.

Progress on Other Dimensions of the M&E Initiatives

The WMU of MOFED and the CSA have jointly articulated quite a number of surveys and analytical works in the M&E Action Plan to be implemented during the coming five years. These surveys and studies are meant to inform the formulation of Ethiopia's second PRSP (SDPRP II), inform implementation of Ethiopia's MDGs, as well as inform subsequent annual progress reports of SDPRP implementation. Full-scale implementation of the Action

Plan will help strengthen the overall M&E systems in the context of implementing the MDGs.

Ethiopia's 2004/05 Household Income, Consumption and Expenditure (HICE) and Welfare Monitoring (WM) Surveys: These twin surveys are conducted by the CSA. The field work for the Welfare Monitoring component and first round HICE Survey was completed in July-August 2004. The Final Report on the Welfare Monitoring component of the 2004/05 Survey has been already issued by the CSA. The Second Round HICE Survey was conducted during January-February 2005 and data compilation and consolidation has been under way since then. The data sets for WM & HICE surveys will soon be submitted to the WMU of MOFED for in-depth analysis and there by feed in to the upcoming SDPRPII.

Ethiopia's 2004/05 Participatory Poverty Assessment (PPA) Study: The 2004/05 PPA Study was successfully undertaken by the WMU of MOFED in collaboration with the CSA. The 2004/05 Draft PPA Report is ready and the key outcomes of the study are expected to inform the formulation of Ethiopia's second PRSP (SDPRPII). A team of local consultants have been contracted in the conduct of the PPA field operation. These were professionals to conduct research in each of the selected PPA research sites. The overall PPA study was technically supervised and managed by two lead PPA consultants (one foreign and another local). The PPA Field Operation manual has been produced to guide the overall PPA undertaking.

The Ethiopian Socio-economic Database: The CSA will develop an integrated electronic database of all available survey data, and other data, and all relevant documentation in an appropriate format, both for internal purposes within the CSA as for other government departments and all other stakeholders.

Poverty Map: To start with, the feasibility and the value added of this technique will be assessed in a participatory manner before embarking on the design and implementation phase of this new technique. Based on the latest (2004/05) HICE Survey data sets and the results of the upcoming (2006/07) Population and Housing Census, the WMU in collaboration with the CSA and other stakeholders to be identified will construct a **poverty map** of Ethiopia to enable project poverty estimates at least at woreda level. Preparation for this undertaking is due to start during 2005/06.

An Integrated Administrative Management Information System will be established, combining administrative, budgetary and socio-economic data to monitor progress in SDPRP and other purposes.

Civil Society Participation in M&E: The Christian Relief Development Association (CRDA) as an umbrella focal point in the formulation of the SDPRP and subsequent monitoring and evaluation of its implementation has brought together a range of civil society representatives to assess the quality of public service delivery and discuss how NGOs/ CSOs could further strengthen their engagement with the Government for the implementation of the SDPRP and hence MDGs.

However, it is worth noting the three major challenges that may still remain: (i) better integrating the wealth of routine data already generated by various federal institutions and their regional counterparts/branches into the common monitoring and evaluation system so that the outcomes of the M&E systems (results) are equally known among each actor and can be fed into policy discussions; (ii) better dissemination of the findings of M&E so that they feed into the thinking of senior policy-makers; and (iii) greater gender desegregation of data, and effective use of that data for planning and policy analysis.

The use of routine administrative data and their better dissemination: This is also part of the M&E Action Plan. Regarding the **production and usage of gender-disaggregated data**, the M&E system through both federal line ministries and the CSA already produces a significant amount of gender-disaggregated data. To more fully assess differences between men and women, CSA and WMU will also explore means to produce data on intra-household differences to complement existing data (time-use surveys might be one example). Linked to this is the need for stronger gender analysis of data to ensure that findings are fed into SDPRP programming with the aim of enhanced gender sensitivity. Discussion undertaken with CSA and MOFED recently has yielded a common understanding and agreement on the need for future work in this area.

Recommendation on the Review of the SDPRP Policy Matrix: Another development worth noting in the context of implementing the M&E Action Plan is the recommendations for fine-tuning and strengthening the indicators systems of the existing SDPRP Policy matrix. The review of the existing SDPRP Policy Matrix has already commenced by hiring consultants. The consultants will conduct the review process by holding discussions with officials of relevant ministries and the M&E Technical Team of the Development Assistance Group (DAG). New set of indicators may be introduced and old ones dropped following the review process. The indicators will be assessed primarily against measurability and feasibility (availability of data).

Discussion on survey plans/questionnaires to render data more user-oriented: The CSA held a stakeholder workshop on its survey instruments and, as a result, have strengthened survey instrument to further capture gender dimension, HIV/AIDS, asset building to reduce vulnerability, and particularly with respect to basic data on the income dimensions of poverty.

Box 6: Progress with the Implementation of the M&E Action Plan

As part of the implementation of the M&E Action Plan (jointly initiated by the WMU of MOFED and the CSA), a number of activities/initiatives are well underway. This APR highlights developments within the CSA, which will be useful to facilitate analysis work on poverty/welfare by the WMU of MOFED. This will be particularly important in the context of the preparatory groundwork for the conduct of the analysis of the 2004/05-based HICE and WM survey data sets.

There has been perceptible progress with regard to CSA's data storage and dissemination strategy. Recognizing the crucial need for easy access to timely monitor developments in SDPRP and MDGs targets, the CSA has been progressively working on how to produce and disseminate timely and reliable statistical information in a user friendly manner using state-of-the-art ICT facilities such as Internet, recognized database, electronic dissemination methods, etc. The broad areas of activities in this area include the following:

Establishing the Local Area Network: In order to facilitate the information and resource sharing among professionals of the Authority, CSA has established a reliable LAN system. Moreover, a twenty-four hour dedicated leased Internet line is also configured on the LAN get access to the Internet service.

Strengthening skills in electronic data dissemination: The CSA has been disseminating data and results mainly through hard copy publications. An electronic format has increasingly become the most suitable form of information dissemination. Thus, a method of producing survey data, survey results and all necessary documents using SDAP was put in place and training was given for professionals from data processing and subject matter departments.

Preparatory work for the CSA web site: So far, activities on developing the site map, preparation of the necessary documents to be posted in the web (web content), preparation of the terms of reference for web developers, and the work on announcing web development bidders are completed. Developing the web site will begin as soon as the bid process is finalized.

Activities related to *Wereda* Net: to make an effective use of the infrastructure of the *Wereda* Net, CSA is working very closely with the Ethiopian Information Communication Development Authority (EICDA). The plan is to use this infrastructure to collect and analyze administrative records. The activities that need to be undertaken include identification of administrative record information listed on the medium term statistical program, identifying the existence of this information in the various federal, regional and *wereda* offices, prioritizing the type of administrative record information to be addressed this year and over the next five years, and finally preparing definition and data collection formats. For this, a task force is already set up at the CSA.

Preparatory activities on establishing the Central Data Bank and data management system: As a take-off activity, a consultant has made an assessment of the existing situation and the way forward with respect to the establishment of the Central Data Bank, data management system and an integrated data dissemination system. This assessment was carried out in December 2004.

Strengthening CSA with the necessary ICT equipment: The CSA is in the process of finalizing the purchase of high capacity computers, scanners, CD duplicators, Labelling machines, etc.

VIII. Challenges and the Way Forward

As discussed earlier, the Government has embarked on an aggressive program to accelerate progress as rapidly as possible – including a big push on education to create human capacity, expanding infrastructure as rapidly as financing and capacity will allow, opening the economy, building institutions, and decentralizing government. At the same time, the government is trying to manage this in the context of continuing food security pressures, and a volatile external and regional environment. Major challenges and the way forward are outlined as follows:

- a) Rapid and sustained growth is central for Ethiopia's effort to eradicate poverty. The on-going efforts at transforming agriculture have to be strengthened and continued. This has to be complemented by the current programme of exports and industrial expansion, on-going infrastructure expansion programmes (road, energy and telecommunication), human development (education, health, HIV/AIDS) and water are critical inputs that require continued progress to realize sustained growth.
- b) The agenda of the **New Coalition for Food Security** aims to transform Ethiopia away from reliance on food aid to a more sustained combination of productive solutions to food insecurity. In this regard, the significant achievement in 2003/04 has been the development of the **Productive Safety Nets Program**. A major challenge is going to be rolling the program out in one step to all 5 million potential beneficiaries, and work is well underway to develop contingency plans and measures to support implementation and address challenges as they arise. Although the Government has allocated increased budget, the level of budgetary support for the **New Coalition for Food Security** remains lower than expected and further dialogue is needed with our development partners to follow up on their commitments to support the Program.
- c) Continue with the on-going efforts aimed at tackling weak capacity and **implementation bottlenecks**. Efforts in this area include building adequate administrative capacity at the decentralized level (particularly *woreda* level), highly focused reform in the area of institutions, and increased attention to the mobilization of resources. Continued implementation of the on-going capacity building program which include the Government's ongoing effort to enhance the efficiency of the civil service by introducing sets of reforms and enacting fiscal and administrative decentralization that improve public resources use, accountability and efficient delivery of basic services that are vital for the socio-economic transformation of the country;
- d) The need for further strengthening the Monitoring and Evaluation (M&E) system of SDPRP and hence MDGs implementation through better integration of administrative and survey/census-based information into the common monitoring system (Welfare Monitoring System) and thereby ensure that the outcomes of the M&E system are made available to stakeholders at all levels of government including *woredas*. The M&E Action Plan already being jointly implemented by the CSA and the WMU of

MOFED is aimed at addressing this very agenda during the coming four years (2004/05-2007/08).

- e) There is also a need for further dialogue /discussion with our development partners in the context of **scaling up** and **improved predictability of external finance**. The Government has already taken a longer-term view in its poverty-reduction endeavour in line with the Global Plan and is currently in the process of finalizing its MDGs Needs Assessment process aimed at identifying in a comprehensive manner specific sectoral interventions and corresponding costs necessary to achieve the goals taking into consideration intersectoral linkages and synergies. The sectoral needs assessment exercise has been finalized and this has been followed by the synthesis work, which is already well in progress. The synthesis aims at assessing the implications by putting all the pieces into a broader macroeconomic framework and formulating a financing strategy to determine the external resources required to meeting the MDGs. The MDGs Needs Assessment will feed in to the upcoming five-year second poverty reduction program (SDPRP II) spanning the period 2005/06-2009/10.

ANNEXES

Annex Table 1: Education - Selected Monitoring System Outputs and Outcomes

| | 2002/03 | 2003/04 |
|--|---------|---------|
| Gross Primary Enrolment | 64.4 % | 68.4 % |
| Average Grade 4-8 Repetition Rate | 9.8% | NA |
| Girls/Boys Ratio | 0.72 | 0.80 |
| Primary School Drop-out Rate | 19.2% | NA |
| Grade 5 Completion Rate | 34 % | 37 % |
| Gender Parity Index (GPI) For grade 1-8 | 0.72 | 0.76 |
| Text Book/ pupil ratio for Core subject for grade 1-8 | 1.2 | 1.15 |
| Pupil to teacher ratio (1-8) | 64 | 65 |
| Pupil to section ratio primary | 73 | ----- |
| Education Budget | ----- | 3,952 |

Annex Table 2: Selected Health Outputs and Outcomes

| | 2002/03 | 2003/04 |
|--|-----------------------------|---|
| Infant Mortality Rate (deaths per1000) | ----- | <i>Probably Drop these first 3 if no new data available? – Or footnote them accordingly?</i> |
| Under 5 child mortality rate (deaths per1000) | 140.1/1000 | 140.1/1000 |
| Access to health service (%) | 61% | 64% |
| Utilization of Public Health Facilities (visits per capita p.a.) | Data to be filled in | 0.36 |
| Malaria prevalence rate | 8.7 % | 8.7% |
| Contraceptive Prevalence rate | 21.5 % | 23% |
| EPI Coverage | <i>Data to be filled in</i> | 61% |
| ANC Coverage | <i>Data to be filled in</i> | 40.8% |
| Postnatal Care Coverage | <i>Data to be filled in</i> | 15.8% |
| Doctors/ Health Officers to population Ratio | 1:28,339 | 1:27,302 |
| Nurses to Population Ratio | 1:4,882 | 1:4,572 |
| Technicians to Population Ratio | 1:19,967 | 1:18,344 |
| Sanitarians to Population Ratio | 1:69,228 | 1:60,792 |
| Front line Health Worker to Population Ratio | 1:569,661 | 1:4,518 |
| Immunization Coverage (DPT3) | 50.4% | 60.8% |
| Pharmacists to Population Ratio | ---- | 1:415,590 |
| Health Budget (ETB millions) /a | Data to be filled in | 1,538 |
| Expansion of Facilities Coverage /b New Construction: Ongoing Construction: Rehabilitated Expanded: | | 18 Health Centers, 300 Health Posts, 6 District hospitals, 81 Health Centers, 724 Health Posts, 2 Zonal Hospitals, 2 District Hospitals, 2 Health Centers, 2 Health Stations, 2 Ronal Hospitals, 2 District Hospitals, 3 Health Centers. |

