

Linking The Poverty Reduction Strategy Paper and Millennium Development Goals



The Case of Ethiopia



African Forum and Network
on Debt and Development

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Linking PRSPs and the Millennium Development Goals

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About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

- 1 To enhance efficient and effective management and use of resources by African governments;
- 2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
- 3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.

Preface

The relationship between growth and poverty lies at the heart of development economics. While many see aggregate growth as both necessary and sufficient for reducing poverty, and consequently focus their efforts on achieving the desired macroeconomic outcomes, others stress that the benefits from growth may not be evenly spread. In fact critics of globalization often point out that growth of the macro economy may well have an adverse effect on the most vulnerable members of society. Thus the distributional impact of growth, as well as its level, needs to be taken into account when considering the consequences for poverty.

The PRSPs have a three-year lifespan after which they can be reviewed and updated on the basis of the annual evaluations. Donor funding for PRSP programmes has tended to be focused on these short-term timeframes making it difficult to plan, focus and budget resources beyond three years. This poses a challenge on predicting donor funding commitments and continuity after the three years. On the contrary, MDGs are cast in the long-term, which would imply longer term project planning, implementation and longer-term donor funding commitments. Thus effectively the complimentary role of PRSPs to MDGs is being undermined by the disjoint in the timeframes between the two. Expanding the PRSP cycle to align it with the long-term vision of the MDGs would enhance the link between the two and increase their effectiveness.

Some quarters of civil society organizations have already recommended that if PRSPs do not help in attaining the MDGs then the PRSPs have to be done away with. All donors, even the US, have backed the MDGs, but have failed to translate this yet into aid allocation policies and practical poverty reduction actions. Nevertheless, similar to the PRSPs, the MDGs are one of the few frameworks donors could unite around and which could form the basis of the harmonization of aid policies and poverty reduction in Africa. It is therefore important to interrogate the divergences and convergences imbedded in the use of both the PRSPs and MDGs as planning tools at national level by focusing on how some African countries are handling both PRSPs and MDGs within the context of national plans and development strategies.

The case of Ethiopia as put in this study shows that the macroeconomic conditions underpinning the PRSPs especially low productivity, structural bottlenecks, dependence on unreliable rainfall and the failure by creditors to recognize that Ethiopia's socio-economic circumstances which are almost unparalleled elsewhere in the world are a stumbling block to the attainment of the MDGs. Macroeconomic policy space in Ethiopia and indeed in many African countries still remains the preserved domain of the Bretton Woods Institutions who, in fact, inaccurately, to the amazement of other development practitioners, believe that a "one-size-fit-all" approach has to work even in Ethiopia's unique absolute poverty-stricken scenario.

The Ethiopian study reiterates the fact that Sub-Sahara African countries will not attain the much talked about sustainable development unless the right to map their own economic development agenda is given back to the sovereign governments and civil society. It also points to the fact that the recent G8 Multilateral Debt Relief Initiative (MDRI) of 2005 at Gleneagles' will not be a panacea to Ethiopia's economic problems, even though it has been mentioned as a key beneficiary. Neither are the US African Growth opportunity Act (AGOA) and Europe's Economic Partnership Agreements (EPAs). The reason is that all these initiatives, including debt relief, did not take into cognizance the need for new borrowing and debt sustainability in a country that is stuck with international trading bottlenecks. Ethiopia, like many African countries, lacks the requisite infrastructure and investment and still needs alternative revenue sources if the linkage between PRSPs and MDGs is going to pull it out of its development problems. The attainment of the MDGs will remain a mirage unless the Bretton Woods Institutions leave the required policy space for the national government to chart its own future.

This Ethiopian case study raises a number of concerns. We do hope that both the IMF and the Ethiopian government will take the findings of this report seriously and address concerns aptly.



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Abbreviations and Acronyms

ADB	African Development Bank
ADLI	Agricultural Development-led Initialization
AfDF	African Development Fund
AGOA	African Growth and Opportunity Act
CSO	Civil Society Organizations
CRDA	Christian Relief and Development Organization
DAC	Development Assistance Committee
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFDRE	Government of Federal Democratic Republic of Ethiopia
HIPC	Initiative for Heavily Indebted Poor Countries
ILO	International Labor Organization
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relieve Initiative
MOFED	Ministry of Finance and Economic Development
NGO	Non-governmental organization
ODA	Official Development Assistance
OECD	Organization of Economic cooperation of Developed countries
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PRSP	Poverty Reduction Strategy Paper
SDPRP	Sustainable Development and Poverty Reduction Paper
SSA	Sub-Saharan Africa
UNCT	United Nations Coordinating Team
UNDP	United Nations Development Programme
UN/ECA	United Nations/Economic Commission for Africa
UNFP	United Nations Fund for Population
VAT	Value-Added Tax
WTO	World Trade Organization

1.0 Ethiopia's Past and Economic Reforms

1.1 Introduction

The initiative to formulate Poverty Reduction programs in Ethiopia cannot be seen in isolation from the broad development framework of the country and the influence of the international environment. The 1990s saw the orientation of the earlier development approaches like Structural Adjustment Programs (SAPs) geared towards realizing growth and poverty reduction. Ethiopia also entered the 1990s with the objective of reversing the deterioration of economic and social conditions by creating the necessary policy and institutional environment for poverty reduction.

Ethiopia's past is characterized partly by socialism, civil war, recurrent drought and economic mismanagement. Its economy is heavily dependent on agriculture, with 80% of its population living in rural areas being employed in the agriculture sector. The dynamics of population growth, low productivity, compounded with some of the aforementioned factors have remained major bottlenecks to economic growth and poverty reduction.

Ethiopia, the second most populous country in Africa (with a population of 77 million), is located between longitudes 330 and 480 E and latitudes 30 and 150 N. Ethiopia has a total land of 1.14 million square kilometers and a population growth rate of 2.44 percent against 2.28 for Sub-Saharan Africa. Ethiopia has, once more, become a landlocked country resulting from the secession of its former province Eritrea with whom it waged a border war.

Ethiopia has enormous but untapped potential resources including agricultural potentials (one of the largest livestock population in the world, diverse climate, rich soils in some areas), considerable mineral resources, enormous hydro-electric and geothermal power generation potentials, untapped potentials for tourism industry (attractive scenic landscape, rare historic sites, endemic wildlife rich flora and fauna, unique archaeological sites), and huge fresh water fish reserves. Above all, Ethiopia is endowed with an assiduous and disciplined work force.

Ethiopia is a country of great contrasts and diversity in terms of physical features, economic potential and cultural formations. It is also a country where around 45 percent of the population lives in absolute poverty. "Ethiopia's initial condition is very weak. Ethiopia's current predicament fits well with the theoretical and empirical descriptions of a "poverty trap" (Easterly 2002:2).

According to official statistics, over the last three years, the Ethiopian economy has shown mixed performance, with negative real GDP growth rate of 3.8% in 2002/03 as a result of drought, followed by strong positive performance of 11.3% and 8.9% in 2003/04 and 2004/05 respectively. In 2005/06, the growth rate of the economy declined from an unusual peak of 11.3 percent in 2003/04 to 5.1% in 2005/06. Accordingly, during 2001/02-2004/05 annual real GDP growth averaged 5%. As usual, variability of growth was mostly a result of the variability in the output of the agricultural sector. Agricultural value-addition declined by about 12% in 2002/03, and rebounded by 18 percent the following year. Inflation (which is basically food inflation) stood at 15.1% in 2002/03, but declined to 9% in 2003/04 and 6.8% in 2004/05 (World Bank 2006; MoFED 2005:108) (for further details of the macroeconomic stance of Ethiopia, (see Annex 1). Therefore, if the present unstable growth continues, Ethiopia may find it difficult to attain the 7 percent growth which is required to meet the Millennium Development Goals (MDGs) of halving poverty by 2015.

