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FROM THE AMERICAN PEOPLE



# COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

JULY 2019 – JULY 2024

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## ACRONYMS

CSO	Civil Society Organization
CDCS	Country Development Cooperation Strategy
CEFM	Child Early and Forced Marriage
CMDRR	Community Managed Disaster Risk Reduction
DFID	Department for International Development
DOAG	Development Objective Agreement
DRM	Disaster Risk Management
DO	Development Objective
EPRDF	Ethiopian People's Revolutionary and Democratic Front
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FSN	Foreign Service National
FtF	Feed the Future
GAVI	Gavi, the Vaccine Alliance
GBV	Gender Based Violence
GiZ	German Society for International Cooperation
GOE	Government of Ethiopia
GTP	Growth and Transformation Plan
ICT	Information and Communication Technologies
IR	Intermediate Result
JICA	Japan International Cooperation Agency
JTSR	Journey to Self-Reliance
KOICA	Korean International Cooperation Agency
LME	Learning, Monitoring and Evaluation
MDG	Millennium Development Goal
MMT	Mission Management Team
MOA	Ministry of Agriculture
MOSHE	Ministry of Science and Higher Education
MOFEC	Ministry of Finance and Economic Cooperation
MOH	Ministry of Health
MOP	Ministry of Peace
MWIE	Ministry of Water, Irrigation, and Electricity
NDRMC	National Disaster Risk Management Commission
NEBE	National Election Board of Ethiopia
NGO	Non-Governmental Organization
NHH	New Horizon of Hope
ODA	Official Development Assistance
OWNP	One WASH National Program
PSNP	Productive Safety Net Program
UNAIDS	Joint United Nations Program on HIV and AIDS
USDH	U.S. Direct Hire
WASH	Water, Sanitation, and Hygiene
WFP	World Food Program

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## I. EXECUTIVE SUMMARY

### CDCS Goal

The goal for USAID/Ethiopia's<sup>1</sup> 2019-2024 Country Development Cooperation Strategy (CDCS) is: ***Ethiopia transitions to a more democratic, prosperous, and resilient society, with accountable institutions and private-sector led growth.*** To achieve this goal, USAID/Ethiopia will partner with the Government of Ethiopia (GOE), other donors, the private sector, and civil society across sectors to address challenges in the areas of democracy, demographics, and disasters that threaten the country's Journey to Self-Reliance (JTSR).

Seizing the opportunity presented by the Ethiopian government's ongoing democratic reforms, USAID/Ethiopia will support inclusive and credible elections (expected in 2020) and respond to reform-related requests from GOE institutions, in particular, the justice system. USAID will support the expansion and strengthening of civil society and the capabilities of an increasingly independent media to hold government accountable. The Mission will work with the GOE, civil society, and communities to prevent and mitigate conflicts that undermine governance relationships, threaten reforms, and impede efforts to improve service delivery.

With a greater focus on private sector investment, a diversified economy, and increased employment opportunities, the Mission will support Ethiopia to withstand the pressures of its rapidly growing, urbanizing, and youthful population. USAID will support reforms that will unleash the power of the private sector to meet these increasing demographic pressures, as well as the expectations of a government that has announced its intent to move away from a state-led economy. Ethiopia will be a reliable partner for U.S. trade and investment and continue to serve as a force for stability in the Horn of Africa.

As education, health, and water, sanitation and hygiene (WASH) service delivery systems buckle under demographic weight and the stress of internal displacements in multiple regions, USAID will work with partners to support service delivery in the short-term, while improving systems, introducing innovations, and building institutions in the medium to long-term. Getting basic services right, particularly for women and girls, is fundamental to developing an able and qualified workforce with an improved quality of life. It will also be critical to sustaining popular support for ongoing economic and political reforms.

To get ahead of perennial humanitarian crises caused by ethnic conflict, climate, and infectious diseases, USAID/Ethiopia will reinforce GOE efforts at various levels to effectively and efficiently anticipate, plan for, mitigate, and respond to disasters. In addition, the Mission will support channels to address the grievances and triggers that lead to violent conflict, in collaboration with communities and civil society. Strengthened disaster risk management capabilities, in addition to investments that boost the resilience of vulnerable regions, communities, and households, will reduce the need for external humanitarian assistance, and alleviate pressures that undermine Ethiopia's democratic and economic progress. This will enhance Ethiopia's self-reliance.

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<sup>1</sup> Interchangeably referred to as "USAID" or "Mission"

## **Commitment and Capacity**

Despite years of double-digit economic growth, significant expansion of infrastructure, and improvements across many development indicators (especially health), Ethiopia measures low overall in its FY 2019 Country Roadmap<sup>2</sup> in terms of Commitment and Capacity (ranking below average for low and middle-income countries in 14 of 16 metrics). Ethiopia started from a low baseline and has undergone rapid population growth, while recurring disasters have adversely affected development gains. Ethiopia's low scores are also a function of historically closed economic and autocratic governance systems. One area of relative strength has been **Government Capacity** to deliver on select priorities. Despite closed systems, the GOE proved its ability to maintain security and leverage domestic and donor funds to effectuate pro-poor policies and socio-economic programs. Examples are the Productive Safety Net Program (PSNP) and a community health extension worker program that supported the achievement of several Millennium Development Goals (MDGs).

There is no denying that Ethiopia must make significant progress in both Commitment and Capacity dimensions. Areas of notable and pronounced weakness in Ethiopia's Country Roadmap are **Open and Accountable Governance**, the result of more than 25 years of closed government that led to stunted **Civil Society Capacity**. In terms of **Economic Policy**, a state-run economic model has prevented investment and severely inhibited private sector development, holding back economic transformation and affecting the **Capacity of the Economy**. Information and Communications Technology (ICT) use is low.<sup>3</sup> As far as **Social Group Equity**, Ethiopians consider the elite and certain ethnic groups to have disproportionately benefited from economic growth. The combination of demographic pressures, democratic shortfalls, and persistent disasters have resulted in below average **Citizen Capacity**, evidenced by low overall per capita Gross Domestic Product (GDP). There is also a substantial percentage of the population that remains in poverty, despite gains in some socio-economic indicators.

With recent political change and announced GOE reforms, the Mission considers aspects of Ethiopia's 2018 roadmap obsolete, particularly along the Commitment pillar (**Open and Accountable Governance** and **Economic Policy** sub-dimensions). Because of recent indications of increased commitment in these dimensions, the Mission estimates that Ethiopia is heading into the northwest quadrant of higher Commitment and Capacity.

## **Strategic Choices**

From 2019 to 2024, USAID/Ethiopia will engage with the GOE in areas that offer the greatest potential to build long-term self-reliance, while balancing the need to address immediate and possibly destabilizing threats. The Mission will capitalize on new openings and emerging commitment in the **Open and Accountable Governance**, **Civil Society Capacity**, and **Economic Policy** dimensions that previously did not exist. It will expand Democracy and Governance programming to meet GOE priorities, including critical 2020 elections; rule of law

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<sup>2</sup> USAID began publishing annual Country Roadmaps for countries where it works in October 2018. Roadmaps, document progress across a range of third-party metrics in both Capacity and Commitment dimensions, and an updated FY 2020 version can be found at: <https://selfreliance.usaid.gov/>.

<sup>3</sup> Ethiopia has the most expensive internet in the world provided by a state-owned monopoly.

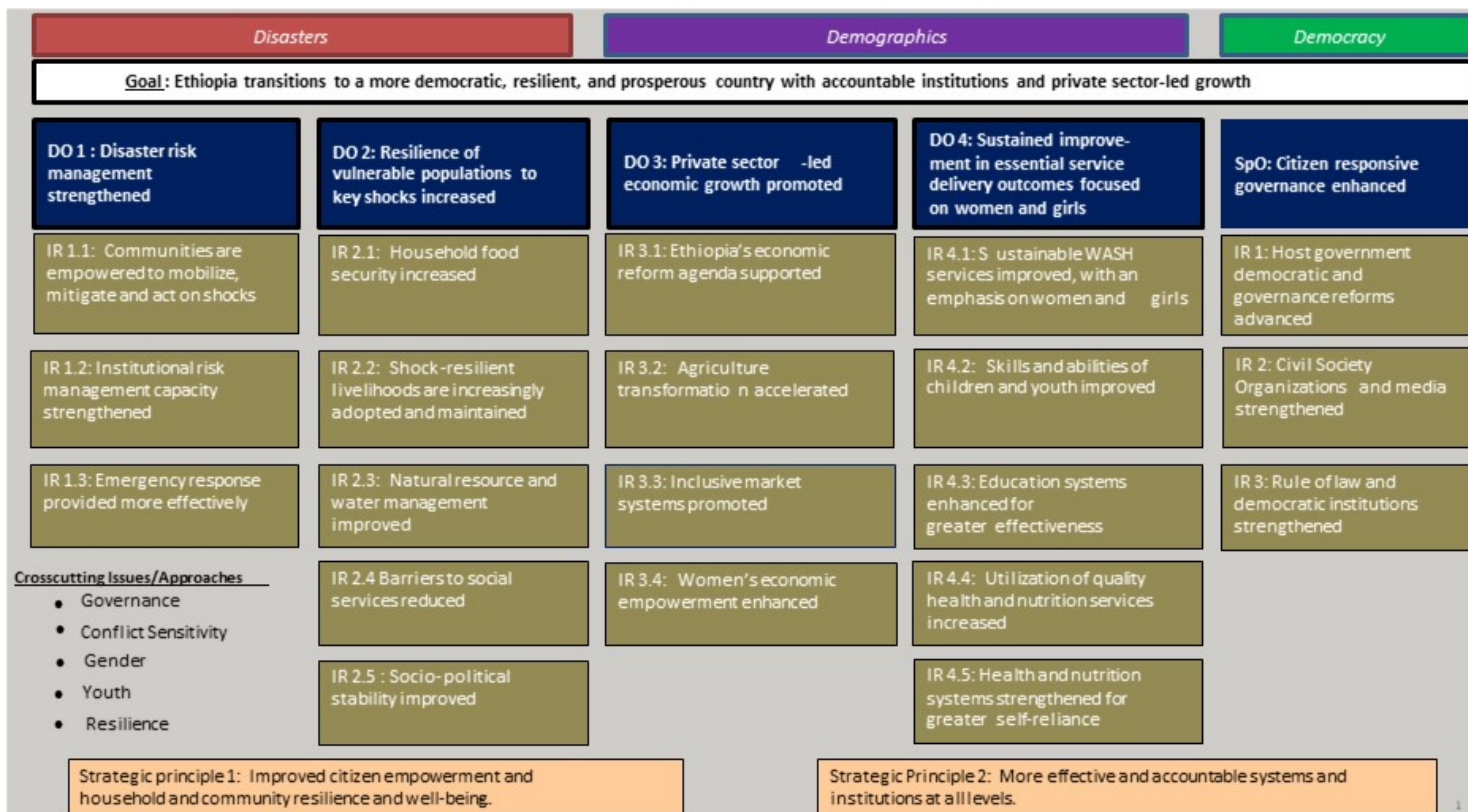
and justice system reform; open, effective, and accountable governance; and strengthening civil society.

USAID/Ethiopia will work with the GOE in identifying binding constraints to economic growth. It will support reforms to build a private sector-led economy, enable better functioning of markets, and promote increased employment. Efforts will emphasize youth to ensure future generations can actively participate in a competitive domestic and global economy.

While humanitarian assistance did not feature prominently in USAID/Ethiopia's last CDCS, this strategy gives special emphasis to the issue of recurring disasters and increased conflict vulnerability. Ethiopia regularly issues annual humanitarian appeals in excess of \$1 billion, with the United States typically donating anywhere from \$200-\$500 million. The Mission aims to build the institutional disaster risk management capabilities of the GOE, communities, and households to reduce its reliance on donor aid. With new GOE commitment, efforts will focus on an end-state in which Ethiopia can plan for, finance, and respond to any type of humanitarian crisis to break the cycle of need. USAID will invest in the resilience of vulnerable populations in geographic areas that are prone to crises through multi-sectoral and systems-based interventions. Resilience interventions will support GOE efforts to bolster household and community abilities to withstand shocks and stresses, and "graduate" households from regular assistance by addressing the root causes of vulnerability. Given an increase in ethnic tensions and related mass displacements, the Mission will also amplify conflict prevention and resolution initiatives.

USAID/Ethiopia will continue partnerships in the **Capacity of the Economy** and **Citizen Capacity** sub-dimensions, but with new focus, coupled with key shifts in implementation approaches. USAID/Ethiopia will continue efforts in the agriculture sector, but shift emphasis from production to agribusinesses and higher-growth value chains. It will also help Ethiopia explore other sectors that hold promise for expanded economic growth and job creation. The Mission will provide basic education support, with a focus on improving the quality and retention of girls from primary to secondary levels. Finally, the Mission will continue to engage in health, nutrition, and WASH sectors to enhance systems and services to meet the needs of a rapidly growing and urbanizing population.

The new strategy aligns with and supports the USG's National Security Strategy, the State-USAID Joint Strategic Plan, and Ethiopia's Integrated Country Strategy (ICS). Ethiopia is a critical African partner in contributing to security in the Horn of Africa. USAID support will play a vital role supporting stability through democracy and governance, as well as economic growth programs as the new government moves to implement reforms at a time of uncertainty and significant challenge. The emergence of a more prominent private sector and improved business enabling environment will be key to improving trade balance, expanding exports, and building stronger trade with various partners, including the United States. American involvement in Ethiopia's development will play an important role in its transition to eventual middle-income status and self-reliance, leading to a stronger and more democratic partner in a strategic region. The new strategy also projects American values and leadership at a time when competing ideologies vie for influence.



## II. COUNTRY CONTEXT

Following 27 years of authoritarian rule, Ethiopia is at a critical juncture. The reformist Prime Minister (PM) Abiy Ahmed has made remarkable strides in setting the country on a path towards unprecedented political and economic transformation. Shortly after assuming office, PM Abiy lifted the country's state of emergency, freed political prisoners, allowed dissidents to return, and ended a 20-year conflict with Eritrea. He also committed to a series of sweeping reforms that transition a historically state-led economy towards private sector-led growth. With fragile neighbors at its borders—Somalia, South Sudan, Sudan—Ethiopia, under PM Abiy, has continued to be a stabilizing presence, institutionally and militarily, in East Africa. The promising, yet nascent changes, have the potential to propel Ethiopia towards unparalleled transformation. However, the foundation of the country remains fragile. Instances of ethnic and political violence have occurred throughout the country, driving mass displacement and exacerbating humanitarian need.

The new directions and reform agenda that have been proposed by PM Abiy have led to much optimism, but there is uncertainty as to the pace and impact of these reforms. Increasing population, high unemployment, restless youth, and food insecurity exert pressure on already strained systems that constrain PM Abiy's ability to actualize his vision. Taken together, USAID/Ethiopia has identified three overarching contextual challenges—**Democracy**, **Demographics**, and **Disasters**—that have inhibited Ethiopia's progress towards self-reliance and inform USAID/Ethiopia's strategic orientation.

## **Democracy**

In a 2017 study commissioned by USAID,<sup>4</sup> Ethiopia's lack of open and accountable governance was considered to be the biggest threat to Ethiopia's future development and stability. Since 1991, the Ethiopian People's Revolutionary Democratic Front (EPRDF), a coalition of four political parties, had ruled the nation as part of a multi-ethnic coalition. Ethiopia has not had true multi-party elections since 2005.

The EPRDF went on to pass restrictive laws, including the controversial Charities and Societies Law, the Anti-terrorism Law, Freedom of Information and Press Law, and Computer Crimes Law. Similar to other authoritarian regimes, these laws severely limited the operating space for Civil Society Organizations (CSOs), the media, and opposition political parties, essentially weakening or making them non-existent. Governance issues, as well as a lack of inclusivity, culminated in popular protests that lasted from 2015 to early 2018.

On February 15, 2018, Prime Minister Hailemariam Desalegn resigned and Prime Minister Abiy was appointed shortly thereafter. He promised to open more political space for opposition parties and civil society, and called for dialogue with opposition parties both inside and outside the country. He called for the respect of human rights, particularly freedom of expression and assembly. He also committed to improving the accountability of law enforcement bodies, reforming election laws, and holding national elections in 2020.

While still early, measures that have been announced or already initiated by the new administration are a clear departure from past GOE practices. The more transparent and inclusive governance approach and a market-driven mindset now align with democratic values. However, these changes and the shifting power dynamics they signal have led to new tensions, particularly along ethnic lines, and have resulted in violence and large-scale population displacements. If successful, reforms for more inclusive and accountable governance, including elections, have the potential to contribute to greater stability and development. If unsuccessful, a reversion to closed government may ensue, along with greater conflict.

## **Demographics**

Ethiopia's approximate population of 110 million people is projected to double by 2050. Seventy percent of Ethiopians are under the age of 30. If the GOE can expand service delivery and provide an environment for increased economic opportunities, Ethiopia can hope to leverage its youthful population to drive economic growth - a future "demographic dividend." This is vital, as Ethiopia's growing population and increasing urbanization is rapidly exacerbating pressure on natural resources, infrastructure, the economy, services, and political stability.

Ethiopia's ever-expanding population strains natural resources throughout the country, negatively affecting food security, livelihoods, and overall vulnerability. More than 80 percent of Ethiopians live in rural areas, depending on rain-fed, small-scale farming in the highlands and pastoral livelihoods in lowland areas. With population growth, farm sizes become smaller. Small landholdings, in turn, prevent increased productivity and transformation of Ethiopia's agriculture

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<sup>4</sup> 'Key to the Horn: Ethiopia's Prospects to 2030', Institute of Security Studies: 2017.



sector. Rangeland is even more limited for pastoralists. Limited resources for the majority of Ethiopians has a direct bearing on poverty and vulnerability to frequent shocks. Resource competition also aggravates ethnic tensions that have erupted into violent conflict, causing mass displacements.

