

**Third Party Evaluation 2004,
The Ministry of Foreign Affairs of Japan**

Country Assistance Evaluation of Ethiopia

Summary

March 2005

Preface

This report is the summary of Country Assistance Evaluation of Ethiopia carried out by the External Advisory Meeting on ODA Evaluation, which is an informal advisory body of the Director-General of the Economic Cooperation Bureau of the Ministry of Foreign Affairs of Japan.

Japan has been one of the top donor countries of ODA (Official Development Assistance) and there have been domestic and international calls for more effective and efficient implementation of assistance. The Ministry of Foreign Affairs, as the responsible ministry of ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives; to support the implementation and management of ODA and to ensure its accountability. The first purpose of this evaluation lies in obtaining lessons and suggestions that would serve to formulation of the Country Assistance Program for Ethiopia. The second purpose of this project is to ensure the accountability by publication of the evaluation result.

The External Advisory Meeting on ODA Evaluation was formed to improve the objectivity in evaluation. The Meeting is commissioned to conduct ODA evaluation and to report its results and recommendations to the Economic Cooperation Bureau of MOFA. Mr. Tatsuya Watanabe, a member of the Meeting, Trustee, Japan NGO Center for International Cooperation, was in charge of this evaluation.

Ms Yuka Kodama, Researcher, African Studies Group, Area Studies Center, Institute of Developing Economies made enormous contributions to this report. Likewise, cooperation was received from the Ministry of Foreign Affairs and the Japan International Cooperation Agency. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this review. The Aid Planning Division of the Economic Cooperation Bureau of the Ministry of Foreign Affairs was in charge of coordination. All other supportive work was received from KRI International Corp., under the commission of the Ministry of Foreign Affairs.

Finally, we should add that the opinions expressed in this report do not reflect the view and position of the Government of Japan or any other institutions.

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Country Assistance Evaluation of Ethiopia

Summary

1. Background, Purpose and Procedure of this Evaluation

1.1 Background

While Japan is one of the top donors in the total amount of official development assistance (ODA), which is an important tool for Japan's international contributions, the implementation of effective, efficient and high quality aid has been demanded. In order to respond to such demand, the Ministry of Foreign Affairs conducts ODA Country Policy evaluation as a policy-level evaluation, focused on the entire spectrum of Japan's aid policy in specific countries.

Considering that Japan is the third largest bilateral donor for Ethiopia after U.S.A. and Germany, the Government of Japan (GOJ) will formulate the Country Assistance Program for Ethiopia within near future. Thus it is required to review the past Japan's ODA towards Ethiopia.

1.2 Purpose

The first purpose of this evaluation lies in obtaining lessons and suggestions for formulation of the Country Assistance Program for Ethiopia that will serve as a guide to more specific project formulation in future and for effective and efficiency implementation of Japan's ODA. To this end, this evaluation aims to provide an overall review of Japan's aid policy for Ethiopia, to verify the purpose, process of planning and implementation and results of such policy more comprehensively.

The second purpose of this evaluation is to ensure the accountability by publicizing the results to the public.

1.3 Target and Framework of the Evaluation

This evaluation targeted the bilateral ODA of Japan extended to Ethiopia during the period from FY1995 to FY2003. More specifically, analysis and evaluation was implemented from a policy-level perspective.

Country Assistance Program or Country Aid Policy generally consists of the following: (1) significance of aid; (2) purpose; (3) major development issues; (4) priority areas; (5) types of aid; and (6) modality. Though neither Country Assistance Program nor Country Aid Policy for Ethiopia is yet formulated, this evaluation will utilize the above framework.

Based on the above understanding, the Japan's ODA policy for Ethiopia has been evaluated from the three perspectives: (1) Purpose (Relevance of Purpose); (2) Process (Appropriateness and Efficiency of policy formulation and implementation); and (3) Result (Effectiveness, Impact, and Sustainability).

2. Development of Ethiopia and Japan's Cooperation

2.1 Overview of Ethiopia

At the beginning of 1990's, Ethiopia shifted to democratic state from socialist regime. Ethiopia People's Revolutionary Democratic Front (EPRDF) came into power in 1991 and issued "Interim Government Charter" in July 1991. The Government opted for decentralization in the framework of federalism, and approved "right to self-determination" and "right to secession". The Constitution was enacted in 1994. From 1995 to 2001, the Federal Government made great efforts to delegate its political and administrative power to the states in Ethiopia.