1.2 Background and Context

A series of Economic Reform Programs (ERPs) were introduced to facilitate transition from a command to a market oriented system, which it is hoped will restore macroeconomic stability and create a favorable business environment. Stabilization and structural adjustment programs were adopted with the objective of liberalizing economic activities. The adjustment programs were intended to restore growth and efficiency and rationalize the role of the state. Most importantly, public expenditure was strengthened and made to focus on building the human and physical capacity of the economy. Accordingly, key Sector Development Programs (SDPs), including education, health, road, and agricultural extension programs were formulated and implemented.

Resource allocation favoring vulnerable groups/regions was further reinforced and managing sector development programs were emphasized. Moreover, other policies such as the National Policy of Ethiopian Women and the National Environment Policy were brought into focus by way of mainstreaming the concerns of women and environmental issues in the development process.

While implementing SAP, Ethiopia developed an Interim Poverty Reduction Strategy Paper (I- PRSP) in 2000 and launched the full-PRSP known as Ethiopia's Sustainable Development and Poverty Reduction Program (SDPRP) in 2002 that targets economic growth averaging 7% a year in order to reduce poverty by half in 2015. In October 2005, the second phase of the PRSP process, a Plan for Accelerated and Sustained Development to End Poverty (PASDEP), has been put into action as a guiding strategic framework for the five-year period 2005-2010. The PASDEP carries forward important strategic directions pursued under the SDPRP related to human development, rural development, food security, and capacity building but also embodies some bold new directions. Foremost among them is a major focus on growth in the coming five-year period - with particular emphasis on greater commercialization of agriculture and the private sector - and a scaling-up of efforts to achieve the Millennium Development Goals.

In 1999, the new orientation towards poverty reduction was most dramatically indicated in the replacement of the ESAF by the Poverty Reduction and Growth Facility (PRGF). The PRGF became a new conditionality to get new loans from the fund and reference for other donors and creditors to support developing countries' economies. The PRGF was approved in 2001 for SDR 86.91 million (about US\$110 million). The conditions to be put in the PRGF program were to emerge from the recipient country poverty reduction strategy, as laid out in its Poverty Reduction Strategy Paper (PRSP) or Interim-PRSP. It is assumed that important social and sectoral programs and structural reforms aimed at poverty reduction were identified and prioritized in the country's PRSP. It was also expected that the document be produced in a transparent process involving broad participation from the government, non-governmental organizations, civil society and donors. In this regard, locally produced PRSPs were expected to generate fresh ideas about strategies and measures needed to reach shared growth and poverty reduction goals.

1.3 The PRSP Processes in Ethiopia

The preparation of a Poverty Reduction Strategy (PRS) in Ethiopia commenced following the approval of the Interim Poverty Reduction Strategy Paper (IPRSP) by the Executive Boards of the Fund and the Bank in November 2000. In subsequent years, activities pertaining to the preparation of PRSP and subjecting the same to public consultations were allegedly undertaken. The PRSP Document, "Sustainable Development and Poverty Reduction Program" (SDPRP), was finalized in July 2002. According to the Ministry of Finance and Economic Development of the Government of Ethiopia, SDPRP went through a series of consultation processes that were officially launched between August 2001 and March 2002. Consultations took place at the Woreda, Regional, and Federal levels inducing the participation of 6000, 2000, and 450 persons respectively. Participants were drawn from government agencies, non-governmental organizations, community representatives and prominent individuals, religious groups, women's groups, professional associations, journalists and the business community.

The Ethiopian Government issued the Interim Poverty Reduction Strategy Paper (IPRSP), which outlined poverty reduction approaches based on:

- a) Agricultural Development-Led Industrialization,
- b) Judicial and civil service reform,
- c) Decentralization and empowerment, and
- d) Capacity building in the public and private sectors as its major contents

These were presumed to help in realizing goals and objectives relating to poverty reduction (MOFED 2000). In addition, the document incorporated sectoral and sub-sectoral development programs (agriculture, education and health, infrastructure). As could be observed in the policy reduction matrix of I-PRSP covering the period between 2000/01 and 2002/03, the Government pledged to address concerns associated with poverty through a series of policy measures and interventions that were deemed crucial in bringing about improvements in food security, agriculture, industry, and prevention of HIV/AIDS. Poverty reduction program indicators of I-PRSP embraced such welfare components as reducing poverty and inequality through increase in average income, progressive increase in average yield per hectare, augmenting the share of education, agriculture, and health in budget allocation and improving access to health and educational services and clean water. On the other hand, reduction of infant, child and maternal mortality rates were set as targets to be achieved during the period in question.

At about the same time Ethiopia was struggling to come to terms with the PRSPs, a set of eight goals known as the Millennium Development Goals (MDGs) were established as monitorable benchmarks for tracking the ever-pervasive poverty. 189 heads of state and government who are members of the United Nations including Ethiopia made a commitment to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality and improve maternal health. They also committed to combat HIV/AIDS, malaria, tuberculosis and other diseases, ensure environmental sustainability and develop global partnerships for development.

Suffice to note at the outset that the initial conditions of Ethiopia are alarming as indicated in the opening statement of the country's PRSP II:

The challenges facing Ethiopia are daunting: the dynamics of population growth, very low productivity, structural bottlenecks, dependence on unreliable rainfall and being land-locked combine to pose challenges almost unequalled anywhere in the world" (MoFED 2005:6).

This can be explained by the fact that in Ethiopia, a substantial portion of households hover around the poverty line. If people who could be vulnerable to being poor due to minor shocks as illness are included, according to some estimates, they add around 30 percent to the poor population. Thus, the poor and vulnerable in Ethiopia would come to around 55 percent.

In Ethiopia, income poverty is widespread and deep. Some 31 million people live below a poverty line equivalent to 45 US cents per day; and between 6 and 13 million people are at risk of starvation each year. There is also extreme vulnerability, with consumption rising and falling dramatically from year to year as the result of drought, ill health, or other family shocks. As a result, many families who are not currently poor are at constant risk of falling into extreme poverty and can never accumulate enough assets to break out of poverty. The following figure indicates required and current trends in poverty reduction efforts in Ethiopia.

It is against this background that the government of Ethiopia launched PRSPs and MDGs at the beginning of the present century. However, it remains to be investigated whether or not Ethiopia is making progress towards the attainment of targets set in MDGs. The objective of this study is to determine the extent to which Ethiopia, one of the Highly Indebted Poor Countries (HIPC) will be able to attain some or all the MDGs within the framework of PRSPs in light of the constraints of a heavy debt burden, fragile economy, declining and unpredictable development assistance and deteriorating terms of trade, which militate against poverty reduction and sustainable development efforts. It is part of a study of five African countries aimed at examining how PRSPs and MDGs are working at national level as tools for development and poverty reduction and how various stakeholders interact around these two frameworks.

1.4 Scope of the Study (Terms of Reference)

The main objective of the study is to determine the extent to which Ethiopia will be able to attain some or all the Millennium Development Goals within the framework of using PRSPs to tackle the constraints of a heavy debt burden, fragile economy, declining and unpredictable development assistance and deteriorating terms of trade. The study seeks to understand the roles of both the MDGs and PRSPs in fighting these hurdles which generally militate against poverty reduction and sustainable development efforts.

To address the objective of the study, an attempt is made to address the following key questions and issues:

1. The extent to which MDGs and PRSPs have become rallying points for national development. How have MDGs been integrated into national policy, planning and budget processes?
2. The extent to which the relationship between the PRSP and MDGs within the national context has been shaped and how/to what extent has the PRSP taken the MDGs into consideration? Is the PRSP supporting or undermining the MDG agenda?
3. The role of the World Bank and International Monetary Fund in the MDGs agenda. Given the macro economic policy influence of the Bank and the Fund - has their advice influenced flow of resources for the MDGs (positively or negatively)?