Ethiopia's economy cannot keep pace with the two million new entrants into its labor market each year. Despite its double-digit growth over the last decade, it still ranks 172 out of 189 countries in terms of GDP per capita.<sup>5</sup> Agriculture remains the foundation of the Ethiopian economy, employing 75 percent of the formal workforce, although accounting for only 40 percent of the total value added to the economy. Women face barriers to access capital and land, and are less likely to be employed in the formal economy. To diversify its economy, the GOE has promoted urbanization, industrialization, and Foreign Direct Investment (FDI). However, a weak private sector has served as an impediment, and Ethiopia ranks 161 out of 190 in the World Bank's 2018 Doing Business Index.<sup>6</sup> Servicing Ethiopia's debt is straining Ethiopia's capacity to pay back loans. The International Monetary Fund (IMF) assessed Ethiopia to be at high risk for debt distress in 2018, reaching the equivalent of 61 percent of GDP.

Ethiopia's demographics and increasing urbanization continue to put essential services, including education, to the test. While the 59 percent increase in primary school enrollment from 2000 to 2016 is a significant achievement, quality remains an issue. The primary completion rate is only 40 percent, compared to 82 percent in African peer countries.<sup>7</sup> Secondary enrollment reached only 25 percent in 2016, with a seven percent completion rate.<sup>8</sup> Dropout and repetition rates at the primary level prevent higher secondary enrollment. In addition, girls are more disadvantaged than boys. This has implications for building a well-educated and literate workforce that is a prerequisite for diversifying the economy.

Demographic growth has outstripped many of the gains made in health, nutrition, and WASH. Ethiopia decreased infant mortality from 120 deaths per thousand live births in 1990 to 48 in 2016 and reduced its maternal mortality rate by 70 percent in the past 25 years.<sup>9</sup> Nevertheless, Ethiopia is still the seventh most undernourished country in sub-Saharan Africa, with stunting rates of 38 percent.<sup>10</sup> Insufficient access to clean water and sanitation remains a key driver of mortality. While Ethiopia has made significant strides in water and sanitation access, both indicators lag behind in comparison to the world average and peer countries. This impacts women and girls disproportionately, reducing their ability to attend school or engage in economic activities.

The prevalence of stereotyped gender roles, widespread gender-based violence (GBV), low female teacher representation, and lack of gender sensitive school facilities pose barriers for

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<sup>5</sup> Human Development Indices and Indicators - 2018 Statistical Update, UNDP

<sup>6</sup> <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018>

<sup>7</sup> Kenya, Uganda, Tanzania, and Rwanda.

<sup>8</sup> UNESCO Institute for Statistics, 2015; MoE Education Statistics Annual Abstract 2017/18

<sup>9</sup> World Bank World Development Indicators, originally compiled by the World Health Organization.

<sup>10</sup> <https://www.unicef.org/ethiopia/nutrition>

women and girls to fully participate in society.<sup>11</sup> Work remains to ensure equitable access to, and utilization of, quality health, education, WASH, and nutrition services.

## **Disasters**

Ethiopia is one of the most vulnerable countries to climate-driven disasters, which are expected to increase in frequency and magnitude over time. In addition, conflict has emerged as a growing “disaster” threat to development gains. Health outbreaks occur frequently, with disastrous impacts at household, community, and systems levels. As political space opens, Ethiopians, for the first time, have an opportunity to voice historical grievances. Ethnic and political violence has erupted throughout the country, driving mass population movements and worsening already-high levels of humanitarian need. In 2018 alone, approximately 2.9 million Ethiopians were displaced due to continued insecurity and conflict.<sup>12</sup> Recurrent disasters exact a high human toll, threaten Ethiopia’s stability, and negatively impact the country’s development trajectory and self-reliance. Disasters also require significant inflows of humanitarian assistance to save lives and livelihoods. Since 2015, responding to shocks has cost the donor community \$1.5 billion a year, of which USAID has provided approximately \$200-\$500 million per year. Ethiopia’s inability to effectively respond to recurrent and unexpected shocks, particularly drought, conflict, and disease outbreaks, will continue to undermine development gains and cause exorbitant demands for assistance. To reduce the reliance of Ethiopians on donor aid, USAID will support stronger internal capacities among households, communities, and government at all levels. Efforts will help resolve underlying drivers of vulnerability and better equip the GOE to anticipate, mitigate, respond to, and withstand shocks.

## **GOE Development Plans**

The aim of the GOE’s second Growth and Transportation Plan (GTP II) covering 2016-2020 was for Ethiopia to attain middle-income status by 2025. Building on GTP I (2011-2015), GTP II focused on rapid and sustainable growth, of at least 11 percent GDP every year. GTP II emphasizes the primacy of agriculture in the Ethiopian economy, while recognizing the importance of a diverse economy including construction, manufacturing, and service sectors.<sup>13</sup> Ethiopia’s high dependence on imports, coupled with weak exports, has resulted in a 19 percent trade deficit, which threatens the economic competitiveness and stability.

Building upon the stated objectives in GTP II, but with a radical reset regarding how to get there, the GOE published Ethiopia: New Horizon of Hope (NHH) as a two-year planning document. The NHH articulates the current direction of GOE reforms for the 2018-2020 time period and covers three broad categories:

- **Democracy and Rule of Law** – Democratization, Justice Reform, and Improvement of Public Services.
- **Job Creation and Competitiveness** – Macro-Economic Reform, Increase Exports and Revenue Mobilization, and expand Agriculture, Manufacturing, and Service Sectors

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<sup>11</sup> The Ministry of Education Gender Strategy of the Education and Training Sector, 2017.

<sup>12</sup> [Ethiopia food assistance fact-sheet updated-April-16-2019](#), USAID

<sup>13</sup> ETHIOPIA Growth and Transformation Plan II, Vol I. (2015,16-2019,20).pdf

- **Enablers** – Build Financial Sector and Human Capital, and enhance Logistics, and Electrical Access and Capacity.

The GOE has affirmed its commitment to transparent and democratic governance and a more prominent private sector. Specifically, this includes privatizing historically state-owned enterprises, enacting reforms to improve the environment for FDI, and expanding the space for civil society. GTP II will expire in 2020 and a series of follow-on GTPs (III-V) will run from 2021-2025. It is anticipated GTP III will reflect the reform directions of the NHH.

Until recently, the GOE relied primarily on donors to cover humanitarian needs as it preferred to focus on agricultural productivity, or “pure development.” Recently, however, it has subscribed to the New Way of Working agenda,<sup>14</sup> which marks the GOE’s commitment to proactively and strategically address disasters, as opposed to being reactive to shocks that have consistently set back development gains.

### **Transition**

USAID/Ethiopia envisions an end-state where Ethiopia is positioned to reach middle-income status in the next two decades. Ethiopia would continue, albeit not without challenges along the way, on a democratic path, characterized by open, accountable governance, stable transitions of power, and successful management of regional and ethnic conflict. Ethiopia will have a private sector-led economy that is competitive regionally and globally, having expanded beyond agriculture to manufacturing and service sectors. Youth will meaningfully engage in the economy and society, and Ethiopia will reap the dividends of its young population. Ethiopians will have access to quality education, health, nutrition, and WASH services, and Ethiopia will generate the financial resources and have the management capacities to support these systems without outside assistance. Fewer Ethiopians will live in poverty and be vulnerable to shocks, and the GOE will fully support safety nets. Enhanced disaster risk management (DRM) and conflict prevention capacities will mean Ethiopia will not rely on humanitarian assistance, except under the most extreme circumstances.

While Ethiopia’s self-reliance is a long-term endeavor, USAID/Ethiopia will support foundational, incremental changes over the next five years that will help Ethiopia advance in its longer-term trajectory. Democratic reforms, respect for human rights, and strengthening civil society will be critical for progress towards long-term gains, as well as short-term stability. In particular, holding inclusive and credible elections, while maintaining unity and minimizing conflict will test whether the GOE’s reform agenda can stay on course. Economic reforms that increase foreign investment, ease doing business, and unlock private sector potential to drive prosperity will need to be actualized. Agriculture must remain a focus because of its immediate job-creating potential—critical if reforms are to remain viable—with other sectors to expand beyond the period of the CDCS. Continual investment in education, health, nutrition, and WASH will be necessary to not only meet the needs of a growing population, but also to prepare a dynamic workforce in an increasingly interconnected economy. Progress must be made in strengthening DRM and conflict prevention capacities of the GOE, including enhanced early warning systems. Building resilience among systems and populations, including GOE ability

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<sup>14</sup> The New Way of Working agenda, originating from the 2016 World Humanitarian Forum, focuses on reducing the need for humanitarian response by mitigating populations’ vulnerability and increasing national and local capacities.

to scale up the Productive Safety Net Program (PSNP) in times of emergency, will help prevent and mitigate the effects of disasters and violent conflicts.

Ethiopia must have the ability to finance and manage its own essential services, investing in Ethiopians and promoting their ability to go to school, learn life skills, and stay healthy, as well as provide assistance in times of crisis. A combination of technical competencies, economic growth, and the capability to effectively mobilize and manage domestic resources resulting from growth will make this possible. Hence, improvements in domestic resource mobilization and public financial management will be critical over the period of the CDCS.

### **III. STRATEGIC APPROACH**

USAID/Ethiopia will work with both communities and systems. Building more effective systems and institutions will enable Ethiopia to address its own needs in the long run, while empowered communities and citizens are able to engage in their own development and keep systems and institutions accountable. USAID/Ethiopia intends to shift emphasis from direct service delivery to assisting the government to provide the services itself and create an enabling environment for the private sector to step in. However, this is a long-term process that requires building systems and institutional capacity. Consequently, the need for direct assistance and continued support for service delivery will remain in specific areas, while Ethiopia navigates challenges in the areas of Democracy, Demography, and Disasters (“the three Ds”), in the short- and medium-term, most notably in the humanitarian sphere.

#### **Host Country Relationship and Resources**

USAID’s partnership with the GOE is already positive, but the new directions of the current government are encouraging given their potential to drive results. Previously, opportunities to work on democracy and governance issues and economic reforms were limited. The GOE has now requested U.S. assistance and support in these areas. To respond, USAID/Ethiopia will support reforms for a transition to a more self-reliant and shock-resilient country. The Mission will also support a market-driven economy and an inclusive democratic society. In coordination with the GOE, USAID/ Ethiopia has identified a number of priorities in the NHH that it considers relevant for building self-reliance, and for which the USG has comparative advantage.

New Horizon of Hope				
Issues/Sectors (6/9)		Illustrative Action Areas for Collaboration	Roadmap Dimensions	CDCS
Democracy & Rule of Law	Justice and Democracy	-Independent Judiciary -Revise laws (CSO, Media, HR) -Free, credible 2020 elections -DRM and conflict mitigation	<b>Open and Accountable Governance</b> <b>Civil Society Capacity</b>	DO1, DO2, and SpO
	Public Service Delivery	-Streamline business start-up	<b>Open and Accountable Governance</b> <b>Government Effectiveness</b>	DO3 and SpO
Job Creation and Competitiveness	Macro-economic engagement	-Expanded private sector -Improved macro management (debt)	<b>Economic Policy</b> <b>Government Capacity, Capacity of the Economy</b>	DO3
	Productive Sectors	-Youth employment and diversification -Integrated agro-industry -Resilient livelihoods	<b>Capacity of the Economy</b>	DO2, DO3, DO4
Enablers	Human Capital	-Competitive and quality Education -Expanded health coverage and quality -Gender equity	<b>Inclusive Development</b> <b>Citizen Capacity</b>	DO4 Gender Cross-cutting
	Electricity	-Increase access with private sector participation	<b>Economic Policy</b> <b>Capacity of the Economy</b>	DO3

Based on the Mission's careful assessment of its Country Roadmap and the strengths, weaknesses, opportunities and challenges of Ethiopia's self-reliance profile, the Mission sees opportunities to advance Ethiopia on its JTSR by primarily focusing on five of the eight Roadmap sub-dimensions listed above, by building Economic, Civil Society and Citizen Capacity and seizing new opportunities to enhance the country's commitment to Open and Accountable Governance and sound Economic Policy. The decisions to engage in these action areas were based on extensive consultations with the GOE throughout the development of this CDCS, including, but not limited to the Ministries of Finance and Economic Cooperation (MOFEC); Agriculture (MOA); Peace (MOP); Health (MOH); Water, Irrigation, and Energy (MOWIE), Science and Higher Education (MOSHE), and the National Disaster Management Commission (NDRMC), in addition to regional and local government administrations. This approach has encouraged GOE commitment for the new strategy.

The Mission will capitalize on diverse opportunities to partner with established and emerging development actors, including the GOE, private sector, civil society, the media, and other

international donors. With high overall levels of official development assistance (ODA), the GOE has also significantly contributed financial, human, and in-kind resources (such as land).<sup>15</sup>

### **Private Sector and Civil Society Roles**

Following decades of state-led economic development, the new government has signaled its transition to a private-sector driven model of development. This creates an opportunity to share American expertise, best practices, and lessons learned in supporting the expansion of private-sector investment and international trade. To accelerate enterprise-driven growth, the Mission will employ a dual-pronged approach consisting of support for macro-level policy reform and direct engagement with private enterprises and government officials. Macro-level policy reform will lay the foundation for long-term structural changes. Engagement with the private sector and officials will ensure the direction of reforms results in greater business and employment opportunities that will help maintain momentum and popular support for reforms. At the macro-level, the Mission will utilize growth constraints diagnostics in partnership with the GOE, the Millennium Challenge Corporation (MCC), and other donor partners. USAID will support the growth of the private sector by helping the GOE implement reforms that will improve the investment climate and business enabling environment, focusing on specific business sectors (e.g. commercial agriculture, energy, financial services, information and communications technology, and logistics, among others). The Mission will regularly engage with the private sector to identify opportunities that align with GOE priorities and the CDCS. It will use a market systems development lens to determine the extent to which activities with direct service delivery models can be replaced by market players for innovation, longer-term sustainability, and self-reliance.

Civil society will play a key role in making sure Ethiopian voices are heard and will support the consolidation of a pluralistic and accountable democracy. However, the ability of CSOs to advocate and hold the GOE accountable has been constrained by previous legal frameworks, which clearly sought to undermine or limit citizens' roles in demanding change or better services. In March 2019, the GOE revised the Civil Society Law to no longer prohibit CSOs from engaging in advocacy and human rights. The new law reflects a more expansive and constructive view of the role civil society should play in a flourishing democracy. USAID/Ethiopia will closely collaborate with CSOs, including chambers of commerce, business associations, and cooperatives, to ensure they have the tools to play a more empowered role in Ethiopia's development moving forward.

### **Other USG Actors**

The USG's 2018-2021 Integrated Country Strategy for Ethiopia has four goals: Protect American Citizens, Strengthen Democratic Institutions, Spur Broad-based Economic Growth, and Advance Regional Peace and Security. USAID's development assistance will play an important role in working towards Goals 2 and 3, with humanitarian assistance contributing to Goal 4. The Department of State and USAID closely collaborate to engage with the GOE on promoting the rule of law, internal stability, and an improved governance environment for development.

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<sup>15</sup> All land is officially state-owned. USAID is working with the GOE to better define land use planning and tenure systems.

Moreover, the Embassy's Economic section, as well as the Foreign Commercial Service and Department of Agriculture all work on matters related to economic development, notably to improve the business environment, increase U.S. business investment, and build Ethiopia's large, yet nascent private sector. The MCC has announced a threshold program for Ethiopia, with specific focus and sectors to be determined. The Department of Defense (DOD) conducts security cooperation with the GOE as well as humanitarian programs, in coordination with USAID and Department of State counterparts. The U.S. Forest Service has also provided technical support to the National Disaster Risk Management Commission (NDRMC) to build its DRM capacities via command and control systems used in the United States. In early 2019, interagency partners held strategic discussions on how the U.S. can best support Ethiopia's reforms. With an 18-24 month timeframe driven by upcoming historic elections, USAID and multiple interagency actors will collaborate in different roles, with USAID participating in many of the lines of effort.

## **IV. RESULTS FRAMEWORK**

### **A. GOAL**

The Goal for USAID/Ethiopia's 2019-2024 CDCS is: ***Ethiopia transitions to a more democratic, prosperous, and resilient society, with accountable institutions and private sector-led growth.*** Foundational to the sustainable achievement of this goal are two Strategic Principles: (1) Improved citizen empowerment and household and community resilience and well-being; and 2) More effective and accountable systems and institutions at all levels. The principles, inter-woven throughout development objectives, will enable Ethiopia to better address its own development challenges in the long run.

Cross-cutting approaches include: 1) Governance - to ensure and encourage accountability and transparency in systems and services; 2) Conflict Sensitivity - to avoid unintentionally aggravating divisions, build trust, and reduce grievances that fuel conflict when possible; and 3) Resilience - so that systems, services, and institutions are better able to withstand shocks and crises. Gender and youth issues are also paramount in the Mission's strategic thinking across the strategy and development objectives. Special attention will be given to youth, particularly employment, and enhancing women's economic empowerment as cross-cutting issues.

### **B. DEVELOPMENT OBJECTIVE I: Disaster risk management strengthened**

*IF* communities and citizens are empowered to mobilize and act, institutional risk management capacity is strengthened, and emergency response is more effective, *THEN* Disaster Risk Management will be strengthened, the GOE will better manage crises, the impact of shocks will be reduced and Ethiopia's self-reliance will grow.

Ethiopia is vulnerable to frequent and severe shocks that undermine the country's JTSR. Billion dollar annual humanitarian appeals, to which USAID contributes between \$200-\$500 million a year, have become the standard. Government and community capacity to manage shocks is limited, and humanitarian crises erode development gains. New investments to strengthen DRM are critical to enhancing resilience and reducing humanitarian needs.

To reduce the impact of shocks and reliance on external humanitarian assistance, DOI will strengthen Ethiopia's DRM capacity by empowering communities to mobilize, mitigate, and respond to shocks. It will improve institutional risk management capacity to better predict, prepare for, and respond to shocks, enabling earlier and more effective emergency response. It will further reinforce Ethiopian capacity and commitment to shift from reactive emergency relief to emergency preparedness, contingency planning, and disaster risk reduction. This will increase proactive and effective GOE responses (**Government Capacity: Government Effectiveness**) and decrease reliance on external assistance over the long-term. USAID will balance high-level system strengthening and coordination with local-level government and community (**Civil Society Capacity**) early warning systems to initiate early action to pre-empt the need for large-scale responses. USAID will build on its experience in utilizing crisis modifiers to protect development gains by designing shock-responsive activities with flexible options to respond to emergencies. The Mission will also generate evidence on best practices to support the GOE's ability to flex its own resources and protect its reform agenda.

