

**Pooling of Technical Assistance
in the context of Sector-Wide Approaches (SWAps)**

Ethiopian Case Study

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Contents

| | |
|--|-----------|
| ABBREVIATIONS..... | 4 |
| SUMMARY | 5 |
| | |
| 1 INTRODUCTION | 6 |
| | |
| 2 THE BROADER CONTEXT..... | 7 |
| 2.1 COUNTRY BACKGROUND..... | 7 |
| 2.2 DEMOCRATISATION AND REFORM..... | 7 |
| 2.3 SECTOR REFORMS AND DEVELOPMENT PROGRAMMES..... | 9 |
| | |
| 3 POOLING OF TA: DEFINITIONS..... | 11 |
| 3.1 THE EXPERIENCE OF ETHIOPIA WITH TECHNICAL ASSISTANCE | 11 |
| 3.2 THE UNDERSTANDING OF TA IN ETHIOPIA..... | 12 |
| 3.3 CAPACITY BUILDING INITIATIVES..... | 12 |
| | |
| 4 POOLING PROGRAMME FUNDS, INCLUDING TA..... | 13 |
| | |
| 5 STATUS OF TA POOLING | 14 |
| | |
| 6 ISSUES FOR DISCUSSION | 16 |
| | |
| 7 CONCLUSIONS..... | 18 |
| | |
| REFERENCES | 19 |

Abbreviations

| | |
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| ADB | African Development Bank |
| CSRP | Civil Service Reform Programme |
| DGIS | Directorate-General for Development Cooperation (the Netherlands) |
| ECDPM | European Centre for Development Policy Management |
| EPRDF | Ethiopian People's Revolutionary Democratic Front |
| ESDP | Education Sector Development Programme |
| GDP | gross domestic product |
| GNP | gross national product |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit (Germany) |
| HSDP | Health Sector Development Programme |
| IDA | international development agency |
| JDTAM | Joint Donor Technical Assistance Mission |
| JICA | Japanese International Cooperation Agency |
| MCB | Ministry of Capacity Building |
| MEDAC | Ministry of Economic Development and Cooperation |
| MOE | Ministry of Education |
| MOF | Ministry of Finance |
| MOH | Ministry of Health |
| PMO | Prime Minister's Office |
| SDP | sector development programme |
| SIDA | Swedish International Development Agency |
| SSTAF | Social Sector Technical Assistance Fund |
| SWAp | sector-wide approach |
| TA | technical assistance |
| UN | United Nations |
| UNFPA | United Nations Fund for Population Activities |
| UNICEF | United Nations Children's Fund |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |
| WHO | World Health Organization |

Summary

Pooling refers to initiatives that bring together donor funds to support the policy objectives of a developing country. Technical assistance (TA) is defined here as the transfer, adaptation, mobilisation and utilisation of services, skills, knowledge and technology. It includes expatriate and national, short- and long-term personnel, training support, equipment, consultancies, study visits, seminars and various forms of linkages. TA pooling is seen as the integration of TA into a single management and financing framework under the recipient country's ownership.

It is hoped that this review of the Ethiopian experience will contribute to the wider process of learning and thinking about the requirements of pooling initiatives, such as sector-wide approaches (SWAPs) and budget support programmes, among donors and recipient governments. The paper also explores the range of reforms introduced by the government since 1991, including the multi-year sector development programmes in roads, education, health and agriculture. Among these, the social sectors – education and health – represent the most complete and advanced SWAPs, using a broad range of TA

The donors and the government agree on the advantages of pooling TA, including that it: (a) places the government in control of resources, allowing flexibility of allocation on the basis of set priorities; (b) increases efficiency, in that the government does not have to deal with individual donors, and vice versa, and resources are managed from one pot; (c) encourages sectors and regions to use TA since the cost is not deducted (offset) from their budgets; and (d) tends to drive harmonisation because once funds are in a common pot, it makes sense to use a single set of guidelines for accounting, access, reporting and audit.