Ethiopia has been a sovereign state with long tradition. Thus Ethiopia assumes the role of political hub of Africa. In 1963, headquarters of Organization for African Union (OAU, currently African Union) was established, while United Nation's Economic Commission for Africa (UNECA)'s headquarters is also located in Addis Ababa. Ethiopia is located in "horn of Africa" and its neighboring countries such as Sudan and Somalia are said to have supported terrorism. Thus, Ethiopia has become a country which attracts international attention.

Due to the drought prevailed throughout Ethiopia from 2001 to 2002, Ethiopian economic growth rate started to decrease in 2001, and recorded negative growth in 2002-2003. Conflict with Eritrea led to the increased defence budget in 1999 and 2000 government expenditures. After the approval of Sustainable Development and Poverty Reduction Paper (SDPRP) from the Board meeting of the World Bank and the IMF, poverty reduction related expenditure increased.

Ethiopia's external debts accumulated in the 1980's because of military-related expenditure. Approximately 80% of them were to the former Soviet Union. The board of the World Bank acknowledged Ethiopia as a Heavily Indebted Poor Country (HIPC) in November 1998. In 2001, Ethiopia took advantage of the HIPC Initiative. The former Soviet Union agreed to write off 4.8 billion US\$. The World Bank and the IMF wrote off 1.9 billion US\$. Meeting of creditors – "Paris Club" agreed to cancel the debt four times since 1997. In July 2003, Ethiopia's debts was reduced by 86% to 153 million US\$ from 1.087 billion US\$.

2.2 Transition of the National Development Plan of Ethiopia

Major National Development Plans of Ethiopia

Length	National Development Plans	Sector Development Plans
Long-term	Agriculture-Led Development Initiative (ADLI)	
Mid-term	Five-Year Development Plans Sustainable Development and Poverty Reduction Paper	Road Sector Development Plan (RSDP) Education Sector Development Plan (ESDP) Health Sector Development Plan (HSDP) Water Sector Development Plan (WSDP) Food Security Plan (FSP)
Short-term	National Budget Formulation Annual Progress Report for SDPRP	Annual Action Plan by Sector

SDPRP was prepared by the participation of various stakeholders including the federal

government, regional governments, woreda, and kebele. Consultation with the World Bank and other development partners was held in the preparation process. The SDPRP incorporated the development policies expressed in the Five-Year Development Plans and sector development plans.

The SDPRP has the four pillars: 1) Agriculture-Led Development Initiative (ADLI), 2) Judicial and Administrative Reform, 3) Governance/Decentralization/Empowerment, and 4) Capacity Building as cross-cutting development strategies. It also established various goals in each sector. Emphasis is placed upon 7 sectors: 1) Agriculture and rural development, 2) Food security, 3) Nomadic area development, 4) Transportation, 5) Water resources development, 6) Education, and 7) Health.

2.3 Japanese Aid Cooperation to Ethiopia

Japan’s aid policy for Africa is in line with such international development initiatives as Tokyo International Conference on African Development (TICAD I-III), and New Partnership for Africa’s Development (NEPAD).

Neither Country Assistance Program nor Country Aid Policy for Ethiopia was formulated as noted above. White Paper on Official Development Aid pointed out the significance of assistance for Ethiopia as follows: 1) least developed country with potential for development because of a large population, 2) necessity for recovery from civil war and conflict with neighboring country, 3) geo-political importance, and 4) Ethiopian government’s high ownership. Japan’s ODA policy for Ethiopia has respected the Ethiopian ownership and assisted as a partner.

Priority issues for Japan’s cooperation were “direct measures to mitigate poverty”, “poverty mitigation through economic growth”, and “capacity building” as agreed in the 2003 policy dialogue official discussion paper. The following table presents the priority areas agreed with the Ethiopian side through the policy dialogue meetings.

<u>1997 Economic Assistance Policy Dialogue</u>	<u>2001 Economic Assistance Policy Dialogue</u>	<u>2003 Economic Assistance Policy Dialogue</u>
1) education 2) health / medical care 3) food security 4) infrastructure restoration/ development 5) environmental conservation (water supply, forest)	1) education 2) health / medical care 3) agriculture (food security) 4) infrastructure development (road/ water /telecommunications) (mid and long-term point of view, environmental conservation)	1) education / HRD 2) health / HIV/AIDS 3) water 4) economic infrastructure 5) food /agriculture / rural development

Such cross-cutting issues as democratization, post-conflict rehabilitation, economic reform (e.g. privatization, structural adjustment), and decentralization were not given full attention except for showing interest at the policy dialogue meetings. In 2003 policy dialogue meeting, peace building and democratization were included as “other issues” in the official discussion paper of Japanese delegation.