Systems- and institutions-level interventions will strengthen disaster risk management from the federal level to regions and *woredas*. Federal-level interventions, focused on the NDRMC and line ministries will be geared towards enhancing nation-wide capacity to respond to disasters wherever they occur in Ethiopia. Regional and local government activities will take place in regions agreed upon with the GOE that typically experience frequent shocks, with the possibility of expanding to other areas over time. Community interventions, for example, involving Early Warning Systems and community managed disaster risk reduction (CMDRR), will target communities susceptible to acute shocks within these regions, and will be layered with regional and *woreda*-level institutional support.

### **Host Country Government Alignment and Priorities**

The GOE has a strong policy framework for DRM. The Disaster Risk Management Strategic Program and Investment Framework (DRM SPIF) mandates the establishment of a multi-hazard and multi-agency system under which assigned lead ministries are responsible for early warning, prevention, preparedness, and response plans for specific hazards. USAID/Ethiopia's approach to self-reliance under DOI is fully aligned with the GOE's priorities.

### **Engagement of Other Development Actors**

USAID/Ethiopia works at the nexus of humanitarian and development donor partnership and will leverage leadership in both areas to bring about results contributing to this DO. The Mission will closely collaborate with partners convened in the DRM development partners group (DPG) and support the GOE-led disaster risk management technical working group. Together with DFID, the EU, and UN, USAID stands well-placed to influence change and leverage resources among other actors. China AID is not engaged in the DPG, but has started to offer study tours for GOE officials to China and has made donations of emergency food assistance.



## **IR Results Statements and Narratives**

### **IR 1.1 Communities are empowered to mobilize, mitigate and act on shocks**

USAID will strengthen systems and platforms for risk identification and preparedness, improving community access to early warning information and decision making processes, and enhancing GOE capacity to prepare, finance, and implement contingency and mitigation plans. Communities typically are the first impacted by shocks and the first to respond. The GOE's policy framework is for a decentralized system with improved early warning and early action, contingency planning, and local capacity to manage disasters. Requests for regional and national support only arise when it is determined managing a disaster is beyond local capacities.

USAID will build on past experience from Community Managed Disaster Risk Reduction (CMDRR) activities, which showed that community resilience is enhanced by building the capacity of community institutions. Activities will include supporting DRM committees to promote local ownership of risk assessment processes and implement community action plans to mitigate the effects of recurrent shocks. Community-level approaches will strengthen systems for risk identification and preparedness, as well as improved access to, and utilization of, early warning information. USAID will focus on how communities may better understand local conflict and disaster risks, and local institutions develop capacity in contingency planning and responses, including securing available resources. Community contingency and mitigation plans integrated with *woreda* development plans will guide Productive Safety Net Program (PSNP) public works activities and be linked to regional, zonal, and *woreda* level government systems responsible for emergency response.

Disasters affect population groups differently. Globally, women and girls have distinct vulnerabilities to disasters and conflict, shaping both their experience and ability to recover. They bear the excessive burden of providing care and nutrition to the family, walking long distances to fetch water, and often eating the least and last. Disasters are associated with increases in GBV, including rape, human trafficking, and domestic abuse. CMDRR empowers women to overcome gender-based barriers, address gender gaps, contribute to community preparedness to disasters, and support women's participation in disaster risk assessments, the implementation of mitigation plans, behavioral change interventions, and livelihood opportunities.

### **IR 1.2 Institutional risk management capacity strengthened**

USAID will support early warning systems and link them to early action, improving coordination mechanisms, enhancing human resources and leadership capacity, and advancing communication and information management across institutions at all levels to strengthen Ethiopia's DRM system as a whole. Early warning systems investments and evidence-based analysis will inform early action, humanitarian needs assessments, and resilience and recovery programs. A comprehensive early warning system with clear triggers, indicators, and use of technology to inform the assessment of humanitarian needs will enable early resource mobilization and response, reducing the impact and cost of shocks. Improving the convening power and capacity of the NDRMC will enhance coordination across line ministries, at sub-national levels, and among development partners. Mainstreaming DRM into line ministry development programs, budgets, and organizational structures will lay the foundation for more shock-responsive service delivery.

Sustainable capacity building efforts will involve youth in disaster risk management. Initiatives will explore innovative approaches for youth empowerment, including the professionalization of DRM by enhancing the role of youth leadership, and building skills and knowledge at all levels to deliver on Ethiopia's decentralized DRM vision. The Mission-funded *Household Economy Analysis Baseline*<sup>16</sup> revealed key factors affecting people's vulnerability to acute shocks, and enables ongoing analysis by the NDRMC and stakeholders to effectively manage and respond to risk through evidence-driven approaches that assess humanitarian need across Ethiopia.

### **IR 1.3 Emergency response provided more effectively**

USAID and GOE development programming will become more shock-responsive and adaptive, GOE accountability to its citizens will improve through better targeting and service delivery, and responses via existing systems will be improved. USAID intends to support timely, quality, appropriate, coordinated, and ultimately government-run emergency response for crisis-affected populations to reduce the impact of shocks and protect development gains. USAID will establish a strategic advisory group for emergencies (SAGE) to guide the design, procurement and implementation of shock-responsive development programming. It will ensure rapid programmatic pivots of development programs when shocks occur. USAID will ensure humanitarian response is conducted in a manner that contributes to future development, responding directly where systems do not function, and building institutional capacity to the extent possible to respond to future shocks.

Effective emergency response saves lives, alleviates suffering, maintains human dignity, and is delivered in a timely manner. As part of a continuum under DOI, improved emergency response will be provided through existing systems, creating both demand for and the utilization of systems strengthened under IRI.1 and IRI.2. It will make use of GOE-led Emergency Operation Centers and *woreda*-level contingency budgets. It will include collaborative feedback mechanisms so that affected populations have a voice in responses and the ability to take corresponding action. It will utilize improved technologies and take a multi-sectoral approach for synergistic outcomes. Ultimately, the GOE will manage emergency response and improve citizen accountability. Advocacy, proactive relationship-building, and enhancing civil society capacity to understand humanitarian principles and rights, including GBV prevention and response, will contribute to the GOE's capacity to internalize citizen preferences, while enabling citizens to hold the GOE accountable.

Evidence for more deliberately focusing on shock-responsive development programs, in addition to traditional emergency response, was drawn from studies that indicate that agencies respond to crises faster if space is given for the pivoting of existing development programs. Such pivots are often more cost-effective than stand-alone humanitarian aid as they rely on pre-established distribution networks and can also be scaled-up and down easier. Learning what worked in terms of both shock responsive programming and emergency response, notably during the 2015-2016 El Nino drought, influenced the response avenues reflected in this IR.

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<sup>16</sup> The Household Economy Analysis Baseline was completed in March 2019 by Save the Children, and will serve as the baseline for ongoing Household Economy Analysis in vulnerable areas of Ethiopia.

## Critical Assumptions and Potential Risks

### Assumptions:

- GOE political will at all levels to acknowledge and respond to shocks, and to build preparedness.
- Efforts by all stakeholders to ensure equitable humanitarian response targeting and delivery, regardless of ethnicity, gender, and political affiliation.
- Recurrent weather, conflict and health related shocks continue to occur.
- Sufficient humanitarian funding (from the GOE, USG, and other donors).
- Willingness to respond and fund responses to shocks based on transparent, accurate early warning data.

### Potential Risks:

- Political instability increases.
- Institutional restructuring leads to gaps in service responsibility and provision.
- Significant deterioration of stability in the region.
- Donors reduce or eliminate funding.

## C. DEVELOPMENT OBJECTIVE 2: Resilience of vulnerable populations to key shocks increased

*IF* households, communities and systems are strengthened through a systems-based, integrated approach to address the root causes of chronic vulnerability, *THEN* the resilience capacities of targeted populations to shocks and stresses will be improved, which is crucial to creating a prosperous and self-reliant Ethiopia.

Thirty-seven million Ethiopians remain poor or vulnerable to falling into extreme poverty following weather-related disasters, conflict, and health shocks. Eight million chronically vulnerable households are supported on average annually by the GOE's PSNP. Targeted resilience programming through intentional sequencing, layering, and integration can help build the capacity of households, communities, and systems to withstand key shocks. In pastoral lowland intervention areas where USAID has layered activities, households better sustained levels of food security in the face of drought compared to other households that saw a 30 percent drop.<sup>17</sup> A separate study showed that safety net interventions strengthen the resilience of beneficiaries and reduce the impact of drought shocks (on food security) by 57 percent.<sup>18</sup> Without sustained investments in the resilience of people and systems to lift them out of poverty and vulnerability, there is a continual need for humanitarian assistance when shocks occur, and inclusive growth and self-reliance remain elusive.

Building on over a decade of programming investment and evidence in areas experiencing recurrent crises, DO 2 will deliberately emphasize building transformative resilience capacities among vulnerable populations and systems strengthening (**Citizen Capacity: Poverty Rate**). Geographically, USAID will focus on chronically vulnerable *woredas* consistently requiring

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<sup>17</sup> Smith, Frankenberger, and Nelson, Pastoralist Areas Resilience Improvement and Market Expansion Project Impact Evaluation: Report of Recurrent Monitoring Survey, TANGO International, 2015-16

<sup>18</sup> Knippenberg and Hoddinott, Shocks, social protection, and resilience: Evidence from Ethiopia, Ethiopian Development Research Institute, 2017

humanitarian assistance in two livelihood zones: 1) Lowlands – mostly in south and eastern Oromia, Afar, and Somali regions, and South Omo in SNNPR, with predominantly pastoral economies; and 2) Highlands – areas of Amhara, Tigray, SNNPR, and Oromia where small-holder farming is the main occupation. Area selection will balance the existence or proximity of enabling factors such as roads, markets, electricity, and other resources that create the potential for asset building and increased economic activity. This DO will include community-level interventions that give preference to households considered extremely vulnerable, or living in extreme poverty and that regularly receive outside assistance. This will likely include PSNP beneficiaries or households “one shock away” from needing assistance. Based on a systems approach, USAID will support other actors that play a role in alleviating poverty, including the private sector (businesses employing the poor), government services, and civil society organizations. In the Lowlands, the Mission will continue to support market systems as a pathway to sustainable growth. In the Highlands, USAID will generate evidence on approaches that GOE programs may use to build resilience in the absence of USAID programming.

To achieve DO-level success, the GOE must be accountable for unlocking the enabling environment for new livelihoods pathways (**Commitment: Open Government**). Similarly, government systems must implement effective programs that address chronic vulnerability and increase economic empowerment (**Capacity: Government Effectiveness**). Bearing in mind the dynamic nature of interventions, the Mission will ensure a learning and adaptive management approach to resilience, in partnership with the GOE, donors, front line workers, implementers, and research institutions and universities (local and international).

Increased efficiency and inter-connectedness of systems and resilience programs have been shown to positively impact vulnerable populations, reducing the need for assistance and supporting greater self-reliance. The Mission has expanded its resilience focus beyond slow-onset and weather-related shocks, to include conflict and health as drivers of vulnerability. This expanded vision better represents the reality vulnerable households face, including key demographic groups such as women and youth, who are often affected by shocks differently than other demographic cohorts. Globally, women are frequently more exposed because they are poorer, less educated, and left out of the decision-making processes that affect their lives. Youth also face unique challenges such as growing migration trends, lack of viable economic opportunities, and susceptibility to conflict.

### **Host Country Government Alignment and Priorities**

In the pastoral lowlands USAID/Ethiopia will capitalize on new political and economic openings brought forward by the current reform efforts. The Ministry of Peace (MOP), with assistance from USAID, introduced a new Pastoral Development Policy and Strategy that increases GOE commitment to improving the lives of vulnerable pastoral populations. Changes have occurred in the regional leadership of Afar and Somali regions from authoritarian, state-led economic rule to leadership focused on improving human rights and supporting private sector-led growth. /Staff turnover remains a challenge in these areas.

In highlands areas, the problem set is distinct in that the GOE commitment to systems strengthening across sectors must be sustained. Government systems that address social protection, health, nutrition, and education are in place and poised to reach tens of millions of

Ethiopians, but capacity gaps remain. USAID will work with partners and the GOE to further develop conditions and incentives for success. The Mission aims to empower citizens, front line government staff, civil society, and policy makers to address interconnected vulnerability, given the recognition that resilience is not driven solely by food and economic security, but must also reduce the impact of health and conflict shocks as well.

### **Engagement of Other Development Actors**

The Mission will partner with like-minded donors. For social protection and safety net programs, USAID collaborates with over 10 bilateral donors and multilateral organizations including WFP, UNICEF, and FAO. For sectors such as health financing and education, USAID partners with donors focused on long-term systems building. The World Bank is currently developing a new \$430 million pastoral and agro pastoral resilience activity that mirrors the priorities of the new GOE Pastoral Development Policy and Strategy. The EU RESET program takes a multi-sectoral approach similar to what is proposed for DO2. GiZ is a leader in innovative and progressive approaches to natural resource management.

### ***IR Statements and Narratives***

#### **IR 2.1 Household food security increased**

The experience of the GOE and donors implementing PSNP has provided evidence that food insecurity and the time necessary to recover from shocks can be reduced among very vulnerable populations. Increased food security at household levels will be realized through a combination of increased availability (production), access to diversified foods, and utilization of nutritious food. Food availability investments will promote climate-adapted, nutrition-sensitive agricultural production. Increased access to diversified foods to meet immediate household needs will be achieved through increased income, employment, and market-access opportunities.

The increased utilization of quality, diversified, and nutrient-dense food requires greater knowledge and behavior shifts to support the nutrition of infants and young children. Activities will also target men to support joint household decision-making to improve nutrition outcomes. Efforts will promote an overall successful food system including nutrition-sensitive agriculture, diversified food utilization, safe water, optimal hygiene and sanitation, and the integration of nutrition and food safety. There will be a focus on promoting diversified and nutrient-dense foods, particularly among pregnant or lactating women and female-headed households. This IR will also improve access to nutrition services, including supplementary and therapeutic feeding programs that address acute malnutrition.

#### **IR 2.2 Shock-resilient livelihoods are increasingly adopted and maintained**

Mission-led resilience impact evaluations and household and community baseline surveys (2017-2019), have indicated the need for the GOE and USAID to further support sustainable and diversified livelihoods for improved household resilience. The Mission and the GOE share a vision of gradual transformation from subsistence agriculture to more diversified economic opportunities. To support this transition, crop and livestock productivity must be improved, with methods and inputs taking climate variability into account. Households will need improved access to markets and financial resources, allowing them to save resources for potential shocks, while investing in productive assets and entrepreneurial activities. Through the livelihood

components of PSNP and other activities, USAID will support diversified livelihoods in various ways, including off-farm and non-farm employment.

### **IR 2.3 Natural resource and water management improved**

Sustainable National Resource Management (NRM) optimizes the use of resources to meet current livelihood needs, while maintaining and improving local resource stocks for future needs. IR 2.3 will focus on the conservation and sustainable use of land and water resources, a GOE priority. USAID will work with the GOE and other partners to ensure the coordinated development of water resources to support 'green growth' and poverty reduction. In partnership with the GOE's PSNP program, USAID will support watershed rehabilitation, including afforestation and soil and water conservation measures to protect and improve community assets. With emphasis on better understanding of existing water resources, efforts will strengthen community, civil society, and government capacities for integrated water resources management. Evidence from USAID and partner-led evaluations (2016-2019) shows that improved natural resource management can better connect communities with government and reduce resource-based conflict. A study in southern Ethiopia showed that women, as they are directly impacted by natural resource degradation, can also play a significant role through NRM in conflict prevention and resolution.<sup>19</sup>

### **IR 2.4 Barriers to social services reduced**

Food security and livelihood gains can vanish when illnesses strike households among vulnerable populations. USAID/Ethiopia knows from experience that 10-20 percent of safety net participants in a given year experience a serious shock due to illness, resulting in loss of revenue, assets, and forgone education costs. USAID is the lead donor in building and supporting the implementation of the GOE's Community Based Health Insurance (CBHI) flagship program. In a few years, CBHI has grown to reach 20 million Ethiopians through household-level financial protection mechanisms for health services. This represents a significant commitment by the GOE to protect families against health shocks. The Mission will leverage social protection and systems integration efforts to keep children in school even in the face of crises, and avoid negative coping strategies such as child early and forced marriage (CEFM).

Evidence from 2017-2018 points to the need for deliberate integration and layering across sectors and programs. For example, household participation in both PSNP and CBHI had positive effects on building resilience (asset holdings, savings, and access to finance and health services) not seen by those participating in just one program. USAID/Ethiopia will focus on creating models for GOE programs to efficiently increase coverage of vulnerable populations, including education and health services for displaced populations, and protection of girls from CEFM. The Mission will leverage government commitment to multi-sectoral approaches and build system capacity to function in the absence of USAID funding.

### **IR 2.5 Socio-political stability improved**

Given the expansion of conflict and political instability during the last three years, this IR will focus on strengthening government and community-based conflict prevention mechanisms and enhancing the legitimacy and effectiveness of relevant government institutions. Accountable

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<sup>19</sup> Peace Centers for Social and Climate Resilience: Lessons from Southern Ethiopia, 2018

governance structures and community-based resolutions mechanisms are key to addressing the root causes of localized conflict. Strengthening community-based governance systems, civil society, and government institutions to resolve conflicts and address grievances will support accelerated economic growth, resilience, and well-being. Interventions will aim to reduce ethnic, interregional, and cross border conflicts by promoting dialogue between communities.