In view of the capacity gaps that existed in the social sectors, it was realised that TA was an area where fragmentation among donors, with each donor requiring that the government comply with a different set of procedures to access the TA, would be unhelpful. The pooled TA was to be used to build the capacity for programme implementation, including the subsequent management of service delivery. It was under this understanding that in 1998 a proposal was made to pool TA funds to support the implementation of the social sector development programmes. Following preliminary discussions on the proposal, terms of reference were developed for a study, including arrangements for setting up the fund. Unfortunately, the study was not carried out, nor was the fund put in place, for various reasons, but primarily because the donors lost interest as a result of the war with Eritrea.

During the formulation of the social sector development programmes, donor agencies demonstrated an unprecedented level of collaboration, both amongst themselves and with the government. However, they chose not to meet their implementation commitments because of the outbreak of the war with Eritrea. Some donors withdrew their support completely, and those that did not continued with traditional forms of project assistance, including bilateral TA. Donors need to think about how they can better influence government decisions: by remaining in the system and continuing to work with the authorities, or by withdrawing support. In the case of Ethiopia, their withdrawal has resulted in a significant loss of trust that will require major efforts to rebuild.

There has been some recent progress in rebuilding that lost trust. Monthly donor/government meetings on the education and health sector programmes have restarted. Many of the bilateral donors that were previously involved in these sectors have resumed their discussions with the government, including the finalisation of the proposal for the social sector TA fund, which is expected to lead to pooling.

1 Introduction

In response to the increasing criticism of development cooperation, the search for new aid delivery mechanisms to enhance capacity development is high on the agenda of many international donor agencies. In this context, sector-wide approaches (SWAPs) and other proposed new initiatives such as the pooling of funds for technical assistance (TA) are seen as means to reduce the fragmentation of externally funded development activities. They are also seen as ways to encourage country ownership and reduce the administrative burden on developing country governments.

Pooling refers to initiatives that bring together donor funds to support the policy objectives of a developing country. Technical assistance is defined here as the transfer of, adaptation, mobilisation and utilisation of services, skills, knowledge and technology. It includes expatriate and national short- and long-term personnel, training support, equipment, consultancies, study visits, seminars and various forms of linkages. TA pooling refers to the integration of TA into a single management and financing framework under the recipient country's ownership.

This discussion paper highlights the findings of a study on pooling of resources for TA in Ethiopia. It is one of the six studies commissioned by ECDPM on behalf of the Netherlands Ministry of Foreign Affairs (DGIS). The other studies were undertaken in Botswana, Mali, Mozambique, Tanzania and Uganda. This study, which is not as extensive as the other five, involved interviews with the staff of multilateral and bilateral donor agencies and government officials. It is hoped that this review of the Ethiopian experience will contribute to the wider process of learning and thinking about the requirements of pooling initiatives, such as SWAPs and budget support programmes, among donors and recipient governments.

This paper is divided into five sections. Section 2 provides information on the broader context within which TA pooling is being attempted. Section 3 presents an overview of the types of TA that can be observed in Ethiopia. Section 4 describes developments in pooling general resources and TA in the sector development programmes (SDPs). Section 6 offers some points for discussion in the wider debate on the application and usefulness of TA pooling, and the conditions necessary for its success. Finally, section 7 presents some concluding remarks.

2 The Broader Context

2.1 Country Background

Political instability and civil conflict over a period of 25 years have had major implications for Ethiopia's economic and social development. In 1980 the GDP growth rate was at par with or below the rate of population growth, but the gap widened as the internal conflict intensified. Between 1985 and 1989, for example, the GDP growth rate was about 1.5% per year, whereas the population increased by 2.95% per year. In addition to its cost in terms of the diversion of resources that could have been used for development, the civil conflict severely disrupted development activities.

According to a government report (MEDAC, 1999), following the end of the conflict in 1991 and the adoption of a new economic policy in 1992, GDP grew at an annual average rate of 5.5% during 1993–98, with sectoral growth rates of 3.4% for agriculture, 7.3% for industry and 7.7% for services. This was a marked improvement on the average annual growth rate of 2.5–2.9% for the period 1980–91. The end of the internal conflict also saw the reorientation of public expenditures towards social and economic development. Between 1990 and 1997 the share of government expenditures on education increased from 11.9% to 17.9%, and on health from 3.5% to 5.8%.