3. Evaluation on the Purpose of Japan's Aid Policy for Ethiopia

3.1 Consistency with Japan's ODA Policy

Priority areas of Japan's aid policy for Ethiopia were consistent with ODA Charter formulated in 1992(Original ODA Charter) and ODA Charter revised in 2003(Revised ODA Charter). These priority areas were almost consistent with the ODA Mid-Term Policy Paper formulated in 1999(revised in 2005).

“Structural adjustment” stipulated in the Original Charter, and “peace building” stipulated in the Revised Charter, “democratization”, “conflict prevention and reconstruction”, “debt reduction”, and “assistance for private sector”, stipulated in ODA Mid-Term Policy Paper seem to be important issues to Ethiopia's development. In the policy dialogue, discussion on “peace building (including conflict prevention)” and “privatization and private sector development” among these issues started. However, no concrete measure is not yet taken. Similarly no measure was taken against “debt reduction”, which was not relevant with Japan's ODA policy.

3.2 Relevance to the International Development Initiatives

With regard to the Japan's aid policy's consistency with the international development initiatives, namely, TICAD II, NEPAD, MDGs, Report of Commission on Human Security, G8 Africa Action Plan, Japan's aid policy to Ethiopia was consistent with those initiatives' priority areas except for “economic infrastructure” (only NEPAD includes infrastructure as priority issue). Thus, Japan's aid policy for Ethiopia is almost relevant with the international initiatives.

However, “private sector development”, “debt reduction”, “good governance” and “conflict prevention/post conflict development” stipulated in TICAD II, and “gender” and “debt reduction” stipulated in MDGs, “peace/human security”, “governance” and “debt reduction” stipulated in G8 Africa Action Plan were less catered for by Japan's aid policy for Ethiopia.

3.3 Relevance to the Ethiopia's Development Plan

The Japan's aid policy for Ethiopia is relevant with regard to Ethiopia's development plans, because it corresponds to the SDPRP. However, “assistance for private sector” and “decentralization” stipulated in the SDPRP are not addressed properly in Japan's aid policy for Ethiopia.

In summary, since the purposes of aid towards Ethiopia were not clearly established, it is an urgent task to set purposes of aid. It can be concluded that priority areas were generally relevant in view of Japan's ODA policy, international development initiatives, and Ethiopia's Development Plans. On the other hand, reaction to cross-cutting and/or emerging issues, such as conflict prevention and peace building, structural adjustment, debt reduction, privatization and private sector development, democratization, governance, gender and decentralization, was not active.

4. Evaluation on the Process of the Aid Policy Formulation and Implementation for Ethiopia

4.1 Appropriateness of the Formulation Process of Japan's Aid Policy for Ethiopia

Japan's aid policy for Ethiopia has been formulated on the basis of appropriate processes because it was prepared through the policy dialogue meetings, not merely passively responding to the requests of Ethiopia. In the beginning of the preparation process, coordination between the Ministry of Foreign Affairs and JICA seemed insufficient. Gradually, it became more integrated and coherent.

Since 2003 policy dialogue meeting, Japanese ODA Task Force locally organized in Ethiopia has played a great role in preparing discussion paper. This initiatives can be highly appreciated in view of improving ownership of local ODA related establishment and personnel, and response to the development needs of Ethiopia. It can be also recommended that the Ministry of Foreign Affairs' officials and JICA officials from Tokyo shall participate in the policy dialogue meeting in order to grasp the situation and the needs, and better brief the contents of overall Japan's ODA policy to the Ethiopian side.

In policy making process, it was appropriate procedure to have heard from members of the ODA Consultative Meeting consisting of JICA experts and Japanese NGO personnel, who were directly involved in ODA policy implementation. However there was no consultation with the other Japanese ministries involved in ODA projects implementation and NGOs in Japan. Similarly there were little efforts made to hear the voices from the Ethiopian NGOs and other stakeholders from the civil society on Japan's aid policy for Ethiopia. It seems necessary to have discussion with them.