Women and girls are disproportionately affected by violence and vulnerable boys and young men are targeted for recruitment for violence; thus, gender is a necessary lens for understanding and addressing conflict. As such, the Mission will emphasize the participation of women in peacebuilding and post-conflict resolution, in addition to the design and implementation of strategies for conflict sensitivity. The different vulnerabilities of boys, girls, women, and men will be considered in assistance strategies. Evidence shows that the gaps between peace and conflict often depend on whether minority groups can participate in politics and influence government policy. In addition, the political exclusion of minorities appears to matter even more during economic downturns, demonstrating the interconnectedness between sector-specific shocks. USAID investments under this IR will promote diversity of voice, empowerment of all groups, and strong governance to predict, mitigate, and respond to conflict shocks.

### **Critical Assumptions and Potential Risks**

#### *Assumptions:*

- The GOE continues to prioritize food security, resilience, social protection, and scales up existing resilience programs.
- The GOE and other stakeholders recognize livelihood diversification as a critical need.
- Efforts by all stakeholders to ensure equitable targeting and delivery, regardless of ethnicity, gender, and political affiliation.
- Sufficient funding (from GOE, USG, and other donors) to support system strengthening for key GOE programs.

#### *Potential Risks:*

- Conflict and/or political instability increases.
- Drought overwhelms development gains before they can take hold.
- Institutional restructuring leaves gaps in services and implementation of GOE programs.
- Significant deterioration of Horn of Africa regional stability.
- Donors reduce or eliminate funding to resilience-oriented programming.

### **D. DEVELOPMENT OBJECTIVE 3: Private sector-led economic growth promoted**

*IF* constraints to private sector growth across industries are removed, and *IF* the agriculture sector is transformed into a commercial industry, *THEN* conditions in Ethiopia will improve for increased public revenues, acceleration of economic structural transformation, and increased employment and entrepreneurial opportunities, together leading to a reduction in the prevalence and depth of poverty.

Ethiopia's economy has grown at an average of 10 percent per year, resulting in increased incomes per capita and declining poverty. However, Ethiopia's GDP per capita still ranks among

the lowest in the world at \$846 as of 2018, with an extreme poverty rate of 25%. Ethiopia's state-led development approach has reached its limit. It can no longer afford growth driven by public sector investments alone and it can no longer expect to service debt through the current rate of exports and domestic resource mobilization. The GOE has made the choice to transition from a state-led development model to one of private sector-led growth. To succeed, Ethiopia needs a change in its economic policies that can encourage more rapid and large-scale investments in quality projects.

Now that the GOE has decided to change from a state-led model to a private sector-led and market-driven economic growth model, USAID/Ethiopia will partner with the GOE at federal and regional levels to help it identify, prioritize and implement an array of monetary and fiscal policies that promote private sector investment and increase trade. USAID will invest in strengthening Ethiopia's public financial management (**Capacity: Government Effectiveness**) and support for digitization (**Capacity: Information and Communication Technology**). Second, in select areas including the Feed the Future regions, the Mission will change how it works in the agriculture sector. During the period of this CDCS, agriculture will remain the largest source of livelihoods for Ethiopians. Given that the population growth rate exceeds the country's ability to produce food (particularly nutritious and protein-dense foods), it is important to build on GOE efforts to improve productivity with investments in agro-processing, food fortification, and food safety for both export and domestic markets. Together, USAID investments will support Ethiopia's path towards a private sector driven, modern, and commercial agricultural industry in areas selected because of their high productivity and possibility to link supply and demand between rural and urban areas, while facilitating market access for food insecure areas.<sup>20</sup>

Since Ethiopia is rapidly urbanizing, these strategic changes will simultaneously drive higher incomes for smallholder farming families, create non-farm employment, increase the supply of nutritious foods in urban areas and increase exports (**Capacity: Export Diversification**). The Mission will also invest in targeted market system interventions that will promote private sector driven methods to increase household resilience and the country's self-reliance. Illustrative examples include addressing labor constraints, promoting sustainable urbanization, and increasing electricity in partnership with Power Africa, the Development Finance Corporation and existing WASH programs. USAID/Ethiopia's investments will also address policy, business and cultural norms that make it comparatively more difficult for women to operate profitable businesses. Overall, these investments will increase employment and entrepreneurial opportunities, especially among youth and women, and sustainably reduce the incidence and depth of poverty (**Capacity: Poverty Rate & GDP Per Capita**). These interventions will occur in urban and per-urban areas in and around Feed the Future (FtF) zones.<sup>21</sup>

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<sup>20</sup> Focus areas, all designated parts of Feed the Future (FtF) Zones of Influence, include urban centers and *woredas* surrounding Mekele in Tigray, Bahir Dar and Jimma in Amhara, Borenan in Oromia, Hawassa in SNNPR, and Dire Dawa Region.

<sup>21</sup> Urban centers and *woredas* surrounding Mekele in Tigray, Bahir Dar and Jimma in Amhara, Borenan in Oromia, Hawassa in SNNPR, and Dire Dawa Region



## **Host Country Government Alignment and Priorities**

The GOE's priorities closely align with the core tenets of the JTSR and the government has signaled its commitment to confront significant challenges. The GOE supports significant and potentially catalytic changes in economic policy and public financial management systems as a means to reaching effective public fiscal management and propelling private sector growth.

While PM Abiy has committed to the transformation and growth of its industries and the agricultural sector as a major component of its strategy to transform the economy, many of the GOE's institutions and employees have spent decades implementing the state-led model of development and are, in many cases, suspicious of the private sector. For example, Ethiopia has one of the largest public agricultural extension services in the world; all agriculture research is under the purview of the government. Agricultural inputs such as seed and fertilizer are controlled by the GOE, which sees itself as the implementer of agricultural modernization. Private-sector investment is limited and directed towards export crops and livestock.

Another inhibiting factor is ethnic conflict. Political changes, combined with the effects of decades of ethnic federalism have increased regional and ethnic conflict, which divert substantial resources to humanitarian assistance rather than development and growth. Moreover, political instability discourages private investment and impedes broader economic growth.

## **Engagement of Other Development Actors**

Ethiopia intends to move its economic policies and financial systems from a state-dominated model to one that is market-oriented, and looks to partners, including the United States, for leadership, guidance, and support. Currently, GOE leadership is working with USAID/Ethiopia, MCC, and Harvard University to conduct economic analyses that will identify binding constraints and develop a roadmap for reforms and options to diversify economic activity. USAID is leading an international effort to help the GOE alleviate foreign exchange issues and external debt, and is consulting with the World Bank, International Monetary Fund, African Development Bank, and businesses to determine the best approach to supporting Ethiopia. However, the challenge is time. Ethiopia's ambitious reform agenda requires short term investments before long term structural reforms can yield any significant impacts. USAID's approaches rely upon private-sector lending and/or FDI, which requires substantial economic and fiscal reform.

Given the GOE's intention to liberalize its telecommunications sector, the Mission is in a favorable position to implement the Agency's Digital Economy strategy. In addition to advocating for the issuance of telecommunications licenses based on transparent public offerings, the Mission can support the development of legislation and regulations that are designed to foster e-commerce while protecting consumer and business security. The Mission will also support the growth of businesses that produce, implement, sell, and utilize hardware and software for digital commerce and communications. These efforts will provide greater competitive options for Ethiopian consumers and investors interested in trade logistics, digital finance, services, and emergency preparedness. In doing so, the Mission will help Ethiopians create the conditions under which they can choose to purchase competitive American goods and services and check against state-controlled and monitored digital economies.

Bilateral donors collaborating with USAID on economic policy include the Department for International Development (DFID), the European Union (EU), Netherlands, Canada, Italy, Germany on agriculture and food security and DFID, Italy, the Netherlands, Sweden, and the Irish on private sector and market systems development.

### ***IR Statements and Narratives***

#### **IR 3.1 Ethiopia's economic reform agenda supported**

USAID/Ethiopia will help the GOE identify and implement sound economic policies, systems and practices that create a business enabling environment and promote private sector investment and growth. This IR directly supports Ethiopia's economic reforms and will focus primarily at the national level, involving institutions such as the Prime Minister's office, National Bank of Ethiopia, Ethiopian Investment Commission, and various line ministries.<sup>22</sup> USAID is particularly well suited to support this initiative given USG experience in supporting the transition from state-led to private-sector based economies. USAID's own *Growth Constraints Analysis*<sup>23</sup> (USAID 2014), *IMF Article IV Reports*,<sup>24</sup> and on-going collaboration with Harvard University demonstrate that partners can help Ethiopia remedy its balance of payments problem, including related problems arising from insufficient auditing, budget practices, fiscal dominance, the rationing of foreign exchange, lack of capital markets, and ineffective tax mobilization. USAID's two-phase strategy is to: (i) help the GOE identify economic constraints and opportunities; and (ii) prioritize and implement economic reforms.

#### **IR 3.2 Agriculture transformation accelerated**

This IR promotes the modernization of the economy's largest employer and source of foreign exchange. The GOE is committed to the commercialization of agriculture, but must overcome tremendous challenges. A substantial part of this sector consists of farmers and cooperatives that operate at a subsistence level. However, to meet domestic and international market demands (and consistent with the *Feed the Future Initiative Ethiopia Country Plan (2019-2023)* and the *Ministry of Agriculture's Agricultural Growth Program II (January, 2019)*), USAID will promote reforms to commercialize agriculture and encourage investments in agriculture-related businesses. The Mission will provide technical assistance to businesses that invest in value-added processing, including pasteurization and food fortification. It will promote diversification of climate-smart agriculture toward higher value and more nutritious crops, as these not only contribute to higher incomes and better nutrition, but are also the raw materials for a growing agro-processing industry. Efforts will also support marketing for domestic and export markets.

#### **IR 3.3 Inclusive markets systems improved**

As documented by USAID's *Growth Constraints Analysis*,<sup>25</sup> Ethiopia's economy will not improve without strategic investments in basic factors of production that underlie a diverse range of industries. This includes broader and more equitable availability and affordability of energy, water, land, ICT, and skilled labor. USAID will invest in targeted market system approaches to alleviate these constraints to better support the development of new industries and services, particularly private enterprises. This will include efforts to improve energy access with Power

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<sup>22</sup> Ministries of Finance, Industry and Trade, and Women, Youth, and Children's Affairs

<sup>23</sup> USAID: Growth Constraints Analysis, 2014

<sup>24</sup> IMF: 2018 Article IV Consultation, 2018

<sup>25</sup> Ibid.

Africa, Ethiopian ministries, and investors. The Mission’s work on land reform leverages work on land use and urban planning funded by DFID and GIZ. ICT support for entrepreneurs, agricultural traceability, and market information systems can be expanded to include the financial sector and digital infrastructure as the GOE supports licensing and the extension of networks. USAID will work with industrial park workers to promote worker retention and greater productivity for businesses, including U.S. companies.

### **IR 3.4 Women’s economic empowerment enhanced**

USAID/Ethiopia will promote women’s economic empowerment, including leadership, access to resources, and civic engagement. The GOE has expressed commitment to gender equity and equality. As explained in a World Bank study on Ethiopia,<sup>26</sup> much of the legislation to promote gender equity is on paper only; real discrimination against women continues to exist. Ethiopia’s ability to meet its economic goals will require greater opportunities for women and youth and ease of access to resources. To facilitate this, USAID will make targeted investments in FtF Zones of Influences and Addis Ababa, where economic diversification and inclusion can accelerate the evolution of gender norms. USAID will promote women’s leadership in economic institutions, the growth of women’s business associations, policy changes, and the overcoming of investment constraints that negatively impact women-owned businesses.

### **Critical Assumptions and Risks**

#### *Assumptions:*

- The GOE maintains its commitment to inclusive, democratic governance and economic diversification that equitably benefit Ethiopia’s diverse population.
- Ethnic conflict, weather-related shocks, disease pandemics and any disputes with neighboring countries do not reach the magnitude of disabling the economy.
- International donors are willing to support changes in public finance, particularly foreign exchange, currency management, financial sector development, and privatization.

#### *Risks:*

- Politically inspired ethnic violence destabilizes the country.
- Weather and pest-induced shocks eliminate productive gains in agriculture.
- Public financial reforms are poorly coordinated, causing untenable inflation, debt, depreciation, foreign currency depletion, tax base collapse, and civil unrest.

## **E. DEVELOPMENT OBJECTIVE 4: Sustained Improvement in Essential Service Delivery Outcomes Focused on Women and Girls**

*IF* Ethiopia is supported to develop sustainable, women and girls-focused, and accountable institutions and systems to deliver health, nutrition, education and water and sanitation services, *THEN* Ethiopia will increasingly become more self-sufficient and effective in its management of essential services to its growing population.

The GOE is committed to building strong institutions and systems to deliver effective and essential health, nutrition, WASH, and education services, but can benefit from support to sustainably and consistently deliver those services, especially given growing demographic

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<sup>26</sup> World Bank: SME Financing: Women Entrepreneurs in Ethiopia, 2015

pressures. USAID recognizes that successes in health, nutrition, WASH, and education sectors are mutually dependent; failure in one sector impedes progress in others. For example, the health sector can clinically treat a malnourished child but cannot feed or provide safe water. The child will not attend school if she is sick. The health sector will need to repeatedly treat her unless she has access to food and safe water. The little girl will not thrive in school and reach her full economic potential unless she is healthy, and undernourishment impairs cognitive development. DO4 responds directly to Ethiopia's changing demographics by supporting institutions and systems that recognize those links and deliver complementary services to maximize results with available resources. Public sector services must respond to Ethiopia's changing demographics and the GOE must adopt policies that harness opportunities that will arise with an increasingly vibrant private sector. Ethiopia is at a critical juncture, entering into reforms with a youthful, urbanizing population. Building human capital will be an essential foundation to Ethiopia's overall success in these reforms, helping to build a competitive and diverse economy, reduce gender disparity, and lift vulnerable populations out of poverty.

With an overall systems focus, USAID will engage at a national level, including federal and regional GOE institutions across sectors for capacity building, as well as with the private sector to encourage a greater role in service delivery. The Mission will support service delivery in regions and *woredas* on the basis of need, determined by indications of poor performance, in addition to demographic considerations, such as where services are most severely strained and interventions can reach the most people. Service delivery support, intended to fill short to medium-term gaps, will augment systems strengthening interventions, and complement resilience interventions under DO 2 and economic growth activities under DO 3. USAID will leverage relationships and explore layering between health, nutrition, WASH, and education programs to maximize cross-sector development results. For example, WASH interventions will take into account the needs of schools and health centers, and nutrition-sensitive agricultural programming will complement nutrition-specific health activities. As a population impacted disproportionately by development challenges due to gender and cultural norms, women and girls require more specialized interventions, including GBV prevention and treatment. Studies have shown that if programs center on the needs of girls and women, the outcomes benefit both sexes.

While GOE commitment is strong, and health, nutrition, education, and WASH outcomes have improved in Ethiopia, significant challenges remain. In addition keeping pace with the rapidly expanding population, systems are challenged by shocks and stressors such as climate and conflict. Thus, USAID will work with institutions to strengthen their resilience and capability to sustain service delivery despite demographic pressures and unpredictable events. Building government capacity (**Government Effectiveness**) will be critical to success. Encouraging and catalyzing improved policies and service-delivery will help remove roadblocks to development, leverage multi-sectoral collaboration, and reinforce linkages between national and regional policies and their implementation. DO4 directly reflects the **Education Quality** and **Child Health** metrics under the Citizen Capacity dimension, supports in addition to broader education, health, nutrition and WASH outcomes, with a focus on women and girls. Strategic inclusion of non-governmental organizations (NGOs) and the private sector in the Mission's interventions will capitalize on respective strengths and resources, as well as promote innovative approaches and answers to Ethiopia's most challenging development problems.

DO4 also reflects and responds to the **Open Government (Commitment: Open and Accountable Governance)** metric. The GOE is committed to strengthening leadership, management, and accountability at all levels for improved essential service systems performance. To build open and accountable governance, USAID will support data-driven and transparent public service sectors. USAID will also support CSOs to help promote accountability and optimize system performance (**Civil Society Capacity: Civil Society Effectiveness**). CSO involvement will provide critical inputs to the improvement and evolution of GOE initiatives and provide complimentary service delivery support to the GOE. USAID will also support the institutionalization of feedback systems to inform and shape decision-making at national and regional levels. Quality implementation of policies and services that respond to citizen needs will build public confidence in institutions and the GOE overall. Failure to improve systems and services will inhibit Ethiopia's development and JTSR, and likely lead to frustration and unrest, particularly in growing urban areas, negatively affecting GOE progress in its reform agenda.

### **Host Country Government Alignment and Priorities**

The GOE is committed to delivering effective and equitable services to its population, which it must expand as its population rate and GDP grows. However, success will require innovative approaches that focus on the roots of multi-faceted problems. Improving quality and access to health and education essential services features prominently as key enablers in the GOE's NHH. Regional states are constitutionally empowered to invest and implement essential services, but federal mandates are variably applied and disparities exist.

The GOE's One WASH National Program (OWNP) is a government-driven, sector-wide approach to address the WASH needs in an integrated manner across institutions. USAID will support OWNP to accelerate access to improved water supply and sanitation through catalytic investments in sustainable WASH service delivery. Both the new Education Policy and Education Sector Development Program align with USAID's education program, focusing on quality to advance learning outcomes. USAID health programs align with the Health Sector Transformation Plan, which strives to improve service quality; transform *woredas* into self-reliant government units; develop respectful and caring health professionals; and meaningfully utilize data systems. The National Food and Nutrition Policy has outlined a multi-sectoral coordination mechanism led by the Ministry of Agriculture to align actors from 13 line ministries to address nutrition sensitive and nutrition specific interventions.

The GOE is opening to the private sector and in 2018 passed a CSO law that allows NGOs to operate more freely in all development sectors. USAID will seize opportunities to engage these partners within DO4. While there are substantive overlaps in USAID's approach to that of the GOE, there is also divergence. The GOE has operated for decades under a state-led model where government was the main or sole provider of services. As the GOE seeks to open Ethiopia's economy to greater private sector engagement, it needs to build broad-based support for the economic benefits this will bring. As such, expectations must be realistic and capitalize on opportunities where they exist.