Ethiopia paid very dearly in terms of both human life and material prosperity for the border conflict with Eritrea, which started in May 1998 and continued to 2000. Although the exact cost to the economies of the two countries may never be known, hundreds of millions of dollars that could have been used for development were sacrificed. According to the World Bank (World Bank, 2001), Ethiopia's defence expenditures rose from less than 3% of GDP before the conflict to an average of 10.7% in 1999 and 2000.

At USD 110, Ethiopia's GNP per capita is one of the lowest in sub-Saharan Africa. According to the World Bank, over 30% of the population are living below the internationally accepted poverty line of one dollar a day, and the education and health indicators are also among the lowest in the world. This dire situation is clearly reflected in the UNDP Human Development Index for 1999, where Ethiopia ranked fifth from the bottom.

The government's policy of economic liberalisation and agriculture-led industrialisation (1992), which emphasised agriculture as the engine of growth, has had some success in terms of increased economic growth, and reductions in inflation and the trade deficit.

2.2 Democratisation and Reform

Following the overthrow of the socialist-oriented military government and the end of the civil conflict in 1991, the Ethiopian People's Revolutionary Democratic Front (EPRDF) formed a transitional government that included, for the first time, representatives of several other political groups. Since taking power, the current government has introduced a wide range of reforms that signified a radical change in the country's political structure. These reforms include:

Democratisation

The government began the democratisation process by allowing several political parties to exist, and holding multi-party elections at the national, regional and local levels. Even though the elections fell short of being entirely free and fair, many Ethiopians believe that the fact that they were held at all was a notable improvement on the one-party rule of the previous government. The elections, however, were marred by accusations and counter-accusations between the ruling party and the opposition, as is the case in countries where neither political pluralism nor political tolerance has been nurtured.

Decentralisation

The current political system is federal in nature and has a constitutionally mandated four-tier decentralised system (federal, region, zone and *woreda*) with nine regional state and two urban administrations, each with its own constitution and elected body. Ethnicity has been used as the main basis for regional demarcations. With the devolution of power to the regional governments, responsibility for implementing economic policies and development programmes has, to a large extent, been shifted from the centre to the regions. Each regional and urban administration is enshrined with authority to control the civil service and to manage other matters, including the collection of certain taxes and decisions on development priorities and budget allocations.

Public sector reforms

The process of democratisation was followed by economic liberalisation and the introduction of a market economy, which resulted in the reduction of the role of the state in the economic sector. The transfer of many of its economic engagements to the private sector has substantially downsized the role of the public sector. Because there are some enterprises it could not transfer to the private sector, the government is still active in the economy. This has seriously compromised its capacity as well as public trust in its ability to act as a fair regulator and facilitator of the country's economic activities. There has been a marked increase in private sector involvement in areas previously restricted to government, such as real estate, banking and insurance. As in many other countries in the region, the state remains the main provider of services such as health and education. Although as yet the private sector plays a minor role in providing these services, mostly in urban areas, it is highly likely that it will increase in the foreseeable future.

Civil service reforms

The government began the process of reforming the civil service in 1994 by establishing a task force to examine its weaknesses and to provide recommendations for improvement. In its report (January 1996) the task force concluded that the civil service is affected by many shortcomings, including its inability to cope with the changing environment, needless and time-consuming procedures, inadequate delegation of responsibilities, poorly trained and underpaid staff, the increasing incidence of corrupt practices, and so on. The government accepted the report and preparations for the Civil Service Reform Programme (CSRP) began in 1997. The reforms focus on the areas of expenditure management and control, including budget, accounts and cash management, as well as in financial information systems and audit. The CSRP also includes changes in human resource management, service delivery and top management systems, with the goal of capacity building. Under sustained pressure from the international financial institutions, the government committed itself to fully implementing the reform programme by September 2002. Series of workshops and seminars have been underway for some time to introduce the CSRP to the authorities and civil service officials at both federal and regional levels.