In addition to the policy dialogue meetings, the Embassy of Japan and JICA in Ethiopia have frequent discussions with the Ministry of Finance and Economic Development (MOFED) and other federal ministries. In order to understand the development needs of Ethiopia, such approach is highly appreciated. However, it can be pointed out that regional governments were not invited to the policy dialogue meeting though there were regular meetings for individual projects. It seems more appropriate to invite the regional governments to the policy dialogue meetings and their preparatory meeting in view of the facts that the regional governments are acting as implementation agencies in the framework of decentralization policy of Ethiopia.

In 1997 and 2001 policy dialogue meetings, there were meetings with other donors. Various meetings among donors and Ethiopian government are organized in Ethiopia, and the Embassy of Japan and JICA in Ethiopia attend those meetings to exchange their policies and information. Aid coordination efforts are being accelerated in Ethiopia. It seems that aid coordination efforts affect not only aid modalities such as common fund and direct budgetary support, but also priority area and selection of sub-sectors. If Japan focuses on specific priority areas, the Embassy of Japan and JICA in Ethiopia and other Japanese ODA related personnel will be required to attend those donor and government meetings on priority areas to take initiatives. In this context, it is expected that the strategy to the aid coordination will be tentatively formulated in Ethiopia because such strategy will be certainly applied to other

developing countries.

4.2 Appropriateness of the Implementation Process of Aid Policy for Ethiopia

Japan's aid policy was formulated in response to the Ethiopian side's priority development plans and requests, and respected the Ethiopian side's ownership. Ethiopian side appreciates Japan's aid implementation process because Japan does not create their own implementation system through contracting consultants like some other donor agencies.

Aid projects were properly chosen in line with the priority areas and their sub-sectors of Japan's aid policy for Ethiopia. Though Ethiopian side requested resumption of ODA Yen loan, the Japanese side limited its cooperation to Grant Aid and Technical Cooperation in view of their financial situation, which seems to be an appropriate decision.

Collaborations between Grant Aid and Technical Cooperation have been made. JICA commissions CRDA, an Ethiopian umbrella NGO, to provide information for Japanese NGOs. The Embassy of Japan also requests CRDA to recommend appropriate local NGOs to implement the Grass-Root / Human Security Grant Aid Project. Those were highly appropriate initiatives because it was consistent with Japan's aid policy for Ethiopia which stipulated participation of local NGOs. On the other hand, South-South cooperation was very limited. There seems to have rooms to be improved.

In 2003 policy dialogue meeting, both sides agreed to have high level policy dialogue (between ambassador and minister) once a year and the follow-up meeting for three to four times a year. Throughout these meetings, selection of priority areas, coordination among the priority areas, relevance of direct budgetary support, south-south cooperation were discussed. Such meetings can be highly appreciated as a means to ensure good implementation of aid policy.

In response to decentralization initiative of Ethiopia, establishment of Oromia Region ODA Task Force is considered as an effective tool. Regrettably, this Task Force does not seem to function as expected.

It should be noted that sufficient number of personnel is required to formulate the good aid policy and implement the assistance. In Ethiopia, where many donor agencies are active, it requires a lot of time and energy to attend the meetings of the donors. In addition, officials in the Embassy of Japan and JICA in Ethiopia have been much more occupied with meetings such as policy dialogues with Ethiopian government and its follow-up meetings held several times a year since 2004. Though delegation of authority to overseas establishment is important, it increases their burden. In order to ensure the formulation of good aid policy and its implementation under current circumstances, it is essential to secure sufficient number of personnel assigned and to enhance their capacity and quality.

5. Evaluation on the Result of Japan's Aid Policy for Ethiopia

5.1 Contribution in the Priority Areas

Out of the priority areas, contribution of Japan's ODA in road sector and countermeasures against infectious disease were highly appreciated. In particular, against infectious disease,

Japan's program made a great contribution. Incidence of polio decreased, and the eradication has now come to be almost realized. However, contribution and outcomes are limited in the other areas.