Annex Table 3: Selected Agriculture and Food Security Outputs and Outcomes

| | 2002/03 | 2003/04 |
|---|------------------|------------------|
| Number of farming households covered by extension | 4.1 million | 4.5 million |
| Number of trainees in Agriculture TVET | 37,482 | 37,482 |
| Quantity of fertilizer Consumption | 277,000 MT | 322,938 MT |
| Quantity of improved seed sales | 159,220 Quintals | 204,032 Quintals |
| Number of cooperatives restructured and newly established | 817 | 600 |
| Agriculture and Food Security Budget (ETB millions) from Treasury | ---- | 1,000 |

Annex Table 4: Water Sector main outcomes and Targets under SDPRP

| | SDRP planned Targets | 2003/04 Achievements | Percentage of Achievements |
|---|----------------------|----------------------|----------------------------|
| 1. Share of Population with Access to Potable Water | | | |
| Urban | | 83.1% | |
| Rural | | 29.5% | |
| Total | 36.1% | 37.9% | |
| 2. Rural Water Supply | | | |
| Construction of hand-dug wells | 1,537 | 148,674 | 9,673% |
| Construction of other systems | 1,992 | 3,873 | 194% |
| 3. Urban Water Supply | | | |
| Urban WSS Systems Constructed | 21 | 18 | 86% |
| Urban WSS Systems Rehabilitated | 12 | 29 | 242% |
| 4. Small scale irrigation | | | |
| ○ Number of schemes constructed/rehabilitated | 115 | 390 | 339% |
| ○ Number of household benefited | 33,115 | 73,854 | 223% |
| ○ Water harvesting structure constructed | 8,200 | 86,433 | 1,054% |
| 3. Medium and Large scale irrigation | | | |
| ○ Area developed in hectare | 2,000 | 1,000 | 50% |

Annex Table 5: Road Sector Outcomes and Targets under SDPRP

| Indicators | Targets and Achievements | | | |
|---|--------------------------|---------------|-----------------------|-----------------------|
| | EFY 1996 (2003/04) | | EFY 1997 (2004/05) | EFY 1998 (2005/06) |
| | Plan | <i>Actual</i> | Planned Targets | Planned Targets |
| Average time taken to all weather road (hours) | 5.3 | 5.0 | 5.2 | 5.1 |
| % of area further than 5 km from an all – weather roads | 73 | 72 | 72 | 70 |
| Road density (km/1000km ²) | 31.5 | 33.2 | 32.3 | 34 |
| Road density (km/1000pop) | 0.49 | 0.51 | 0.49 | 0.49 |
| - % Of asphalt roads in good condition | 48 | 49 | 54 | 57 |
| - % Of gravel roads in good condition | 32 | 34 | 36 | 37 |
| - % Of rural roads in good condition | 32 | 36 | 35 | 36 |
| - Vehicle –km/annum (in million vehicle km of travel) | 5.604 | 5.604 | 5.884 | 6.178 |
| Km | 381 | 477 | 505 | |
| Km | 50 | 12 | 30 | |
| Km | 62 | 42 | 71 | |
| | 250 | 800 | 250 | |
| Km | 390 | NA | 960 | 960 |

Annex Table 6: Service delivery Improvement for the three institutions

| | Descriptions | Work steps | | | Time (days) it takes to get service ²² | |
|------------|---|------------------------------------|------------------------|---------------|---|-----|
| | | Before Process Reengineering (BPR) | Business Now After BPR | Now After BPR | Before process reengineering | Now |
| I | Ethiopian Investment Commission | | | | | |
| | 1.1. Investment License | | | | | |
| | Individuals | 18 | 4 | 25 | 2 | |
| | Company | 39 | 4 | 108 | 2 | |
| | 1.2. Main Registration Certificate | | | | | |
| | Individuals | 18 | 4 | 28 | 2 | |
| | Company | 39 | 4 | 96 | 2 | |
| | 1.3. Foreigner Employee Job Licence | 13 | 4 | 58 | 1 Hour | |
| | 1.4. Business Registration (Trade Licence) | 26 | 4 | 225 | 2 | |
| | 1.5. Investment Licence Renewal/Replacement | 11 | 4 | 13 | 1 Hour | |
| | 1.6. Technology Promotion System Registration | 8 | 4 | - | 2 | |
| II. | Ministry of Trade and Industry | | | | | |
| | 2.1. Trade License | | | | | |
| | Individuals | 14 | 6 | 2 and 1/2 | 34 Minute | |
| | Company | 26 | 6 | 35 | 34 Minutes | |
| | 2.2. Business Type Registration | 23 | 12 | 21 | 76 Minutes | |
| | 2.3. New Trade Licence That have obligation Agreement Requires Additional Capability Certificate | 14 14 | 6 6 | 8 8 | 39 Minutes 39 Minutes | |
| | 2.4. Trade Licence Renewal | 10 | 4 | 17 | 36 Minutes | |
| | 2.5. Trade Attaché Certificate | 14 | 6 | 2 and 1/2 | 39 Minutes | |
| | 2.6. Trade Attaché Certificate Renewal | 14 | 6 | 2 | 36 Minutes | |
| | 2.7. Temporary Trade Licence | 14 | 6 | 2 | 39 Minutes | |
| III | Ethiopian Customs Authority | | | | | |
| | 3.1 Transit | | | | | |
| | 3.1.1. Import | | | | | |
| | Transport Permit | | | 4 | 20 Minutes | |
| | Dispatching Transit Permit to Djibouti Coordinating Office | | | 2 | 20 Minutes | |
| | Loading Permit from Djibouti Coordinating Office | 43 | 6 | 2 | 15 Minutes | |
| | Destination Cargo Check-up | | | 3 | 45 Minutes | |
| | 3.1.2. Export | | | | | |
| | Transport Permit | | | 2 | 20 Minutes | |
| | Checking and Fixing Container by Customer Seal | 8 | 3 | 2 | 40 Minutes | |
| | 3.2. Clearance | | | | | |
| | 3.2.1. Import | | | | | |
| | Duty Assessment, notification, collection of duty, examination and release of goods | 29 | 6 | 43 | 6: 15 Hours | |
| | Distribution of customs declaration | | | | | |
| | 3.2.2. Export | | | | | |
| | Declaration acceptance, approval, examination, release of exported items and distribution of declaration | 8 | 3 | 16 | 6:40 Hours | |
| | | | | 2-15 | 26 Minutes | |

²² Unless otherwise specified, figures indicate number of days taken to provide the service

I. ENHANCED RAPID ECONOMIC GROWTH
1. 1. Private Sector Development

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|--|--|--|--|--|--|-----------------------------|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| | | | | | | |
| A. Theme Goal | | | | | | |
| Higher and more stable growth in national income and reduction in vulnerability of poor people | Real GDP growth rate (%) | 6.4 | | | MOFED | |
| B. Outcomes | | | | | | |
| B.1. Increased contribution of PSD to GDP growth | Share of private investment in GDP (%) | 13 | | | MOFED | |
| B.2. Increased factor productivity | Measure to be developed | To be developed in 2003/04 | | | | |
| C. Outputs | | | | | | |
| C.1 Public sector institutions regulating and supporting PSD | | Other measures to be determined | | | MOTI/MoR | |
| C.2 Access to Telecommunications | Telecom cost reduced | Mobile tariffs reduced | | | | |
| | Telecom density as % | 1.8 | | | MOIS | |
| | Internet users per 100 inhabitants | | | | | |
| C.3 Access to urban land | Cost of urban land in Addis | | | | MOFA | MOFA |
| C.4 Increased contestability in the banking system | Market share of private banks: | | | | NBE | |
| | In deposits to total | 21-22% | 24.1% | 26-30% | | |
| | In Loans to total | 22% | 23.9% | 24% | | |
| C.5 Increased banking system strength and efficiency | Reduction of large NPL portfolios for CBE (NPLs Ratio) | 29.20% | 29.70% | 22.20% | | |
| C.6 Increased financing of private sector for faster economic growth | Total credit outstanding to private sector as % of GDP (%) | 22.40% | 24.40% | 25% | | |

| | | | | | | |
|--|--|--|--|--|-----------|--|
| C.7 Development of micro and rural credit and increased access to financial services for small holders, entrepreneurs, traders and women | i) Volume of microfinance credit ii) Outreach of MFIs (Number of clients served, disaggregated by gender) | i) Birr 970 million outstanding ii) 900,000 of which at least total | i) Birr 996.6 million ii) More than 850,000 clients | i) Birr 1070 million outstanding ii) 1,000,000 of which atleast total | DBE/NBE | |
| C.8 Development of financial markets | Bonds and T-Bills markets established | Finalize the study on the establishment of bond market including introduction of long term T-bills and improvement of existing short-term t-bill market | Further technical assistance is sought from East AFRITAC | Improvement continues | NBE/MoFED | |
| D. Inputs/Actions | | | | | | |
| D.1. Improved enforcement of competition policy | | Appointment of members of the commission and establishment of competition secretariat and formulation of regulations, through consultations with the private sector | Members of the commissions have been appointed; and the Competition Secretariat meets every month and some issues on anti-corruption have been submitted to the secretariat. The secretariat need immediate training on enforcement. | | MoTI | |
| | | Commence implementation of Competition policy | | Commencement of the review of the legal framework for competition policy | | |
| | | Effective implementation of the Trade Practice Proclamation as evidenced by number of staff and budget allocated; cases resolved and fines levied; 'competition advocacy', and public information programmes | The Commission bases its activities on Trade Practice Proclamation No. 329/2003. It will assess if it is necessary to formulate a regulation. Meanwhile the Domestic Trade Department is consulting with higher authorities on the need of regulation. | | | |

| | | | | | | |
|-----------------------------------|--|---|---|--|----------------------------------|--|
| D.2 Improved regulatory processes | | Review of commercial registration and licensing regulations | <p>It is almost two years since a reform program has been implemented on commercial registration and business licensing procedures. To see further improvement a calibration study is on progress. The review process assesses the steps and procedures on registration and licensing. Parallel to the calibration study, formats are being improved.</p> <p>The reform in this service delivery has eased the flow of activities with minimal errors in the activity chain. For example in February 2005 only 9 minor errors have been detected out of a service of 917 licence renewals, new issuance and registration.</p> <p>The standard time set by the BPR for commercial registration service has been reduced, on average, to 47 minutes from 73. Service time reduction also witnessed in other activities.</p> | Reduction in time required for customs processing of imports | MoTI/Ethiopian Customs Authority | |
| D.3 Access to Telecommunications | | Adoption of revised telecommunications policy allowing for partial liberalization of the telecommunications sector and begin implementation of relevant actions from policy statement | | Continued implementation of relevant actions from policy statement | | |
| | | Legal and regulatory amendments enacted to allow for private ISP entry in the market | | Private ISPs licensed | | |

| | | | | | | |
|--------------------------|--|--|--|---|------|--|
| D.4 Access to urban land | | Issuance of a draft prototype urban land lease regulation. | A consultancy service was procured for this purpose, and the draft of the study, having the title "Federal Urban Land Legislation and Development of Prototype Regional States Urban Land Regulations," is completed. The draft of the Regional Prototype Regulations was reviewed and commented by the ministry and sent for the regional governments to do the same. The response of regional governments is still being awaited | Issuance of new urban land lease regulations in 2-4 regions/city administrations | MoFA | |
| | | Issuance of a draft compensation law to ensure parties in the event of acquisition of property for public purposes | | Clearance by the Cabinet and submission to Parliament of compensation laws applicable in cases of acquisition of property for public purposes | | |
| | | Issuance of directives for and start of implementation of regularization of illegal/informal settlements in Addis Ababa and regularization under implementation. | | | | |
| | | Identify and analyze key issues underlying the preparation of housing policy and strategy | | | | |
| | | preparation of prototype manual for low-cost housing construction management | | | | |
| | | Kebele development plan and implementation manual | | | | |
| | | Land use title and housing property right certification model regulation. | | | | |