Civil service restructuring

As recently as late 2001 the government also restructured itself. The most significant change has been the devolution of power from the Prime Minister's Office (PMO) to sector ministries, although some of the tasks of the PMO have been transferred to three newly established 'super-ministries' – the Ministries of Capacity Building, Rural Development and Infrastructure. These are umbrella institutions with mandates to lead and coordinate the activities of relevant line ministries. The restructuring has also involved the creation of a new Ministry of Revenue Administration, to which various functions and personnel will be transferred from other ministries. This loss of personnel, particularly at ministerial and senior management level, from the sector ministries has created an 'information gap' that has affected the ongoing dialogue regarding the pooling of TA. Donors who are keen to revive the dialogue have reported that their efforts have not been successful so far, and our attempt to explore the situation also met with failure. The situation has been made worse, we believe, by the creation of an institution, the Ministry of Capacity Building, which is responsible for coordinating capacity building at the national level. Sector institutions are currently unclear of their role in building capacity, including technical assistance arrangements.

2.3 Sector Reforms and Development Programmes

Following the launch of the agricultural development led industrialisation strategy in the late 1990s, the government introduced several multi-year sector development programmes (SDPs) in roads, education, health and agriculture. Among these, the social sectors, education and health, have the most complete and advanced SWAp.

Social sectors

Recognising that an educated and healthy workforce is critical for the empowerment of society to carry out its economic activities and to effectively shoulder its political and social responsibilities, the EPRDF government gave top priority to two sectors – health and education. Policies and strategies for reforming the two sectors were developed in 1994. The general education system was changed from three tiers to four, with two streams after the third tier (grade 10), and the health service system was changed from six to four tiers (local health posts, health centres, district hospitals and referral hospitals). A 20-year development plan was then prepared for each sector.

The government presented the education and health sector development programmes to the international Donor Consultative Group in December 1996, and they generated a great deal of interest. At the donors' request, the plans were further developed in late 1997 or early 1998. To support the process the donors launched joint donor technical assistance missions (JDTAMs) for each sector. The missions, which included both Ethiopians and international consultants, collaborated with government counterparts to elaborate and refine the two programmes, which had a five-year timeframe (1998–2002) and covered all public activities in each sector. The budgets, which covered recurrent as well as capital expenditures at regional as well as federal levels, would be funded by donors as well as the national treasury. The programmes were to be implemented following government systems and procedures.

In view of previous experiences and working arrangements, the donors set a number of conditions. The government had to agree to the formation of joint steering committees at central and regional levels, joint annual reviews and monthly joint sectoral meetings. It also had to accept to use a programme implementation manual (PIM), which established procedures for procurement and the disbursement of funds, regardless of source. Timely and complete financial reporting was one of the conditions the government tried to comply with immediately. The Ministry of Finance embarked on introducing the reporting formats provided in the PIM and also building its reporting capacity by training financial staff in the regional finance offices as well as in each sector.

The education and health sector programmes have gone the furthest towards full sector development programmes. Each has a programme action plan (PAP) and an implementation manual, which provide agreed (between the government and donors) financial management and monitoring, procurement and supply arrangements. The first programmes are now nearing completion and similar cooperative exercises have begun to review the government's draft plans for ESDP 2 and HSDP 2.

The SDPs envisage an expansion of health and education services across the country. From the outset, attention was paid to building capacity at all levels of implementation, in particular to address the uneven distribution of capacity between the centre and the regions, and among the regions. Although the SDPs tried to identify and to budget for TA to address these problems, in the process it was found that there are difficulties in programming TA expenditures. In particular, it is difficult to anticipate TA requirements in advance, and it is difficult for traditional donor sources to respond quickly to meet identified needs. It is also difficult to budget precisely and in advance for TA because the costs vary greatly depending whether local or foreign sources are used. Further, the regions have little incentive to budget for TA if the amounts are offset against other expenditures. Thus the idea of pooling TA was suggested as the best means to address the capacity problems effectively and efficiently.

Roads sector

The ten-year road sector programme (the first phase, 1997–2002, is now under way) aims at upgrading the main roads of the country. A priority list of roads was drawn up, from which donors selected the roads or stretches of road they considered most important to support. Construction firms are chosen on the basis of the donors' tendering procedures and rules and regulations. The management of the programme is gradually being taken over by an independent Roads Authority, although a number of donors expressed concern at its lack of capacity to manage this complex sector, and are therefore providing traditional long-term TA as a way to fill the capacity gap.