## **Engagement of Other Development Actors**

Major actors that collaborate with USAID in WASH, Health, and Education include the World Bank (including GFF), UNICEF, WHO, UNFPA, UNAIDS, GAVI, The Global Fund, FAO, and the African Development Bank. China AID is new to the health and education sectors. The Chinese Government has provided equipment donations to health facilities. USAID/Ethiopia will continue to play a leadership role in the health sector among donors and emphasize (to the GOE and publicly) the importance of investing in people and systems. The Mission will promote relationships between Ethiopian and American higher education institutions to strengthen the Ethiopian institutional capacity to better prepare and train teachers. Building these relationships will enhance Ethiopian understanding of democratic ideas and participatory development approaches.

## ***IR Statements and Narratives***

### **IR 4.1 Sustainable WASH services improved, with an emphasis on women and girls**

Ethiopia ranks last in the world (7 percent) for basic sanitation; millions lack basic water and sanitation facilities.<sup>27</sup> The GOE has identified water and sanitation as a priority in all regions and necessary for achieving sustainable growth, poverty reduction, and social outcomes. Currently, challenges continue to exist in the WASH sector, specifically, with the lack of operations and maintenance of WASH systems and equipment. Recurring drought has strained water supply systems. Private sector finance is minimal, with heavy dependence on foreign assistance through donor-pooled funds. Phase II of the GOE's OWNPN identifies a need to prioritize private-sector engagement. This will require fundamental policy shifts to lower the risk for private investment, incentivize new service delivery models, and enhance tariff collection.

As a USAID high priority country under the Global Water Strategy, the Mission's approach to WASH focuses on sustainability, sanitation, and local ownership to improve access, increase private sector engagement, and reduce policy constraints. Activities will continue to focus on strengthening WASH systems and their governance, the economic enabling environment for WASH investments, and support for private sector engagement in service delivery – at federal and regional levels. Support for service delivery will target communities that fare poorly in terms of WASH-related indicators and where demographics present heightened health risks and other development challenges. USAID will jointly decide with the MOWIE on communities to target based on GOE data.<sup>28</sup> Efforts will complement resilience programs in select Lowland and Highland rural areas, while also increasing focus on larger towns where market approaches are feasible and on urban sanitation. Because WASH impacts women and girls disproportionately (they typically are responsible for water collection and often miss school due to menstruation), activities will be gender-focused. All interventions will link closely with water resource management efforts to ensure limited resources are strategically utilized. Current development actors engaged in WASH include: the World Bank, UNICEF, DFID, the EU, KOICA, JICA, GiZ, Canada, and the Hilton Foundation.

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<sup>27</sup> WHO/UNICEF Joint Management Plan, 2017

<sup>28</sup> The *Service Provision Assessment* (Ministry of Health - MOH) and *Demographic Health Survey* (Central Statistical Agency) will be used, along with OneWASH program information (from the MOWIE, MOH, MOFEC, and MOE) on WASH coverage and progress across *woredas* nationally.

#### **IR 4.2 Skills and abilities of children and youth improved**

This IR fosters the utilization of education services that respond to the special needs of adolescents, especially girls and marginalized groups. USAID will focus on community and school-based interventions so that children and youth gain the literacy, numeracy, and social-emotional skills that are foundational to future learning and success. The Mission will target areas based upon multiple factors, including quality and primary completion rates as identified in the *Annual Education Statistics Abstract* of the Ministry of Education, among other sources. The Mission will emphasize improving the retention rate of girls, especially in the transition from lower to upper primary school in line with the GOE's 2017 *Gender Strategy for the Education and Training Sector*. Because school-related GBV and early marriage lead girls to leave school, the Mission will work with the MOE and communities to enable girls to succeed and progress to higher education levels. USAID will concentrate on equipping out-of-school youth in more urban and peri-urban settings with the skills they need to lead productive lives, gain employment, and positively contribute to society. This will require bringing youth, local microfinance institutions, private sector actors, and GOE agencies together and making targeted investments in alternative, non-formal education and workforce preparedness programs. These activities also provide an alternative to the mobilization of vulnerable youth for violence.

#### **IR 4.3 Education systems enhanced for greater effectiveness**

This IR ensures that essential educational services are improved, sustained, and can respond to demographic needs. As Ethiopia continues to develop, a quality education system capable of producing students with foundational skills for personal development and employment will be fundamental to the country becoming a middle-income country. Ethiopia's Country Roadmap lists quality education as a key component to a country's JTSR (**Citizen Capacity: Education Quality**). USAID's approach will involve institutional capacity building at federal, regional, and community levels, with emphasis on regions impacted by demographic pressures and poor access to quality education. The Mission will foster public-private partnerships and innovation to assist with service delivery and address institutional barriers that impede girls' educational achievement, with a focus on primary school completion.

USAID's approach will involve facilitating effective coordination and collaboration with the Ministry of Education, MOWIE, MOH, and the MOFEC, as well as the private sector and civil society, to implement sustainable and quality school-based interventions. Specific activities will include technical assistance for policy development and implementation, school drop out early warning systems, and support for in-service and pre-service teacher professional development institutions. Actors engaged in education systems include: DFID, JICA, GiZ, Finland, and China.

#### **IR 4.4 Utilization of quality health and nutrition services increased**

This IR will reduce the spread of infectious disease and prevent maternal and child deaths. USAID will prioritize technical assistance to *woredas* with low performance across a range of maternal and child health indicators tracked by the GOE and USAID,<sup>29</sup> and that demonstrate commitment and capacity for improvement. Demographic considerations will weigh heavily,

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<sup>29</sup> The Ministry of Health's Health Management Information System rates *woreda*-level performance across five indicators: skilled birth attendance, immunization coverage, antenatal care visits, post-natal coverage, and severe acute malnutrition. USAID tracks the same indicators through household surveys. The GOE and USAID jointly make targeting decisions based on data.

where health systems are strained by population growth and interventions can reach the most people for greater impact. Epidemiological burden will drive the selection of areas for disease-focused intervention, such as HIV and malaria. Although Ethiopia has reduced mortality, disparities remain,<sup>30</sup> and further reductions cannot be achieved without systematic improvement of service quality.<sup>31</sup> Women and girls bear a disproportionate need for services around fertility and childbearing and are at risk of GBV. While health and nutrition services are female-centered, global evidence shows male engagement in decisions around health results in better outcomes.<sup>32</sup>

Specific activities will increase access to health and nutrition services through public and private service providers, expand access to quality family planning and reproductive health services, particularly for youth and vulnerable women, and increase appropriate health and nutrition behaviors through addressing institutional and gender-based barriers. This includes GBV prevention, identification, and treatment. Development actors engaged in health and nutrition include: the Gates Foundation, DFID, KOICA, JICA, GIZ, Switzerland, Canada, and China.

#### **IR 4.5 Health and nutrition systems strengthened for greater self-reliance**

Interventions under this IR will strengthen public sector accountability to citizens through improved policy and governance for health. As nutrition-specific interventions are necessary, but not sufficient, to reduce malnutrition, the Mission will support multi-sectoral coordination and programming at national and sub-national levels. Efforts on improved human resources, health insurance schemes, strengthened strategic information for evidence-based decision making, and improved commodity and logistics management will focus at the national and regional levels. Stronger health and nutrition systems also require effective public financial management and effective resource use. Given that Ethiopia's regional states are empowered to invest in and implement essential services, IR4.5 will provide technical support to regions, with the degree of support varying based upon respective levels of need.

USAID will support the role of the GOE as a steward of health, rather than being the sole service provider. Evidence shows that donors' share of health expenditure have decreased from 50 percent to 36 percent,<sup>33</sup> and while GOE expenditures are rising, they still only represent 7 percent of its budget, indicating the need for increased financial commitment to align with the Abuja Declaration. The Mission will support the GOE to more meaningfully partner and utilize the private sector through existing, but under-utilized, public-private partnership mechanisms. These interventions should lead to higher quality health and nutrition services delivered in response to population needs in a more systematic, equitable, and efficient manner. USAID will engage civil society to stimulate demand for and provide health and nutrition services, as well as advocate for quality services and accountable structures. Actors engaged in health system improvement include: DFID, the Gates Foundation, World Bank, EU, Doris Duke Foundation, the Packard Foundation, Canada, JICA, and the Netherlands.

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<sup>30</sup> Ethiopia Demographic and Health Survey, 2016

<sup>31</sup> High-Quality Health Systems in the Sustainable Goals Era, 2018. [https://www.thelancet.com/journals/langlo/article/PIIS2214-109X\(18\)30386-3/fulltext](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(18)30386-3/fulltext)

<sup>32</sup> Involving Men to Improve Maternal and Newborn Health, 2018

<sup>33</sup> The Ethiopia Sixth Health Accounts, 2017



## Critical Assumptions and Risks

### Assumptions:

- Continued appropriation of health, nutrition, education, and WASH funds.
- The GOE remains committed to health, education, WASH, and nutrition sector plans.
- The GOE increases domestic resource mobilization and financing for essential services.
- The GOE will further commit to advancing gender equality.
- Other donor and multilateral partner funding levels will remain consistent.
- Space sufficiently opens for quality private sector essential service providers.
- There is year round access and affordability of safe, diverse, nutrient-rich foods.
- Regional capacity and commitment increase to implement national strategies and plans.

### Risks:

- Reduction of GOE resources for social sectors due to Forex or other issues.
- GOE priorities change or austerity measures limit funding or advancement.
- Frequent conflict, drought, outbreaks, and other “shocks” cause diversion of funds for humanitarian assistance, rather than developing resilient and self-reliant systems.
- Regional or sub-regional instability limits timely partner implementation.
- Demographics overwhelm system capacities to meet basic service needs.

## F. SPECIAL OBJECTIVE: Citizen Responsive Governance Enhanced

*IF* freedom, civil and political rights for all Ethiopians are improved and mechanisms for accountable governance<sup>34</sup> strengthened at all levels, *THEN* government’s responsiveness to citizens and political stability will be enhanced.

Implicit in this development hypothesis is that state-society relations—a key factor affecting Ethiopia’s political stability—will improve if mechanisms for accountable governance and grievance redress are enhanced. The Special Objective (SpO) enables the Mission to seize opportunities to engage and support the GOE in the implementation of proposed political and social reforms, and do so nimbly. Multiple ethnically-motivated conflicts threaten the success of the reform agenda. Program components under the SpO will thus be exercised as conditions allow, focusing on core aspects of democracy and governance such as human rights, democratic institutions, and justice.

Elsewhere across the Results Framework, desired results will take an integrated governance approach, whereby systems, processes, and behaviors defined in the Intermediate Results embody good governance principles – such as community participation, inclusion, transparency and accountability. This approach was deemed best to address the governance related

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<sup>34</sup> Accountable governance is referenced as “the collective responsibility of officials to preserve the public’s trust in government by delivering on policy outcomes and safeguarding taxpayer funds. Accountable governance involves systems and coordinated actions through which the public sector ensures the effectiveness, efficiency and economy of public expenditure. It relies on tools that promote value-for-money, integrity and transparency in government, such as external control, internal control, sanctions, and enforcement. These tools create an enabling environment for greater accountability and improved governance. Accountable governance is not the responsibility of one institution, but many entities and individuals across all branches of government – the legislature, the judiciary and the executive.” - Organisation for Economic Co-operation and Development

development problems that sector-specific activities encounter across portfolios. The SpO contributes to Ethiopia becoming a more inclusive society by building state and non-state systems and institutions that are responsive and accountable to citizens' demands.

Ethiopia scores low on its Country Roadmap, including areas that pertain to results sought in the SpO: (**Commitment: Open and Accountable Governance; Capacity: Government Capacity and Civil Society Capacity**). Over the last year, however, the GoE has made remarkable strides in setting the country on a path towards political and economic progress by lifting the country's state of emergency, freeing political prisoners, allowing political dissidents to return, and ending a 20-year conflict with Eritrea. For the SpO, USAID/Ethiopia will assist reformed-minded GoE counterparts to make improvements in key J2SR indicators under the *Commitment* and *Capacity* pillars. To strengthen GOE commitment, the Mission will implement activities that enable democratic institutions, such as those tasked with elections, to fulfill their mandates (**Commitment: Liberal Democracy**). Civil society and the media, the judiciary sector, and other democratic institutions such as those currently working to revise restrictive laws to improve freedom of expression and association, will be supported. For progress under the *Capacity* pillar, USAID/Ethiopia will support the GOE and civil society to improve policy formulation and hold government accountable in its delivery of quality public services (**Capacity: Civil Society & Media Effectiveness**). To achieve this, the Mission will work with and through GoE institutions and systems at the federal level, in addition to CSOs, to build capacity and achieve key milestones on Ethiopia's democratic trajectory.

Ethiopia's constitution and national policies are consistent with international legal instruments on gender equality. However, the country has historically lacked the mechanisms and means with which to enforce integrative anti-discriminatory laws and mandates that empower women. The GOE's declaration of commitment to gender equality and empowerment will require significant political will and action to yield results. USAID/Ethiopia will support government commitment in promoting the participation of women in political processes as well as in civic space in collaboration with non-state actors, such as civil society. Under this SpO, the Mission will contribute to strengthening the effectiveness of existing institutional and legal mechanisms on gender equality by building government and CSO capacities to advocate for women's rights and empowerment, and the effective enforcement of laws that protect the rights of women and girls, including preventing and responding to GBV.

### **Host Country Government Alignment and Priorities**

The Mission's approach is to strengthen the GOE's commitment and capacity to carry out proposed reforms. In the near-term, this will include legislative reforms and the 2020 elections. In the NHH document, reforms related to democracy and rule of law are listed first. The GOE has already embarked on significant changes to repeal undemocratic legislation and the revision of draconian laws restricting CSOs and media space. USAID/Ethiopia will support various actors involved in the revisions of laws that have suppressed political and civil participation in the past. It will encourage and empower federal and democratic institutions, rule of law actors, civil society, and media to serve as a force multiplier for democracy once the new laws are in force.

## **Engagement of Other Development Actors**

Among donors, USAID/Ethiopia continues to lead many joint efforts in the democracy and governance space, including chairing the governance donor working group. With other large, like-minded, bilateral donors such as the EU, DFID and the Irish, USAID continues to partner with, influence, and leverage the governance activities of other donors to jointly advance democratic principles in Ethiopia.

USAID/Ethiopia's SpO focuses on building partnerships with key institutions within the GoE including the Attorney General's Office, Federal Supreme Court, MOP, the National Electoral Board of Ethiopia (NEBE), and CSO Agency, to increase their institutional and technical capacities. By building and strengthening these and other state and non-state partnerships under the SpO, Ethiopia will be empowered to move towards improving national cohesion and citizen-state relationships, and ultimately, select future global partners without being under duress.

In the institutional domain, USAID will work to increase the transparency and accountability of business and government interactions. Efforts to encourage GOE approval of the New York Convention, Paris Accord, and Madrid Agreement will lead to a more enabling business environment and help secure foreign investment. In the political domain, USAID will support the development of election laws and building of reputable electoral institutions consistent with democratic principles. Strengthening civil society will ensure citizen voices are heard and reduce potential for electoral processes to be corrupted. In the human rights domain, USAID will advocate for the protection of human rights, while in the social domain, support for CSOs and media organizations should encourage greater freedom of expression and reduce the potential for disinformation.

## ***IR Statements and Narratives***

### **IR 1: Host government democratic and governance reforms advanced**

This IR will include the support of inclusive and credible elections in 2020 with the participation of opposition parties; the revision of laws that have constrained democratic institutions, civil society, and the media; and improved compliance with human rights standards. It provides an opportunity for USAID/Ethiopia to support GOE reforms, in addition to areas identified in IR 2 and IR 3. The GOE is currently pursuing wholesale revision of several laws in an effort to democratize Ethiopia and establish a more liberalized economy. Since the reforms are occurring on a rolling basis, evidenced by the GOE's issuance of 100 day plans for each ministry and the NHH, this IR enables the mission to seize available opportunities as they present themselves in partnership with the GOE. This could be triggered by legislative reform, changes in leadership, or additional demonstrated willingness on the part of the GOE to engage in DRG reform.

USAID's comparative advantage is that current reformers in government have requested USG assistance. Countries are most vulnerable to backsliding, fracturing, and violence when they transition from autocracies to democracy.<sup>35</sup> If the USG does not support GOE reforms at this time, an opportunity will be lost to positively partner with the largest population in the Horn of

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<sup>35</sup> Donnenfeld, Zachary; Cilliers, Jakkie; Kwasi, Stella; Welborn, Lily; Rumbling Giant: Potential Pathways for Ethiopia to 2040 Institute for Security Studies, 2019.

Africa, potentially tipping the balance in the wrong direction for regional stability. USAID/Ethiopia can incentivize the GOE's efforts by identifying and responding effectively to new and existing requests for assistance. Partners in this effort include old and new local actors such as the recently established or revamped government entities such as the Ombudsman, the Truth and Reconciliation Commission, and the Human Rights Commission.

## **IR 2: Civil Society Organizations and media strengthened**

This IR aims for an impartial judiciary, strengthened democratic institutions, and improved legal procedures for fairness, transparency, and participation. The GOE's revision of the CSO law has opened space for wide-ranging support for CSOs and the media. The GOE has cited the dearth of capable CSOs, particularly those able to conduct meaningful advocacy on public policy, as an impediment to reform efforts. This IR advances the country's trajectory toward self-reliance by strengthening CSOs and the media to play an advocacy role for accountability and facilitate peaceful citizen participation in the electoral process. The IR reflects the **Commitment: Liberal Democracy** metric, which measures the freedoms of expression and association. It also reflects the **Capacity: Government Effectiveness** sub-dimension, as CSOs and media can provide oversight on the credibility of the government's commitment to its stated policies.

Recent revisions to the CSO law, which removes previous restrictions on civil society, make it an opportune time to support a host of media and CSOs with targeted training and capacity building. This will enable activists and/or fledgling organizations to play a critical role in holding government accountable and protecting citizen rights to free expression and association. Ethiopia has a long history of torture and human rights abuses. In addition to legal and electoral reforms, USAID/Ethiopia will support independent and under-resourced entities, such as the Ethiopian Human Rights Council, which investigates and documents human rights abuses. Previous laws did not allow such support.