Infrastructure Development: Though contribution in power and telecommunication sector is limited, Ethiopian government, donors and local NGOs highly appreciated Japan's contribution in road sector. Road construction in Ethiopia is less developed and its density is lower than the other Sub-Sahara African countries. Even the trunk road is not well developed. Japan made the biggest assistance among the bi-lateral donor countries. Its output is remarkable. The increase of economic activities along the rehabilitated trunk road has been partly observed as outcome of the aid. While the policy dialogue meeting documents stipulated contribution of road development to "food security" and "poverty reduction through economic development", it was difficult to confirm such contribution on impacts. Thus it is necessary to set its short, mid, and long-term objectives or goals including concrete indicators to measure their achievements. Considering poor road condition of Ethiopia, it is an urgent task to put its aid resources intensively in this sector. Moreover, collaboration with other sectors such as education and health, as well as coordination with other donors, may lead to increased synergy effect, as a result, contribution to food security and poverty reduction.

Health: Health related assistance was also appreciated next to the road sector. In particular, with coordination between grant aid and technical cooperation, infectious disease prevention program has contributed to the decrease in numbers of reported cases of polio and measles through upgrading polio inspection system and increasing vaccination rate by providing vaccines of polio and measles through UNICEF. Similarly establishment of health posts and health centers made certain contributions towards community health and maternity health.

Education: Japan has consistently assisted basic education which Ethiopian government has placed emphasis on in its development plan. The aid was made for primary school construction and distance learning centers. Its contributions are seen in improved access to basic education and multi-language broadcasting education. However, its input is quite small and its contribution towards the basic education is very limited. Similarly, contribution to improvement of education quality is limited. With regards to girls' education, female personnel from Region and Wareda Education office are supposed to provide suggestions on girls' education and gender issues in Japan's project. However, gender consideration was not enough in school site selection.

Agriculture/Food Security: Provision of fertilizer through Aid for Increased Food Production (2KR) was highly appreciated by the Ethiopian side whose priority in the sector is improvement of productivity. Since unit crop yields are stagnant in Ethiopia, contributions of fertilizer provision to productivity improvement can not be confirmed. Nevertheless, there is another analysis that productivity must have been deteriorated without fertilizer provision. Though scale of aid for irrigation development is limited, its technical transfer efforts and sustainability can be appreciated. The Ethiopian side places the highest priority in food security because of chronic food shortage and heavy reliance of food aid. Contribution for agriculture productivity growth and balanced food distribution are highly required.

Water: Japan's aid has contributed on safe water provision, with water supply facility construction and technical cooperation. The Ethiopian side appreciates such efforts, however, its input is small and thus their contributions are limited.

5.2 Collaboration between Aid Modalities and Sectors, and Aid Coordination

There are several cases of collaboration between the aid modalities, namely, polio eradication (grant aid and technical cooperation), road rehabilitation (grant aid and technical cooperation), groundwater development and water supply (grass-root human security grant aid and technical cooperation). Such efforts led to synergy effects as well as increased aid effectiveness and efficiency. In 2004 policy dialogue meeting, synchronization of grant aid and technical cooperation was proclaimed. Such efforts can be considered as an initiative to improve aid effectiveness in scarce aid resources.

There is no case of collaboration between sectors. In 2004 policy dialogue meeting, collaboration between water and agriculture was discussed and its realization is expected.

There are little outcomes from aid coordination efforts with other donors because the coordination efforts are only limited in road sector (demarcation of road among donors) and polio eradication initiatives of multi-bi collaboration with UNICEF.

6. Overall Evaluation and Recommendations to Country Aid Policy for Ethiopia in Future

Based on the results from this evaluation, the following recommendations are made for future Japan's aid policy for Ethiopia (specifically for Japan's Country Assistance Program for Ethiopia).

6.1 Viewpoints for Aid Policy Formulation

Looking back the past ten years' assistance, Japan can be classified as "semi-major donor" in Ethiopia, and Japan's presence in this country is not necessarily high. In the decreasing trend of ODA budget, the biggest task for Japan is how to utilize its resources effectively. Thus the following perspective shall be required.

First, it is important to clearly stipulate the significance and the purpose of aid for Ethiopia. Without that, Japan's aid becomes discursive. Second, it is important to focus on target of aid by sector and/or region. Third, it is required to accelerate synergy among sectors and aid modalities.

Appropriate contents of the future Japan's Country Assistance Program will be depicted based on the results of this evaluation and the above viewpoints.

6.2 Significance and Purpose of Aid

Taking into account the reasons applied for the past assistance, and the circumstances surrounding Ethiopia, significance of aid for Ethiopia can be summarized as below:

- 1) It has the second largest population (73 millions) in Sub-Sahara Africa. Ethiopia is classified as Least Developed Country with 31% of its population living under the poverty

line. With this situation, it is important to assist Ethiopia in order to cope with mounting development needs.