Agriculture sector

For many years, the approach to agricultural development in Ethiopia involved area-based programmes, including rural development projects such as the Chilalo Agricultural Development Unit in the Arosi zone. These were abandoned in the 1990s in favour of countrywide programmes. The first of these, launched in 1994, focused on the use of fertilisers to increase food production in areas with relatively high potential with adequate reliable rainfall. The second programme covers areas where rainfall is limited and unevenly distributed, and the third (started in 1999) focuses on livestock production. Although the aim of these three initiatives is to improve food security, there is no coherent management strategy, and responsibilities for various elements of the programmes are scattered among various ministries and agencies. For example, extension services are under the Ministry of Agriculture, fertilisers under a special agency, and irrigation under the Ministry of Water. The UNDP is helping to address capacity problems with TA in the form of workshops and short-term training, mainly for field-level extension staff.

3 Pooling of TA: Definitions

In the literature and among donors and government, there is a wide range of understandings of TA and pooling. In Ethiopia the definition of TA includes consultancies, studies, short-term gap-filling assignments, training in country or abroad, and study visits, seminars, etc. Improving the working conditions for those involved in programme or project implementation, such as providing office equipment, vehicles, and so on, have been added to the definition in recent years.

3.1 The Experience of Ethiopia with Technical Assistance

Ethiopia has been using TA of different types and under different arrangements for many years. Most donor-assisted projects have had some sort of TA components. All World Bank (IDA) credits, UNDP country programmes, and bilateral assistance from donors such as SIDA have included TA in the form of short-term consultancies or training for capacity building. There are few examples of non-donor managed pooled TA resources. One of these (now completed) was not really pooling, since it involved only one donor, but it is nonetheless an interesting example of cooperation. The other could be regarded as pooling.

The first non-donor managed TA exercise was a Swedish programme based in the Ministry of Economic Development and Cooperation (MEDAC). The Swedish government (SIDA) placed a sum of money at the disposal of the government for capacity building, without specifying the sector for which the funds were to be used. MEDAC collected requests from interested ministries and other government agencies and then set priorities for training. MEDAC was not required to send staff to Sweden for training; the only condition was that the training programme should not exceed six months.

In the second example of non-donor managed TA pooling, a number of donors (14 during the initial phase in May 1997) participated in the review and finalisation of the education and health programmes in November 1998 by contributing expertise for their various components. For these missions some donors opted to hire local rather than international consultants. This was the first time that all donors supporting these sectors agreed to create a pool of consultants, who were then organised into teams according to their areas of expertise rather than specific areas of interest of the sponsoring donors. Similar joint TA missions were also used for two annual and one mid-term review missions. This same arrangement has been put in place to review the government's proposals for and to support the finalisation of ESDP 2 and HSDP 2 currently underway.

The donors and the government agree on the advantages of pooling TA, including that it:

- places the government in control of resources, allowing flexibility of allocation on the basis of a set of priorities;
- increases efficiency, in that the government does not have to deal with individual donors, and vice versa, and resources are managed from one pot;
- ENCOURAGES SECTORS AND REGIONS TO USE TA SINCE THE COST IS NOT DEDUCTED (OFFSET) FROM THEIR BUDGETS; AND
- tends to drive harmonisation because once funds are in a common pot, it makes sense to use a single set of guidelines for accounting, access, reporting and audit.

3.2 The Understanding of TA in Ethiopia

During discussions with donors and government officials it became clear that, as in many other countries, TA can refer to interventions other than the attachment of personnel to provide technical advice, and to transfer knowledge and skills for capacity building. TA can also be understood as the provision of expertise to fill capacity gaps in crucial areas, as well as some form of institutional support to improve the working environment. Thus TA could include the provision of expatriate or locally hired personnel for a fixed period, expatriate and local short- and long-term consultancies, training, workshops, seminars, study visits, vehicles, office equipment (mainly computers), and so on.

