

MODERNIZING FOREIGN ASSISTANCE
INSIGHTS FROM THE FIELD: ETHIOPIA

APRIL 2009

*On the cover:
A young mother walks across fields with her baby
in the early morning in the Hanamerant area of
Meket, Ethiopia.*

With support from the Hewlett Foundation, Save the Children USA and UK are collaborating on a research and advocacy program, examining the impact of aid at the country level and distilling best practices for policymakers.

The research contained in this report draws upon information that was gathered during a series of interviews and project visits conducted in Ethiopia in November 2008 by Alice Burt and Molla Mengistu. In total, more than 35 interviews were held and the research team gathered data from representatives of the United States Agency for International Development (USAID), other United States (U.S.) Government agencies, international nongovernmental organizations (NGOs), local NGOs and civil society organizations, representatives of the Government of Ethiopia, other donors, and the beneficiaries of U.S. foreign assistance.

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Acronyms

CDC	Centers for Disease Control & Prevention	PASDEP	Plan for Accelerated and Sustained Development to End Poverty
DFID	Department for International Development	PBS	Protection of Basic Services
EC	European Commission	PEPFAR	President's Emergency Plan for AIDS Relief
EPRDF	Ethiopian People's Revolutionary Democratic Front	PLI	Pastoral Livelihoods Initiative
GoE	Government of Ethiopia	PSNP	Productive Safety Net Program
M&E	Monitoring & evaluation	UNDP	United Nations Development Programme
NGO	Non-governmental organization	U.S.	United States
ODA	Official Development Assistance	USAID	United States Agency for International Development

Save the Children is conducting research into the effectiveness of U.S. foreign assistance programs and producing a series of case studies on countries in sub-Saharan Africa, Asia, and Latin America. Save the Children believes that to become more effective, U.S. foreign assistance, which should prioritize poverty reduction, needs to be modernized to better address the challenges of the 21st century. To achieve this, we offer the following recommendations for the reform of U.S. aid:

- Improve the **internal coherence and responsiveness** of U.S. government development policies and foreign assistance
- Enhance **local ownership and long-term sustainability** of U.S. development and relief initiatives
- Focus on **better coordination** with other partners in the development community, particularly national governments
- Increase **accountability for results**, including improving the effectiveness of strategic planning and impact assessment.

Key Findings

- **Largest donor**—Between 2002 and 2007, the U.S. was responsible for nearly \$4 of every \$10 in official development assistance (ODA) to Ethiopia. This is nearly four times more than the next largest donor, the European Commission (EC), which was responsible for approximately 10 percent of the total aid received in the same period.
- **Other donors want U.S. more involved**—Because of the size of the U.S. program, Ethiopian officials and other development partners expressed a desire for greater levels of U.S. participation in and coordination with multi-donor programs and other initiatives to enhance aid effectiveness. The U.S. should consider ways to address its understandable concerns about the integrity of Ethiopian budget and accounting systems so that such participation could be increased over time.
- **Limited field voice in Washington**—The USAID Mission does not have sufficient influence in determining in-country priorities and sectoral budgets. Allocation decisions are heavily influenced by Washington politics, presidential initiatives and earmarks.
- **Unbalanced funding**—Despite its wide ranging, multi-sectoral development and relief strategy, U.S. assistance to Ethiopia is heavily focused in two areas. In FY2008, around 90 percent of USAID's total budget was spent on HIV/AIDS and food aid.
- **Earmarks**—Out of a total program of nearly \$900 million, about two percent (or \$20 million) was not earmarked, congressionally directed or part of a presidential initiative. Of the \$37.1 million allocated under the Development Assistance account in FY2008, about \$21.7 million or 73 percent was earmarked for activities in basic education, water and sanitation, biodiversity, micro-enterprise and women's leadership.
- **Emphasis on short-term over long-term planning**—Underpinning USAID's Ethiopia program is the Mission's detailed input to three large plans each year, not one of which currently covers a period longer than a year in duration. These plans are: 1) The Mission Strategic Plan - which includes all U.S. government agencies operating in Ethiopia; 2) The Country Operational Plan for PEPFAR and; 3) The Malaria Operational Plan for funding from the President's Malaria Initiative. Given the short-term nature of these planning processes, the United States struggles to maintain a clear, long-term strategic vision.
- **Empower USAID to lead development**—Despite USAID's dominant size, experience and development expertise, USAID is not always given the managerial and policymaking control necessary to be the development leader among the U.S. agencies in Ethiopia. Since PEPFAR arrived in Ethiopia in FY2005, nearly \$800 million in funding has been spread among five U.S. Government agencies. USAID has received the majority of this (around 60 percent), but it is in a subordinate role to the Embassy, which holds overall control of the PEPFAR program.
- **Meaningful evaluation underway**—USAID/Ethiopia is implementing some innovative and effective projects that are guided and assessed by meaningful impact assessment and flexible programming. These "best practices" should be widely shared within USAID and with other development partners.

Country Background

Ethiopia is home to an ancient civilization and one of the only African countries to maintain her long-term independence from colonial powers. It has a rich but turbulent history, including a period of military rule under Mengistu Haile Mariam's Derg regime between 1974 and 1987, and its eventual overthrow by the Tigrayan People's Liberation Front (TPLF) and the Ethiopian People's Revolutionary Democratic Front (EPRDF) in 1991. Since then, the EPRDF has dominated the political landscape under the leadership of the current Prime Minister, Meles Zenawi, who took office in 1995.