Evidence for investing in this IR includes studies that show that increasing CSO capacity to engage in policy dialogue, advocate for citizen rights, and hold local and federal government authorities and service providers accountable, contributes to stable, democratic societies. Thus, through the strengthening of CSOs and the media, freedom and civil and political rights for Ethiopians will improve. A comparative advantage is that current civil society reformers have requested USG assistance to increase their capacity to play active advocacy roles. This includes faith-based organizations, professional associations, and some of nearly 12,000 registered community-based organizations and 3,000 CSOs, as well as emerging public media outlets.

## **IR 3: Rule of law and democratic institutions strengthened**

This IR will strengthen the roles of CSOs and the media to provide government oversight and advocate on behalf of citizens. It reflects and responds to the self reliance metric of **Commitment: Liberal Democracy**, which measures suffrage, elections, rule of law and judicial constraints. USAID/ Ethiopia will provide technical assistance to support the NEBE to manage and deliver credible elections in 2020, assist the Attorney General's Office to comprehensively assess the laws and institutions that make up Ethiopia's administrative and criminal justice system, and aid the Federal Supreme Court with comprehensive judicial and court reform. These institutions have specifically requested U.S. assistance. In addition, some public service

reforms support U.S. economic interests in Ethiopia. An incentive for the government to get the right policies in place is the provision of immediate and ongoing, targeted assistance.

The evidence for investing in this IR is that democratic institutions develop and protect democracy. To ensure democratic polity, there must also be procedural safeguards that ensure the government does not surpass and abuse its constitutional mandate. This demands vertical and horizontal accountability of officials. Vertical accountability of officials to the electorate is ensured through periodic elections with the active participation of citizens. Horizontal accountability, on the other hand, is maintained through the system of *trias politica* that involves the legislature, executive, and judiciary through a check and balance system. Local actors involved in attaining this result are the NEBE, a host of media and civil society organizations, over 100 registered political parties, the Attorney General's Office, the Federal Supreme Court, the Addis Ababa University Law School, and the Ethiopian Lawyers' Association.

### **Critical Assumptions and Potential Risks**

#### *Assumptions:*

- National consensus on a formalized and clearly communicated GoE reform agenda.
- Recurrent political and ethnic violence will continue for the foreseeable future at varying degrees of intensity, frequency, and duration.

#### *Potential Risks:*

- External actors could negatively influence Ethiopia's social and religious heterogeneity and potentially destabilize areas.
- The reform agenda is not institutionalized or sustained.
- Regional factionalism under ethnic federalism could result in untenable political settlements that destabilize Ethiopia.
- Unmet expectations regarding the pace and nature of reforms could lead to disillusionment with the democratization process and fuel backlash and lawlessness.

## **V. MONITORING, EVALUATION, AND LEARNING**

The Mission will monitor and evaluate the progress of its CDCS to understand and learn how it contributes to Ethiopia's JTSR and to inform course corrections that may be needed over the life of the strategy. The Mission's Learning, Monitoring, and Evaluation (LME) approach will emphasize the use of robust traditional monitoring and evaluation approaches, as well as complexity-aware methods such as social network analysis, outcome harvesting, contribution analysis, and stakeholder dialogue. The Mission's monitoring approaches and evaluation and CLA plans will be detailed in the Performance Management Plan (PMP).

Utilizing the Strategic Learning Priorities (as drafted in the Results Framework Paper and which will be fine-tuned in the PMP), USAID/Ethiopia will track, analyze, and learn about its program implementation and the complex and evolving Ethiopian context. Practices that increasingly integrate CLA, monitoring, and evaluation into the daily work of USAID and its implementing partners will promote a more integrated, systematic, and facilitative approach that can lead to more effective and agile programming.

The Mission’s learning priorities include, but are not limited to, approaches to building and sustaining household and community resilience, approaches/strategies for risk management, gender equality and women’s empowerment, and the value of USAID’s investments in building effective and accountable systems and institutions. In order to answer these and other learning questions, the Mission will apply a variety of learning activities such as literature reviews, evaluation synthesis, and rapid assessments, among others, to complement the use of monitoring and evaluation data that informs continuous learning.

USAID/Ethiopia will track results by utilizing performance and context indicators coupled with consultative meetings with implementing partners, stakeholders, sector-working groups, and local and national host government at the strategic and project levels. Moreover, data analysis and visualization techniques, including the use of GIS, will be strengthened to help generate needed information for effective decision-making. Though the Mission will still look for opportunities for credible impact evaluations, the focus will be on required performance evaluations as well as internal evaluations, assessments, and other learning activities that are fit for the Mission’s purpose and maximize return on investment.

USAID/Ethiopia will continue to invest in LME, including the launching of the Development Information Solution (DIS) system that gathers high-quality data for tracking its results and contribution to the JTSR. Investments in key skills and capacities that leverage existing expertise in the Mission and agency, while filling targeted needs, in Mission-wide and sector-specific platforms, as well as institutional contractors offering a mix of LME services and capacity building will also be ongoing efforts of the Mission. This will support the generation, synthesis, and application of knowledge and learning at strategy, project, and cross-project levels.

## **VI. PROGRAM RESOURCES AND PRIORITIES**

A youthful and increasingly urbanized population is eager for significant change. Under new government reforms, USAID/Ethiopia plans to take advantage of new openings to assist Ethiopia toward self-reliance. Changes in GOE laws, including the Charities and Societies Law, the Anti-Terrorism Proclamation, Election Law, Mass Media and Freedom of Information Law, Political Party Registration Proclamation, and Computer Crime Law, will allow USAID/ Ethiopia to actively engage in the democracy and governance space. The GOE has signaled its intent to build a dynamic economy with a prominent private sector and has committed to building greater resilience to shocks and disaster risk management capabilities.

In this scenario, more resources will be shifted to the following development objectives and illustrative activities:

### DO 1: Disaster Risk Management

- Support disaster prevent and mitigation capacities of the GOE.

### DO 2: Resilience of Vulnerable Populations Increased

- Support resilience programming for vulnerable communities.

### DO 3: Private Sector-Led Economic Growth Promoted

- Support the GOE's legal and economic policy reform agenda.
- Improve private sector productivity and the business enabling environment, increase U.S. FDI and trade, and support economic opportunities for youth and women.
- Expand access to modern and affordable energy services.

### Special Objective: Citizen Responsive Governance Enhanced

- Support the GOE's legal and democratic reform agenda.
- Expand dialogue among ethnic groups and political parties (beyond 2020 elections).
- Promote political competition and strengthen political parties and parliament.
- Strengthen civil society capacity for oversight of government transparency and accountability.
- Foster an independent media and free flow of public information.
- Strengthen human rights advocacy organizations.

## **VII. MANAGEMENT RESOURCES AND STRUCTURE**

Project Teams: The Mission will form integrated project teams for programming elements that require significant cross-office collaboration. A Project Manager will lead each team and fulfill oversight, performance management, and cross-cutting learning and adaptive management roles. They will surface challenges, creative solutions, and adaptive implementation approaches and share experience and insights with other technical teams, the Mission Management Team (MMT), and the Program Office.

Mission Staffing: The Mission has a current authorized staffing of 218 positions, with 43 USDH, 17 US/TCNPSC, and 158 locally-engaged staff. To ensure staffing needs are current, the Mission conducts an annual strategic staffing exercise to align program needs with personnel requirements. During the most recent exercise, the Mission recommended a revised staffing plan of 250 authorized positions, reflected in the FY 2020 Mission Resource Request. Notably, additional staffing reflects a need for additional capacity given the size and complexity of the portfolio, and new and specialized skills needed to support strategic shifts and priorities.

Front Office Responsibilities: The Mission is led by a Front Office consisting of one Mission Director (MD) and two Deputy Mission Directors (DMD) with separate portfolios spread across technical offices. The second DMD is anticipated to arrive in the summer of 2019.

Role of Mission Management: The MMT meets weekly and guides decision-making for the Front Office. The MMT consists of three staff from each office: an Office Director, Deputy Office Director, and a Foreign Service National (FSN) employee representative. This approach allows employees, across functions and sectors, to participate in management discussions. The MMT serves as a sounding board for issues raised regarding the Mission's strategy and its management approach to the CDCS. The MMT also endorses the Mission's leadership charter, which supports staff empowerment and encourages proactive engagement by all staff in decisions regarding the direction of the Mission and its portfolio.

Constraints to Management Success: The Mission faces administrative constraints, including:

(1) **Limited Office Space:** As with all USAID Missions co-located in a New Embassy Compound, space remains limited. After office reconfiguration, the Mission will be 20 cubicles short of its requirement, potentially impeding plans for staff expansion.

(2) **Ensuring Proper Recruitment and Retention:** With Ethiopia as a one-tour post, the Mission faces greater turnover in USDH staff and will need to recruit USPSC employees to fill staffing gaps. Local compensation payment plans for locally-engaged staff need to remain in alignment with comparator organizations.

## **VIII. REQUIRED ANNEXES**

- A.** Journey to Self-Reliance Country Roadmap
- B.** Climate Risk Screening



# ETHIOPIA

## JOURNEY TO SELF-RELIANCE: FY 2019 COUNTRY ROADMAP



### LEGEND



Ethiopia's Score  
0-1, least to most  
advanced globally



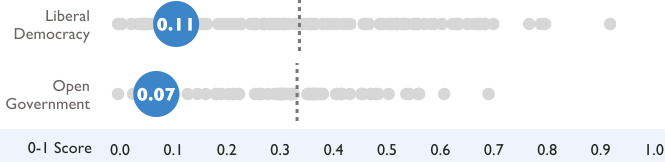
Other Low- and  
Middle- Income  
Countries' Scores



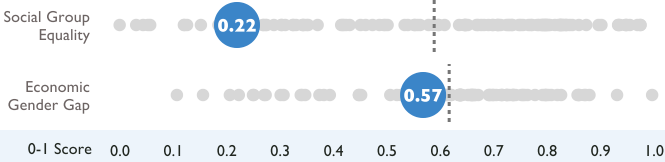
Average Score for  
Low- and Middle-  
Income Countries

## COMMITMENT

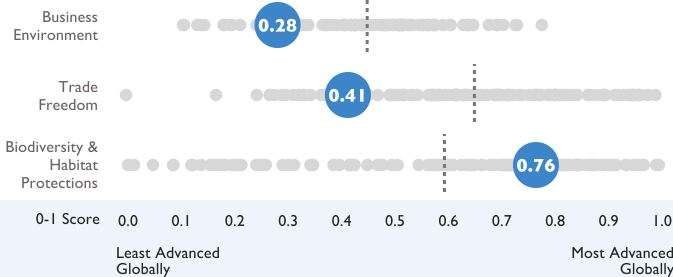
### OPEN AND ACCOUNTABLE GOVERNANCE



### INCLUSIVE DEVELOPMENT



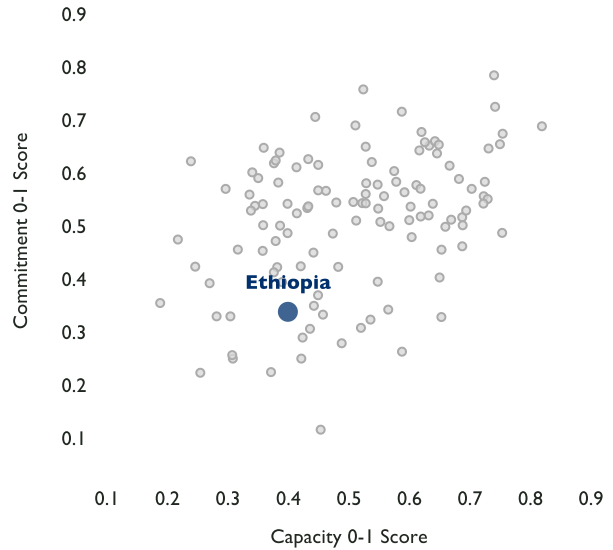
### ECONOMIC POLICY



All source data is for the latest year available, typically 2017 or 2016, and is derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Names and boundary representation in the map are not necessarily authoritative.

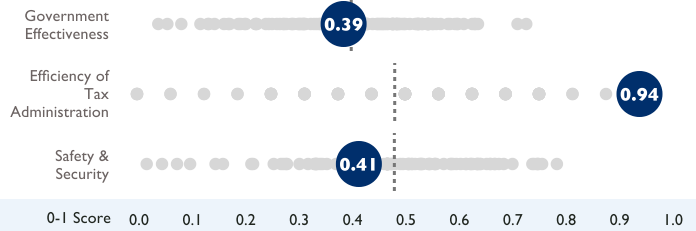
For more information on definitions and sources, please visit [selfreliance.usaid.gov](http://selfreliance.usaid.gov).

## LOW- & MIDDLE-INCOME COUNTRY SNAPSHOT

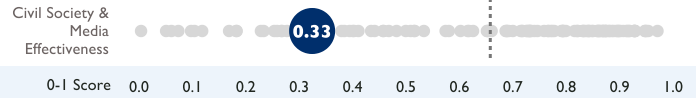


## CAPACITY

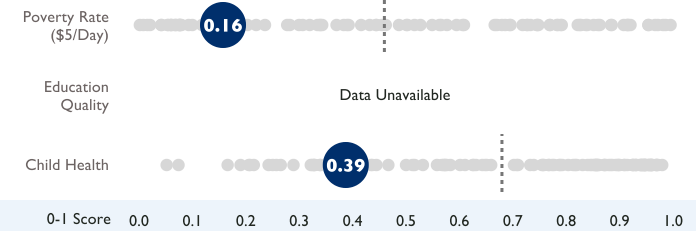
### GOVERNMENT CAPACITY



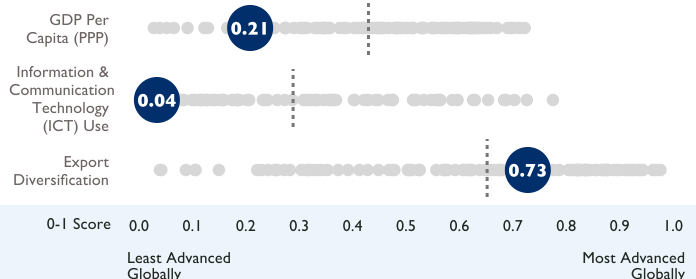
### CIVIL SOCIETY CAPACITY



### CITIZEN CAPACITY



### CAPACITY OF THE ECONOMY



# SELF-RELIANCE ROADMAPS

## INDICATOR DEFINITIONS AND SOURCES

### COMMITMENT

#### OPEN AND ACCOUNTABLE GOVERNANCE

**Liberal Democracy:** Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. Source: [Varieties of Democracy \(V-Dem\)](#).

**Open Government:** Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. Source: [World Justice Project, Rule of Law Index](#).

#### INCLUSIVE DEVELOPMENT

**Social Group Equality:** Measures political equality across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: [Varieties of Democracy \(V-Dem\)](#), [Social Group Equality in Respect to Civil Liberties](#).

**Economic Gender Gap:** Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: [World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index](#).

#### ECONOMIC POLICY

**Business Environment:** Assesses a country's entrepreneurial climate by measuring business' access to infrastructure (such as the internet and transport, and to credit), business flexibility (the costs of starting business and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. Source: [Legatum Institute, Prosperity Index](#).

**Trade Freedom:** Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: [Heritage Foundation, Index of Economic Freedom](#).

**Biodiversity & Habitat Protections:** Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. Source: [Yale University/Columbia University Center for International Earth Science Information Network \(CIESIN\)](#).

### CAPACITY

#### GOVERNMENT CAPACITY

**Government Effectiveness:** Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: [World Bank, Worldwide Governance Indicators](#).

**Efficiency of Tax Administration:** Measures the efficiency of tax collection in relation to corporate taxes, household income taxes, national geographic consistency and reach, and the government's ability to limit tax evasion. Source: [Institutional Profiles Database](#).

**Safety & Security:** A combination of objective measures of security, and subjective measures of personal safety, personal freedom, and social tolerance. Source: [Legatum Institute, Prosperity Index](#).

#### CIVIL SOCIETY CAPACITY

**Civil Society & Media Effectiveness:** Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: [Varieties of Democracy \(V-Dem\)](#), [Diagonal Accountability Index](#).

#### CITIZEN CAPACITY

**Poverty Rate (\$5/Day):** Measures the percent of the population living under \$5/day in purchasing power parity (PPP) terms. Source: [World Bank, PovCalNet](#).

**Education Quality:** Measures the percentage of students attaining a minimum proficiency in reading toward the end of primary school, providing a comparative evaluation of the relative performance of educational systems across countries. Source: [World Bank](#).

**Child Health:** A composite measure that aggregates under-5 child mortality, access to improved water sources, and access to improved sanitation facilities. Source: [Columbia University Center for International Earth Science Information Network \(CIESIN\)](#).

#### CAPACITY OF THE ECONOMY

**GDP Per Capita (PPP):** Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: [World Bank, World Development Indicators](#).

**Information & Communication Technology (ICT) Use:** Index comprising: (1) internet users as percent of population; (2) fixed-broadband internet subscriptions per 100 population; (3) internet bandwidth kb/s/user; (4) mobile broadband subscriptions per 100 population; (5) mobile telephone subscriptions per 100 population; and (6) fixed telephone lines per 100 population. Source: [World Economic Forum \(WEF\), Global Competitiveness Index](#).

**Export Diversification:** Measures the diversification of a country's export products, one marker that can help gauge economic sophistication and resilience. Source: [UNCTAD, Export Concentration Index](#).

## CLIMATE RISK SCREENING

### PART I: CLIMATE RISK

#### 1.1 INTRODUCTION AND CONTEXT

Executive Order 13677 on "Climate-Resilient International Development" requires USAID to assess and address climate risk across all of its investments. This annex, in conjunction with the attached screening analysis, provides preliminary details concerning where USAID/Ethiopia's development objectives may be at risk from climate variability and change. It also attempts to identify opportunities to harness potential changes in Ethiopia's climate to foster improved development, resilience and economic growth. Given the high level at which this annex has analyzed climate risk (i.e., the CDCS level), more detailed analyses may be necessary at the PAD and activity levels.