| | | | | | | |
|--|--|---|--|--|---|-----------|
| D.6 Increased contestability in the banking system | | Develop adequate loan and deposit pricing system for public owned banks | CBE is currently working in a management contract with Bank of Scotland | | | |
| | | Upgrade of know-how and technology of public and private banks (e.g. from foreign sources, matching grants, twinning arrangements, mgmt. Contracts) | Business Process Re-engineering is under way in public banks | | j) Consultant team will identify the needs and define mechanisms for transfer of know how and technology ii) Actual implemented (participation by banks is voluntary) | |
| | | Offer for sale CBB, including preparation of bid documents and issuing the invitation for bids | | | Complete privatization of CBB with due regard to the offer | PPESA |
| D.7 Increased strength of the banking system | Satisfactory implementation of CBE restructuring plan (i.e. according to planned schedule) | Continue Implementation (i.e. according to planned schedule) | Implementation in progress | | Continue Implementation (i.e. according to planned schedule) | NBE/MOFED |
| | Satisfactory implementation of DBE restructuring plan (i.e. according to planned schedule) | As part of the Civil Service Reform Program, complete the ongoing business process re-engineering review at DBE and on basis of the outcomes, prepare an action plan and start implementation (HR, top management, financing, products) | * DBE is currently under taking Business Process Re-engineering * Annual Audit of the Bank by external auditor is under way - IT improvement is also under way * Its capital is raised from Birr 480 million to Birr 1.8 billion recently implying an increase of Birr 1.3 billion | | Continue | |
| | | | | | | |

| | | | | | |
|--|---|---|--|--|---------|
| | Timed program of reduction of NPLs for the banking system through collection, foreclosure, rescheduling, etc. Establish credit information bureau | Approval of 5-year plan for timed program of reduction of NPLs through collection, foreclosure, rescheduling, etc. | 5-year plan for timed NPLs reduction approved | Continue timed program of reduction of NPLs through collection, foreclosure, rescheduling, etc.(target is to reduce to 15% by EFY 2001) | |
| D.8 Increased financing for private sector | Strengthen credit information system (sharing of information on borrowers.) | Strengthen credit information system (sharing of information on borrowers.) | Credit information sharing system was introduced effective June 15, 2004 | NBE | |
| D.9 Increased access to finance | Review Micro and Rural finance strategy and develop action plan to improve access to micro- and rural finance | Review Micro and Rural finance strategy and develop action plan to improve access to micro- and rural finance | | Implementation of the Action Plan | NBE/DBE |
| | Strengthen CBE's retail lending operations for the rural sector and CBE's onlending operations for the MFIs | Strengthen CBE's retail lending operations for the rural sector and CBE's onlending operations for the MFIs | | | |
| | Strengthen regulatory and supervisory capacity of NBE for MFIs: a) Increase the number of inspectors to 12, b) Carry out training of inspectors and finalization of inspection manual | Strengthen regulatory and supervisory capacity of NBE for MFIs: a) Increase the number of inspectors to 12, b) Carry out training of inspectors and finalization of inspection manual | a) NBE is now in the process of employing additional staff; 2 staff members have already been transferred to Micro finance from other Departments of the Bank; b) recruiting a trainer is also in the process (who will also finalize the manual) in line with RUFIP | Strengthen regulatory and supervisory capacity of NBE for MFIs: a) Increase the number of inspectors to 15; b) Carry out training of inspectors and finalization of external audit guidelines for MFIs | |
| | Promote MFIs institutional development and sustainability | Promote MFIs institutional development and sustainability | Institutional development is being handled through RUFIP (training of management and staff of MFIs; provision of equipment); the issue of sustainability is being discussed in the quarterly meeting between NBE and MFIs. | Further promote MFI's institutional development and sustainability | |

| | | | | | | |
|--|--|---|---|---|---------------|--|
| D.10 Increased investment financing | | Finalize study for development of securities market operations | Technical assistance is sought from East AFRITAC | Improve the treasury bills (and in the future treasury bond) market system. | NBE | |
| | | Finalize study on excess liquidity problem of the banking system. Develop an action plan based on study to address the excess liquidity problem | In progress | | NBE | |
| D.11 Reduce the role of the public sector in commercial activities | State enterprises brought to the point of sale | Finalization of privatization action plan and start of implementation of agreed measures to accelerate privatization | An Action Plan on privatization is finalized and submitted to World Bank. Moreover, processes and procedures are reviewed and are currently under discussion at Board level. A study to identify modality options is undertaken by WB consultant under PSD-CB. Modalities other than equity sales have been implemented. Four joint ventures and one lease agreement are currently negotiated. At present 14 PE's have been offered for sale and one enterprise restituted to its former owner. A study to integrate PESA's and EPA's IT systems is underway. On the other hand, Terms of Reference is being prepared to engage an IT expert to integrate PPESA's and PE's IT System. | Privatization action plan under full implementation | EPA | |
| | | Parliamentary approval of merger between PESA and EPA | Merge approved and implemented as of August 2, 2004 by Proclamation No. 412/2004. | | EPA/PESA/MoTI | |

| | | | | | |
|--|--|---|--|--|----------------------|
| D.12 Modernization of Payment System for the economy | | Review of constraints to the privatization process. | Constraints to the privatization process have been reviewed and a report submitted to the Ministry of Trade and Industry (MoTI). | | |
| | | Set up a National Payment Council | In progress | Design a modern payment system and initiate operation of modern payment system (one year later, i.e. EFY 1999) | NBE Supervision Dept |

I. ENHANCED RAPID ECONOMIC GROWTH
1. 2. Rural Development

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|--|---|--|--|--|--|--|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) | EFY 1997 (July 8, 2004 to July 7, 2005) | EFY 1998 (July 8, 2005 to July 7, 2006) | | |
| | | Planned Targets and Actions | Progress to date | Planned Targets and Actions | | |
| A. Theme Goal Higher and more stable growth in national income and reduction in vulnerability of poor people | (Annual) growth in rural incomes | HH income and expenditure survey to provide baseline data. | | 7% | CSA | Existing data collection system capable of generating monitoring data |
| B. Outcome B.1. Increased rural incomes and agricultural production | (Annual) growth in Agricultural GDP (%) | 7 | | 7.3 | MoFED | Normal and evenly distributed rainfall |
| | (Annual) growth in total off-farm (non- agricultural) income | HH income and expenditure survey to provide baseline data. | | 5% | CSA | Existing data collection system capable of generating monitoring data |
| C. Outputs C.1. Agricultural Research and Extension System: Improved responsiveness and effectiveness of research and extension system | Cumulative number of proven technologies released for popularization and use 1/ | 50 | 60 | | 70 EAARO | |
| | Cumulative number of farming HH receiving and using extension packages (million) 2/ | 6 | 6.9 | | 7 MoA&RD/Regions (Annual monitoring report | Normal production year |
| | % of women headed farming HH receiving and using extension packages (of total female headed HH) | | | 60 | MoA&RD/Regions (Annual monitoring report | |

| C.2. Agricultural marketing system: improved and progressively more competitive agricultural marketing system (Including Export) | % of average farm-gate to wholesale price ratio for main commodities | Develop content & application for agriculture sector information within the woreda-Net | Preparation of contents Application is under way | The system to function and generate market and other data | MoA&RD/ Cooperative commission | The multi agency annual crop assessment capable of providing price data. Woreda-net to address future data needs. |
|--|---|--|--|---|--------------------------------|--|
| | Cumulative number of different registered private dealers trained in fertilizer marketing | 130 | | | 280 MoA&RD/Regions | |
| | Cumulative number of active registered wholesalers and retailers cooperatives engaged in marketing of: | | | | Regions/Coop Comm | Cooperatives handle both fertilizer and grain. Train dealers to qualify for registration and attracted by the business |
| | - Fertilizer | 4092 | | 4430 | | |
| | - Grain | 4092 | | 4430 | | |
| | - Livestock | 46 | | 50 | | |
| | Cumulative number of active registered wholesalers and retailers private traders engaged in marketing of: | | | | Regions | Private dealers attracted by the business grain exporters only |
| | - Fertilizer | 50 | | | | |
| | - Grain | 70-80 | | | | |
| | - Livestock | - | | | | |

| | | | | | | | |
|--|--|--|--------|-------|--------|----------------------|--|
| | | | 70 | 69 | 80 | EIA/Coop. Commission | |
| | % of total cooperatives strengthened through training and capacity building to access bank credits and provide better fertilizer marketing services to their members | | 500 | 611 | 500 | Regions/Coop. Comm | |
| | Number of agricultural cooperatives restructured and/or newly established each year under the terms and conditions of the cooperative law | | 100 | 100 | - | MoA&RD/Region | Status of progress to be clarified and targets modified as per discussion in aide memoire |
| D. Inputs/Actions | | | | | | | |
| D.1 Improved responsiveness of research and extension system | % of extension staff without responsibility for delivery of inputs and credit administration in the four major agricultural producing regions /3 | | 10,521 | 5,369 | 15,000 | MoA&RD/Region | |
| | Cumulative number of FTCs established/operational | | | | | | Capacity-building program for rural development (including extension and marketing) defined and developed, finalized, and implementation initiated (by October 2005) |

| | | | | | | |
|--|--|---|---|----------------------------|--------------------------------|--|
| D.2 Improved agricultural marketing system | Improve the functioning of input markets, especially fertilizer | Conduct the study, adopt and implement policy to reform fertilizer marketing system including import and distribution segments based on recommendations from the study. | Request for financing & Technical proposals is issued to the short listed firms | Continue implementation | MoA&RD | Financing through PHRD grant |
| | Annual fertilizer sales with regional government credit guarantee reduced 4/ | 40% of total sale | | 25% of total sale | Regions | Current supply increased by 48% to implement the enlarging commodity production and marketing plan. Phasing out completely in 2007/8 |
| | Warehouse receipt system in place | Under take and evaluate warehouse receipt pilot using upcoming harvest | | Scale-up pilot if feasible | MoA&RD/coop commission/regions | Piloting to base on next harvestable stocks of crops (maize, sorghum, wheat and coffee) |
| | | | | | | |

| | | | | | | |
|--|--|--|-------------|---|----------------|---|
| D.3. Improved land tenure security, with more flexible and transferable rights | | Issue rural land proclamations to enhance land tenure security and establish appropriate administrations in two other regions Benishangul & Hareri). Review regional land proclamations, identify best practices, and harmonize as appropriate regional proclamations based on emerging best practices | | Issue rural land proclamations to enhance land tenure security and establish appropriate administrations in two other regions - (Gambella & Somali) | Regions/ MOARD | Federal technical assistance to emerging regions to study feasibility and draft proclamation for land tenure system |
| | Cumulative number of total rural farm households having long term joint certificates of land use holdings | 6 million | 4.7 Million | 8 million | | |

- 1/ Technology means any variety or management practice tested/demonstrated and endorsed by the National Technology Release Committee for dissemination and use in given agro-ecological context.
- 2/ Extension package means a technology or multiple of technologies, which are combined and packaged together with extension methodologies for dissemination and use. If the package is made of a single technology, it is known as a minimum package. If the package constitutes multiple technologies, it is known as menu or integrated HH package.
- 3/ Extension service includes providing information and assistance to farmers and cooperatives in identifying and determining the type, quantity and application of agricultural inputs, aggregating demand and justifying it to agricultural input committee.
- 4/ Reasons for not suddenly pooling out from regional fertilizer credit guarantee includes the demand and supply for fertilizer are significantly on the following the demand driven and aggressive agricultural development plan, which is very difficult for small holder farmers to finance the growing demand from their savings, and at the same time, they are unable to get bank credit due to lack of the required collateral. Despite this the government is committed to withdraw from the credit guarantee scheme by encouraging cash purchase by farmers, establishing cooperative bank, encouraging the capacity and outreach of MFI, and linking the input distribution with the warehouse receipt system.