4. Whether there is a coherent MDG message and programme of support from multilateral agencies. Is there donor emphasis on particular goals and if yes, is this consistent with national priorities? Does the MDG/Millennium Declaration agenda present any opportunities or challenges to moving forward on national priorities? Is the country demonstrating good practice in engendering national ownership of the MDGs? If yes, describe the process by which this was done, including any supporting institutional arrangements.
5. Whether MDGs have afforded better partnership between national stakeholders than have PRSPs. In particular assess the extent to which governments have been able to engage Civil Society Organisations (CSOs) and the private sector in shaping the development agenda after the PRSP experience. To what extent have the MDGs been a tool for raising awareness, developing consensus and alliance building around national development/poverty eradication?
6. Discuss and critically analyze the extent to which the scope for CSOs to play a broader role in delivering the MDGs and PRSPs has been enlarged. Examine the extent to which CSOs have been engaged in policies, actions and even institutional arrangements for this to happen. What has the relationship between the PRSPs and the MDGs meant for the work and roles of CSOs?
7. Give recommendations on how the international community, national governments and other stakeholders should handle the PRSPs and MDGs as tools for development in Africa.

1.5 Methodology

This study is based on structured interviews with key stakeholders and a review of documents from various sources. It relies heavily on reports by the Government of Ethiopia (Ministry of Finance Planning and Economic Development and Sector Ministries), the Central Bank, the UN family, the IMF and World Bank, Civil Society publications and media reports. It also draws on the author's own extensive experience, knowledge and work on PRSPs and MDGs in Ethiopia. Information from these varied sources has then been subjected to critical analysis to draw conclusions in respect to the Terms of Reference given for this study. The report was discussed at a validation workshop held in Lusaka, Zambia on 8-9 June 2006 and thereafter amended accordingly.

2.0 The PSRPS- MDGS Nexus

2.1 The MDGs in the Context of Sub-Saharan Africa

In making the analysis of the relationship between the PRSPs and the MDGs and the extent to which these two are linked and integrated (or not integrated) it might be useful to examine two issues: their origins, what really lies behind them and what instruments are required for their fulfillment; and the extent to which these instruments are synergized. Broadly speaking, the origins of both the PRSPs and MDGs lie in the global need for a sustainable eradication of poverty.

The PRSPs were born out of the HIPC initiative. In September 1996, the Bretton Woods institutions came up with the Heavily Indebted Poor Countries (HIPC) initiative which would respond to the debt crisis of the now designated as "Highly Indebted Poor Countries" (HIPCs). There was a list of 41 countries, of which 33 were in Africa. However, after two years of the initiative in 1998, only Uganda and Bolivia had qualified for any relief under the scheme. Increased pressure from the Jubilee movement and the Debtor countries culminated in the G7 Summit of Cologne, June 1999, announcing a programme that led to the Enhanced HIPC initiative (eHIPC) with less onerous conditions and more accommodating accession time frames. As a condition for eligibility the IMF and World Bank required that debtor governments, with the participation of their civil society, craft their national development policies and plans into Poverty Reduction Strategy Papers (PRSPs) to ensure that "saved" money from the relief would be spent on poverty reduction. The PRSP described the country's macro-economic, structural and social policies and programmes to promote growth and reduce poverty.

Box 1. MDGs and Targets

1. Eradicate extreme poverty and hunger
 - Halve the proportion of people with less than dollar and day.
 - Halve the proportion of people who suffer from hunger
2. Achieve universal primary education
 - Ensure boys and girls alike complete primary schooling
3. Promote gender equality and empower women.
 - Eliminate gender disparity at all levels of education
4. Reduce Child Mortality
 - Reduce by two thirds the under-five mortality rate
5. Improve maternal health
 - Reduce by three quarters the maternal mortality ration
6. Combat HIV/AIDS, malaria and other diseases
 - Halt and reverse the spread of HIV/AIDS
 - Halt and reverse the spread of malaria and tuberculosis
7. Ensure environmental sustainability
 - Integrate sustainable development into country policies and reverse loss of environmental resources
 - Halve the proportion of people without access to potable water
 - By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
8. Develop a global partnership for development
 - Develop further an open, rule-based predictable, non-discriminating trading and financial system-commitment to good governance, development, and poverty reduction-both nationally and internationally.
 - Address the special needs of the Least Developed countries
 - Address the Special Needs of land-locked countries committed to poverty reduction
 - Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
 - In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
 - In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: UNDP (2003)

Like the other countries of the world, Ethiopia signed the Millennium Declaration in New York in September 2000. The Millennium Development Goals (MDGs), which have been the cornerstone of international and regional development as well as a rallying cry of a global partnership, were endorsed by over 180 member states at the UN General Assembly in September 2002. It contains eight goals, 18 targets and 48 indicators. For example, the first goal of MDGs, is to eradicate extreme poverty and hunger, it has a target of halving the number of people living in poverty and hunger, between 1990 and 2015, the proportion of people whose income is less than a dollar a day (see Box 1 above).

Much of Sub-Saharan Africa, with few exceptions of countries that have access to enclave resources such as oil and minerals, lags behind other regions of the world in its progress towards attainment of MDGs (UNECA 2005). Similarly the African Development Bank (2002) observed that most sub-Saharan countries "will not achieve goal number one of eradication poverty and hunger as the number of the poor in the region is likely to increase." The UNDP (2003:33) further noted that:

Unless things improve, it will take sub-Saharan Africa until 2129 to achieve universal primary education, until 2147 to halve extreme poverty and until 2165 to cut child mortality by two-thirds.

According to a joint report of OECD & ADB (2002/03), only a few African countries will achieve a limited number of MDGs by 2015. Reducing poverty by half by the year 2015 would require sub-Saharan Africa (SSA) to attain a GDP growth rate of about 7.4 percent per annum. Given the historical record of growth in the sub-region and given the rate of saving and the size of foreign aid flows, such a growth rate may not be feasible. On the present trends, the poverty ratio will be reduced from about 48 percent in 1990 to about 39 percent in 2015, far from attaining the figure of 24 percent depicted by the path to the goal. At the disaggregated level, none of the 22 SSA countries selected by OECD and ADB will reach the poverty reduction target. Of the sampled countries, only Algeria, Egypt, Tunisia and Morocco are likely to achieve the MDGs by 2015. Ethiopia may not achieve these goals by 2015.

Most African countries are unable to make significant progress towards MDGs partly due to slow, unsustainable and non-inclusive growth, bad governance, the challenge of the AIDS pandemic and civil conflict. In East Africa, in particular, actual average real GDP growth rate during 1999-2003 was only 3.5% against a required regional GDP growth rate of 8.1% (UN/ECA 2005).

According to UN/ECA documents, Africa's share of total ODA declined from 50 to 36 percent from the early 1990s to 1999, but recovered to 46 percent in 2003. In terms of the uses of aid, there has been a major shift away from production and infrastructure to the social sectors and governance. In particular, aid to agriculture has fallen sharply. Emergency aid has risen significantly, but programme assistance (balance of payments or budget support) has declined and been replaced by debt relief.

Aid to Africa is largely supply-driven. Aid under control of African governments (as opposed to that driven by donors) is only a fraction of total ODA reported by OECD/DAC. Thus, it is possible that donors fail to fully accommodate priorities set by African governments.