The country is one of the poorest in the world. It ranks 169th out of 177 countries on UNDP's 2007/08 Human Development Index. It records some of the worst indicators for key aspects of welfare, such as maternal mortality, under-5 mortality and literacy. According to the most recent data available, nearly 40 percent of Ethiopia's 80 million people live beneath the poverty line.¹

Since the mid-1990s, Ethiopia has seen some reductions in poverty levels, most noticeably in rural areas where the majority of the population lives. Overall, at the national level, the absolute number of poor people declined from 28.1 million in 1999/2000 to 27.5 million in 2004/05—representing an annual decline of around 2 percent.² Under-5 mortality has fallen from 204 deaths per 1,000 live births in 1990 to 123

in 2006, and the total adult literacy rate has increased to 36 percent between 2000 and 2005.³

Significant strides have been made in health, education and food security programs, but life for many children and their families remains uncertain. Consecutive seasons of failed rains, rising inflation, and a rapidly growing population have contributed to serious food insecurity, on top of still high and chronic poverty levels. Many fear that the progress of recent years will be reversed and the humanitarian emergency will deepen and widen in severity.

U.S. foreign assistance to Ethiopia

Formal relations were established between the United States and Ethiopia in the early 20th century. Their relationship has been influenced by the ebb and flow of global and local politics, most notably during the Cold War and continuing today with the elevation of Ethiopia to strategic ally status in the Bush Administration's Global War on Terror. Over the years, world events, and the location of Ethiopia in a 'tricky neighborhood', sharing borders with Sudan, Eritrea, Kenya and Somalia, have also affected the amount of U.S. Official Development Assistance (ODA) to Ethiopia both from the U.S. and from other nations. See Figure 1.

Fundamentally, the U.S. views Ethiopia as a strategic ally.