- 2) Ethiopia is located at the horn of Africa and neighboring with countries presumably supporting terrorism. It is important that Ethiopia stays socially and economically stable, and it leads to benefit for Africa and the world.
- 3) Headquarters of African Union (AU) and United Nations Economic Commission for Africa (ECA) are located in Addis Ababa. Its political importance and increased aid coordination require high attention.

With regards to purpose of aid, poverty reduction seems the most appropriate. Supplementary purpose shall be a realization of equity, i.e., male-female, regional equity, and the rich and the poor. It is desirable to set goals quantitative and qualitative, consistent with the Ethiopian development plan. It is also desirable to clearly organize priority areas.

6.3 Aid Target (Sector/Region)

It is necessary to keep in mind the recipient country's needs, Japan's past assistance experience and comparative advantages, and the other development partners' initiatives, when Japan decides its priority sector and region. These three criteria are proposed in selecting target areas. From the results of this evaluation study, the following sectors and sub-sectors can be considered more important.

- 1) Food security (Agriculture/Water/Road)
- 2) Health (Infectious disease prevention)
- 3) Education (Basic Education)

It may not seem suitable to define food security as a sector. However, the Ethiopian government places its utmost importance on this issue as a means to alleviate poverty. For effectiveness and efficiency, it is essential to coordinate and integrate various sectors. Thus this evaluation study considers food security as an integrating concept.

In order to achieve food security, increased agriculture productivity and domestic distribution of food (from surplus regions to shortage regions) are considered necessary. For improving agriculture productivity, mere provision of fertilizer is not effective. New agricultural technology and system development suitable for small-hold farmers (from the viewpoint of equity) and securing irrigation water supply (through irrigation development and water harvesting) are essential.

Infrastructure development is required in achieving transportation of food from food surplus areas to food shortage areas. It contributes to realize equity through alleviating regional disparity in food supply. From now on, it is necessary to focus on semi-trunk road with a view to provide linkage between food surplus and shortage areas.

Japan made the great contribution in infectious disease prevention by utilizing grant aid and technical cooperation, and multi-bi collaboration. Though polio is almost eradicated, there are some emerging infectious diseases as HIV/AIDS in Ethiopia. Such disease may hamper the

potential of Ethiopian development. It goes without saying assisting such infectious diseases are quite relevant.

Japan made limited contribution in education sector. However in view of the Ethiopian side's priority, education sector shall be given further assistance. Promotion of low cost but highly sustainable participatory approach should be promoted from the point of efficiency and effectiveness. In addition, girls' education shall be given priority.

Gender consideration shall be kept in mind from the viewpoint of equity in sector development plan formulation, project implementation, monitoring, and evaluation. Similarly, environment conservation is required in view of achieving sustainability.

It is expected that further selection and prioritization will be made after comprehensive assessment of local needs taking into consideration the above recommendations.

Discussion with the Ethiopian side is required on selection of priority regions. It may seem appropriate to choose from the region where Japan already placed its importance. On the other hand, it is necessary to keep in mind equity point of view when selecting priority region.

It is effective and efficient to focus Japan's assistance on food security related projects (agriculture, water, and road) and education in the selected priority regions. However, measures for infectious disease alleviation seem to be more effective to implement nation-wide. If there is a need to implement aid program other than those of priority area in the priority regions, such need shall not be excluded.

6.4 Cross-Cutting/ Emerging Issues

This evaluation study pointed that Japan's aid was passive in tackling with such cross-cutting and emerging issues as peace building, democratization, privatization/private sector development, and decentralization. The ODA Charter stipulates peace building, democratization, and economic reform (structural adjustment and privatization) are the priority issues, so it is necessary to monitor the Ethiopian government policies in related fields and to recommend implementation of appropriate measures in such fields, through policy dialogue, etc..

Without waiting for such annual policy dialogue meetings, there are some other means to cope with those issues at implementation levels. For instance, as regards peace building, it would be possible to choose the region where there are many victims of the civil conflicts. With regards to democratization, it is effective to arrange participation of NGOs and citizens so that their capacity would be empowered. It is also effective to assist private companies to take care of distribution of food aid materials so that monopolization by specific big companies would be prevented. In addition, it is possible to assist agricultural industrialization based on ADLI, for example food processing. For decentralization, assistance on Wareda officers' capacity building may contribute to reduce its constraints in decentralization.