The UNDP in its 2003 Human Development Report, which considered the MDGs as a compact among nations to end human poverty, noted the following concerning the feasibility of achieving the goals in the context of poor countries like Ethiopia:

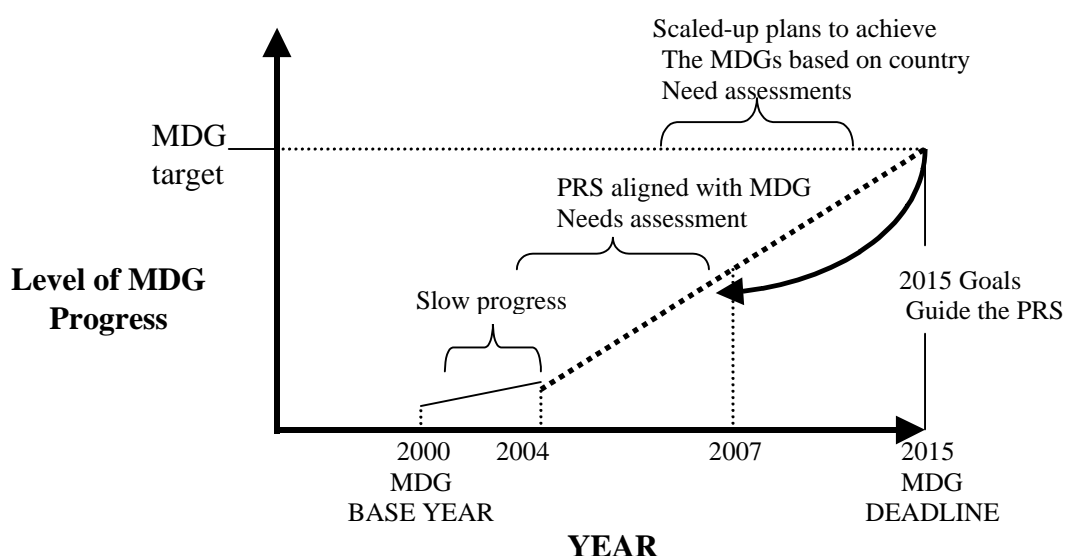
- Global policy attention needs to focus on countries facing the steepest development challenges.
- Unless countries adopt far more ambitious plans for development, they will not meet the Goals.
- Import tariffs protect markets in rich countries and reduce incentives for farmers in poor countries to invest in agriculture, which would contribute to more sustainable food security.
- Countries can usually spend more on education as their economies grow. But the poorest countries need to spend more on education to escape their poverty traps.

- Governments in poor countries must rank health spending higher than other types of spending, such as defense.
- Because private health care providers are the first port of call for many poor people, governments must bring them into the public domain through better regulation.
- Policies that promote environmental sustainability should stress the importance of involving local people in the solutions and altering policies in rich countries.
- It is hard to imagine the poorest countries achieving goals 1-7 without the policy changes required in rich countries to achieve goal 8.
- Trade policies in rich countries remain highly discriminatory against developing country exports.

2.2 Relationship Between Ethiopia's PRSP and MDGs

A framework for discussing the progress towards MDGs (and relations between MDGs and PRSP) is given in figure 1. A crucial question for Ethiopia is how to move up the vertical axis, given constraints some of which are beyond the control of policy makers (e.g. external shocks). As indicated in the left-hand side of the figure, so far, the country has experienced slow progress towards MDGs (as indicated in the performance of the country's PRSP).

Figure 1. Level of MDG Progress in Ethiopia



This graph shows how country-level planning needs to work in order to achieve the MDGs. Ethiopia needs to draft 2015-based plans for scale-up to achieve the MDGs. The 2015-based plans need to guide the shorter-term PRSP and resource allocations. The diagram captures how current poverty reduction strategies in "Priority" countries relate to the MDGs. Movement up the vertical axis represents progress towards the goals while the horizontal axis represents the progression of time. The left side of the graph shows how the country has so far experienced slow progress toward the MDGs. A short-term PRSP supports a slight acceleration in progress, but the implied trajectory is uncertain and far short of the MDGs.

Source: Adapted from a note prepared by UNDP "Background Note on Country-level Work in 2004, Millennium Project"

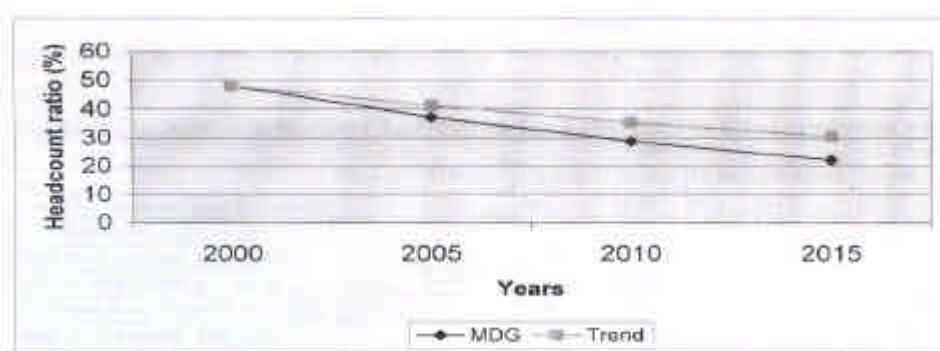
Ethiopia first launched its Poverty Reduction Strategy Paper (PRSP) in 2001, which is known as "Sustainable Development and Poverty Reduction Program (SDPRP) and it covered the period 2000/01 -2003/04. The document clearly states that the overarching objective is reducing poverty. This strategy is believed to work through four building blocks: the Agricultural Development Led Industrialization (ADLI), justice system and civil service reform, decentralization and empowerment, and capacity building in the public and private sector (SDPRP, 2002).

The SDPRP uses many of the MDGs targets as benchmarks and utilizes the indicators to monitor progress towards the Goals. Therefore, the MDGs are embraced in the policy documents of the Ethiopian Government and there are indications of commitments to achieve them. There is also an attempt to harmonize the follow-up and monitoring of targets set in the SDPRP with the MDGs. This is partly facilitated by harmonization of the MDGs with SDPRP targets.

Examination of the components of the targets in Ethiopia's SDPRP reveals that there is considerable harmony with the MDGs. The objectives of reducing poverty and hunger are in full-agreement with the MDGs. Similarly, the target for primary education is a rise by 4 percentage points in the three years, which is computed on the basis of targeting to attain universal primary education by 2015. The 25 percent reduction in the transmission rate of HIV/AIDS is consistent with the MDGs, which state complete (i.e., 100 percent) reduction in new infections. This is accompanied by a fiscal and monetary policy stance consistent with attaining the targets in the SDPRP. As far as intentions go, the Ethiopian Government has been tuning its development goals (and policy stance) to international consensus on several of the issues. However, current trends in poverty reduction attempts have fallen short of required trends as indicated in Figure 2.

The second phase of Ethiopia's PRSP, which is known as "Plan for Accelerated and Sustained Development to End Poverty" (PASDEP), covers five year, i.e., 2005-2010. PASDEP, according to official statements (MoFED 2005 b), carries forward important strategic directions pursued under the SDPRP (which are related to human development, rural development, food security, and capacity building). However PASDEP embodies "some bold new directions" foremost among which is a focus on growth, particularly of agriculture (through commercialization) and private sector development. Also, PASDEP embodies "a scaling up efforts to achieve the Millennium Development Goals".

Figure 2: Required and Current Trends on the Path of Poverty Reduction in Ethiopia



Source: UNDP (2003)

Ethiopia has been on the right track in harmonizing its PRSP and MDGs. The policies, strategies and programs upon which the second PRSP (i.e. a Plan for Accelerated and Sustained Development to End Poverty, PASDEP 2005/06 - 2009/10) is built are consistent with MDGs as indicated in Tables 1a and 1b. For example, real GDP growth rate has been set at 7% per annum for PASDEP and MDG, as well. Regarding the goal of poverty reduction, PASDEP sets target at 25% (as compared to 36% of people who are below the poverty line), while the country's MDG goal is 18 percent by 2015.

The time horizon of PASDEP is going to be five years (2005/06-2009/10). Ethiopia's second PRSP needs to link several things to the MDGs in a meaningful way. It needs clear actions aimed at achieving the MDGs by the 2015 timeline. It needs to ensure that targets are ambitious enough and that key parts of the population are reached and recognize fully the multidimensional nature of poverty and the interdependence of sector policies. It needs to address the challenges of strengthening governance and institutional capacity. For the PASDEP to be implemented in an MDG perspective, its content needs to be an extract of the fully-fledged Ten Year MDGs Plan.