—Representative of the U.S. Government in Ethiopia

Figure 1: Total aid and U.S. aid to Ethiopia, 1960-2007^{iv}

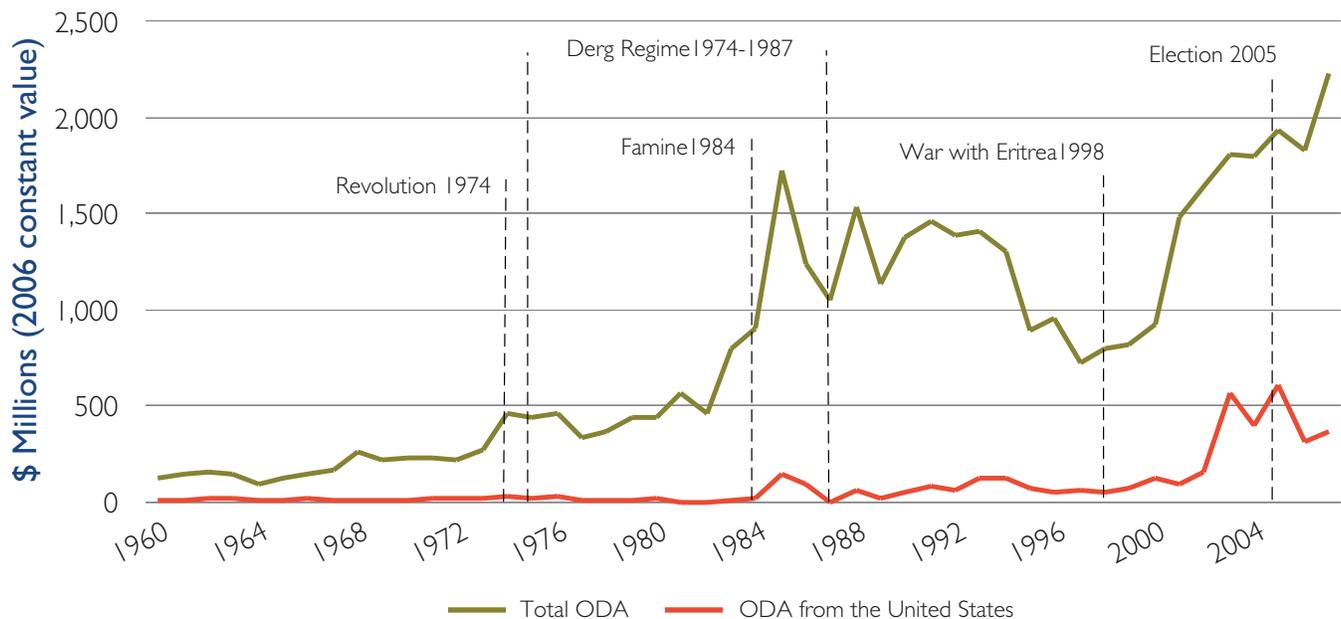


Figure 2: Largest five donors to Ethiopia each year, 2002-2007^{vi}

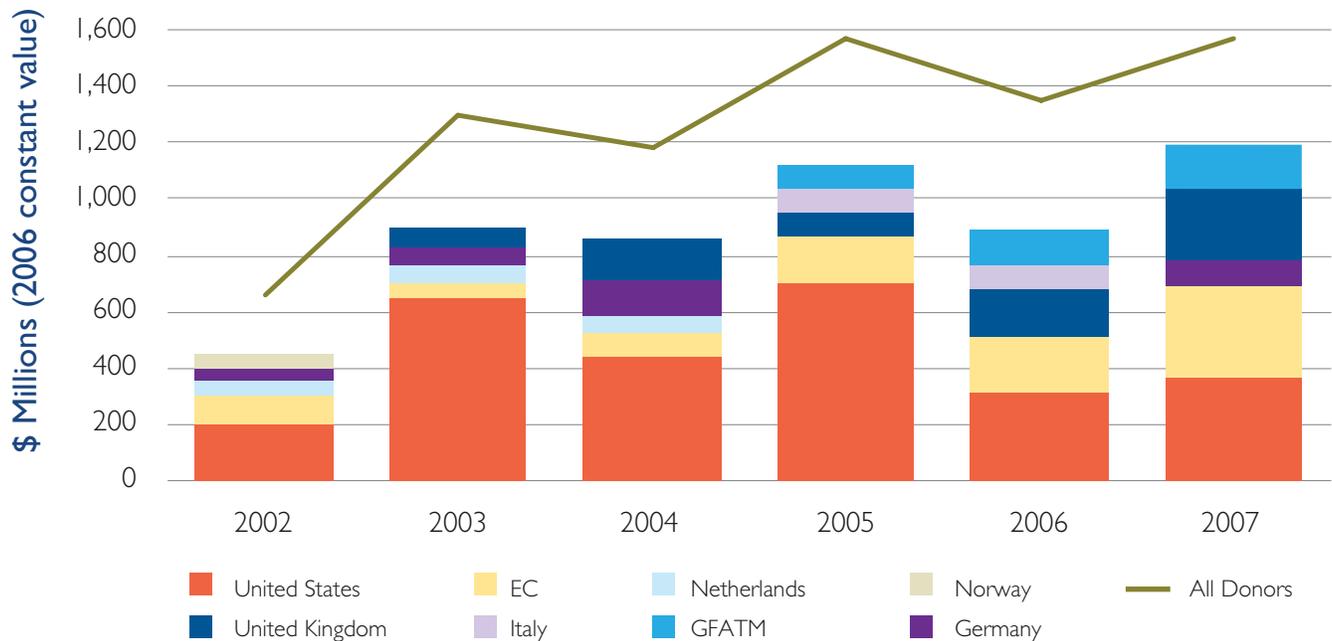


Figure 2 shows the five largest donors to the country each year in comparison with aid from all donors, leaving no doubt of the dominance of the United States and a handful of other donors.

Aid for a strategic ally

The United States provides significantly more financial support to Ethiopia than other bilateral and multilateral donors. Including emergency assistance, the U.S. has been responsible for nearly \$4 of every \$10 in official development assistance to Ethiopia cumulatively between 2002 and 2007 (more than \$2.7 billion in 2006 constant values). This is nearly four times more than the next largest donor, the European Commission (EC), which was responsible for approximately 10 percent of the total aid received in the same period.^v

Many strategic allies to the United States receive significant amounts of U.S. military and security assistance. This is not the case with Ethiopia. Between 1997 and 2006, the country received only a small amount of military and security assistance, about \$22 million. During the same time, Ethiopia was the 8th largest recipient of U.S. economic assistance globally, totaling \$3.3 billion.^{vii}

An emphasis on health and HIV/AIDS

Outside of emergency assistance, by far the largest part of USAID's budget to Ethiopia in recent years has been concentrated on health interventions, particularly HIV/AIDS. In FY2008, \$270 million (or 88 percent of the total USAID budget to Ethiopia, excluding food aid and emergency response) was dedicated to health interventions, including



HIV/AIDS.^{viii} In total, the President’s Emergency Plan for AIDS Relief’s (PEPFAR) budget for Ethiopia—including that administered by other U.S. government agencies—exceeded \$354 million in FY2008.^{ix}

Since FY2004, PEPFAR has achieved significant results, including the distribution of more than 144 million condoms, ARV treatment for around 97,000 people and the provision of care and support to over 500,000 orphans and vulnerable children.^x Yet, some in-country development experts expressed concerns that the concentration of USAID’s health resources in PEPFAR may have hindered the agency from carrying out the equally necessary and accompanying work to strengthen Ethiopia’s overall health system and invest in the development of human resources for health. Going forward, many saw the need for a rebalancing of the overall USAID portfolio of activities in Ethiopia, either through more non-PEPFAR funding or by allowing PEPFAR funds to be used for an even wider scope of activities than present, as increasingly provided for under the 2008 reauthorization of PEPFAR.

In FY2008, after HIV/AIDS funding and the relatively smaller additional amount for other health activities have been taken out of USAID’s non-emergency and food aid budget, only 12 percent—\$36 million—remains to address sectors as diverse as agricultural development, education, good governance, conflict mitigation, water and sanitation, environmental protection, and economic growth. Adequately addressing this wide range of challenges with this budget allocation is quite a task in the country with the second largest population in Africa.

Figure 3 illustrates the significant disparity between resources for health, emergency and food aid allocations compared to all other development programs.

Figure 4 compares funding across USAID’s global objectives, highlighting again the heavy concentration of money to humanitarian assistance and ‘Investing in People’ (the State Department’s and USAID’s thematic area covering such sectors as health and education).