I. ENHANCED RAPID ECONOMIC GROWTH
1.3. Vulnerability

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|---|---|---|--|--|--|--|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| A. Theme Goal Higher and more stable growth in national incomes and reduction in vulnerability of poor people | % of people below the poverty line (base year 99/00 at 41.9%), being disaggregated by gender | 38 | | | CSA/ MoFED | |
| B. Outcomes: B.1 Increase resilience to and reduces impact of shocks | Decrease in percentage of stunted children under 5 (base year 1999/00 at 57%) | 52 | | | CSA/ MoFED | CSA Welfare Monitoring Survey to generate data every 5 years, starting EFY97 |
| C. Outputs C.1 Differentiated public response to predictable vs. unpredictable food insecurity | Number of predictable food insecure population benefiting from the multi-annual safety net of the food security program | 5 million | 5.46 Million | 5 million | MoA&RD/ Regions | |
| C2. Improved public response to shocks | Food security program financed from treasury funds (ETB) | Two billion | Two Billion | Two billion | MoA&RD/MOFED | |
| | | Multi-agency financial management capacity assessment conducted and agreed recommendations incorporated | | Follow up to ensure effective expenditure in safety net programme | MoARD & MoFED | As-Deemed-Necessary government-require-TA-in-the-Area |

| | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|---|---|
| | | | | Conduct pilot Natural Resource Accounting (NRA) | | | | | | | | | |
| | | | | | | | | | | | | | |
| D.4. Improve under-5 children nutrition through multi-sector and community-based approaches | | | | Complete and adopt the nutrition strategy. | | | | | | | | Complete and adopt the nutrition strategy (by October 2005) | |
| | | | | Design and implement the pilot nutrition elements of the Food Security Project complemented/ linked to community based outreach nutrition elements of the health extension programme of the FMOH in 2-3 regions | | | | | | | | | |
| D.5. Improved functioning of grain markets | | | | Start Multi-agency study on the impact of food aid on grain markets | | | | | | | | | upon decision on the need for the study- itself. Clarification on Financial Support |
| D.6 Improve national system for assessing vulnerability | | | | Review criteria for identifying level of food security of weredas and households and develop safety net implementation manual based on the review | | | | | | | | | MOA&RD/DPPC |
| | | | | Adherence to and improvement of safety net manual | | | | | | | | | MOA&RD |
| | | | | Safety Net Manual has been prepared | | | | | | | | | Continued adherence to where necessary, improvement of safety net manual |

5/ The WB has conducted a study, which include assessment of grain market. This study was perceived as a multi-agency study by the government

I. ENHANCED RAPID ECONOMIC GROWTH
1. 4. Roads

| Objectives | Indicators | Targets and Key Actions | | | Major Assumptions |
|---|--|---|--|---|---|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | |
| A. Theme Goal | | | | | |
| Increased total national income from strengthened private sector within the economy | Reduced average time taken to all weather road (hours) | 5.2 | 5.0 | 5.10 | The implementation of ERTTP has commenced in all regions. |
| | % of area further than 5 km from an all-weather road | 72.0 | 72.0 | 70.00 | DITTO |
| B. Outcome | | | | | |
| B.1. Improved efficiency and capacity of the Transport system, increasing access and Supporting social and economic Development | Road density (km/1000km2) | 32.30 | 33.20 | 34.00 | DITTO |
| | Road density (km/1000pop.) | 0.49 | 0.51 | 0.49 | DITTO |
| C. Output | | | | | |
| C.1. Enhanced efficiency of roads use and periodical and routine maintenance | % Of asphalt roads in good condition | 54.00 | 49.00 | 57.00 | Maintenance action plan is implemented |
| | % Of gravel roads in good condition | 36.00 | 34.00 | 37.00 | DITTO |
| | % Of rural roads in good condition | 35.00 | 36.00 | 36.00 | DITTO |
| | Vehicle-km/annum (In Million Vehicles of travel) | 5.884 | 5.604 | 6.178 | Figures |
| D. Inputs/Actions | | | | | |
| D.1. Rehabilitation & upgrading of Trunk roads | km | 505 | 208 | 635 | ERA Contractors complete work contracts on time |
| D.2. Upgrading of Link Roads | km | 30 | 15 | 73 | ERA DITTO |

| | | | | | |
|--------------------------------------|----|-----|---------------------------------------|---------------|---|
| D.3. Construction of Link Roads | km | 71 | 36 | 148 ERA | DITTO |
| D.4. Construction of Regional Roads | km | 250 | To be reported at the end of the Year | 250 RRAs | Regional states will allocate adequate budget |
| D.5. Construction of Community Roads | km | 960 | To be reported at the end of the Year | 960 Community | Weredas mobilize resources |

II. IMPROVED HUMAN DEVELOPMENT
2. 1. Education

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|--|--|--|--|---|--|-----------------------------|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| A. Theme Goal An increased proportion of Ethiopian people are healthy and educated, and enjoys a decent standard of living with access to economic opportunities | | | | | | |
| B. Outcome To be measured by output indicators | | | | | | |
| B1 Increased access, completion and equity in education | | | | | | |
| B.2 Improve quality and efficacy of education system | | | | | | |
| B.3 Financial and management capacity. | | | | | | |
| C. Outputs | | | | | | |
| C.1. Increased enrolment | Primary (1-8) Gross Enrolment Ratios (GER) (%) . | | NA | | REBs and Woreda education offices | |
| | - Boys | 78% | NA | 81% | | |
| | - Girls | 62% | NA | 67% | | |
| | - Total | 70% | NA | 74% | | |
| C.2. Increased completion of primary education | Grade 5-completion rate (%) | | Tbd | Tbd | REBs and Woreda education offices | |
| | - Boys | | Tbd | Tbd | | |
| | - Girls | | Tbd | Tbd | | |
| | - Total | 40% | | Target to be set on the basis of ESDP III | | |

| | | | | | | |
|---|--|---|--|---|--------------------------------------|--|
| C.3. Improved availability of quality textbooks in classrooms | Textbook/pupil ratio for core subject for Grades 1-8 | Benchmark to be established on the basis of a survey to be completed. | TOR to undertake a quick survey on textbook/pupil ratio for core subjects in order to have a baseline data has been prepared. However, it was agreed with donors in the EU Funded Capacity Building in textbook management. Tender was floated, an international consulting firm selected and sent to EU for approval. The response is not yet received. | Target to be set on the basis of ESDP III | REBs and Woreda education offices | |
| C.4. Improved Gender Parity | Gender Parity Index (GPI) for grade 1 to 8 | 0.79 | Not Available until end of August 05 | 0.82 | REBs and Woreda education offices | |
| C.5. Maintain/ Improved Primary (1-8) Pupil: teacher ratio | Pupil: Teacher ratio (1-8) | 64 | Data of EFY 1996 show that the number of sections with more than 75 students were 52157(42.3%) out of a total of 123410 sections in primary. | Target to be set on the basis of ESDP III | MOE, REBs and Woreda Edu. Offices | |
| | % of sections with students > 75--(proposed). | | | Target to be set on the basis of ESDP III | | |
| D. Inputs/Actions | | | | | | |
| D.1 Increased Access, Completion & Equity | | The undertakings/studies identified during the ARM 2004 are underway and the JRM 2004 planned for October 13-29 is to review progress of agreed actions.it will also review previous FY's pre-actual expenditure. | Implementation of recommendations of ARM 2004 and the Aide Memoire were reviewed in the JRM 2004 from October to , 2004. Moreover the status was presented and discussed in ARM 2005 conducted from March 21 to 23, 2005. GVT and donors agree on major undertakings during the ARM 2005. The progress shall be reviewed through the 2005 JRM. | GVT and donors agree on major undertakings during the ARM 2006 and review progress through the 2006 JRM. They will also review previous FY's pre-actual expenditures. | MOE and REBs and Woreda Edu. Offices | |
| | | The condensed version of the revised PIM will be disseminated to the regions by Nov. 1, 2004. | Revised PIM was endorsed by the Central Steering Committee in December 2004. The English version is sent to the REBs. PIM shall be translated into Amharic, Oromiffa, Tigrigna and Somali: for wider use at woreda level. | | | |
| | | ESDP III prepared, consultations held with stakeholders, finalized, and implementation begun | | | | |

| | | | |
|--|--|---|-----------------------------------|
| D.2 Improved student learning | <p>The Learning Assessment report will be completed by mid-October 2004 and its findings and recommendations will be used as input for ESDP III preparation.</p> | <p>Grade 4 and 8 sample National Learning Assessment Report was completed in March 2005. Although it was not ready for JRM 2004 the document was distributed to education donors in ARM 2005. Findings and recommendations of the Assessment shall be used to curricula revision, teacher training and other policy areas in combination with other researches.</p> | MOE, REBs and Woreda Edu. Offices |
| | <p>Recommendations/options on teacher supply-demand along with the findings of other studies including the CSR, MDG needs assessment and costing exercise will be used in planning ESDP III.</p> | <p>Recommendations/options on teacher supply and demand were used in planning ESDP III.</p> | |
| | <p>Complete the survey and establish benchmark targets for textbook: pupil ratio, by core subjects for EFY 1998</p> | <p>Baseline Textbook/Pupil ratio was not accomplished for the reason mentioned I under C3.</p> | |
| D.3 Reduced unit costs for primary school construction | <p>Conduct review of implementation experience of new primary school construction guidelines</p> | <p>Design options and guidelines for primary school construction with lower unit costs and community participation have been sent to regions for validation in August 2004. Regions have expressed their readiness to apply the designs in EFY 1997.</p> <p>Moreover, community-based designs are also encouraged as options within accepted standards for essential safety, health and environmental issues.</p> <p>Review of implementation experience of new primary school construction guidelines is not yet conducted</p> | MOE, REBs and Woreda Edu. Offices |

| | | | | | | |
|--|--|--|---|-----------------------------------|--|--|
| D.4. Adequate Budget for education; especially for primary education services | | | Sector ARM 2005 could not review next FY's (2005-6) draft budget proposals as it was not ready by then. However, the major highlights of EFY 1998 planned activities were presented in the ARM for discussion. Sector JRM could not get previous FY's (2004-5) pre-actual expenditure reports on time. It reviewed what was available. | | | |
| D.5 Staff with adequate skills in policy analysis, planning and monitoring skills and educational management | Continue training for federal and regional personnel in educational policy trade-off analysis and planning tool. | Training for selected federal and regional personnel was given in educational policy trade-off analysis and planning tool (CSR model) | | MOE, REBs and Woreda Edu. Offices | | |
| D.6. Strengthen performance monitoring process across Federal, Regional and Woreda tiers of service delivery | Develop and disseminate definitions and measurements of key sector indicators and agreed actions and improving as needed the current EMIS data collection instruments. | Key performance indicators for ESDP to be used at national, regional and woreda levels as appropriate were prepared and discussed in ARM 2005. The indicators will further be refined based on the input and recommendations of ARM 2005 for use in ESDP III. Regional Steering Committees were reactivated by July 1, 2004 . | Regional Steering Committees to be reactivated to closely monitor progress using these indicators and agreed actions. | MOE, REBs and Woreda Edu. Offices | | |

¹. This rate is calculated for 1995, because the data on non-repaters for 1997, which are needed for calculating this rate for 1996, will not be available until late in the year.

II. IMPROVED HUMAN DEVELOPMENT
2. 2. Health

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|---|--|---|--|--|--|-----------------------------|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) | EFY 1997 (July 8, 2004 to July 7, 2005) | EFY 1998 (July 8, 2005 to July 7, 2006) | | |
| | | Planned Targets and Actions | Progress to date | Planned Targets and Actions | | |
| A. Theme goal An increased proportion of Ethiopian people are healthy and educated, and enjoys a decent standard of living with access to economic opportunities | Life Expectancy (52 in 2000/01) | | | | Multisectoral | |
| B. Outcomes Improved health status of all the People specially the poor | Infant Mortality Rate (97/1000 in 2000/01) | 85/1,000 | | | | |
| | Maternal Mortality Rate (871/100000 in 2000/01) | 750/ 100,000 | | | | |
| C. Outputs C.1. Improving the Family Health Services | Contraceptive prevalence rate (CPR coverage) | 26.50% | | 29.50% | FMOH/RHBS | |
| | EPI coverage as measured by proportion of children | 70% | | 80% | Private Sector FMOH/RHBS and Woreda health | |
| | Proportion of deliveries attended by trained personnel | 15% | | 18% | FMOH/RHBS/wored a health bureau | |

| | | | | | | |
|---|---|---|---|--|----------------------|--|
| <p>D. Inputs/Actions</p> | <p>D.1 Improved health sector performance</p> | | <p>PIM revision completed. GVT and donors agree on major undertakings during the ARM 2005 and review progress in the 2005 JRM</p> | <p>PIM revision as part of harmonization of donor-government procedures is initiated and on progress, local and international consultants have been hired, the issue is articulated in HSDP-III document</p> | <p>FMOH/MOH/RHBs</p> | |
| | | <p>HSDP III prepared, consultations held with stakeholders, finalized, and implementation</p> | <p>Initiate Demographic and Health Survey (DHS)</p> | <p>The process of conducting DHS is on progress: survey instruments have been pre-tested, data collectors are being trained and the actual data collection will begin in April. MOH has been participating actively on the process</p> | <p>FMOH</p> | |
| | | | <p>Finalize and operationalize implementation guidelines for HEP and minimum health service package</p> | <p>Selection criteria, implementation guidelines and reporting formats have been clarified and adopted. 2,757 female HEWs were trained and deployed. Encouraging results were seen in construction and utilization of latrines, utilization rate of contraceptives and vaccination services in areas where the programme has been implemented so far. HSEP has been modified to suit to the pastoralist population the total number of institutions selected and made available for training of HEWs has increased to 24 (from 14 in 1996). In the same year, the total number of students admitted for training is 7,138.</p> | <p>FMOH/MOE/RHBs</p> | |
| <p>D.2. Establish minimum service delivery standards at the woreda level (outreach, primary health care and first-level referral)</p> | | | | | <p>CSA</p> | |

| | | | | | | | | |
|---|--|--|--|--|---|--|--------------------------------|--|
| | | | | | The Essential Health Service Package has been developed through a wide-ranging consultation and finalized. It is ready for printing and distribution to the implementation levels. | | | |
| D.3. Improve resource availability for health services and their efficient use | | | Sector ARM reviewed next FY's (2005-6) draft budget proposals and provided feedback to MOFED/MOH. | | | | MOFED/FMOH | |
| | | | | | | | | |
| | | | Conducting JRM 2005, review pre-actual budget and provide feedback to MOFED | | The timing of JRM and ARM has changed in order to be able to capture a complete annual sectoral performance | | | |
| D.4 Enhanced strategy for health worker training and deployment | | | complete labor market survey. Use recommendation to inform HRD study | | Development of Health Sector Human Resource Development Strategy is in progress. It will be fully articulated in and implemented during HSDP-III. | | | |
| D.5 Reproductive Health | | | Implement Action Plan for reproductive health strategy | | The Reproductive Health Strategy is being developed | | | |
| D.6. Improve under-5 children nutrition through multi-sector and community-based approaches | | | Contribute the health sector component to the development of a nutrition strategy | | The Ministry of Health has developed a guideline for what Essential Nutrition Actions (ENA) should be taken that impact on nutrition | | FMOH/RHBs/woreda health bureau | |
| | | | implement the pilot nutrition elements of the food security project complemented/linked to community based outreach nutrition elements of the HSEP of the FMOH in 2 to 3 | | Strategy for Nutrition, which is believed to be essential bridge for the Health Service Extension Programme has been launched in 325 drought affected woredas. This strategy incorporates Vit-A supplementation and nutritional screening for therapeutic feeding of the severely | | | |