As noted in the main text of the CDCS (page 7), Ethiopia is one of the most vulnerable countries to climate disasters, and these disasters are likely to increase in frequency and possibly magnitude as the climate changes. The specific climate risks associated with different parts of USAID/Ethiopia's portfolio will depend not only on the economic sector in question (e.g., agriculture, health, education), but also on geographic location (e.g., highlands, lowlands). This is because not only is the climate in the highlands quite different from that in the lowlands, but climate change is expected to affect those geographies differently. Furthermore, addressing an identified climate risk to one sector may require a multi-sectoral approach. For example, the 2015 drought significantly affected primary school attendance in the lowlands, but adequately addressing this issue will require looking beyond the education sector to interventions in the agriculture, health, and disaster risk reduction sectors.

Climate risk screening should be conducted early in the development decision-making process as it helps flag and prioritize risks that should be considered in order to promote resilient development and ensure the effectiveness of USAID's investments. While it is not a full climate vulnerability assessment, climate risk screening can help identify elements that may require a more in-depth assessment particularly when designing projects and activities. Just as important, it also helps identify those sectors and programmatic areas that are at a low risk from climate change, and thus further analysis and consideration are not necessary at later stages of the program cycle.

For a concise summary of the projected climate change impacts in Ethiopia, readers are referred to the Ethiopia Climate Fact Sheet

#### 1.2 METHOD FOR CLIMATE RISK SCREENING

For the screening process, USAID/Ethiopia selected a hybrid of options 1, 2, and 3 as articulated in the ADS Mandatory Reference for Climate Change in USAID Strategies. This hybrid approach

involved the Program Office initially drafting up content, at least partly based on the general information provided in the Ethiopia Climate Fact Sheet, within the guidelines of the climate risk screening tool developed by USAID/Washington (<https://programnet.usaid.gov/library/climate-risk-screening-tool>). USAID/Ethiopia then hosted a climate change expert from USAID/Washington for one week in July of 2016. Together, USAID/Ethiopia and this expert worked to supplement and refine the content within the screening tool as well as draft an initial version of this annex. This annex was then refined by the USAID/Ethiopia to reflect how and where the climate risk findings were ultimately integrated into USAID/Ethiopia's second generation CDCS. To complement this more internally looking analysis, USAID/Ethiopia also commissioned an external climate change report as part of an Environmental Threats and Options Analysis (ETOA) <https://drive.google.com/drive/my-drive>. This analysis, entitled the Climate Change Risks and Opportunities Report <https://drive.google.com/drive/my-drive>, helped to link the climate risks identified with ongoing USAID programs and the GOE's development priorities and plans.

Through this hybrid process, USAID/Ethiopia was able to include both bottom up and top down approaches. The first component of the top down approach started with the general trends and projected impacts of climate variability and change and related these to potential risks within Ethiopia, with a specific focus on the geographies and sectors where USAID/Ethiopia is likely to work under the new CDCS. A second component involved linking these risks to the development priorities articulated by the GOE, USAID/Ethiopia's ongoing as well as new programs. The bottom up approach involved in-person consultations with all the technical sector teams within USAID/Ethiopia (i.e., Economic Growth and Transformation (EG&T), Health AIDS Population and Nutrition (HAPN), Democracy and Governance (DG), Education and Youth (EYO), Asset and Livelihood in Transition (ALT) to better understand their perceptions of how climate change is creating risks within their programs and to identify areas where climate may need to be considered in current and future programs. This bottom up approach was also important to begin to identify areas for potential collaboration between technical teams to address broad climate risks, like drought, affecting multiple sectors.

Given that USAID/Ethiopia's first CDCS was developed mostly along sectoral lines, the screening process primarily looked at how those sectors (e.g., agriculture, health) are currently affected by climate variability and change, and then rated the associated risks for each sector as *Low, Moderate or High*. The initial findings and ratings were then socialized with the CDCS design team as well as all technical teams so ensure they accurately reflected USAID/Ethiopia's perceptions of the climate risks across the portfolio.

It should be noted that while the CDCS implementation timeframe is only 5 years, it was assumed that the long-term objectives outlined within the CDCS would operate over a longer timeframe, and so the analysis of future climate risk looked out over a timeframe of 30 years. However, it should be noted that quantifying climate risk that far in the future is difficult, owing to the uncertainty both in the climate projections as well as in how the development context in Ethiopia will change.

The screening results show that the current and future climate change impacts on all the sectors planned under the CDCS range from **LOW to HIGH**.

### **1.3 RISK SCREENING ANALYSIS**

USAID/Ethiopia programs are focused on helping accelerate the transformation of Ethiopia into a prosperous and resilient country capable of addressing its own socio-economic needs and managing crisis. USAID/Ethiopia mainly receives funds for Conflict Mitigation and Stabilization, Democracy, Human Rights and Governance, Health, Education, Agriculture and Economic Growth and Humanitarian Assistance (Food for Peace Title II and OFDA) programs. Therefore, the screening focused on 6 sectors: Agriculture, Infrastructure (including energy infrastructure), Health, Democracy and Governance, Education, and Disaster Risk Reduction. A separate screening was not conducted for the Environment sector as this information was captured in the Environmental Threats and Opportunities Assessment (ETOA), the mission does not program Environment funds, and many of the Environmental climate risks are captured in the other sectors owing to their environmental dependence.

Table 1 below shows the climate risks in the strategy, how they have been integrated in the narrative of the strategy, required next steps and accepted risks.

## 1.4 ADDRESSING CLIMATE CHANGE RISKS IN THE CDCS

**Table 1: Climate Risks management in the Strategy**

<i>Development Objective or Intermediate Result</i>	<i>Climate Risk and Adaptive Capacity</i>	<i>Climate Risk Management Options (Integration into strategy (not required for low risks))</i>	<i>Next steps (Not required for low risks)</i>	<i>Accepted Risks</i>
<b>DO 1: Disaster Risk Management Strengthened</b>				
<i>IR 1.1: Communities are empowered to mobilize, mitigate and act on shocks</i>	This IR is at <b>LOW</b> risk to climate risk  <i>Adaptive capacity: LOW</i> Time frame : 0 -5 years	<ul style="list-style-type: none"> <li>• Strengthen community systems for risk identification and preparedness (page 13)</li> <li>• Shock responsive action planning and increase access to and utilization of early warning information (page 13)</li> <li>• Strengthen contingency planning, emergency preparedness, and disaster risk reduction. (page13)</li> </ul>	Develop monitoring system for assessing the effectiveness of early warning information dissemination capacity	Drought and flood is a factor that the mission accepts as it greatly increases humanitarian caseloads while straining the disaster relief system.
<i>IR 1.2: Institutional risk management capacity strengthened</i>	This IR is at <b>LOW</b> risk to climate risk.  <i>Adaptive capacity: LOW</i> Time frame : 0 -5 years			
<i>IR 1.3: Emergency response provided more effectively</i>	Climate Risk is rated as <b>Moderate to High</b>  Climate change increases humanitarian caseloads while straining the disaster relief system. The threat of extreme climatic events in the future is likely to generate higher demands for disaster assistance that will prove more costly.			

	<p>Extreme climate change events can deplete emergency relief stockpiles due to changing precipitation and temperature patterns while damaging access roads used for transportation of food and other relief commodities</p> <p><i>Adaptive capacity: LOW</i> Time frame : 0 -5 years</p>			
<b>DO 2: Resilience of vulnerable populations to key shocks increased</b>				
<i>IR 2.1: Household food security increased</i>	<p>Climate Risk is rated as <b>Moderate to High</b></p> <p>Climate vulnerability assessments for Ethiopia identified the following climate challenges likely to impact the agriculture sector making large population food insecure:</p> <ul style="list-style-type: none"> <li>• temperature increases,</li> <li>• seasonal variations in rainfall patterns and the likelihood of increased extreme weather events,</li> </ul> <p><i>Adaptive capacity: LOW</i> Time frame : 0 -5 years</p>	<ul style="list-style-type: none"> <li>• Strengthen climate smart agriculture and nutrition sensitive livelihood diversification (page 19)</li> <li>• Strengthening diversified food production (page 19)</li> <li>• Increase utilization of quality, diversified and nutrient-dense food (page 19)</li> </ul>	At PAD and IM level: Integrate climate change and variability into Agriculture project/activity	Rainfall variability is a major risk that the mission accepts as this will greatly affect crop production as rain fed farming is the dominant farming system
<i>IR 2.2: Shock-resilient livelihoods are increasingly</i>	<p>Climate Risk is rated as <b>Moderate to High</b></p>	<ul style="list-style-type: none"> <li>• Strengthening climate resilient crop and livestock production and diversification (page 19)</li> </ul>	At PAD and IM level: Integrating climate information	Rainfall variability is a major risk that the mission accepts

<p><i>adopted and maintained</i></p>	<p>Most shocks and disasters in Ethiopia are climate related (though not all will be affected by climate change). Potential impacts vary by livelihood activities. However, many livelihood activities in the vulnerable areas are very climate sensitive.</p> <p><i>Adaptive capacity: LOW</i> Time frame : 0 -5 years</p>	<ul style="list-style-type: none"> <li>• Support diversified livelihoods in various ways, including off-farm and non-farm employment (page 19)</li> </ul>	<p>into Livelihood for Resilience investments</p>	<p>as this will greatly affect crop/livestock production both in the highland and lowland areas</p>
<p><i>IR 2.3: Natural Resources and water management improved</i></p>	<p>Climate Risk is rated as Moderate to High Climate change affects the hydrological cycle of forested water catchments through weakened water recharge or retention capacity</p> <p><i>Adaptive capacity: LOW</i> Time frame : 0 -5 years</p>	<ul style="list-style-type: none"> <li>• Strengthen conservation and sustainable utilization of land and water resources (page 19)</li> <li>• Strengthen watershed management (page 19)</li> </ul>	<p>At PAD and IM level: Integrating climate information into Natural Resources and water management project/activity</p>	<p>Rainfall variability is a major risk that the mission accepts as this will greatly affect availability of water both for humans and livestock</p>
<p><i>IR 2.4 Barriers to social services reduced</i></p>	<p>This IR is at LOW risk to climate risk.</p> <p><i>Adaptive capacity: LOW</i> Time frame : 0 -5 years</p>	<p>Opportunities</p> <ul style="list-style-type: none"> <li>• Support watershed rehabilitation, as well as afforestation and soil and water conservation initiatives (page 20)</li> <li>• Leverage social protection and systems integration efforts to keep children in school (page 20)</li> <li>•</li> </ul>		



<i>IR 2.5: Socio-political stability improved</i>	Climate Risk is rated as <b>Low/Moderate</b>	<ul style="list-style-type: none"> <li>• Strengthening government and community-based conflict prevention mechanisms (page 20)</li> <li>• Increase women in peace building and post conflict resolution (page 21)</li> <li>• Promote diversity of voice, empowerment of all groups, and strong governance to predict, mitigate, and respond to conflict shocks</li> </ul>		
<b>DO 3: Private sector-led economic transformation promoted</b>				
<i>IR 3.1: Ethiopia's economic reform agenda supported</i>	This IR is at <b>LOW</b> risk to climate risk.	<p>Opportunities</p> <ul style="list-style-type: none"> <li>• Help the GOE identify economic constraints and opportunities (page 24)</li> </ul>		
<i>IR 3.2: Agricultural Transformation accelerated</i>	<p>Climate Risk is rated as <b>Moderate</b></p> <p>A Climate vulnerability assessments for Ethiopia identified the following climate challenges likely to impact the agriculture sector:</p> <ul style="list-style-type: none"> <li>• temperature increases,</li> <li>• seasonal variations in rainfall patterns and</li> <li>• the likelihood of increased extreme weather events,</li> </ul> <p>Agriculture in general is at risk from climate stress, but</p>	<ul style="list-style-type: none"> <li>• Promote diversification of climate smart agriculture (page 24)</li> <li>• Invest in value-added processing (page 24)</li> <li>• Promote value chain and agro processing(page 24)</li> </ul>	At PAD and IM level: Integrating climate change and variability into Agriculture project/activity	Rainfall variability is a major risk that the mission accepts as this will greatly affect crop production as rain fed farming is the dominant farming system

	<p>this stress is lower in the productive areas relative to the lowland areas. However, climate stress also varies with value chain.</p> <p><i>Adaptive capacity:</i> LOW - MODERATE Time frame: 0-20 years</p>			
<p><i>IR 3.3: Inclusive Markets Systems Improved</i></p>	<p>Climate Risk is rated as <b>Moderate</b></p> <p>Climate vulnerability assessments for Ethiopia identified the following climate challenges likely to impact the agriculture sector:</p> <ul style="list-style-type: none"> <li>• temperature increases,</li> <li>• seasonal variations in rainfall patterns and</li> <li>• the likelihood of increased extreme weather events,</li> </ul> <p>Due to the pervasive risks that climate variability and change pose to many sectors in the economy, it is likely that it will hinder economic growth, particularly in the absence of concerted management of these risks.</p> <p><i>Adaptive capacity:</i> LOW - MODERATE</p>	<ul style="list-style-type: none"> <li>• Through Power Africa support diversification of the energy system (page 24)</li> </ul>	<p>At PAD and IM level: Integrating climate change and variability into Economic Diversification project/activity</p>	

<p><i>IR 3.4: Women's economic empowerment enhanced</i></p>	<p>Climate Risk is rated as <b>LOW</b> Climate risk would materialize if identified economic opportunities and skills development involved climate sensitive opportunities:</p> <p><i>Adaptive capacity: LOW</i> Time frame: 0-15 years</p>	<p>Opportunities:</p> <ul style="list-style-type: none"> <li>Promote women's leadership in economic institutions, the growth of women's business associations, changes in policies, and the overcoming of investment constraints that negatively impact women-owned businesses.(page 24)</li> </ul>		
<b>DO 4: Sustained Improvement in Essential Service Delivery Outcomes Focused on Women and Girls</b>				
<p><i>IR 4.1: Sustainable WASH services improved, with an emphasis on women and girls</i></p>	<p>Climate Risk <b>LOW/MODERAT</b></p> <p>Climate risk in the health, WASH and Education sector varies significantly by health issue and geography. For example, Malaria is much more climate sensitive than HIV/AIDS. Excessive temperature increase affects water availability from high evaporation. On the other hand reduced water availability will force girls to drop out of school to fetch water.</p> <p>Drought can have a significant impact on school attendance. However, the long term</p>	<ul style="list-style-type: none"> <li>Strengthening WASH systems and their governance (page28)</li> <li>Strengthen water resources management (page 28)</li> </ul>	<p>At PAD and IM level: Integrating climate change into WASH, health and education project/activity</p>	

	<p>impact and relative importance are unknown</p> <p><i>Adaptive capacity: LOW</i> Time frame: 0-15 years</p>			
<i>IR 4.2: Skills and abilities of children and youth improved</i>	<p>Climate Risk <b>LOW</b></p> <p>Climate risk would only materialize if skills development involved climate sensitive opportunities: <i>Adaptive capacity: LOW</i> Time frame: 0-15 years</p>	<p>Opportunities:</p> <ul style="list-style-type: none"> <li>•</li> </ul>		
<i>IR 4.3: Education systems enhanced for greater effectiveness</i>	<p>Climate Risk <b>LOW to Unclear</b></p> <p>Drought can have a significant impact on school attendance by pulling girls from school to collect water. However, the long term impact and relative importance are unknown</p> <p><i>Adaptive capacity: LOW</i> Time frame: 0-15 years</p>	<ul style="list-style-type: none"> <li>• Strengthen School drop out early warning systems (page 29)</li> <li>• Leveraging WASH interventions so as to provide water to households around targeted project schools;</li> </ul>	<p>Further analysis: i) risk of climate change to school attendance especially for girls</p>	
<i>IR 4.4: Utilization of quality health and nutrition services increased</i>	<p>Climate Risk <b>Low to Moderate</b></p> <p>Climate risk in the health sector varies significantly by health issue and geography. For example, Malaria is much</p>	<ul style="list-style-type: none"> <li>• Increase access to health and nutrition services through both public and private service providers (page 29)</li> </ul>	<p>Further analysis: (i) impact of climate change on nutrition</p> <p>At PAD and IM level: Integrating</p>	

	<p>more climate sensitive than HIV/AIDS</p> <p><i>Adaptive capacity: LOW</i> Time frame: 0-10 years</p>		climate change into health and nutrition	
<i>IR 4.5: Health and nutrition systems strengthened for greater self-reliance</i>	<p>Climate Risk is rated as <b>Moderate/Unclear</b></p> <p>Climate change will cause changes to the geographic range (latitude and altitude) and seasonality of certain infectious diseases – including vector-borne infections such as malaria.</p> <p><i>Adaptive Capacity: LOW TO MODERATE</i> Time line: 0 – 10 years</p>	<p>Opportunities</p> <ul style="list-style-type: none"> <li>• Support health human resources development including promoting health insurance schemes (page 29)</li> <li>• Strengthen strategic information and health surveillance for evidence-based decision making, and improved commodity and logistics management (page 29)</li> </ul>	<p>Further analysis: (i) Effects of climate change on nutrition at the household level;</p>	
<b>Special Objective: Citizen responsive Governance enhanced</b>				
<i>IR 1: Civil Society Organizations and media strengthened</i>	Climate Risk <b>Low</b>			
<i>IR 2: Rule of law and democratic institutions strengthened</i>	Climate Risk <b>Low</b>			

## PART II: GREENHOUSE GAS (GHG) MITIGATION

**Table 2: GHG Mitigation**

Greenhouse gas sources	Issues/Facts
<b>Ethiopia’s GHG emissions</b>	<ul style="list-style-type: none"> <li>• GHG emissions in Ethiopia totaled 145 MtCO<sub>2</sub>e in 2013. This was equivalent to approximately 0.33% of the total global emissions. The GOE’s Second National Communication estimated that this was an estimated increase of about 447% from 1994 levels but a 34% decrease from 2000 levels.</li> <li>• Ethiopia’s INDC states that Ethiopia intends to have GHG emissions of ~145 MtCO<sub>2</sub>e in 2030, which is a 64% decrease from a business as usual scenario.</li> <li>• In 2013, agriculture and forestry were the greatest contributors of GHG emissions. These sectors contributed over 80% of the total GHG emissions in the country in 2010.</li> <li>• The Energy sector contributes only a minimal amount of emission as most of Ethiopia’s energy comes from renewable sources such as large-scale hydropower.</li> <li>• In Ethiopia’s business as usual projections, transport and industry are projected to see the largest GHG increases. Transport is expected to increase from 5 MtCO<sub>2</sub>e to 40 MtCO<sub>2</sub>e and industry is projected to increase from 5 to 70 MtCO<sub>2</sub>e by 2030.</li> <li>• By 2030, Ethiopia expects the forestry sector to be a net GHG sink.</li> </ul>
<b>Opportunities for GHG emission reduction</b>	<ol style="list-style-type: none"> <li>a) USAID/Ethiopia expects to continue to invest in <b>clean and renewable energy sources through Power Africa</b>. This will help maintain Ethiopia’s low emissions from the energy sector.</li> <li>b) Through many of its development efforts (e.g., agriculture, FFP, Democracy and Governance), USAID/Ethiopia is seeking to support <b>better management of the natural resource base</b>. This includes <b>watershed management, better soil and water conservation, improved grazing and animal husbandry practices</b>, and improved land management. While the primary intent of these programs is to promote resilience and economic growth within Ethiopia, many of these practices have the added benefit of promoting increased sequestration of GHG.</li> </ol>
<b>Actions to reduce GHG in the CDCS:</b>	<ul style="list-style-type: none"> <li>• USAID/Ethiopia will continue to invest in <b>clean and renewable energy sources through Power Africa</b></li> <li>• Through its <b>Title II program</b>, USAID/Ethiopia will continue its support in areas <b>watershed management, afforestation, soil and water conservation, improved grazing and animal husbandry practices</b>, and improved land management</li> </ul>
<b>Next Steps</b>	Where appropriate, further analysis will be conducted at the PAD level to help identify opportunities for incorporating technologies and approaches geared towards GHG emissions reduction as well as ways to capture these secondary benefits in a cost effective manner.