Figure 3: Funding to USAID-managed program components, FY2008^{xi}

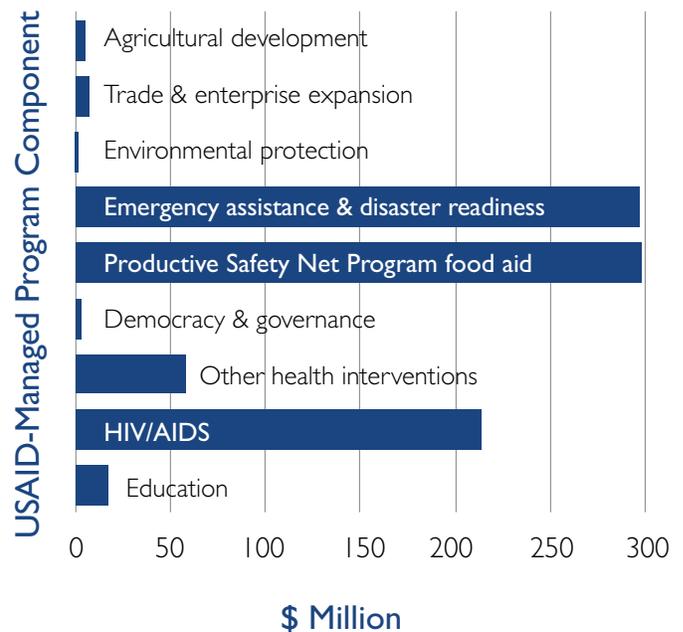
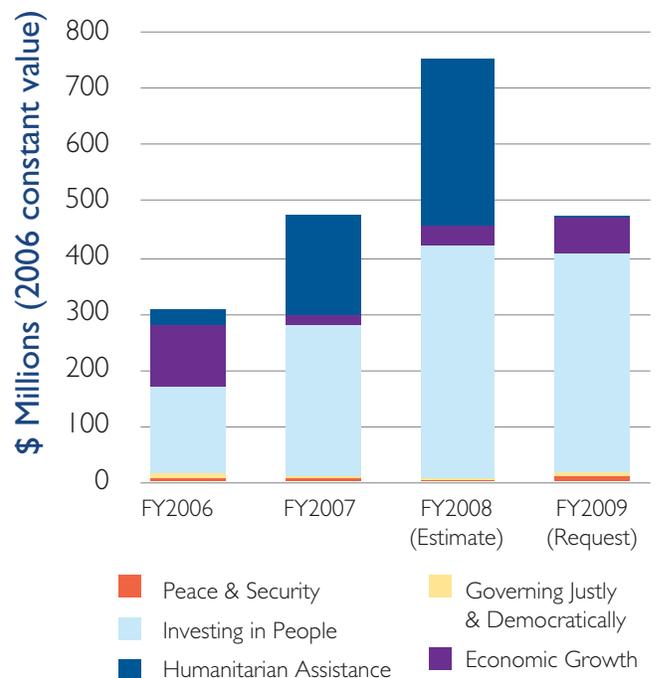


Figure 4: Allocation of State Department and USAID funds by Foreign Assistance Framework objective, FY2006-FY2009^{xii}



Improving U.S. Development Coherence

The scale of the U.S. aid program to Ethiopia presents real opportunities to contribute towards the country's progress in realizing the development goals it has set for itself. To make the best possible input to this process, an essential starting point for the U.S. government is to ensure it is using its development resources, agencies and tools as effectively as possible.

The need for increased strategic focus

Reflecting the wide-ranging challenges facing Ethiopia, recent U.S. government strategic documents from the last few years list a wide range of goals for their foreign assistance to the country.^{xiii} These include promoting counter-terrorism, enabling economic growth and reducing poverty, fostering democracy, supporting regional stability, expanding basic health and education, and ensuring food security.

USAID have good quality projects but they are not necessarily strategic. There's no real model behind it.

—*Bilateral donor*

Underpinning USAID's Ethiopia program is the Mission's detailed input to three large plans each year, not one of which currently covers a period longer than a year in duration. These plans are: 1) The Mission Strategic Plan—which includes all U.S. government agencies operating in Ethiopia; 2) The Country Operational Plan for PEPFAR and; 3) The Malaria Operational Plan for funding from the President's Malaria Initiative.

While USAID is widely praised for its technical capacity, and despite the multiple strategic documents the Embassy and USAID produce each year, the agency's long-term strategic vision in Ethiopia seems less clear. In part, this is a consequence of the complex and somewhat unpredictable nature of trying to implement a development program in Ethiopia—a number of donors expressed to the Save the Children research team the difficulties they face in this respect. At the same time, however, some development partners described how USAID's parallel initiatives, project approach and heavy concentration of funding in sectors that have often been prioritized in Washington have left USAID without “clear priorities”.

Regular turnover of Mission staff was also identified as a hindrance to the internal coherence of the U.S. program. Frequent staff changes have undercut the Mission's institutional memory, contributing to the sense among

some NGOs that USAID in Ethiopia is sometimes not much more than a series of individuals carrying out their own sector portfolios.

Empowering the field to decide the priorities and the budget

The lack of coherent longer-term vision may be an outgrowth of the decision to set the foreign aid agenda in Washington, DC instead of allowing Missions greater flexibility to allocate resources in response to local circumstances. Final say about budget levels for particular sectors is made by the State Department, which allocates funds differently than recommended by the Ethiopia Mission based on its on-the-ground knowledge.

We don't determine our budget here. Yes, we make comments but DC decides.

—*USAID/Ethiopia*

For example, the USAID/Ethiopia Mission Director has lobbied hard for increases to the Mission's economic growth funds, as this is where the Mission feels more attention is needed. However, other sectors, such as health, have seen the greatest year-to-year increases, a result of the significant budget allocations made to the centrally managed and State Department controlled presidential initiatives such as PEPFAR.

The arrival of PEPFAR and other presidential initiatives, alongside congressional directives and earmarks, can lead to programs on the ground being decided too little by the field. Ethiopia is host to PEPFAR, the President's Malaria Initiative, the African Education Initiative, and the President's Initiative to Expand Education. These special funding streams totaled \$251.2 million in FY2008, meaning that approximately 82 percent of USAID's overall non-emergency and food aid budget for Ethiopia was predetermined for a particular use under the remit of these presidential initiatives.^{xiv}

Of the \$37.1 million allocated to Ethiopia under the Development Assistance account in FY2008, about \$21.7 million or 73 percent was set-aside in earmarks to fund specific activities in basic education, water and sanitation, biodiversity, micro-enterprise and women's leadership. This figures includes the \$15.3 million set aside under the Development Assistance account for the presidential initiatives in education.

Overall, representatives of USAID estimated that in FY2008, the Mission had approximately only \$20 million that was *not*

earmarked or part of a presidential initiative—out of a total program of nearly \$900 million.

While not disputing the many positive impacts these programs have had, it is a worthwhile exercise to question whether even greater contributions to Ethiopia's development could have been made if the USAID Mission in Addis Ababa had been empowered to design its program and have final decision-making control over sectoral and programmatic allocations.