In the past, TA was taken to be synonymous with the provision of expatriate advisers, often recruited from the donor country (except in the case of multilateral agencies), usually to fill what were called technical positions. These experts were usually involved in advising top officials in the areas of policy development, planning, and the development of standard procedures for the procurement of goods and services using donor funds, etc. The situation has changed, however, and expatriate TA personnel are now deployed in schools, colleges and hospitals, as well as in line positions in the ministries. During interviews, Ministry of Education officials reported that a large number of teachers obtained through bilateral TA (JICA, GTZ, and others) from different countries are working in teacher training colleges and other higher education institutions. UN agencies such as UNFPA, WHO and UNICEF have also provided a number of locally employed physicians to assist in the Ministry of Health. In view of the recent expansion of hospitals and technical high schools and colleges, and the shortages of skilled local staff, it is likely that the need for these kinds of TA could increase considerably.

3.3 Capacity Building Initiatives

Recognising the country's lack of capacity – in terms of institutions, working systems and human resources – to implement its various reform programmes, in 1998 the government launched a national capacity building strategy. In order to implement the strategy, the government reorganised the executive branch, and created several new line ministries. One of these, the Ministry of Capacity Building (MCB), was conceived as an umbrella institution that would bring together and coordinate the currently fragmented capacity building activities under one integrated operation.

The proclamation providing for the reorganisation of the executive organs (Proclamation No. 256/2001) gave the Ministry of Capacity Building a wide range of powers and responsibilities, although full details of how the Ministry intends to discharge them have not yet been released. However, the proclamation states that 'it shall: initiate national capacity building policies, prepare programmes and budget and upon approval implement; ensure that the necessary capacity is created for the national capacity building; supervise and coordinate the executive organs of relevant federal institutions (education, science and technology commission, federal civil service commission, management institute, and so on); support the regions in promoting capacity building activities; and perform other activities necessary for the enhancement of capacity building'. Each region will also have offices to coordinate capacity building at different levels. It is unclear whether the new Ministry's responsibilities include TA or not.

4 Pooling Programme Funds, including TA

One of the assumptions underlying sector-wide approaches or sector development programmes (SDPs) is that funds from different donors and the government will no longer be used for different purposes, but will be channelled into a common account to finance jointly agreed activities. At the initial stage of the Ethiopian SDPs, the donors strongly supported the concept of pooled budget support, not only for TA but also for the overall flow of aid to the programmes. Some donors expressed that they were prepared to move in this direction once the programmes were ready for implementation. In the case of the education SDP, the donors were no doubt encouraged by the existence of a clearly stated sector policy (education and training policy 1994), a well defined strategic framework with coherent links among sub-sectors and appropriate institutional arrangements for programme delivery, and the fact that government resources were included in the programme budget framework. In a review of the preparations for the sector programme, a team of donor-funded international consultants noted that: ‘...the Ethiopian ESDP is unequalled in the scope and detail which has been achieved in applying the principle across the whole education sector. It is special in that the structure is flexible enough to accommodate vastly varying conditions and access to resources across the country, and is able to accommodate any number of different strategies adopted by different regions’ (Martin *et al.*, 2000).

The collaboration between the government and donors, and among donors themselves, to field joint donor technical assistance missions (JDTAM) to elaborate the SDPs, and the subsequent development of a proposal for the establishment of the Social Sector Technical Assistance Fund (SSTAF) to support implementation could also be taken as indications of the common interest in pooling. In view of the capacity gaps that existed in both the health and the education sectors, it was also realised that TA is an area where fragmentation among donors, with each donor requiring that the government comply with a different set of procedures to access the TA, would be unhelpful. The pooled TA was to be used to build the capacity for programme implementation, including the subsequent management of service delivery at the centre, region and *woreda*/district levels. The donors and the government reached a general agreement on the need for a memorandum of understanding stating explicitly how the funds would be accessed and used.