## **PART III: ADDITIONAL REQUIREMENTS FOR MISSIONS RECEIVING GCC FUNDS**

### **ADAPTATION TO CLIMATE CHANGE**

#### **3.1. Climate change in the region**

##### **How is Climate change a current stressor? How is climate change projected to be a stressor?**

Ethiopia is one of the most vulnerable countries to climate disasters, as witnessed during the recent drought of 2015 where over 10 million people were in need of food aid, and over 2 million school age children may have been forced to drop out of school. Owing to the rainfall distribution in Ethiopia, the direct impacts of this drought were most heavily felt in the low land and pastoralists areas. At the same time, parts of Ethiopia, both in the high and low lands, have experienced significant floods over the past decade, with over 100 people killed and 20,000 homes destroyed in 2016 alone. While the extent and duration of floods is usually smaller than those for a drought, floods often occur with little or no warning and can occur a significant distance for the precipitation event. Current climate projections suggest that these types of disasters are likely to become more frequent and larger in magnitude in the future. At the same time, climate projections suggest that temperatures will continue to increase across the country, and that rainfall will become more variable and less predictable in the future.

In the near term (i.e., next 5 – 10 years), it is likely that the biggest climate stressor to Ethiopia's development will be large scale disasters, primarily droughts. Many of the direct impacts of these disasters are highlighted elsewhere. However, it also needs to be considered that as disasters become more frequent or larger in magnitude, they are likely to have far reaching consequences across Ethiopia. For example, Ethiopia may be forced to spend more of its annual appropriations on disaster relief, as opposed to development, even as its GDP is negatively affected by these disasters. Furthermore, as young children are pulled out of school during disasters, it is unclear how this affects their long-term education and earning potential. At a minimum, it likely restricts the potential educated workforce in Ethiopia, especially in the low land and pastoralist areas. Ethiopia itself has already acknowledged that good governance is essential to further development, and maintenance of the current governance system. Large and long lasting climate disasters are likely to make governing even more difficult, especially in the low land and pastoralist areas. This may be especially true as the recovery time between disasters decreases, preventing people from rebuilding their assets and aspects of their social coping capacity.

Tied in with reduced livelihoods for the large percentage of Ethiopians engaged in natural resource based activities in drought prone areas, there is likely to be a reduction in household spending on education and health, further reducing household and community resilience. Therefore, while droughts typically materialize as direct impacts on agriculture, including pastoralism, the impacts will cascade through multiple sectors and even into non-affected geographies. Therefore these large scale climate disasters cannot simply be approached from a single sector, but require a more comprehensive approach, especially as future droughts are likely to have negative impacts on many of USAID's core programs.

Even as large scale disasters appear to pose the clearest and highest risk to Ethiopia, at least in the near term, there are longer-term trends that will also negatively affect Ethiopia’s transition into a resilient country. For example, increasing temperatures and increased variability in rainfall will affect the distribution and magnitude of certain disease outbreaks. While Ethiopia has not seen a significant outbreak of Malaria in more than a decade, owing to the enormous prevention efforts undertaken by the GOE and its partners, studies have suggested that increasing temperatures will allow Malaria to extend into highland areas. If the current efforts to strengthen the Malaria identification and prevent system do not include this understanding, Ethiopia could begin to experience outbreaks of Malaria in some highland areas where natural resistance to the disease is much lower. Similarly, increases in temperatures could force the farming of some crops, such as coffee, into higher elevations while making some crops non-viable in the low land areas.

Over the coming years to decades, Ethiopia will face a spectrum of climate risks that spread across spatial and temporal frames. Therefore, Ethiopia may need to consider a multi-faceted approach to climate change. In the near term, building systems and capacity to adequately address and respond to more frequent disasters, both droughts and floods, may need to be a priority. At the same time, given the climate projections, Ethiopia may need to consider developing better systems to forecast the occurrence of droughts and floods in order to position and most effectively implement response activities. These systems could be tied in with more seasonal forecasts intended to support shorter-term decision making by farmers and pastoralists. Even while building these disaster systems, there will be a need to begin mainstreaming the risks associated with long term trends into development and sectoral policies.

### 3.2 Studies and Analysis done to inform strategic planning around adaptation

The table below summarizes some of the studies and analysis done in Ethiopia, many of which were consulted to inform the CDCS.

<b>Studies and Analysis done for CDCS: Environment and Climate Change</b>		
Growth and Transformation Plan II (GTP-II)	GOE	2016
Second National Communication	GOE	2016
Climate Change Risk in Ethiopia: Country Fact Sheet	USAID	2016
Climate Resilient Strategy: Agriculture and Forestry	GOE	2015
Climate Resilient Strategy: Water and Energy	GOE	2015
Intended Nationally Determined Contribution	GOE	2015
What Power Africa Means for Ethiopia	USAID	2015
Climate Change to Impact Human Health in Ethiopia	WHO	2015
Climate change and conflict: An annex to the USAID climate-resilient development framework	USAID	2015
Africa’s climate opportunity: Adapting and thriving	ADP	2015
Ethiopia Climate Change Profile	Netherlands Commission for Environmental Assessment	2015
Ethiopia Country Profile	London School of Economics	2015
Climate Variability and Change in Ethiopia: Summary of Findings	USAID	2015



Climate Change 2014: Impacts, Adaptation, and Vulnerability: Regional Aspects: Africa	Intergovernmental Panel on Climate Change	2014
Climate change and livestock production in Ethiopia	Journal for Advances in Life Science and Technology	2014
Planning climate adaptation in agriculture: Meta-synthesis of national adaptation plans in West and East Africa and South Asia	GCIAR	2013
Potential impact of climate change on resilience and livelihoods in mixed crop-livestock systems in East Africa	World Bank	2013
Ethiopia Environmental and Climate Change Brief	Swedish Embassy	2013
Climate Change, Growth, and Poverty in Ethiopia	Robert S. Strauss Center	2013
Climate Change and Agriculture in East Africa	IFPRI and ASARECA	2013
EA Gender Assessment for Agriculture & Climate Change	DevTech Systems	2012
East Africa Regional Climate Change Profile	USAID	2012
Key Considerations and Opportunities for a USAID Climate Change Program in the East Africa Region: Implications of the costs Imposed by Climate Change in Three Eco-regions of East Africa.	International Resources Group	2011
Climate-Resilient Green Economy (CRGE)	GOE	2011
Potential impact of climate change on resilience and livelihoods in mixed crop livestock systems in East Africa	Report of a World Bank study by International Livestock Research Institute (ILRI),	2011
Ethiopian Program of Adaptation to Climate Change (EPACC)	GOE	2010
Water point mapping in East Africa: Based on strategic review of Ethiopia, Tanzania, Kenya, and Uganda	WaterAid	2010
Agricultural based Livelihood Systems in Drylands in the Context of Climate Change	FAO	2010
National Adaptation Program of Action (NAPA)	GOE	2007
The Impacts of Climate Change on Regional Water Resources and Agriculture in Africa	The World Bank Development Research Group	2007

### 3.3 Ethiopia's Climate Resilient Green Economy Strategy:

Ethiopia has been one of the most pro-active countries in terms of developing country wide plans to address climate change. In 2007 and 2010, respectively, the GOE developed National Adaptation Programmes of Action (NAPA) and Nationally Appropriate Mitigation Actions (NAMAs). Then, in 2011, Ethiopia developed what is currently their framework for addressing climate change, the Climate Resilient Green Economy (CRGE) Strategy. This initial document focused primarily on mitigation. However, in 2015 Ethiopia released the first of its sector wide

adaptation plans. So far the GOE has released plans covering the Agriculture, Forestry, Water and Energy sectors.

The GOE has also made significant efforts to mainstream the findings of these efforts into their overarching development plan, Growth and Transformation Plan (GTP II). As highlighted in the Climate Change Risk and Opportunities Report, many of USAID's programs and activities are already aligned with the priorities outlined in the GTP II. The new CDCS has been slightly adjusted to bring the Mission's programs into further alignment with the GTP II and to better ensure the GOE is aware of this alignment.

### **3.4 Future Climate Change impact on planned programs**

As noted throughout the CDCS, climate change is likely to affect some aspects of Ethiopia's development as well as USAID's programs more so than others. This variation is both geographically and sectorally based. For example, the agricultural sector, including pastoralism, is likely to be more affected than the education sector, and this impact is likely to be higher in the low land and pastoral areas. Therefore, USAID's programs need to not only consider the specific risks associated with each sector, but also the geographies in which those risks are likely to be more significant.

If not appropriately addressed, an increase in frequency and/or magnitude of climate disasters could have a large negative impact on Ethiopia's continued economic growth. In the near term, the biggest risk is likely associated with large-scale drought, though there is also increased risk from increases in localized flooding. Drought in particular will have direct impacts on the USAID's agriculture and FFP programs. However, it will also have secondary impacts on several of USAID/Ethiopia's other programs, such as education, democracy and governance and nutrition. Future increases in flooding could affect key transport infrastructure.

Long term trends in temperature and rainfall are likely to have impacts on many of USAID/Ethiopia's program, both directly and indirectly. The most obvious of these are effects on agriculture and the climate sensitive aspects of health programming. While these impacts may not materialize for a decade or more, the policy and behavioral shifts needed to adapt to these changes can take a significant amount of time to achieve.

In many ways Ethiopia is already addressing many of the most important climate stresses through their agriculture and Food for Peace programs. Furthermore, USAID/Ethiopia's general strengthening of the health system could play a key role in addressing negative effects associated with changes in the distribution and magnitude of disease outbreaks, if such strengthening is done with climate considerations in mind. Resilience has been given due consideration in the design of the new CDCS where the impact of climate change got greater attention. Furthermore, in order to minimize the risk of climate change, all Development Objectives (DO), Intermediate Results (IR) and Sub-IRs were screened for the impact of climate change and mitigation measures were identified. USAID/Ethiopia adopted the promotion of sequencing, layering, and integrating emergency and development intervention under different sectors for resilience (within and outside USAID investments) as one of development principles. A strong early warning system and a climate change responsive system development approach make the core of its strategic direction. As the Mission continues to support economic growth and resilience in Ethiopia, it will be

important to be ready to respond quickly and effectively to future climate disasters, as the cost to responding to such disasters increases with time.

## **CLEAN ENERGY:**

### **4.1. Low Emission Development Strategies (LEDS)**

Ethiopia's GHG profile is dominated by emissions from the agriculture sector, followed by land-use change and forestry (LUCF), and energy sector emissions. The agricultural activities that contribute the most to the sector's emissions are enteric fermentation (52%), manure left on pasture (37%), and burning of the savanna (4%).

Ethiopia's emissions grew by 86% between 1993 and 2011. The average annual change was 4%, with sector-specific annual change as follows: agriculture (3%), LUCF (5%), energy (4%), waste (2%), and industrial processes (16%).

**Agriculture:** Ethiopia's agriculture sector is characterized by subsistence-oriented, low input/low output farming with over 90% of cultivated land dependent on rain. The majority of the sector consists of smallholder farmers with less than two hectares of land. The eastern, pastoral part of the country is home to over half of Ethiopia's livestock herd, which is the largest in Africa. The grazing land in this area is mostly unsuitable for farming, while agriculture in the densely populated highlands is a mix of animal and crop husbandry. According to the Agricultural Transformation Agenda Progress Report, agricultural productivity remains exceptionally low in Ethiopia, with yields of smallholder farmers below Sub-Saharan Africa averages due to limited use of irrigation and improved seed and fertilizer. Furthermore, poor land management practices have led to severe land degradation. Differentiated interventions are necessary for the poorest farmers living in marginalized areas and/or on very small plots of land.

**Land Use Change and Forestry:** There is enormous pressure on Ethiopia's forests. Due to conflicting data sources and varied definitions of forests, determining a reliable estimate of forest cover and forest cover change in Ethiopia is challenging. The major direct drivers of deforestation and degradation are forest clearance and land-use conversion for smallholder agricultural expansion, promotion of large-scale commercial and state development investments in forest frontiers, illegal extraction and collection of forest products (mainly fuelwood collection and charcoal making), human settlement in forest areas, forest fires, and development of infrastructure and road networks. Indirect drivers of deforestation are the dependence of the rural poor on natural resources, rapid population growth, legal and institutional gaps such as the lack of stable and equitable forest tenure and property right arrangements, lack of a clear and standard definition and classification of forests, weak forest governance and law enforcement, and ineffective coordination among government agencies. Ethiopia has the potential to mitigate an estimated 2.76 billion tons of carbon through protection and sustainable management of forest resources.

### **4.2. Energy efficiency, renewable energy potential, and energy sector reforms**

Total primary energy supply more than doubled from 1990 to 2012, with biofuels and waste accounting for 93% in 2012, followed by fossil fuels with 6%, and 1% from renewables. The electric grid system consists almost entirely of renewable energy, nearly all from hydropower, with wind and geothermal. Ethiopia's Intended Nationally Determined Contribution (INDC) notes that 77% of the population lacks access to modern energy sources and relies on wood for fuel. Given rural households' use of fuel wood and lack of access to electricity, Ethiopia will develop biogas and reduce the demand for fuel wood by promoting efficient cook stoves

Carbon Intensity: GHG Emissions Relative to GDP.

#### **4.3. Transformational change in Ethiopia's public, private or civic sectors leading to strong economic growth and national-scale GHG emission reductions.**

GDP grew from US\$6.4 billion in 1991 to 23.1 billion in 2011 according to WRI CAIT. GDP grew faster than total GHG emissions, indicating that the carbon intensity of the economy in 2011 had decreased relative to 1991. The Climate Resilient Green Economy (CRGE) strategy aims to decouple economic growth from natural resource consumption and GHG emissions and sets a goal to achieve carbon-neutral growth and middle-income status before 2025, which will require increasing agricultural productivity, encouraging sustainable land use, building an industrial base, and fostering export growth and diversification. It will require decreasing the share of GDP contributed by agriculture and creating off-farm jobs in the services and industry sectors.

In its INDC, Ethiopia pledges to cap its 2030 GHG emissions at 145 MtCO<sub>2e</sub>, which equates to a 64% (255 MtCO<sub>2e</sub>) reduction from projected business as usual emission levels in 2030. The reduction includes 90 MtCO<sub>2e</sub> from agriculture, 130 MtCO<sub>2e</sub> from forestry, 20 MtCO<sub>2e</sub> from industry, 10 MtCO<sub>2e</sub> from transport, and 5 MtCO<sub>2e</sub> from buildings. The INDC is in line with Ethiopia's CRGE, Ethiopia's strategy for addressing mitigation objectives and climate change adaptation, whose implementation would decrease per capita emissions by 64%.

Ethiopia's [National Determined Contribution](#) (NDC) is one of the few the Climate Action Tracker rates as "2°C compatible." The "2°C compatible" rating indicates that Ethiopia's climate plans are within the range of what is considered to be a fair share of global effort but is not consistent with the Paris Agreement. Ethiopia's NDC would lead to a reduction of at least 64% below the Ethiopian business-as-usual (BAU) scenario by 2030. The corresponding GHG emissions reduction target for 2030, excluding LULUCF, is 40% below BAU, or 185 MtCO<sub>2e</sub>, which is the emissions level used to rate the emissions reduction target. Full implementation of the NDC is conditional on finance, technology transfer and capacity building support under the framework of Ethiopia's Climate Resilient Green Economy Strategy (CRGE) strategy, which is integrated in its national development plan GTP II (Second Growth and Transformation Plan).

The mitigation efforts will focus primarily on the forestry sector, which is expected to contribute with a reduction of 130 MtCO<sub>2e</sub>. The forestry sector, however, is not included in our rating as it is difficult to analyse it with effort sharing approaches (due to data uncertainty and dependency on country-specific circumstances). Ethiopia intends to use international carbon credits to meet its target.

Ethiopia's NDC is based on the Climate Resilient Green Economy Strategy (CRGE) strategy, which is integrated in its national development plan GTP II (Second Growth and Transformation Plan). If policies are successfully implemented, the NDC target could be achieved in 2030. Uncertainty remains on the effectiveness of current policies in place, which is reflected in a range of current policy projections.