It is understandably up to Washington to determine overall allocations to particular countries based on a comparative assessment of U.S. interests and development challenges, but greater Mission input into allocations within those overall levels might have led programs to be more responsive to local circumstances.

The budget is driven by a lot of different forces. Washington has a lot of say.

—USAID/Ethiopia

The multiplicity of U.S. government agencies

There are nine U.S. government agencies with budgets for delivering foreign assistance to Ethiopia, although not all have a field presence. USAID is the largest of these, with one U.S. representative praising the outcomes of the F Process as “providing clarity to the various U.S. government agencies on what we’re doing on any particular issues, systematizing results and substantively engaging the State Department in foreign assistance. It is codifying the links between foreign assistance and foreign policy.”

Case Study: Generous but inflexible support to food security

The U.S. Government provides vital help to meet the food security needs of many millions of Ethiopians, through both emergency food aid and support to the longer-term Productive Safety Net Program (PSNP). At times, this ready supply of large amounts of in-kind food has been invaluable; at other times though, a more agile USAID with more tools in its toolbox would have been better able to more sustainably address food insecurity and its longer-term causes.

The PSNP is Ethiopia's largest social protection scheme and provided cash or food transfers to 7.2 million people in 2008. In FY2008, the U.S. Government gave in-kind food aid worth \$298.2 million to the program. All the other donors, except the World Food Program, make cash contributions, which are used to pay households for participation in public works or to buy food locally. The United States also responds generously to emergency famine situations in Ethiopia. In FY2008 it distributed more than \$260 million of Title II emergency food assistance, in addition to the food aid under the PSNP.

The U.S. contributions of in-kind food aid have proven to be real life savers over the past year because food prices in Ethiopia have increased more than 81 percent in the course of 2008, severely reducing the amount of food other donors and the government are able to buy locally. As one government official told the research

team, “cash buys them nothing. It means nothing to them under these circumstances”.

Yet in more normal years, the Ethiopian government, other donors and even USAID have expressed concern about the efficacy of imported food aid, particularly when compared with the more flexible and cost effective option of cash aid that can be used as transfers to vulnerable people, payment for work or to buy cheaper food locally. USAID told the research team that “it would be nice to have the full flexibility to use cash or food” depending upon the circumstances.

Despite the strong desire to focus on breaking the cycle of famine, USAID representatives noted there is limited opportunity to work with Ethiopians to develop long-term agricultural sustainability in-country to withstand periodic livelihood shocks. In FY2008, USAID had a budget of a mere **\$4.6 million** for such agricultural development programs. When compared to nearly **\$560 million** in emergency food aid and PSNP food support, the difference is stark.

In recognition of these problems and to strengthen its response to the global food crisis, the U.S. Government is making efforts to address the underlying causes of food insecurity, increase food production and expand its humanitarian assistance.^{xv} However, these initiatives have yet to reach the field and USAID still has few options in its response to Ethiopia's periodic livelihood shocks beyond the provision of US-produced food aid.

However, to those outside the U.S. government, the various responsibilities of the different U.S. agencies are not always clear. Each U.S. agency requires agency-specific project applications and reports. In particular, the research team heard how complicated and time-consuming it is for NGOs and the Ethiopian government to maintain distinct relationships with the different agencies from which they receive funding.

What we really need overall is a very strong, engaged development partner wherever they sit in the U.S. government.

—INGO implementing partner to USAID in Ethiopia

Box 1: U.S. government agencies delivering assistance to Ethiopia

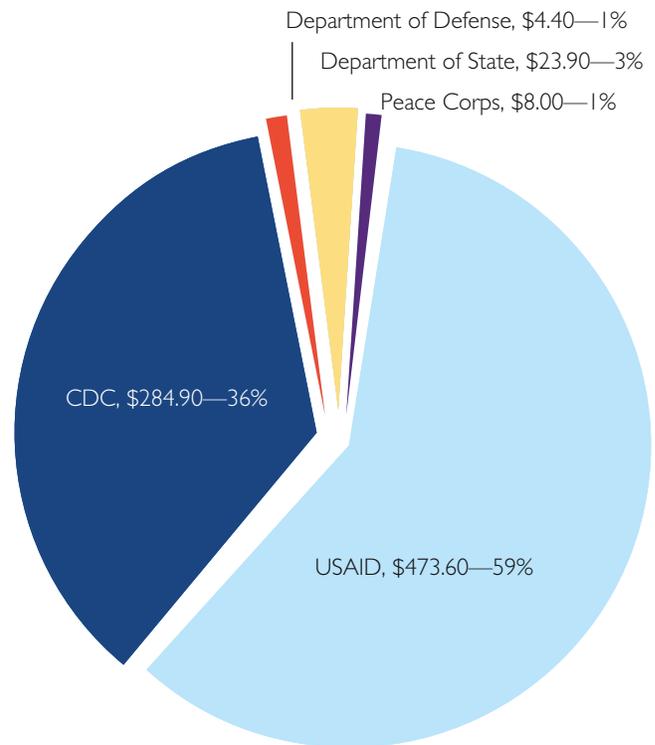
- USAID
- The U.S. Department of State
- The Centers for Disease Control and Prevention (CDC)
- The U.S. Department of Defense
- Peace Corps
- The U.S. Department of Labor
- The U.S. Trade and Development Agency
- The U.S. Department of Agriculture
- The Overseas Private Investment Corporation

Putting USAID back in the driving seat

USAID has experience and expertise in fostering sustainable poverty reduction. Rather than channeling resources and mandate to other less experienced agencies, USAID should be allowed to leverage its greater experience and expertise. Managerial and policymaking control should also be re-focused in USAID to take advantage of the agency's knowledge and skills.