II. IMPROVED HUMAN DEVELOPMENT
2. 3. HIV/AIDS

| Objectives | Indicators | Targets and Key Actions | | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|--|--|-------------------------|---|---|-----------------------------|---|-----------------------------|
| | | EFY 1996 (July 7, 2004) | | EFY 1998 (July 8, 2005 to July 7, 2006) | | | |
| | | Progress to date | Planned Targets and Actions | Planned Targets and Actions | Planned Targets and Actions | | |
| A. Theme goal Increased share of healthy and educated Ethiopians, enjoying an improved standard of living and access to economic opportunities | | | | | | | |
| B. Outcome B.1. Halt and begin to reverse the spread of HIV/AIDS | HIV Prevalence among 15-24 year old pregnant women. | 11 | 10 | | 9 All stakeholders | HIV/AIDS mainstreamed in all stakeholder activities | |
| C. Outputs C.1. Comprehensive HIV/AIDS prevention program in place (IEC, BCC, VCT, Treatment of STIs and PMTCT) | % HIV +ve pregnant women from ANC receiving a complete course of ARV prophylaxis to reduce the risk of MTCT* from among positive mothers delivered in hospital | 15 | 20 | 25 | MOH, NGOs and POs | Fund availability | |
| C.2. Comprehensive care and support program in place (HBC, ARV Treatment, Support for Orphans) | % of people with advanced HIV infection receiving ARV treatment | 9400 | 30,000 | 50,000 | MOH, NGOs and POs | Fund availability | |
| | # of orphans and vulnerable children whose families are receiving support continuously | 100,000** | Will be determined after OVC rapid assessment and Welfare monitoring survey findings are reported | Will be determined after OVC rapid assessment and Welfare monitoring survey findings are reported | All Stakeholders | Incomplete reporting | |

| | | | | | | | | | |
|--|---|--|--|--|--|--|--|-------------|--|
| D. Inputs/Actions | | | | | | | | | |
| D.1 Develop appropriate strategic framework for HIV/AIDS | Strategic framework for implementation | Complete and start implementation of revised HIV/AIDS Strategic Framework | Full implementation of the strategic framework following consultation and finalization [A study of unit costs for expansion of ART in Ethiopia (drawing upon available data)] | | | | | HAPCO | |
| D.2 Establish strong analytical database for HIV/AIDS monitoring | Database established and used | | Initiate conduct of HIV/AIDS biological survey | Complete HIV/AIDS biological survey. Report findings of the survey | | | | MoH/HAPCO | |
| | | | Formulation of an M&E taskforce at the National HAPCO with multi-sectoral representation in order to operationalize the M&E framework. | Full implementation of HAPCO M&E Framework | | | | HAPCO | |
| D.3. Strengthen support provided for orphans and vulnerable children | National OVC plan and guidelines produced by the Joint OVC Task Force | Remove stigmatization by eliminating cause of parental death as criteria for HAPCO support | Formulation of OVC guidelines and action plan completed | Full implementation of the guidelines and action plan | | | | MOLSA/HAPCO | |

* Target calculated based on UNGASS Declaration of Commitment

** will be revised after reliable figures are made available.

II. IMPROVED HUMAN DEVELOPMENT
2. 4. Water

| Objectives | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|--|--|--|--|--|--|--|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| | | | | | | |
| A. Theme Goal | | | | | | |
| Increased share of healthy and educated Ethiopians, enjoying an improved standard of living and access to economic opportunities | | | | | | |
| B. Outcome | | | | | | |
| B.1. Sustainable access to safe drinking water and adequate sanitation facilities | % of population with access to potable water | 39.9 | | 42.3% | MoWR, RWRDB, WWD, NGOs | Timely flow of funds, lack of capacity at certain localities, lack of information and feedback |
| C. Outputs | | | | | | |
| C.1. Functional water supply schemes and sanitation for rural communities. | # of RWS schemes constructed/ rehabilitated | RWS construction | | RWS Construction | MoWR, RWRDB, WWD, NGOs, Community | |
| | | 229 DWpp | 60 (26.2%) | 206DW/pp | | |
| | | 1605HDW+543SHW+272 PRS+ 3 SSD | 1674HDW+434SHW+0PRS +3SSD | 1372HDW+532SHW 317 PRS 2 SSD | | |
| | | 2SWH | | 2SWH | | |
| | | 4RI | | 3RI | | |
| | | 993 SP | 1818 SP | 1010 SP | | |
| | # of RWS schemes rehabilitated | RWS rehabilitation | | RWS rehabilitation | RWRDB, WWD, NGOs, Community | |
| | | 60 DWpp 54DWpp | 16 DWPP | 60 DWpp | | |
| | | 90 HDW+27 SHW 55 PRS | 6HDW+0SHW | 135 HDW + SHW | | |
| | | 85 HDW+28 SHW 29 PRS | | 39 PRS | | |
| | | 43 SP 42 SP | 15 SP | 51 SP | | |

| | | | | | | |
|---|--|--|---|--|---|--|
| C.2. Functional water supply schemes for urban communities. | # of UWS System studied, constructed and rehabilitated | Continue 34 towns study 21 construction 12 rehabilitation | 16 towns study 16 construction 1 rehabilitation | 23 towns study 32 construction 20 rehabilitation | MoWR, RWRDB Water utilities, Municipalities | |
| C.3. Functional Sewerage system | # of towns with improved sewerage system | Continue 11 study project 1 construction project | | x towns construction of sewerage, 7 towns construction of sanitation, 12 towns study and design of sanitation, 5 towns study of sewerage | MoWR, MoFA,RWRDB Water utilities, Municipalities | |
| D. Inputs/Actions | | | | | | |
| D.1 Developing strategy and sector development program | Issuance of strategy and sector program | | | | MOWR | |

III. DEMOCRATIZATION AND GOVERNANCE
(including Decentralization, Justice System Reform and Urban Management)

| | Indicators | Targets and Key Actions | | | Responsible/ Implementing Agency | Risks/ Major Assumptions |
|---|--|--|--|--|--|-----------------------------|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1997 (July 8, 2004 to July 7, 2005) Progress to date | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| | | | | | | |
| A. Theme Goal | | | | | | |
| Fully democratic operational constitutional federalism active at federal, regional and local levels | | | | | | |
| Improved responsiveness of service delivery and deepen democratic empowerment at the grassroots level | | | | | | |
| B. Outcome | | | | | | |
| B.1. Law reform/improved law making | Revised and implemented public consultation mechanism for parliament | Open, timely and properly resourced mechanism in place for consultations | | Report, freely available on consultations taken on all laws and proclamations that are deemed appropriate for public domain. | Council of Peoples' Representatives | |

| | | | | | |
|--|--|--|--|-----------------------------|--|
| B.2 Enabling and operational legal/policy environment at Woreda and municipal levels | Estimated level of fiscal g | Exp needs less optimized revenues for any particular tier | | Regional Governments & DLDP | (1) Regional Council Passing Legislation, (2) Coordinated with Civil Service, Urban Mgmt at national, regional levels, (3) Participation of districts and regional governments |
| | Legal framework for functional assignment in woredas | Revised legal framework for functional assignment for woredas enacted by four regions (covering 430 such woredas) | | | Revised legal framework for functional assignment for woredas enacted by five regions (covering 60 such woredas) |
| | Regional and Local Level Fiscal Autonomy | Own revenues and unconditional grants as a share of total expenditures per level of government (by region, by woreda/municipality) | | | |
| | Predictability of resource flows | 4-Regions notified their woredas as per the financial calendar- | | | Rest of the region notify their woredas as per the financial calendar |

| | | | | |
|--|--|--|---|---|
| B.3 Intergovernmental fiscal transition | Formal fiscal transition for decentralization implemented in all reforming regions | House of Federation approval of the updated grant formula for federal-regional transfer | DLDP Region | |
| | | Quality improvement of functional assignment as fiscal transition in 4 reforming regions | | |
| C. Output | | | | |
| C.1 Enabling and operational legal/policy environment at Woreda and municipal levels | Assignment of expenditure and revenue assignments in woredas and municipalities | Review and requirement of woreda expenditure and revenue assignments covering 4 region. | Legal framework and structure for woreda expenditure and revenue assignments covering 5 regions in place | Reforming 4 regions and pastral areas, DLDP |
| C.2 Intergovernmental fiscal relations and transition | Formal fiscal transition for decentralization implemented in all reforming regions | MOFED issuance of Fiscal Decentralization Strategy (FDS). | Implementation of fiscal decentralization policy including recurrent transfers to municipalities and capital funding mechanism for municipalities and woredas | MOFED, DLDP, UMCCBP, Regional Governments |
| | Matching finance and function for local governments | [Provision of funding for transitional costs related to civil works or infrastructure costs of decentralization] | | |
| C.3 Cross-cutting management systems | Financial management systems for woredas and municipalities | | | |
| | Personnel mgt systems for woredas and munis | Remaining regions adapt and pass municipal personnel regulations | | |
| | | Introduction of human resource planning | Rolling out woreda human resource plan by reforming region | |

| | Urban land administration | X% of urban centers or munis adopting LIS by region ongoing | Legislation of Law | MOFA, Regions |
|--|--|---|---|-------------------------------------|
| C.4 Restructuring and performance improvement in woredas, municipalities, and cities | Percentage of woredas and municipalities that have initiated restructuring | Assessment carried out under PSCAP of number of munis. and woredas carrying out a restructuring Continue | No. of reform towns and munis. initiating strategic planning and restructuring efforts. | |
| | | X% of woredas initiating restructuring in particular region Continue | X% of woredas initiating restructuring in particular region. | |
| C.5 Enhanced accountability for decision making and service delivery in woredas and municipalities | Percentage of public expenditures at municipal levels that are outsourced | Service delivery improvement prototypes for urban services established [Minimum standard service indicators, norms & reporting mechanisms for priority sectors at Woreda level developed at national level (harmonized to SDP indicators and targets)] | Assess effectiveness and extent of service delivery prototype. | DLDP, UMCBP, & Regional Government. |
| | | consultant with regional states selected woreda representative and other stakeholders | Introduction of the participation system in selected woreda and kebeles by region | |

| | | | | | |
|--|--|--|---|------------------------------------|--|
| C.6. Human Rights Institutions | Establishment of Human Rights Commission and Ombudsman | Operational establishment report, establishing baseline of cases dealt with/complaints | Reports by HR commission and the Ombudsman office, freely available in the public domain. | Council of Peoples Representatives | |
| D. Inputs/Actions | | | | | |
| D.1. Design of Sector Wide Approach for PSCAP incorporating the CSR, Tax, Justice, ICT, District Decentralization and Urban Mgt Programs | Design of PSCAP finalized and PSCAP plans revised | | | | |
| D.2. Justice Systems Reform Program designed as part of PSCAP | Nationwide assessment and design for the Justice Systems Reform Completed | | | | |
| D.3. CSR implementation carried in coordination with DLDP and UMCBP activities | Implementation of PSIP and related CSR activities deepened at the regional level | | | | |
| D.4. Election | Elections administered and implemented in accordance with the Ethiopian Constitution | National Electoral Board to continue taking actions in preparations for the 2004/05 election (such as civic education and equal access to the media) | | National Electoral Board | |
| | | Election will be held according to the Ethiopian Constitution | District election will be held in Tigray, Afar, Amhara, Oromia SNNP and Addis Ababa. | National Electoral Board | |
| | | | NEB to issue report, on the conduct of the 2005 National Election. | | |

| | | | | | |
|---|---|--|--|--|--|
| D.5 Judicial independence strengthened | Well trained judges, merit and competency based selection of judges to build career judiciary | Complete training curriculum for continuous professional development of judges and prosecutors | Develop and establish system of transparency and accountability in conducting judicial business at all level of courts. | Federal Supreme Court/Ministry of Capacity Building | |
| | | Complete a study on judicial conduct and accountability in judicial administration | Implement mandatory entry level and inservice training curriculum for newly appointed judges and continuing professionals. | Federal Supreme court and Justice organs professional training centers | |
| | | | Make public names and qualifications of candidates for judicial position before and after appointment. | Council of Peoples' Representatives | |
| D.6 Improved administration and operation of law enforcement organs | Well trained officers, No. of trainees | Continue | | Ministry of Justice | |
| | | Continue | | Federal Police | |

| | | | | | | | |
|-------------------------|--------------------------------------|--|--|--|--|-------------------------------|--|
| | | | Conduct special training programs for police officers at the higher level to enable them to properly direct and manage police institutions with a view to develop a modern police force. | | New prison training system with changed curriculum implemented | Federal Police | |
| | Community policing policy drawn up. | | | | | | |
| D.7 Women's Empowerment | National Action Plan on Gender drawn | Complete the preparation of National Action Plan on Gender | | Report on implementation of the national action plan | | WAO | |
| | | Submit the National Action Plan on Gender to the Cabinet | | Integration of the national action plan in SDPRP II | | MoFED Welfare Monitoring Unit | |