Table 1a. Selected Thematic/Sector Indicators and Corresponding Indicative Targets for PASDEP with in the Ethiopian MDGs Plan

S/N	Development Objective	Indicators	Base Line year	PASDEP/MDGs Target	
				2009/10	2014/15
I.	Growth and Poverty		2004/05	2009/10	2014/15
1.1.	Growth	Real GDP Growth Rate (%)	8.9%	On average a Minimum of 7 % Per annum over the period (2005/06-2009/10)	On average a Minimum of 7 % Per annum over the period (2005/06-2009/10)
1.2.	Reducing Poverty	% Of people who are below the poverty line	36	25	18
1.3.	Improving the Food Security Situation	% Of people who are below the food poverty line	33	22	16
II.	Improvement of Education Service for girls	Girls/boys ratio in primary schools (%)	80	95	100
IV.	Improvement of Health Service	Under-five child mortality rate (deaths per 1,000)	126.8	76.9	67
		Maternal mortality rate (deaths per 100,000)	871	600	218
		Immunization/ Diphtheria, Pertusis and Tetanus (DPT) 3 coverage (%)	61	80	100

Source: MoFED (2005)

Table 1b. Ethiopia's MDGs and PRSP

	2000 Level	MDG Target (2015)	Current Level (2005)	PASDEP Target (2009/10) PRSP target)
Goal: Halve Income Poverty	44%	22%	36%	(To be Established)
Goal: Achieve Universal Primary Enrollment	61.1%	100%	79%	100%
Goal: Achieve Equal Female Participation	?	?	?	?
Reduce Maternal Mortality by Two-thirds	871/100,00 (2001/02)	290/100,000		600/100,000
Halt and Reverse Spread of HIV	7.3% (2001/02)	---	4.4% (20030)	4.4
Halt and Reverse spread of malaria	7.7/100,000 (2001/02)			
Tuberculosis prevention and control	60% (2001/02)		76% (2004/05)	85% (2009/2010)
Halve population without Access to Water and Sanitation	27.9% (2000)		35,9% (2004)	52%

Source: (MoFED 2005b:13)

There are, however, possible gaps between Ethiopia's PRSP and MDGs. Although the MDGs and the current PRSP are very much synchronized, as noted in the table above, it is worth pointing out some gaps so as to help plan future action. Although most cross-cutting issues are supposed to be mainstreamed in sectoral policies and programs, the first area where there seems to be a minor gap between MDGs and the SDPRP (i.e. Ethiopia's first PRSP) relates to the issue of gender equality. Although the SDPRP provides detailed policy actions with regard to gender equality, this discussion is not substantiated by specific targets in the policy matrix. Such specificity is important, especially to monitor progress. Like that of gender, environmental issues are also discussed in the main document of the SDPRP, although specific targets and time-bound actions are not outlined in the document. This is, thus, another area where gaps between MDGs and PRSPs could be further harmonized. Ethiopia's PRSP is not specific about the targets and indicators that could be used to concretize and gauge progress towards Goal 8.

2.3 Financial Requirements and Partnership

According to an estimate made by MoFED/UNCT (2004), Ethiopia's investment needs to achieve the required growth rate of 17 percent of GDP. This was based on the assumption that the level of poverty is responsive to GDP growth rate. It has been further estimated that Ethiopia has a financial gap of \$ US 1.1 billion per year in its attempt to achieve the MDGs. In 2003, Ethiopia received around 56 percent of the required finance through ODA.

In addition, Ethiopia needs as much as 314.5 billion birr (around US\$ 37 billion at current exchange rate) to cover the direct cost of poverty focused sectors (such as health, education, water supply and sanitation, agriculture and natural resources), which are components of the MDGs (MoFED UNCT 2004). Thus, given limited domestic savings, Ethiopia expects considerable financial flows from external sources.

Ethiopia heavily relies on external assistance for financing capital expenditure, while government revenue is allocated largely for recurrent expenditure. This is a problem as current trends in the flows of Official Development Assistance (ODA) to developing countries have remained discouraging over the years. Regarding Ethiopia, the share of ODA in the GDP has hovered around 10 percent, most in terms of humanitarian aid. In Ethiopia, part of ODA that should have gone into development has been diverted to humanitarian aid (MoFED 2004).

Foreign aid received by Ethiopia rose from about 5.6 billion birr (US\$ 700 million) at the beginning of the country's first phase of PRSP (i.e. SDPRP 1) to about 9.4 billion birr (US\$ 1.1 billion) in the last year (i.e. 2004/2005). The debt relief under the HIPC initiative has contributed to another 700 million birr (US \$ 80 million annually during 2001/02-2004/05 (MoFED 2005b: 47). With an average of less than about US\$20 per capita aid (which is much less than the average ODA level for SSA), Ethiopia can be designated as one being recipient of the least aid in Africa. Thus, ODA support for Ethiopia should increase at least to \$30 per capital in 2010 and further increase to \$60 if the country is to meet its MDGs (World Bank, 2006).

In connection with HIPC, the IMF staff have noted that "in war-ravaged Rwanda and Ethiopia, pressing for reconstruction needs may mean large new loans at the same time that old debt is being reduced"(www.imf.org/external/np/exf/facts/hipc.htm).

The great question is: has Ethiopia any prospects of meeting the MDGs through further Multilateral Debt Relief Initiative (MDRI) - which provides for 100 percent relief on eligible debt from three multilateral institutions so that qualified countries are supported to advance toward the MDGs? It is unlikely that Ethiopia can make significant progress through MDRI, although the country is among the 19 countries that have, as of August 9 2006, benefited from the initiative. The major reasons are the following:

- i. The amount of debt relief (i.e. US \$162 million) that Ethiopia has received through MDRI is quite small as compared to the total debt of the country. This is partly because of the fact that MDRI, unlike the HIPC initiative, does not propose any parallel debt relief on the part of official bilateral or private creditors, or of multilateral institutions beyond the IMF, IDA, and the AfDF. The amount of debt relief through MDRI (i.e. US \$162 million) does not favorably compare with the huge financial gap (i.e. US\$ 1.1 billion per year) Ethiopia would face in its attempt to meet the MDGs. (www.imf.org/external/np/efr/mdri).

- ii. As MDRI refers only to debt incurred before December 31, 2004, Ethiopia's new debt from the three multilateral institutions has been building since January 1, 2005.
- iii. There is no effective mechanism to make sure that the money saved on debt service is being fully used for poverty-reduction measures so that Ethiopia makes significant progress towards meeting MDGs. In fact, in recent years, the Government has delayed portions of its public investment plan by diverting resources towards the efforts of maintaining macroeconomic stability (World Bank, 2006). In addition, unless accompanied by other measures (including more of concessional aid; comprehensive market access schemes, domestic capacity building; more effective ownership of PRSPs by national government and CSOs, ...etc), debt relief schemes alone may not make much difference in meetings MDGs.
- iv. Donors themselves may reduce the effectiveness of debt relief schemes by withholding support in case Ethiopia fails to meet the conditionalities of the IMF. To this effect, the World Bank in the aftermath of the context election of 2005, notes that it may 'reduce aid over time if governance does not improve' (World Bank, 2006).

In addition to the above, one can easily note that in Ethiopia like elsewhere in Africa, donor assistance is little aligned with national priorities and strategies and donor policies often militate against national interests. Despite talks of donor harmonization at the international arena, donors in Ethiopia still apply different rules regarding approval of request for aid, disbursement, procurement monitoring and evaluation, and reporting systems. Furthermore, flows of ODA are constrained by heterogeneity of foreign aid and the conditionality and restrictions imposed on its use. In addition, aid flows are largely unpredictable and resources are committed for only short-term. As a result, it is difficult for the government to plan and program for the long-term. As if the foregoing is not enough, donors are still reluctant to fully commit themselves to provide aid in the form of budget support, an alternative which is favorable to the government. Research evidence over the recent years, seems to point to the fact that donors have been moving away from direct budget support to alternative instruments.