For example, since PEPFAR arrived in Ethiopia in FY2005 nearly \$800 million has been spent on HIV/AIDS interventions. Funding to implement projects is spread among five U.S. government agencies. While USAID has received the majority of this (around \$474 million or 60 percent), it has been placed in a subordinate role to the Embassy, which holds overall control of the PEPFAR program. While each U.S. agency can bring different skills to the program, it makes sense for the agency with the most experience in international health programming, namely USAID, to lead.

Figure 5: Division of PEPFAR budget by U.S. government implementing agency, FY2005-FY 2008 (\$ million)^{xvi}



Enhancing Local Ownership and Long-Term Sustainability

If the goal of U.S. aid to poor countries like Ethiopia is long-term and sustainable development, then an approach that strengthens local institutions and communities deserves greater attention. To achieve this, whenever feasible the United States must better reconcile the short-term gains of working unilaterally and using its own systems to deliver services, with the longer-term and more laborious process of building civil society and making investments in developing credible and reliable government capacities. Through a combination of short and long term strategies the host government can better implement its own plans and achieve the same, but sustainable, impact.

A national, pro-poor agenda to support

The Government of Ethiopia makes every effort to be in the driver's seat when it comes to its national development agenda, articulated in its current poverty reduction strategy, the *Plan for Accelerated and Sustained Development to End Poverty (PASDEP)*, which runs until the end of 2009/2010.

The Ethiopian government has one of the strongest pro-poor budgets in Africa.

—*Bilateral donor*

Ethiopia's development agenda focuses on improving social welfare by reducing poverty through sustained economic growth, alongside making strong efforts to concentrate government resources on pro-poor sectors (i.e., health, education, agriculture and food security, roads, and water and sanitation). Between 2001/02 and 2006/07, approximately 52 percent of the Ethiopian Government's expenditure has been targeted to pro-poor sectors.

The United States makes solid efforts to align its projects with the priorities outlined in PASDEP. USAID signs Strategic Objective Agreements with the Government of Ethiopia, which are multi-year and provide a general description for broad areas of work and indicative budgets.

Let us work together and jointly address the problems and the gaps.

—*Ethiopian Ministry of Finance and Economic Development*

Helping to build strong and reliable country systems

Building reliable country systems for the management of external assistance is an important aspect of making aid work effectively. The Ethiopian government has made progress over recent years in strengthening its financial management and procurement capacities and has welcomed donor support in doing this.

If effectiveness is measured by how much the poor receive, projects are easy to measure. They go to specific activities, areas and population groups. But if effectiveness is measured by the overall capacity of the government to do things on its own, then you need to look at systems and focus on strengthening those.

—*Local NGO*

Although still far from perfect, many donors acknowledge the improvements and have validated them by increasing the use of country systems in the disbursement and management of their aid programs: in 2007, 45 percent of aid for the public sector used one or more of the country systems for budget execution, financial reporting, or auditing.^{xvii} The U.S. does not use any Ethiopian government systems to carry out these functions.^{xviii}

To further build capacity and ownership, donors use Ethiopian government procurement systems—in 2007, 41 percent of aid went through Government of Ethiopia systems. The U.S. also declines to use the government procurement systems.^{xix}

Since 2005, many donors have become perhaps more cautious about Government of Ethiopia transparency and accountability. USAID explained that stronger conditions to ensure accountability and progress would have to be in place, particularly at the local level where systems remain weakest. According to representatives at the Ministry of Finance, this lack of interest in using and improving Ethiopian systems is a disappointment—they want to test their systems and learn how to improve them and they would like the United States' help in doing this.

Working with Ethiopia to manage its development program

Donors in Ethiopia are generally split into two camps: those which pass some of their aid through the Government of Ethiopia's central treasury and can be recorded on government budgets, and those that do not. In 2007, 62 percent of aid to Ethiopia was reported on the government's budgets.^{xx} Donors like DFID and the EC, give their aid through a combination of systems—partially with direct support to Ethiopia's national budgets and also with support for individual projects. See Case study: Budget support and the Protection of Basic Services program.

All donors have legitimate concerns about the advisability of direct budget support and using government systems, which is reflected in their various mix of approaches. It seems possible, however, that in rejecting these tools completely, the United States is missing out a small but significant opportunity to build capacity, sustainability and ownership.

Gradual changes towards better coordination with the Government would be fine. But currently, we're getting no changes at all.

—*Ethiopian Ministry of Finance and Economic Development*

As we outlined above, the United States allocates funds only for specific activities or for projects implemented by NGOs and private contractors, meaning that the Ethiopian government can track only a fraction of the total U.S. aid to the country on its budgets each year. Despite strong efforts by the United States to ensure all of its activities

Case study: Budget support and the Protection of Basic Services program

Until November 2005 eight donors (the World Bank, the African Development Bank, the UK, Ireland, Sweden, Germany and the EC) were providing direct budget support to Ethiopia. Budget support was suspended in the crisis following the election, in which the Government clamped down on opposition supporters, killing hundreds and imprisoning many thousands. This affected approximately \$375 million that had been earmarked for disbursement through this mechanism.