IV. IMPROVED PUBLIC INSTITUTIONAL PERFORMANCE

| Objectives | Indicators | Targets and Key Actions | | Responsible/ Implementing Agency | Risks/Major Assumptions |
|---|---|---|--|---|----------------------------|
| | | EFY 1997 (July 8, 2004 to July 7, 2005) Planned Targets and Actions | EFY 1998 (July 8, 2005 to July 7, 2006) Planned Targets and Actions | | |
| A. Theme Goal Fully democratic, operational constitutional federalism active at federal, regional and local levels. Improved responsiveness of service delivery and deepen democratic empowerment at the grassroots level. | | | | | |
| | | | | | |
| B. Outcome B.1 Operational efficiency and quality of government operations | Decrease in transaction costs for business when dealing with government (processing time) Unit costs for specific services | Implementation of performance improvement initiatives continued. | | MoCB, Regional CBBs & target institutions | Availability of funds |
| | | A comprehensive reform progress review undertaken to identify constraints & seek solutions. | | | |

| | | | | | | |
|--|--|--|--|--|---|---------------|
| | | M&E of performance improvement measures continued | | | | |
| B.2. Predictability of financial resource flows (in-year and across years) | Budget variance | | | | | |
| | Timeliness of fed/regional and regional/woreda transfers | | | | | |
| B.3. Quality of fiscal data | Improved quality and timeliness of fiscal reporting | | | | | |
| C. Outputs | | | | | | |
| C.1 Aligning SDPRP, the planning and budget cycle, sectoral review cycles, and integrating DBS donors with the government fiscal | Alignment of SDPRP with government planning and budget as well as sectoral review cycles | Preparation of financial calendar by BOFEDS | | | Issuance of financial calendar by BoFEDs of the 4 developed regions | MOFED, BoFEDs |
| | | Revise the financial calendar and issue a directive on strategic planning management, consistent with MIEFF, PIP/PEP, and annual budgeting cycle | | | | |
| C.2 Core resource management and control systems | Review and Integrate EMCAP strategic Plan with overall CSR Plan with in MCB | It will be approved by the EMCSP Steering Committee & will become a basis for monitoring and evaluation of the progress of the reform activities | | | Use of EMCSP strategic planning for monitoring and evaluation of the reforms (E.G. during fiduciary assessment) | |

| C.2.1 Planning Reforms | Transition from to integrated, medium-term budgeting system from dual, incremental budget | The Expenditure Planning procedure would be revised to facilitate the SPM process and that the revised procedure be | | The revised Expenditure Planning procedure would be practiced in all Federal Institutions | MOFED, BOFEDs | Availability of fund |
|------------------------|---|---|--|---|-------------------------|----------------------|
| | | 3 regions would develop & practice MEFF including SNNPR | | 3 regions would adopt and practice medium term planning and budgeting system in addition to SAUDD | | |
| C.2.2 Budgeting reform | No. of regions using the new budget structure or chart of accounts | 8 regions will adopt the new chart of accounts | except Somalia, Afar and Gambella Regions in the remaining 8 regions according to the new budget reform, the new budget structure or chart of account implemented and the 2005/06 budget of these regions will be prepared based on the new chart of account/Double entry system | All regions will adopt the new chart of accounts | MOFED, BOFEDs | Availability of fund |
| | No. of federal budgetary units completing roll out of BIS package | 100 federal budgetary Units completed the roll out of BIS package | The BIS package is implemented for selectively prioritized out of 100 Federal Budgetary units for 2004/05 Budget Year. | All federal Budgetary Units will complete roll out of BIS package | Federal Budgetary Units | |
| | No. of regions undertaking BIS rollout | 8 regions will undertake BIS roll out | The BIS package is under construction to be undertaken in all regional states budgetary units | All regions will undertake BIS roll out | MOFED, BOFEDs | |

| C.2.3 Accounts reform | No. of regions completing roll-out of modified cash, double entry | 6 regions will complete roll-out of modified cash, double entry accounting system | | 8 regions will complete roll-out of modified cash, double entry accounting system | MOFED, BOFEDs | Availability of fund |
|-----------------------|--|---|--|---|---------------|----------------------|
| | No. of regions completing roll-out of BDA3 | 4 regions will complete roll out of BDA3 | | 8 regions will complete roll out of BDA3 | | |
| | Percentage of federal budgetary institutions undertaking BDA3 roll out | All Budgetary institutions will complete the roll out of BDA3 package | | | | |
| | Federal accounts backlog | 1 yr backlog at federal level | The 1994 EFY Federal Government Accounts have been closed and submitted to the Office of the Auditor General and 1995 EFY Federal Government Accounts will be closed with in one or two months and be forwarded to the office of the Auditor General. For the 1996 EFY the it will the timeframe of the Policy matrix. | Federal accounts Backlog eliminated | | |
| | No. of regions reducing accounts backlog to 1 year or less | 8 regions with accounts backlog | All regional governments have already submitted their annual accounts for EFY 1994 and except the Gambella regional government, all regions have submitted their annual accounts for the 1995 EFY | 3 regions with accounts backlog | | |

| | | | | | | |
|--|---|---|--|---|----------------------|--|
| C.2.4 Audits reform (external and internal) | Audit backlog at Federal Level (consolidated account) | Reduction of Audit backlog to 1 yr. | | EFY 1995 and 96 accounts will be submitted to OFAG before the end of October 2005 | | |
| | Timely production of standardized internal audit (systems audit) report at federal level | Training Module will be developed and intensive training would be provided both to Federal and Regional Internal Auditors and pilot Federal Institutions would be expected to prepare a standardized audit reports by the end of | | All federal institutions will prepare standardized audit reports. | | |
| | | MOFED shall issue a directive setting a date for closure of the Federal Government's accounts submission of same to OFAG and circulate the directive to federal budgetary institutions for compliance; MOFED will also send the directive issues as a prototype to Regions for their consideration and adoption | | | | |
| C.2.5 Cash management | Percentage of federal institutions preparing new cash flow projections along with budgets | All federal intuitions will commence the preparation of cash flow projections along with budgets | Cash management is implemented in all federal institutions and is functioning. | Evaluate the roll out of cash flow projection | Federal institutions | |

| | | | | | |
|--|------------------------------------|---|--|---|--|
| | Independent monitoring and control | Procurement unit in MOFED transformed into a regulatory directorate | <p>The previews Procurement Department in the MOFED transformed into a regulatory Agency (By the approved Federal Procurement Law) level., Even though The Agency is accountable to MOFED, it shall perform its tasks independently. The organizational structure of the new Agency contains three main functioning, department level, Desks, namely Procurement Follow up and Evaluating Desk, Complaints Handling Desk and Procurement Training & Data Management Desk. Since the Agency will perform its tasks independently, the necessary supporting working units such as Finance, Personnel, Internal Audit..etc. , are also incorporated in the new structure.</p> | Regional regulatory bodies established in the 4 regions | |
| | | | <p>The stricture is submitted to the Federal Civil Service Commission for final approval. After the approval of the structure by the commission, the placement of workers on the new vacancies will be conducted and then the Agency will continue its full implementation of tasks.</p> | | |

| | | | | | | |
|---|---|---|---|--|--------------------------------|--|
| | Establishment of a Procurement Review (PR) Mechanism and PRs conducted | Preparation of a PR Manual completed at Federal level PRs carried out for 10% of entities at Federal Govt. | <p>In order to make the Public Procurement works simple and transparent, for procuring entities as well as for supplier, different Standard Bidding Document (SBDs) prepared. These different SBDs will serve for Procurements of goods & Related Services, Construction Works, Consultancy & Non-Consultancy Services, Text books, IT, and for the procurements of Medicines & Medical Equipments. These new SBDs are translated from the English language into the National Working Language i.e. into Amharic. This also use for Local Competitive Procurements and Small Values (RFQ &RFP) as required.</p> | | | |
| C.3 Human resource management systems | Improved efficiency and quality of human resource management practices | Adoption by federal and all regional governments of the revised result oriented performance Evaluation (RoPE) | | | | |
| | Wage decomposition ratios and mean public-private wage comparators | Federal Civil Service Commission issuance of a white paper on remuneration policy for Federal level | | Cabinet Approval of remuneration policy | | |
| C.4 Restructuring and performance improvement | Percentage of MABs (at federal and in each region) that have initiated PSIP | Introduction and adoption of PSIP framework at federal and 6 regional levels | | Adoption of PSIP framework at federal and [additional X regions] | MCB, Federal and regional MABs | |

| | | | | | | | |
|--|--|---|--|--|---|--------------------------------|------|
| | | 40% of MABs at federal level and 10% of MAB's at regional level participating in PSIP | | | 50% of MABs at federal level and 20% of MAB's at regional level participating in PSIP | | |
| | | Results from woreda/municipality benchmarking exercise published and prototype service standards developed | | | Adoption of prototype service standards for weredas and Municipalities | | |
| D.1. Implementation of Sector Wide Approach for PSCAP incorporating the CSR, Tax, Justice, ICT, District Decentralization and Urban Mgt Programs | | Commencement of implementation of federal specific purpose capacity building or PSCAP program to support transformation at the federal, regional and local levels | | | Four regions complete minimum mandatory capacity-building activities under PSCAP (including accounts backlog eliminated, BDA3/BIS roll out, training of judges, HR training, business process re-engineering, etc.) | | |
| | | Introduction and adoption of PSIP framework by 4 regions: prototyping, adoption and implementation of most reform outputs in | | | Adoption of PSIP by all regions; prototyping, adoption and implementation of CSR reform outputs by all regions | MCB, Federal and Regional MABs | |
| D.1.1 Roll-out of the CSR "Full Implementation Phase" | Implementation of PSIP and related CSR activities deepened at the regional level | Continue with PSCAP | | | | MOCB/MOFED/ | |
| D.1.2 Expenditure Management and Control Program (EMCP) implementation under PSCAP | Adoption by MOFED and BOFEDs of EMCP Strategy Plan | Implementation | | | | | RCBs |
| CSR implementation under PSCAP | Adoption of PSCAP Plan by MOCB and MOFED | | | | | | |

| | | | | | | |
|---|--|--|--|--|---------------|---|
| D.2. Strengthening Support for CSRP and EMCP activities in Emerging Regions | Program Support for CSRP and EMCP in Emerging Regions Provided | Continue Rolling out to emerging regions | | | | |
| D.3 Enhance revenue by improving Tax administration and introducing new | Improved tax to GDP ratio | 0.177 | | | MOR | |
| D.3.1. Introduce Taxpayer identification number | Automated TIN system in place | Identification of additional sites and TIN implementation | | | MOR & regions | |
| D.3.2. Implementation of presumptive taxation | Increased number of hard-to-tax group brought into | Follow up | | | MOR & regions | |
| D.3.3. Introduce VAT | Number of VAT payers registered | | | | | |
| D.3.4. Operational Programs, Systems, Procedures and manuals development | Operational Programs, Systems, Procedures and manuals | Develop and Implement | | | MOR | |
| D.3.5. Develop integrated tax system | Improved service delivery in the The system customized and implemented | Implement at federal level | | | MOR | |
| D.3.6. Approve and implement Tax policy and legislation | Improved equity and fairness in the tax administration | | | | MOR & Regions | |
| D.4 Monitoring and Evaluation | | Satisfactory implementation of monitoring and evaluation action plan | | | CSA/MOFED | Results of Welfare Monitoring Survey and HICES 2004/05 disseminated |