In one of its recent reports, the World Bank noted that the political climate in Ethiopia remains characterized by a lack of trust among the parties (i.e. government on one hand, and the opposition forces and the CSOs, on the other) and the potential for further unrest remains unresolved. Further, the bank noted that business confidence has suffered in the aftermath of the election. Thus, in response to the recent political development in the country, the Bank and other donors have taken drastic measures including: a.) a move away from direct budget support in favor of alternative instruments [such as direct funding of local government]; b.) Reduction of aid over time if governance does not improve; and c.) Focus on new governance programmes (such as the requirement of transparency and accountability in the delivery of public services including health and education: the core of PRSP). Thus, given Ethiopia's adverse initial conditions, prevailing structural constraints and increased conditionalities of donors, the World Bank itself throws doubt on Ethiopia's capability to attain target set in MDGs and warns that, for Ethiopia "meeting MDG targets remains challenging" (World Bank, 2006).

Much of the difficulty the Government encounters in aid management comes from the heterogeneity rules of aid delivery, and from the restrictions donors place on its use. Differences between donors are manifested in terms of modes of disbursement, procurement, and the extent to which aid is tied, the rigor of reporting requirements, project preparation formats, and so forth.

This problem is in line with the argument that "donor countries and multilateral lending agencies sometimes impose conflicting conditions on loans, while bilateral donors often produce overlapping projects in the same sector: each with its own reporting and administrative requirements" (Fleshman, 2004). Even donors themselves recognize that coordination efforts are less than satisfactory and that the current system of delivering assistance is characterized by a multiplicity of actors with often different priorities, lending terms and procedures. Further, they note the onerous and often divergent administrative procedures and the size of donor missions they must accommodate, given their limited administrative capacity to deal with a lot of paper work and routine policy dialogue.

For example, in 2003 alone, Ethiopia received 200 donor missions dealing with aid conditionalities and with the implementation of hundreds of projects widely scattered over sectors (OECD/DAC Report). Easterly (2002:2) noted that:

Ethiopia's long history of involvement with foreign donors has not yielded very happy results. The current relationship is one of a top-heavy donor bureaucracy imposing too many burdens and too many agendas on a small group of managers in Ethiopia's national and regional governments. It would be better to experiment with more decentralized mechanisms to match the multitudinous needs of the poor in Ethiopia.

Obviously, lack of coordination of aid policies leads to the duplication of efforts and wastage of external resources in addition to imposing a burden on the limited management capacity of the aid-recipient country.

Recently, some donors have recognized challenges arising from lack of coordination of aid policies. Some of them have made noticeable progress towards the harmonization of their priorities and procedures. For example, the UK Department for International Development (DFID) and other European donors have pursued sector-wide approaches and have increased aid delivery through partner governments' institutional structures as a better way of bringing about a greater degree of harmonizing donor policies and procedures, while the World Bank has been exploring more effective ways of coordinating aid delivery mechanisms.

In the consultative group meeting of December 7, 2002 the government of Ethiopia proposed the following options/ GFDRE 2002: V&18):

Alignment of donor assistance strategies with the country's SDPRP is of paramount importance. In the immediate future all donors are expected: 1) to take necessary steps to effect the realignment of their country assistance strategies in terms of timing and content with the SDPRP; 2) to harmonize their institutional assessments, the rules they apply, and disbursement, reporting and auditing procedures relying increasingly on Government's system and procedures; 3) to initiate discussions on harmonizing guidelines for national capacity building and addressing issues relating to threshold criteria, and 4) to provide capacity building support as necessary to help meet donors' expectations and international standards.

Moreover, the major issues concerning foreign aid include the quality of aid and aid effectiveness. Accordingly, the challenges for Ethiopia and the donor community is how best to improve aid effectiveness and aid delivery arrangements and how to build aid into development plans and into poverty reduction strategies. Donor-controlled financial flows are often difficult to fit into a planning framework. Besides donors may not live up to their pledges. Events such as election disputes may cause donors to deny the poor the right to aid. Aid is not only unpredictable, but also it is often tied to issues such as good governance. It is also true that despite having a PRSP aid is not aligned with national priorities and programme. A case of illustration of this is that the Government of Ethiopia, consistent to its agriculture-led strategy of growth, gives highest priority to agricultural development, while donors over-emphasize issues of governance and social development in a country where rural poverty and food insecurity have assumed alarming proportions.

3.0 Stakeholders' Space In Ethiopia's PRSP-MDGS Linkages

3.1 The Politics of Participation and Exclusion

According to the official documents of the IMF/World Bank, PRSPs are prepared by governments in low income countries through a participatory approach involving domestic stakeholders as well as external development partners, including the IMF and the World Bank. However, in reality, PRSPs are prepared without active participation of CSOs and other domestic stakeholders. But, this does not deter governments from drawing rosy pictures about CSO participation in the PRSP process. Perhaps, this is meant for donor consumption.

In Ethiopia, according to official statements (MoFED 2005b: 37-38), the formulation, implementation, monitoring and evaluation of the PRSP have been conducted in a "highly participatory, organized, and structured manner". Further, official statements assert that while formulating the document, the content has been enriched through feedbacks from the various stakeholders at different stages. Moreover, the government claims that its PRSP process involves donor groups, the private sector, NGOs, and other stakeholders. Regarding the organizational structure of the PRSP process, the Government claims that it has put in place effective committees at the federal and regional levels. Steering committees are set up at both the federal and regional levels with a view to ensuring participation of domestic stakeholders in formulating the PRSP. Also, technical committees and secretariats are set up at different levels to give guidance and work out details of the PRSP. The following figure indicates the organizational structure of the PRSP process.

The government claims that it has undertaken a consultative process with the private sector, civil society organizations and other stakeholders during the preparation of the PASDEP. The consultative process took place at both the national and regional levels. During the process a number of issues were raised and were later incorporated into the five-year growth and poverty reduction strategy (i.e. PSADEP). The depth and scope of these issues can be considered as indicative of abject poverty in Ethiopia and the limitation of previous policies (including SDPRP) in reducing poverty as expected. Some of the issues raised during the consultative process, which can roughly approximate the voice of a section of the domestic stakeholders, are summarized below (MoFED 2005b: 37-38):