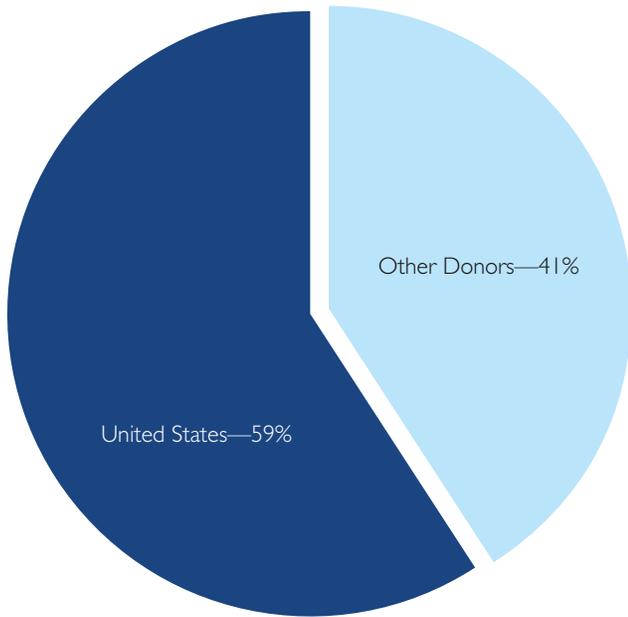
To replace budget support and to try to avoid major impacts on the services being provided, the original budget support development partners introduced a new, more accountable mechanism for channeling money through the government. This is known as the Protection of Basic Services (PBS) program. It involves aid contributions bypassing the central government and being sent straight to the district level, utilizing Ethiopia's federated system of government. It includes measures to encourage transparency and accountability and requires the government to spend the money on basic social services and also to maintain its own financial commitments to these services.

The United States does not participate in the PBS program, telling the research team that "the big distinction between USAID and other donors is budget support". It attributes its lack of participation in PBS to general concerns about unconditional budget support as well as concerns about inadequate monitoring of expenditure and impact.

Orphans and vulnerable children program. 14 year-old friends, Sintoyew Tsegaye, (left) and Hiwot Nigusse



Figure 6: Donor-funded parallel implementation units in Ethiopia, 2006^{xx}



are coordinated with Ethiopian development plans, the Ethiopian government has expressed concern that some of these activities may not be working in-synch with the overall national development strategy in every case.

Each discrete project activity funded by the U.S. inevitably creates an extra burden on an already under-capacitated Government of Ethiopia bureaucracy to plan with, coordinate with, and monitor an additional project. In 2006, there were a total of 103 parallel implementation units (PIUs) in operation in Ethiopia, 60 percent of which were set-up by the United States. These are usually NGO or donor maintained structures created for the day-to-day management and implementation of aid-financed projects, rather than integrating this role into the government system.

Because PIUs are perceived as not fully integrated with other government programs, critics call into question the long-term sustainability of the projects involved. For example, one local NGO praised USAID's malaria initiative for its impact on child mortality, saying it really had been "very effective." Unfortunately, however, by being implemented too narrowly as a stand-alone project, they were also concerned that "When it stops, that's the end of it. The system remains weak."

5-year-old orphaned by AIDS at her desk at a special Save the Children school for OVC's



Increasing Accountability For Results

The ability to monitor and evaluate (M&E) the impact of the projects it funds is a vital component of the U.S. government's work in Ethiopia. Meaningful M&E allows development partners to assess the impact of their work and to identify best practices that can be duplicated successfully elsewhere.

Some of the PEPFAR indicators are just counting kids – they're not particularly strategic.

—PEPFAR implementing partner

Measuring meaningful results for long-term sustainability

Many partners in the development community and in the Ethiopian Government expressed frustration at the U.S.'s "bean-counting" approach to measuring and monitoring the outcomes of their projects. A significant number of development partners questioned USAID for focusing mainly on counting inputs and outputs (in contrast to measuring real development outcomes) and also the heavy bureaucratic burden that these requirements place on implementing partners.

Even USAID concedes that there is a "big trend" toward counting outputs and a "tendency to focus on numbers", both of which can lead to best practices being lost. However, through one particular program, the USAID team in Ethiopia has also proven that there is still scope for the agency to carry out effective and meaningful M&E of its projects (see case study below).

Case study: Flexible programming, effective evaluation and renewing USAID's culture of learning

USAID's three-year, \$29 million Pastoral Livelihoods Initiative (PLI) includes an effective evaluation system that includes innovation and adaptation. The first phase of the initiative came to an end in late 2008, with the second phase due to begin in 2009. The USAID Mission has insisted that the unique attributes of the first project, written into the program at the insistence of key staff members in the USAID Mission, are included in the second.

The PLI began in late 2005 with an overall goal to mitigate the impact of drought and other shocks on Ethiopia's pastoralist populations by sustainably improving preparedness, livelihoods and incomes. It directly assisted 400,000 pastoralists and indirectly assisted some two million people. Four consortia, working with regional and federal government, were responsible for its implementation. Average grant amounts to each were \$4 to \$8 million.

The initiative was somewhat unique amongst USAID programs in two instances. The first of these was the strong and effective evaluation systems built into the program design, which went well beyond the standard counting of inputs and outputs. According to one stakeholder, it was based upon the assumption that "You need to do impact assessment not activity assessment. We need to get away from the simplistic idea that by implementing activities you also get impact."

USAID in Addis Ababa required each consortium to include in their project activities the development of national best-practice guidelines for interventions in pastoralist areas. The Feinstein International Center at Tufts University was contracted to facilitate this process and to conduct impact assessments of each project's activities to play a "general backstopping and quality control role." A number of policy briefs have resulted; and government policy has also been influenced - the new National Guidelines on Relief Interventions in Pastoralist Areas draw heavily on the PLI's best practices. Overall, according to one NGO, the project's innovative approach to evaluation has "brought a lot of credibility to the program."

This effective, timely and meaningful evaluation also supported another of the PLI's special features: innovation and adaptation of activities in response to changing circumstances. As one PLI implementing partner described it there is "the flexibility to shift money and activities from development to emergency [interventions] and back again".

This flexibility was achieved by introducing a 'crisis modifier' into the program, allowing the NGOs to re-allocate up to 10 percent of their total budgets to new activities without prior permission from USAID, or in some cases with only minimal paperwork. The research team heard how these crisis modifiers were effectively utilized to respond to the periodic livelihood disruptions experienced by pastoralists. One example was successful commercial de-stocking of herds in the 2005-2006 drought and another was the implementation of a supplementary feeding and vaccination campaign for livestock.