Summary of Medium Term Government Finance Forecast (EFY 1997-99)

(in million Birr)

| EFY | 1994 | | 1995 | | | 1996 | | | 1997 | 1998 | 1999 |
|---|--------------------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|------|------|------|
| | Pre Act. | | Budget | Projection | Rev PRGF Projection | Forecast | | | | | |
| | 02:54:23 PM 28-Dec-04 | | | | | | | | | | |
| 1. Total Resource | 14396.5 | 14481.7 | 17896.2 | 19200.3 | 17509.3 | 19616.3 | 22148.2 | 23107.7 | | | |
| 1.1 Federal Revenue | 8512.9 | 9052.1 | 10893.3 | 10893.3 | 10346.3 | 12059.7 | 14022.4 | 16017.1 | | | |
| Tax revenue | 6473.4 | 6677.9 | 8651.5 | 8651.5 | 8202.8 | 9850.5 | 11739.4 | 13617.6 | | | |
| Non tax revenue | 2039.5 | 2374.2 | 2241.8 | 2241.8 | 2143.4 | 2209.3 | 2283.1 | 2399.5 | | | |
| 1.2 CPF grant & loan | 2442.6 | 1568.0 | 2715.0 | 2715.0 | 2569.0 | 3260.9 | 3145.7 | 2831.2 | | | |
| grant | 305.7 | 467.0 | 2475.0 | 2475.0 | 2342.0 | 1511.0 | 1308.3 | 1177.5 | | | |
| loan | 2137.0 | 1101.0 | 240.0 | 240.0 | 227.0 | 1749.9 | 1837.4 | 1653.7 | | | |
| 1.3 HIPC relief | 429.0 | 813.5 | 819.0 | 819.0 | 695.0 | 712.5 | 767.3 | 856.0 | | | |
| 1.4 Project assistance | 1113.0 | 1196.0 | 1326.2 | 2064.1 | 1325.0 | 1593.3 | 3011.4 | 2217.5 | | | |
| Federal | | | 829.0 | 1562.0 | 982.4 | 1042.4 | 2348.7 | 1780.7 | | | |
| Regional | | | 497.2 | 502.1 | 342.6 | 550.9 | 662.7 | 436.8 | | | |
| 1.5 Project Loan | 1898.9 | 1852.1 | 2142.7 | 2708.9 | 2574.0 | 1989.8 | 1201.4 | 1186.0 | | | |
| Federal | | | 1725.9 | 2292.1 | 2383.3 | 1732.3 | 1168.7 | 1162.1 | | | |
| Regional | | | 416.8 | 416.8 | 190.7 | 257.5 | 32.7 | 23.9 | | | |
| 2. Federal recurrent expenditure | 6609.7 | 6438.4 | 7798.9 | 8120.2 | 7562.0 | 8077.0 | 8577.1 | 8649.3 | | | |
| Defence | 2609.7 | 2341.1 | 3000.0 | 3000.0 | 2400.4 | 3000.0 | 3000.0 | 3000.0 | | | |
| <i>Poverty targeted exped.</i> | <i>577.3</i> | <i>675.8</i> | <i>852.1</i> | <i>907.2</i> | <i>907.6</i> | <i>912.7</i> | <i>1023.4</i> | <i>1087.8</i> | | | |
| Agriculture | 139.3 | 138.3 | 149.0 | 185.2 | 185.5 | 137.9 | 213.1 | 245.1 | | | |
| Water | 11.0 | 11.4 | 12.3 | 12.7 | 12.7 | 9.4 | 14.6 | 16.8 | | | |
| Road | 25.5 | 28.1 | 29.6 | 31.1 | 31.1 | 36.9 | 32.8 | 33.9 | | | |
| Education | 339.8 | 428.7 | 586.7 | 590.9 | 590.9 | 655.1 | 684.9 | 712.4 | | | |
| Health | 61.8 | 69.3 | 74.6 | 87.3 | 87.3 | 73.4 | 78.0 | 79.7 | | | |
| Debt | 1976.7 | 1775.4 | 2410.8 | 2411.0 | 2452.0 | 2556.9 | 2841.4 | 2893.2 | | | |
| Domestic | 848.1 | 624.5 | 972.8 | 972.8 | 972.8 | 924.9 | 932.0 | 931.0 | | | |
| Principal | 276.1 | 0.0 | 200.0 | 200.0 | 200.0 | 185.9 | 194.0 | 194.0 | | | |
| Interest | 572.0 | 624.5 | 772.8 | 772.8 | 772.8 | 739.0 | 738.0 | 737.0 | | | |
| External | 1128.7 | 1150.8 | 1438.0 | 1438.0 | 1422.6 | 1632.0 | 1909.4 | 1962.2 | | | |
| Principal | 695.9 | 556.8 | 805.0 | 805.0 | 748.0 | 804.1 | 1037.3 | 1145.6 | | | |
| Interest | 432.7 | 594.0 | 633.0 | 633.0 | 674.6 | 828.0 | 872.2 | 816.6 | | | |
| Others | 1446.0 | 1646.2 | 1536.0 | 1801.9 | 1802.3 | 1607.4 | 1712.3 | 1668.3 | | | |
| 3. Federal capital expenditure | 1209.4 | 1794.3 | 5491.4 | 6469.5 | 5834.6 | 7009.7 | 8411.1 | 9036.5 | | | |
| Domestic source+HIPC | 1209.4 | 1794.3 | 2936.5 | 2615.4 | 2468.9 | 4235.0 | 4893.7 | 6093.7 | | | |
| <i>o/w Food Security</i> | | | <i>1000.0</i> | <i>1000.0</i> | <i>1000.0</i> | <i>2000.0</i> | <i>2000.0</i> | <i>2000.0</i> | | | |
| External assistance | | | 829.0 | 1562.0 | 982.4 | 1042.4 | 2348.7 | 1780.7 | | | |
| External loan | | | 1725.9 | 2292.1 | 2383.3 | 1732.3 | 1168.7 | 1162.1 | | | |
| 4. Regional transfer | 3920.6 | 4522.5 | 5969.8 | 5974.7 | 5534.8 | 6364.2 | 6851.1 | 7016.5 | | | |
| Domestic source | 3920.6 | 4522.5 | 5055.8 | 5055.8 | 5001.5 | 5555.8 | 6155.8 | 6555.8 | | | |
| External assistance | | | 497.2 | 502.1 | 342.6 | 550.9 | 662.7 | 436.8 | | | |
| External loan | | | 416.8 | 416.8 | 190.7 | 257.5 | 32.7 | 23.9 | | | |
| 5. Total expenditure | 14751.7 | 15803.3 | 19260.1 | 20564.4 | 18931.5 | 21450.9 | 23839.4 | 24702.3 | | | |
| 6. Overall federal gov't balance | -355.2 | -1321.6 | -1363.9 | -1364.2 | -1422.2 | -1834.7 | -1691.2 | -1594.6 | | | |
| 7. Financing | 355.2 | 1321.6 | 1363.9 | 1364.2 | 1422.2 | 1834.7 | 1691.2 | 1594.6 | | | |
| 8. Domestic borrowing (Gross) | 308.9 | 1652.6 | 1363.9 | 1364.2 | 1422.2 | 1834.7 | 1691.2 | 1594.6 | | | |
| <i>o/w: Net Domestic borrowing</i> | | | 1222.2 | 1222.2 | 1222.2 | 1648.8 | 1497.2 | 1400.6 | | | |
| 9. Others/residual financing | 46.4 | -331.0 | 0 | 0.0 | 0.0 | 0 | 0 | 0 | | | |
| Total Regional Resource | 5884.3 | 6627.4 | 8316.3 | 8321.3 | 7830.5 | 9100.5 | 10170.5 | 11149.5 | | | |
| Transfer from federal | 3920.6 | 4522.5 | 5969.8 | 5974.7 | 5534.8 | 6364.2 | 6851.1 | 7016.5 | | | |
| Domestic source | 3920.6 | 4522.5 | 5055.8 | 5055.8 | 5001.5 | 5555.8 | 6155.8 | 6555.8 | | | |
| External assistance | 0.0 | 0.0 | 497.2 | 502.1 | 342.6 | 550.9 | 662.7 | 436.8 | | | |
| External loan | 0.0 | 0.0 | 416.8 | 416.8 | 190.7 | 257.5 | 32.7 | 23.9 | | | |
| Regional own revenue | 1963.7 | 2104.9 | 2346.5 | 2346.6 | 2295.6 | 2736.3 | 3319.4 | 4133.0 | | | |

Annex 2...Contd

| EFY | 1994 | | 1995 | | | 1996 | | | 1997 | 1998 | 1999 |
|---|----------|--------------|--------------|--------------|------------------------|--------------|--------------|--------------|------|------|------|
| | Pre Act. | Pre Act. | Budget | Projection | Rev PRGF Projection | Forecast | | | | | |
| Percentage Change | | | | | | | | | | | |
| 1. Total revenue & grant | | 0.6 | 23.6 | 32.6 | 20.9 | 12.0 | 12.9 | 4.3 | | | |
| 1.1 Federal Revenue | | 6.3 | 20.3 | 20.3 | 14.3 | 16.6 | 16.3 | 14.2 | | | |
| Tax revenue | | 3.2 | 29.6 | 29.6 | 22.8 | 20.1 | 19.2 | 16.0 | | | |
| Non tax revenue | | 16.4 | -5.6 | -5.6 | -9.7 | 3.1 | 3.3 | 5.1 | | | |
| 1.2 CPF grant & loan | | -35.8 | 73.2 | 73.2 | 63.8 | 26.9 | -3.5 | -10.0 | | | |
| 1.4 Project assistance | | 7.5 | 10.9 | 72.6 | 10.8 | 20.2 | 89.0 | -26.4 | | | |
| Federal | | | | | | 6.1 | 125.3 | -24.2 | | | |
| Regional | | | | | | 60.8 | 20.3 | -34.1 | | | |
| 1.5 Project Loan | | -2.5 | 15.7 | 46.3 | 39.0 | -22.7 | -39.6 | -1.3 | | | |
| Federal | | | | | | -27.3 | -32.5 | -0.6 | | | |
| Regional | | | | | | 35.0 | -87.3 | -26.9 | | | |
| 2. Federal recurrent expenditure | | -2.6 | 21.1 | 26.1 | 17.5 | 6.8 | 6.2 | 0.8 | | | |
| Defence | | -10.3 | 28.1 | 28.1 | 2.5 | 25.0 | 0.0 | 0.0 | | | |
| Poverty targeted exped. | | 17.1 | 26.1 | 34.2 | 34.3 | 0.6 | 12.1 | 6.3 | | | |
| Agriculture | | -0.7 | 7.7 | 33.9 | 34.1 | -25.7 | 54.5 | 15.0 | | | |
| Water | | 3.7 | 7.7 | 11.3 | 11.5 | -25.7 | 54.5 | 15.0 | | | |
| Urban dev't & construction | | 10.3 | 5.1 | 10.7 | 10.7 | 18.5 | -11.0 | 3.4 | | | |
| Education | | 26.1 | 36.9 | 37.9 | 37.9 | 10.9 | 4.5 | 4.0 | | | |
| Health | | 12.3 | 7.7 | 25.9 | 25.9 | -16.0 | 6.3 | 2.2 | | | |
| Debt | | -10.2 | 35.8 | 35.8 | 38.1 | 4.3 | 11.1 | 1.8 | | | |
| Others | | 13.8 | -6.7 | 9.5 | 9.5 | -10.8 | 6.5 | -2.6 | | | |
| 3. Federal capital expenditure | | 48.4 | 206.0 | 260.6 | 225.2 | 20.1 | 20.0 | 7.4 | | | |
| Domestic source | | 48.4 | 63.7 | 45.8 | 37.6 | 71.5 | 15.6 | 24.5 | | | |
| External assistance | | | | | | 6.1 | 125.3 | -24.2 | | | |
| External loan | | | | | | -27.3 | -32.5 | -0.6 | | | |
| 4. Regional transfer | | 15.4 | 32.0 | 32.1 | 22.4 | 15.0 | 7.7 | 2.4 | | | |
| Domestic source | | 15.4 | 11.8 | 11.8 | 10.6 | 11.1 | 10.8 | 6.5 | | | |
| External assistance | | | | | | 60.8 | 20.3 | -34.1 | | | |
| External loan | | | | | | 35.0 | -87.3 | -26.9 | | | |
| 5. Total expenditure | | 7.1 | 21.9 | 30.1 | 19.8 | 13.3 | 11.1 | 3.6 | | | |
| 6. Overall balance | | 272.1 | 3.2 | 3.2 | 7.6 | 29.0 | -7.8 | -5.7 | | | |
| 7. Financing | | 272.1 | 3.2 | 3.2 | 7.6 | 29.0 | -7.8 | -5.7 | | | |
| 8. Domestic borrowing (gross) | | 435.1 | -17.5 | -17.5 | -13.9 | 29.0 | -7.8 | -5.7 | | | |
| <i>o/w: Net Domestic borrowing</i> | | | | | | <i>34.9</i> | <i>-9.2</i> | <i>-6.5</i> | | | |