6.5 Types of Aid

In view of being the LLDC, it is appropriate to provide grant aid and technical cooperation even though Ethiopia is freed from heavy debt. In addition, it is desirable to utilize grass-root and human security grant aid in order to cope with local needs precisely.

6.6 Aid Implementation

It is necessary to make full use of every possible collaboration and coordination (between types of aid, sectors, and donors) to realize efficient and effective aid in the priority sectors and regions.

In addition, strengthening of South-South Cooperation is needed.

With regard to sector level assistance and aid coordination, Japan may be left behind in the donor community, and it may become difficult to implement support in line with Japan's Country Assistance Program for Ethiopia to be formulated in the near future. It is essential that Japan dispatches policy advisors to the ministries concerned and leads the policy discussion in the sectors where Japan has comparative advantage (e.g. road sector and health sector). In this context, Japan should participate in common basket to lead the policy discussion.

Japanese ODA Task Force in Ethiopia is active in discussing its feasibility in participating direct budgetary support. Thus gradual involvement in the direct budgetary support is required. Sector-wide approach and direct budgetary support shall be implemented from the viewpoint of increasing the recipient's ownership.

Japanese grant aid requires a long period from its application to implementation. The Ethiopian side pointed out the fact that the development needs might change during such a long process. In spite of Japan's institutional constraints, it can be modified through participating in aid modality harmonization efforts (common formula and process, and rationalization in procedure).

6.7 Policy Dialogue Meeting

Preparation for policy dialogue meeting was done by the initiative of Japanese ODA Task Force in Addis Ababa. This arrangement is highly appreciated as a means to quickly respond to the needs of Ethiopia, and should be enhanced. To improve the relevance, effectiveness and efficiency of Japan's ODA, the following are recommended : 1) to hear the voices from the representatives of priority regions, 2) to provide occasions for consultation in the priority regions, 3) to strengthen and institutionalize the ODA Consultative Meeting in order to hear from Japanese experts and NGOs, 4) to hear the opinions of Japanese ministries and NGOs concerned, and 5) to provide opportunities for discussion with Ethiopian NGOs -.

6.8 Other Recommendations

(1) Improvement of Transparency and Aid Predictability

With regard to technical cooperation, the Ethiopian side criticized that the cost concerned to experts including business costs and equipment costs are not transparent. For this reason, Japan's assistance amount can be seen lower than the actual amount. It is important to show

such costs to the Ethiopian side to forum mutual reliance. Apart from details, it is important to inform the Ethiopian side of amount of expense disbursed for each technical cooperation project.

In addition, in the process of formulation of a mid-term financial program of SDPRP, the Ethiopian side requests each donor to indicate the disbursement plan for several years. In response to this request, many donors pledged aid plan (commitment). In order to improve ownership of the Ethiopian side, it is necessary for Japan to improve its aid predictability.

(2) Improving Grant Aid

When a certain area receives assistance from a foreign country, the amount is deducted from the federal government subsidy (off-setting), from the viewpoint of equity between areas in Ethiopia. Therefore, high cost assistance such as Japan's grant is not always welcomed and will hinder a smooth implementation of Japan's aid in the priority regions. From this point of view, un-tying of contractors in grant aid shall be considered.

In addition, there is a cost sharing scheme – residents must make certain share of contribution – in Ethiopia. Technical cooperation is able to accept such scheme, however, grant aid is not. In order to improve ownership and project sustainability, grant aid shall modify its constraints.

Grant aid is a large-scale assistance; however, it requires long procedures. Grass-root and human security grant aid is utilized for relatively small projects, but its procedure is simple. Thus it is recommended that grass root grant aid can be implemented as a cluster.

(3) Empowerment in Aid Related Personnel

It is an appropriate measure to provide autonomy for the ODA personnel of oversea establishment (e.g. embassy of Japan and JICA personnel) as a means to better response to the development needs. However in a country like Ethiopia where aid coordination is active, autonomy may become too large burden on those ODA related officials. Thus it is essential to increase number of personnel to maintain quality of aid.

In order to cope with sector level assistance and direct budgetary support, not only the increase of the number of aid related personnel in Ethiopia, but also capacity development of such personnel is indispensable. Thus employment of capable personnel from outside and capacity development of the Ministry of Foreign Affairs' officials is recommended.