Increasing Coordination With Partners

To make sure that the United States gets the biggest bang for its aid buck, good coordination with other development actors and the Ethiopian government is essential. The Ethiopian government is pursuing an agenda encouraging all donors to work together more effectively and, as the largest donor to the country, it is important that the United States joins these efforts. Such participation should enable the U.S. to better leverage its aid investments, lowering transaction costs and minimizing duplication of efforts.

The U.S. government way of doing things is tolerated by the government because of the money they bring.

—*Multilateral donor*

Going it alone or working with others

The Government of Ethiopia seems serious about bringing about more streamlined coordination between itself and its international donors. One approach is pooling of resources with donors working through multi-donor programs. In Ethiopia, a number of multi-donor programs are in operation, including the Democratic Institutions Program, the Public Sector Capacity Building Program Support Project, and the Productive Social Safety Net Program. In total, in 2006, 66 percent of all donor aid used program-based approaches such as these.^{xxiii}

One major area of policy change that the U.S. should consider is increased participation in pooled funds or the multi-donor programs, alongside also continuing to implement projects. To date, it is perceived that when the U.S. participates at all in these programs, it is usually to select specific activities to individually fund from a program, as is the case with the Democratic Institutions Program and the Productive Social Safety Net Program. The research team also heard how U.S. attendance and contributions to some of the sector working groups can be patchy, which is a disappointment to many other donors as USAID's technical capacity is well-respected.

Leveraging greater influence and financial impact

The researchers believe that the impact and leverage of U.S. assistance could be greatly enhanced by making more concerted efforts to work more cooperatively and collaboratively with the Government of Ethiopia and other donors. There is a real appetite among others for such U.S. participation.

'USAID is not in the thick of things' and 'it takes observer capacity too often.'

—*Bilateral donor*

USAID admits that it doesn't have the strongest record when it comes to making sure its policies and approaches fit well with other donors, telling the research team "USAID does not have as strong an orientation of working with other donors." Because it does not participate fully in any of the pooled funds or budget support systems, USAID conceded that, "We're just not at the table when it comes to budget support."

Other donors expressed their regret regarding this situation to the research team. With its resources and political clout, the U.S. absence from some unified donor discussions with the Government of Ethiopia can be particularly noticeable. And, despite the good bilateral relationship between the United States and Ethiopia, representatives of the Ethiopian government made it clear that there is room for improvement with respect to the United States' lack of coordination with other donors.

With the amount of funds that the U.S. is providing [to the health sector], if they could say that 15 percent or even 10 percent could be put into the pool, their influence on the Government's health policy and those other mechanisms would be greatly increased.

—*Multilateral donor*

Endnotes

- i The definition of 'living beneath the poverty line' refers to those people who cannot afford to buy a basic basket of goods and essential non-food items. Figures taken from the Government of Ethiopia, Central Statistical Authority, *Household Income and Consumption Expenditure Survey 2004/05*.
- ii Ibid.
- iii UNICEF, *Ethiopia Statistics*, http://www.unicef.org/infobycountry/ethiopia_statistics.html
- iv Data from OECD Query Wizard for International Development Statistics (QWIDS), http://www.oecd.org/document/31/0,3343,en_2649_34447_41798751_1_1_1_1,00.html
- v These calculations are based upon official ODA data from the OECD.
- vi Data from OECD Query Wizard for International Development Statistics (QWIDS), http://www.oecd.org/document/31/0,3343,en_2649_34447_41798751_1_1_1_1,00.html
- vii Figures from the USAID Greenbook.
- viii Data is from a summary of major programs provided to the research team by USAID in Addis Ababa.
- ix Data from the PEPFAR Country Operational Plans FY2005 – FY 2008.
- x Data from the PEPFAR Country Operational Plans FY2005 – FY 2008.
- xi The data here is taken from the State Department & USAID, Foreign Operations Congressional Notification FY2008, the PEPFAR Operational Plan FY2008 & USAID/OFDA, *Ethiopia Complex Emergency, Situation Report No.1*, 5th November 2008.
- xii State Department & USAID, Foreign Operations Congressional Notification, FY2007 – FY2009.
- xiii See for example the Foreign Operations Congressional Budget Justifications over recent years for a run down of the major priorities being pursued by the US Government in Ethiopia.
- xiv These calculations are according to figures provided by the USAID Mission in Ethiopia to the research team. The total non-emergency and food aid budget was \$306 million in FY2008. Food aid (including the PL 480 contributions to the PSNP) and other emergency response totalled \$596 million in FY2008.
- xv See USAID Administrator Henrietta Fore's testimony to the Senate Foreign Relations Committee, May 14, 2008, <http://foreign.senate.gov/testimony/2008/ForeTestimony080514a.pdf>
- xvi Data from the PEPFAR Country Operational Plans FY2005 – FY 2008.
- xvii European Commission Delegation to Ethiopia, *The Paris Commitments in Ethiopia: How are we Doing?*, http://www.deleth.ec.europa.eu/en/aid_effectiveness_pc.html
- xviii OECD, *2006 Survey on Monitoring the Paris Declaration – Ethiopia Chapter*, Available from <http://www.oecd.org/dataoecd/59/41/39004665.pdf>
- xix European Commission Delegation to Ethiopia, *The Paris Commitments in Ethiopia: How are we Doing?*, http://www.deleth.ec.europa.eu/en/aid_effectiveness_pc.html
- xx Ibid.
- xxi OECD, *2006 Survey on Monitoring the Paris Declaration – Ethiopia Chapter*, Available from <http://www.oecd.org/dataoecd/59/41/39004665.pdf>
- xxii Ibid.



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