3.2 Sectoral Issues

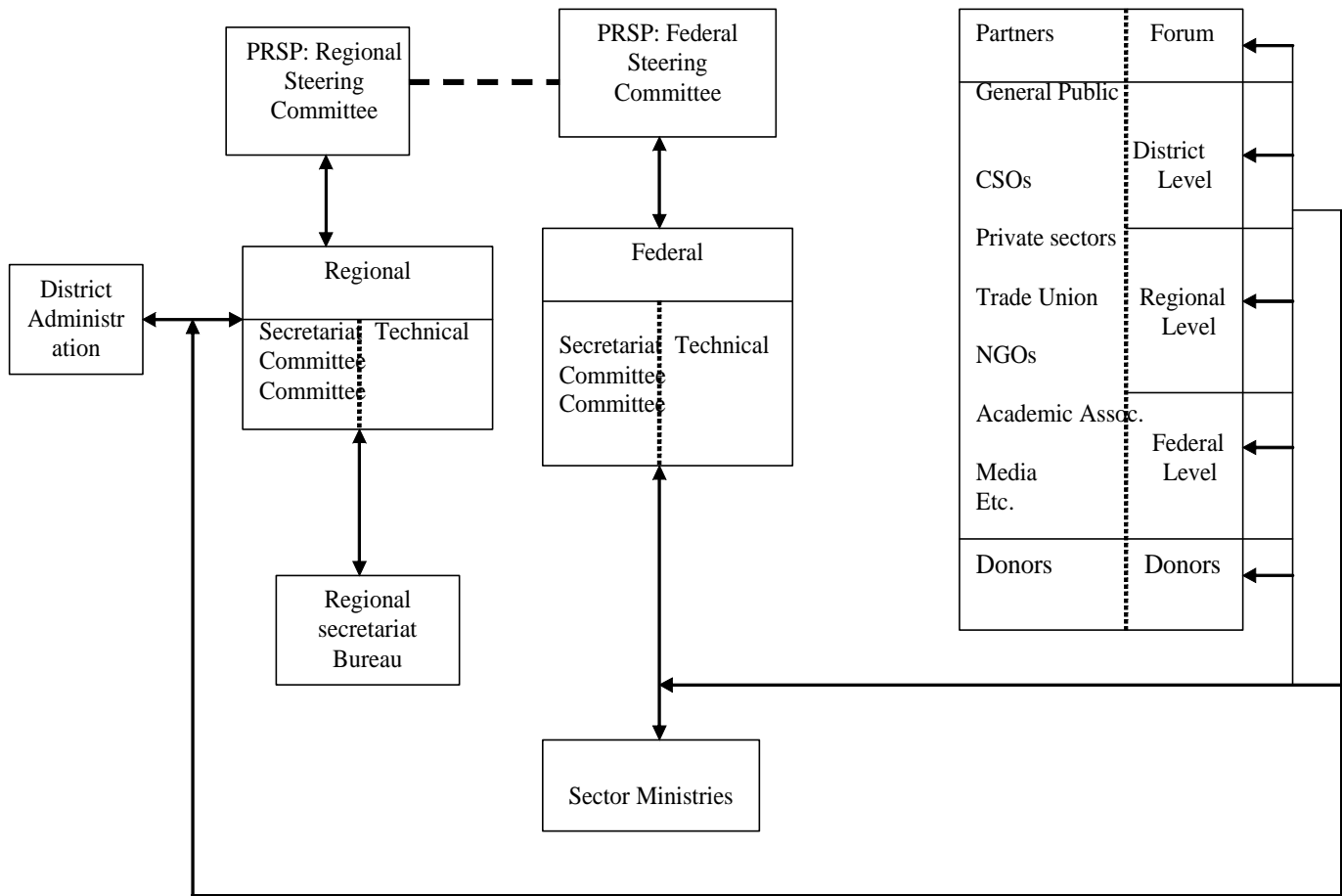
In the area of agriculture and rural development, the consultations mentioned the following: lack of veterinary services, significant post-harvest grain losses, the need to strengthen cooperatives, and the need for better access to inputs such as seed and fertilizer, and for expanded irrigation. In addition, suggestions were made for more outreach extension services, that were tailored to farmers' needs and learned from their experience and a wide range of issues raised with respect to soil and land conservation.

In education, the most common concerns were related to quality, including reducing overcrowding, increasing the supply and skills of teachers, and supply of textbooks. A second set of issues revolved around the participation of girls, and the need to overcome cultural barriers and attitudes. A third related to the need for informal education, and special programs for adults and the illiterate.

With respect to health, the main concerns were the need to address issues of adequate supply and staffing of health services, including to improve drug supply, and to retain health personnel. The second set of comments related to strengthening the outreach health services, the Health Extension Worker program, and to make preventative health policies more effective. Additional issues raised included the desirability of better coordination between the public, private and NGO services; the importance of equipping newly-constructed facilities; and concerns that the focus on HIV/AIDS was diverting resources from other health concerns such as malaria and TB.

Much attention was paid to the need for adequate clean water supplies, and for improved sanitation, especially to increase the availability and use of latrines. The other main issue was the need for organizing greater community participation in the management and operation of rural water supplies once they are constructed.

Figure 3: The Official Framework for the Participation of Stakeholders



Issues raised regarding roads, included maintenance problems, the need for better road safety, and the importance of developing the local contractor base. Regarding power, participants raised the importance of expansion of power supply to meet the needs of the rural transformation, and of the proposed rural electrification program.

3.3 The Fallacy of CSO Participation

The issues raised above are indicative of basic social problems prevailing in Ethiopia. However, so far, there are no institutional mechanisms by which CSOs make sure that their concerns are fully incorporated into the PRSP and implemented according to plan. Even if incorporated, their implementation may be hampered by weak service delivery arrangements, including lack of transparency and accountability.

Turning to the specific case of NGOs, it is crystal-clear that the government has only marginally involved NGOs in the PRSP process, although they lobbied for more space to work with the Government. NGOs were not given enough time to prepare and participated in the design of the PRSP. As indicated in Box 2, NGOs are only marginally involved in the preparation of Ethiopia's PRSPs. Moreover, their involvement, if there is any, is limited to the PRSP preparation. They are rarely (if at all) involved in the implementation, monitoring and evaluation phases. CSO participation has also been undermined with the terrible violent aftermath events of the 2005 election. Mistrust and mutual suspicions prevail between the government and CSOs as the CSOs have to a large extent been regarded as the conveyor-belt of opposition politics.

Besides the tensions between mainstream CSOs with government, one easily notes that very few academics working in the institutions of higher learning are consulted about the formulation of PRSPs. Policy makers have made little use of the available (if not massive) research outputs of social scientists working in the area of poverty and development. In a nutshell it can be argued that civil society participation in Ethiopia has remained selective, incomplete, and lacking in many respects. In future, more efforts should be made to promote genuine, active, and effective participation of domestic stakeholders, including NGOs, professional associations, labor unions, community-based organizations and the public at large.

Box 2. NGO perspectives on the Process of Formulating PRSP

- NGOs/CSOs wonder whether PRSP is just another form of SAP or something different.
- There is lack of consistency in government timetable. This made it difficult for NGOs and the civil society organizations to plan activities, as they are required to fit into the overall government plan.
- There is limited space for participation of NGOs/CSOs in the PRSP process. No civil society had participated in formulation of the first PRSP, monitoring and drafting of the Annual Report for the SDPRP.
- No NGO / CSO have representation at higher levels of the SDPRP process. (For instance, in the government Technical or Advisory committees). This might further marginalize NGOs from participation at the lower government structure (regions and district level).
- The roles of different stakeholders are not institutionalized for better implementation and monitoring of the SDPRP.
- There is difficulty in accessing vital information from government departments and not enough sensitization was made to create awareness about the PRSP.
- While the private sector and donors have dialogue forums with the government, NGOs/CSOs have not been given a space (i.e. limited opportunities to participate).
- There has been minimum role of parliamentarians and civil society in the implementation of the SDPRP. The way the NGOs/CSOs and parliamentarians are sidelined in the process might affect the overall implementation and transparency of the program; and
- The current status of HIPC and its low contribution to poverty reduction efforts and its strong link with PRSP is also another concern of NGOs and CSOs have raised (CRDA 2003).

Source: (CRDA 2003)

3.4 Highlights of Various Stakeholders' Perspectives on Ethiopian MDGs and PRSP

As a point of departure it should be noted that the government of Ethiopia is apparently optimistic about its capacity to meet the targets set in the MDGs. It claims that the current performance of the economy, which official reports put at a rate greater than the minimum requirement of 7 percent growth rate, is so encouraging that satisfactory progress towards the MDGs is likely. In fact, the Government goes further and attempts to assert that Ethiopia would join the rank of middle income countries by 2020. However, national stakeholders doubt Ethiopia's capability to meet the targets of the MDGs. Some international partners have loudly pointed out that it is unlikely for Ethiopia to meet the targets of the MDGS unless the Government commits itself to further policy and institutional reforms. Others apparently argue that the progress towards attaining the MDGs depends highly on the extent to which Ethiopia is capable of gearing PRSP to the specific conditions of the country.

The World Bank, Ethiopia's major donor, is apparently of the view that, for Ethiopia to achieve the targets of the MDGs, it should continue to improve the policy and institutional environment for effective and efficient utilization of resources, the promotion of growth, and for the reduction of poverty and vulnerability to shocks.