| EFY | 1994 | 1995 | 1996 | | | 1997 | 1998 | 1999 |
|--|-------------|-------------|-------------|-------------|------------------------|-------------|-------------|-------------|
| | Pre Act. | Pre Act. | Budget | Projection | Rev PRGF Projection | Forecast | | |
| In Percent of GDP at Current Market Price | | | | | | | | |
| 1. Total Resource | 27.7 | 25.4 | 26.7 | 30.2 | 26.1 | 26.1 | 26.2 | 24.4 |
| 1.1 Federal Revenue | 16.4 | 15.9 | 16.2 | 17.1 | 15.4 | 16.0 | 16.6 | 16.9 |
| Tax revenue | 12.5 | 11.7 | 12.9 | 13.6 | 12.2 | 13.1 | 13.9 | 14.4 |
| Non tax revenue | 3.9 | 4.2 | 3.3 | 3.5 | 3.2 | 2.9 | 2.7 | 2.5 |
| 1.2 CPF grant & loan | 4.7 | 2.8 | 4.0 | 4.3 | 3.8 | 4.3 | 3.7 | 3.0 |
| grant | 0.6 | 0.8 | 3.7 | 3.9 | 3.5 | 2.0 | 1.5 | 1.2 |
| loan | 4.1 | 1.9 | 0.4 | 0.4 | 0.3 | 2.3 | 2.2 | 1.7 |
| 1.3 HIPC relief | 0.8 | 1.4 | 1.2 | 1.3 | 1.0 | 0.9 | 0.9 | 0.9 |
| 1.4 Project assistance | 2.1 | 2.1 | 2.0 | 3.2 | 2.0 | 2.1 | 3.6 | 2.3 |
| Federal | 0.0 | 0.0 | 1.2 | 2.5 | 1.5 | 1.4 | 2.8 | 1.9 |
| Regional | 0.0 | 0.0 | 0.7 | 0.8 | 0.5 | 0.7 | 0.8 | 0.5 |
| 1.5 Project Loan | 3.7 | 3.3 | 3.2 | 4.3 | 3.8 | 2.6 | 1.4 | 1.3 |
| Federal | 0.0 | 0.0 | 2.6 | 3.6 | 3.6 | 2.3 | 1.4 | 1.2 |
| Regional | 0.0 | 0.0 | 0.6 | 0.7 | 0.3 | 0.3 | 0.0 | 0.0 |
| 2. Federal recurrent expenditure | 12.7 | 11.3 | 11.6 | 12.8 | 11.3 | 10.7 | 10.2 | 9.1 |
| Defence | 5.0 | 4.1 | 4.5 | 4.7 | 3.6 | 4.0 | 3.6 | 3.2 |
| <i>Poverty targeted exped.</i> | 1.1 | 1.2 | 1.3 | 1.4 | 1.4 | 1.2 | 1.2 | 1.1 |
| Agriculture & natural resource | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 |
| Water | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Construction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Education | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 |
| Health | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Debt | 3.8 | 3.1 | 3.6 | 3.8 | 3.7 | 3.4 | 3.4 | 3.0 |
| Domestic | 1.6 | 1.1 | 1.5 | 1.5 | 1.5 | 1.2 | 1.1 | 1.0 |
| Principal | 0.5 | 0.0 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Interest | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.0 | 0.9 | 0.8 |
| External | 2.2 | 2.0 | 2.1 | 2.3 | 2.1 | 2.2 | 2.3 | 2.1 |
| Principal | 1.3 | 1.0 | 1.2 | 1.3 | 1.1 | 1.1 | 1.2 | 1.2 |
| Interest | 0.8 | 1.0 | 0.9 | 1.0 | 1.0 | 1.1 | 1.0 | 0.9 |
| <i>Others</i> | 2.8 | 2.9 | 2.3 | 2.8 | 2.7 | 2.1 | 2.0 | 1.8 |
| 3. Federal capital expenditure | 2.3 | 3.2 | 8.2 | 10.2 | 8.7 | 9.3 | 10.0 | 9.5 |
| Domestic source+HIPC | 2.3 | 3.2 | 4.4 | 4.1 | 3.7 | 5.6 | 5.8 | 6.4 |
| External assistance | 0.0 | 0.0 | 1.2 | 2.5 | 1.5 | 1.4 | 2.8 | 1.9 |
| External loan | 0.0 | 0.0 | 2.6 | 3.6 | 3.6 | 2.3 | 1.4 | 1.2 |
| 4. Regional transfer | 7.5 | 7.9 | 8.9 | 9.4 | 8.3 | 8.5 | 8.1 | 7.4 |
| Domestic source | 7.5 | 7.9 | 7.5 | 8.0 | 7.5 | 7.4 | 7.3 | 6.9 |
| External assistance | 0.0 | 0.0 | 0.7 | 0.8 | 0.5 | 0.7 | 0.8 | 0.5 |
| External loan | 0.0 | 0.0 | 0.6 | 0.7 | 0.3 | 0.3 | 0.0 | 0.0 |
| 5. Total expenditure | 28.4 | 27.7 | 28.7 | 32.3 | 28.2 | 28.5 | 28.2 | 26.0 |
| 6. Overall federal gov't balance | -0.7 | -2.3 | -2.0 | -2.1 | -2.1 | -2.4 | -2.0 | -1.7 |
| 7. Financing | 0.7 | 2.3 | 2.0 | 2.1 | 2.1 | 2.4 | 2.0 | 1.7 |
| 8. Domestic borrowing (Gross) | 0.6 | 2.9 | 2.0 | 2.1 | 2.1 | 2.4 | 2.0 | 1.7 |
| <i>o/w: Net Domestic borrowing</i> | <i>0.6</i> | <i>2.9</i> | <i>1.8</i> | <i>1.9</i> | <i>1.8</i> | <i>2.2</i> | <i>1.8</i> | <i>1.5</i> |
| 9. Others/residual financing | 0.1 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Regional Resource | 11.3 | 11.6 | 12.4 | 13.1 | 11.7 | 12.1 | 12.0 | 11.8 |
| Transfer from federal | 7.5 | 7.9 | 8.9 | 9.4 | 8.3 | 8.5 | 8.1 | 7.4 |
| <i>Domestic source</i> | <i>7.5</i> | <i>7.9</i> | <i>7.5</i> | <i>8.0</i> | <i>7.5</i> | <i>7.4</i> | <i>7.3</i> | <i>6.9</i> |
| <i>External assistance</i> | <i>0.0</i> | <i>0.0</i> | <i>0.7</i> | <i>0.8</i> | <i>0.5</i> | <i>0.7</i> | <i>0.8</i> | <i>0.5</i> |
| <i>External loan</i> | <i>0.0</i> | <i>0.0</i> | <i>0.6</i> | <i>0.7</i> | <i>0.3</i> | <i>0.3</i> | <i>0.0</i> | <i>0.0</i> |
| Regional own revenue | 3.8 | 3.7 | 3.5 | 3.7 | 3.4 | 3.6 | 3.9 | 4.4 |

Ethiopia: Summary of Consolidated Federal and Regional Budget, EFY1997 (2004/05)

| | <i>Preliminary</i> | <i>In million Birr</i> | | |
|---|--------------------|------------------------|-----------------|---------------|
| Ethiopian fiscal year | 11:41:50 AM | <i>1997</i> | | |
| Fiscal year ending July 7 | <u>05-Jan-05</u> | <i>2004/05</i> | | |
| | | <i>Budget</i> | | |
| | | <i>Federal</i> | <i>Regional</i> | <i>Total</i> |
| Total Revenue and Grants | | 17598 | 4796 | 22394 |
| Revenue | | 12773 | 4245 | 17018 |
| Tax revenue | | 9850 | 3109 | 12959 |
| Direct taxes | | 2627 | 2663 | 5290 |
| Indirect taxes | | 7223 | 446 | 7670 |
| Domestic indirect taxes | | 2198 | 446 | 2644 |
| Import duties & taxes | | 5026 | 0 | 5026 |
| Export taxes | | 0 | 0 | 0 |
| Non-tax revenue | | 2923 | 1136 | 4058 |
| Grants | | 4825 | 552 | 5377 |
| Grants in kind/earmarked | | 1944 | 552 | 2495 |
| Untied cash & CPF/grants | | 2881 | 0 | 2881 |
| Expenditure¹ | | 16384 | 10649 | 27034 |
| Current expenditure | | 8051 | 7634 | 15685 |
| Defense | | 3000 | 0 | 3000 |
| Poverty-targeted expenditure | | 906 | 3904 | 4809 |
| Education | | 654 | 2302 | 2956 |
| Health | | 74 | 655 | 728 |
| Agriculture | | 147 | 868 | 1016 |
| Roads | | 31 | 78 | 109 |
| Interest payments | | 1567 | 0 | 1567 |
| Domestic interest | | 739 | 0 | 739 |
| External interest | | 828 | 0 | 828 |
| External assistance (food & related relief aid) | | 901 | 0 | 901 |
| Others* | | 1677 | 3730 | 5407 |
| Capital expenditure | | 7566 | 3016 | 10582 |
| Central Treasury | | 4745 | 2167 | 6912 |
| External assistance | | 1042 | 552 | 1594 |
| External loans | | 1778 | 297 | 2076 |
| <i>o/w: Poverty Targeted Expenditures</i> | | <i>7136</i> | <i>2193</i> | <i>9330</i> |
| Regional Transfer | | 5556 | | |
| Special programs | | 767 | 0 | 767 |
| Overall balance including grants | | -4342 | -5853 | -4639 |
| Overall balance excluding grants | | -9167 | -6405 | -10016 |
| Financing | | 4342 | 5853 | 4639 |
| External (net) | | 2833 | 297 | 3131 |
| Gross borrowing | | 2925 | 297 | 3222 |
| Capital budget | | 1778 | 297 | 2076 |
| CPF generations/loans | | 380 | | 380 |
| Special programs | | 767 | | 767 |
| HIPC relief | | 713 | | 713 |
| Amortization paid | | 804 | | 804 |
| Domestic financing | | 1508 | 5556 | 1508 |
| Domestic(net) | | 1509 | 0 | 1509 |
| Banking system (net) | | 1509 | | 1509 |
| Non-bank sources | | 0 | | 0 |
| Privatization | | 0 | | 0 |
| Residual/Float | | 0 | 0 | 0 |
| Receipt of Federal Subsidy | | | 5556 | |

1/ Includes special program disbursement projections

* Includes municipality transfers of Addis Ababa Administration

| Ethiopian fiscal year | 11:41:50 AM | 1997 | | |
|--|-------------|----------------|-----------------|--------------|
| Fiscal year ending July 7 | 05-Jan-05 | 2004/05 | | |
| | | Federal | Regional | Total |
| <u>(In percent of GDP)</u> | | | | |
| Total Revenue and Grants | | | | 28.7 |
| Revenue | | | | 21.8 |
| Tax revenue | | | | 16.6 |
| Nontax revenue | | | | 5.2 |
| Grants | | | | 6.9 |
| Expenditure | | | | 34.6 |
| Current expenditure | | | | 20.1 |
| Defense | | | | 3.8 |
| Poverty-targeted expenditure | | | | 6.2 |
| Education | | | | 3.8 |
| Health | | | | 0.9 |
| Agriculture | | | | 1.3 |
| Roads | | | | 0.1 |
| <i>o/w HIPC Poverty-targeted expenditure</i> | | | | 0.1 |
| Interest payments | | | | 2.0 |
| Others | | | | 6.9 |
| Capital expenditure | | | | 13.6 |
| <i>o/w HIPC Poverty-targeted expenditure</i> | | | | 1.0 |
| <i>o/w: Poverty Targeted Expenditures</i> | | | | 12.0 |
| Special Programs | | | | 1.0 |
| Overall balance including grants | | | | -5.9 |
| Overall balance excluding grants | | | | -12.8 |
| Financing | | | | 5.9 |
| External (net) | | | | 4.0 |
| <i>o/w HIPC external assistance</i> | | | | 0.9 |
| Domestic | | | | 1.9 |
| Banking system | | | | 1.9 |
| Privatization | | | | 0.0 |
| Memorandum item | | | | |
| GDP at current market price | | | | 78044 |