The UNDP notes that Ethiopia has the potential to achieve the MDGs if government willingness and political commitment are guaranteed. It also points to the underlying key role that trade could play in enhancing Ethiopia's progress towards MDGs. It argues that Ethiopia can take advantage of the globalization process by:

- (i) speeding up of the pace of its accession into the WTO,
- (ii) building human and institutional capabilities to improve its absorptive capacity of Official Development Assistance.
- (iii) revisiting its long-term strategy of growth and pay more attention to manufacturing industries so that they absorb the agricultural surplus labor and generate more foreign exchange earnings through increased exports of manufactured goods.

On the other hand, the United Nation's Population Fund (UNPF), believes that Ethiopia's progress towards MDGs depends primarily on the extent to which the Government undertakes further policy and institutional reforms. It recommends the removal of barriers which have prevented the private sector from investing in key sectors of the economy or else "Ethiopia will be far from achieving the MDGs, if business as usual continues".

The International Labor Organization (ILO), consistent to its well-known position of promoting decent employment opportunities among the youth, asserts that "the MDGs will not be achieved if employment issues are absent from policy formulation and implementation" with respect to Ethiopia's PRSP. Accordingly, the ILO calls for improved understanding of the links between employment growth, rights of workers, gender equality, social stability and other development goals if Ethiopia is to progress towards the attainment of MDGs through the PRSP process.

A report of OECD and ADB (OECD/ADB 2002/2003) argues that, Ethiopia, alike many other sub-Saharan African countries, is unlikely to achieve the MDGs by 2015 in terms of the following indicators: halving poverty, enrolling all school-age children, gender equality in schools, reducing infant mortality rates by two thirds, reducing maternal mortality by three-fourth, and in terms of accessing reproductive health services.

According to a joint report of the Ministry of Finance and Economic Development (MoFED) and the United Nation's Coordinating Team for Ethiopia (UNCT), Ethiopia can meet most targets of MDGS if the following measures are taken by the Government (MoFED/UNCT 2004):

- Commercialize agriculture and reduce dependence on it so that domestic vulnerability to shocks (e.g. drought) is reduced and those farmers' real incomes increase.
- Develop a short to medium term strategy to cope with periodic terms of trade shocks, in addition to exploring long-term solutions such as export diversification efforts.
- Enhance factor productivity (through technological progress and institutional innovations) so that poverty is reduced as incomes increase.

- Adopt a strategy of growth -with income distribution so that the issues of poverty reduction are addressed in tandem with issues of efficiency improvements.
- Build domestic capacity through vigorous institutional reforms.
- Transform the structure of the economy by focusing on high productivity sectors, such as the manufacturing industry and exports of cut flowers.

What emerges from a look at these perspectives is that Ethiopia's progress towards the MDGs is conditional upon the extent to which further reforms are put in place and upon the degree to which the government owns the PRSP. Without genuine ownership of the PRSP process and without active participation of domestic stakeholders, the government cannot be in a position to implement most of the recommendations given by its external partners.

4.0 Concluding Remarks

The challenges facing Ethiopia (such as very low level of productivity, highly inadequate infrastructure, structural bottlenecks, vulnerability to shocks, spread of the pandemic disease HIV/AIDS) are daunting and if unchecked and ratified linking PRSPs and MDGs for sustainable development remains a mirage.

Under such adverse conditions, Ethiopia (just like many other sub-Saharan African countries) is unlikely to meet most of the targets of MDGs. Any prospects for making significant progress towards MDGs depends on developments in both the external and internal conditions. A conducive external environment (such as improved terms of trade and increased availability of funding for achieving the MDGs) coupled with good governance and improved absorptive capacity of the economy can make a difference provided that peace and stability reign.

5.0 Recommendations

The MDG-based poverty reduction strategies in Ethiopia should anchor the scaling up of public investments, capacity building, domestic resource mobilization, and official development assistance. They should also provide a framework for strengthening governance, promoting human rights, engaging civil society, and promoting the private sector. More specifically:

- (i) The Ethiopian government should craft and implement the MDG-based poverty reduction strategies in a transparent and inclusive process, working closely with civil society organizations, the domestic private sector, and international partners.
- (ii) The UN Secretary-General and the UN Development Group should strengthen the coordination of UN agencies, funds, and programs to support the MDGs, at headquarters and country level. The UN Country Teams should be strengthened and should work closely with the international financial institutions to support the Goals.
- (iii) Donor countries should increase Official Development Assistance (ODA) to poor countries like Ethiopia. ODA should be based on actual needs to meet the Millennium Development Goals rather than to support donor-driven projects.
- (iv) Donor countries should open their markets to Ethiopia's exports through the Doha Trade Round and help it raise export competitiveness through investments in critical trade-related infrastructure, including electricity, roads, and ports. The Doha Development Agenda should be fulfilled and the Doha Round completed as soon as possible.
- (v) Scaling up above the current PRSP activities levels and increasing financing levels (aid to secure implementation and domestic finance to wean from aid dependency) are essential for meeting the MDGs. The essence of the Millennium Declaration is to have everybody commit to achieving these goals and that this would require additional efforts beyond current efforts.

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Annex 1a. The Macroeconomic Stance of Ethiopia (Selected Variables)

Year	Real GDP growth (%)	Inflation rate (%)	Exchange rate (Birr Per 1 US\$)	Debt service to Export ratio
1991/92	-3.7	21	-	112
1992/93	12.0	10	5.01	65
1993/94	1.7	1.2	5.77	75
1994/95	5.4	13.4	6.25	47
1995/96	10.6	0.9	6.32	47
1996/97	5.2	-6.4	6.50	34
1997/98	-1.2	3.3	6.88	35
1998/99	6.3	5.7	7.51	43
1999/00	5.3	4.2	8.14	48
2000/01	7.7	-7.2	8.33	46
2001/02	-11.6	-8.5	8.54	50
2002/03	-4.1	15.1	8.60	38

Source: (MoFED/ UNCTAD 2004)

Annex 1b: GDP Growth Rate (at Factor Cost) (%)

Year	overall GDP	Agricultural GDP
1998/99	7.5	4.3
1999/2000	5.3	3.2
2000/01	7.4	10.7
2001/02	-0.3	-2.3
2002/03	-3.8	-11.6
2003/04	11.3	17.7
2004/05	8.9	12.1
2005/06	5.1	4.7

Annex 2 List of SDPRP Indicators and Targets Also Found in the MDGs

Welfare component	Intermediate/outcome Indicators	National SDPRP Targets & Indicators		MDG Targets
		Current Level	Target by the end of 2004/05	
Poverty and Inequality	Poverty headcount (po)	Po = 44.2 by 1999/2000	Po = 40 by 2004/05	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Food Security	Percentage of people who are below the poverty line	Food poverty = 41.9 in 1999/00	Food poverty head count Index = 38 percent by 2004/05	Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Health	Under-five child mortality rate	CMR = 167/000	CMR = 160/1000 by 2005	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
	Maternal mortality rate	MMR = 500-700/100,00 by 2000/01	400-450 by 2004/05 and = 300/100,000 by 2017	Reduce by three quarters, between 1990 and 2015, the material mortality ratio
Education	Gross enrollment ratio	GER (primary) = 57.4 percent by 2000/01	GER (primary) 65 percent by 2004/05	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
	Girls/boys ratio	Ratio of girls to boys students 40.6 percent by 2000/01	Ratio of girls to boys students 45 percent by 2004/05	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015
Water	Access to clean water	Access to clean water by 2000 = 20.0 percent national = 72 percent urban = 24 percent rural	Access to clean water = 39.4 percent national = 82.5 percent urban = 31.4 percent rural by 2004/05	Halve by 2015 the proportion of people without sustainable access to safe drinking water
HIV/AIDS	Transmission			Halve halted by 2015 and begun to reverse the spread of HIV/AIDS
	Prevalence	7.3 percent by 2000/01	Contain prevalence at 7.3 percent by 2004/05	Halve halted by 2015 and begun to reverse, the spread of HIV/AIDS