To address the issue of harmonisation, the donors and the government jointly commissioned a study by an international consultant. The study report noted that ‘freestanding projects with individual donors guided by respective donor agreements create significant transaction costs for the GoE in meeting multiple donor conditions and reporting requirements’. The report further suggested that ‘going with SWAs or a programme approach rather than freestanding projects may produce a better opportunity to harmonise conditions and focus the attention of the partners on key objectives and outputs for sector development. From a donor perspective the important issue is whether they can subscribe to the programme objectives and its content. From a harmonisation point of view it means agreeing among themselves (donor harmonisation) and with the GoE on a common set of indicators (be it process indicators, output or outcome indicators) and procedures which they jointly monitor’ (Oksanen *et al.*, 1998).

5 Status of TA Pooling

When interviewed, government and donor representatives indicated that there is no ongoing pooling of TA in Ethiopia except for the joint missions. All, however, mentioned the proposal made in 1998 for pooling TA funds to support the implementation of the social sector development programmes. Following preliminary discussions on the proposal at a Central Joint Steering Committee meeting, TORs were developed for a study, and arrangements for setting up the fund. Unfortunately, the study was not carried out, and the fund was not put in place, although individual donors did provide TA to support the implementation of the sector programmes.

Table 1. Types of TA pooling in Ethiopia

| Full Pooling | Mixed Pooling | Loose Pooling |
|---|---------------|--|
| Social Sector Technical Assistance Fund (under advanced discussion) | | Joint Review Technical Assistance Missions (individually financed pooled expertise) |

A number of reasons could be put forward to explain why this seemingly excellent basis for a pooling process has not been finalised. Perhaps the primary reason is that in the time it took to develop the documentation to the stage that it was possible to move to implementation, donor interest had dissipated due to the war with Eritrea. In addition, although the initial idea was jointly developed and agreed, the proposal was drawn up by donor-employed consultants. It was not a cooperative enterprise involving the government, including the regions, and it is highly likely that this reduced the government's sense of ownership. Other contributory factors were the debate between donors and the government on the need for a memorandum of understanding (MoU), and the complexity of the actual implementation modalities (which came to light only later, in the process of drafting the MoU). Another issue concerned budgeting – whether or not the resources for TA would be ‘offset’ from regional allocations. Although it was later agreed that they would be ‘off-budget’, by the time MEDAC and MOF had resolved the issue, most donors had lost interest.

Following an SDP review meeting in October 2000 a task force was set up to come up with practical suggestions to facilitate the implementation of ESDP 2 and HSDP 2. In its report, the task force observed the ‘reluctance by federal and regional government agencies to use their own budget and those from donor resources that they control to finance national or international TA for capacity building purposes. This is because of its high cost’ (MOF, 2001). Noting that three months of internationally recruited TA would cost as much as one new primary school, the report concluded that ‘no matter what the needs are, regional councils will find it difficult to budget such high amounts for TA. The task force is aware of this difficulty, but is also aware that well placed TA can be cost effective, as it can help remove serious implementation bottlenecks’. Based on these observations, the task force recommended that the Social Sector Technical Assistance Fund (SSTAF) be formally established. It also suggested that the fund should be ‘off-budget’, and that withdrawals from the fund should not be offset against existing budgets. The TA should focus on helping federal institutions prepare key inputs needed by all regions, and on consultants or training to help remove implementation bottlenecks faced by the regions. The task force report noted that the government made it clear that it would be prepared to use local experts as TA when available, and expatriates when necessary.

The ‘like-minded’ bilateral donors (Belgium, Ireland, Norway, the Netherlands, Norway and Sweden) have recently decided to set up common funding arrangements for the second health sector programme (HSDP 2), which in effect means pooling their resources. They engaged a team of consultants drawn from the participating agencies to carry out a strategic assessment of pooling (Chabot *et al.*, 2002). The SIDA representative nominated to coordinate the team has indicated that the group will proceed in

a similar way as for ESDP 2, and that dialogue and consultations with all donors will continue. USAID, the World Bank and some other donors have expressed interest in joining the group. The like-minded group is currently preparing a working paper, which is to be presented to all donors.

This group of donors has suggested that the recent restructuring of ministries has delayed the discussion on pooling. The Social Sector Central Joint Steering Committee has been split into two, and the role of the Ministry of Capacity Building with regard to TA seems unclear. It is uncertain whether or not each line ministry will be responsible for its own TA requirements for capacity building. An attempt by the like-minded donors to discuss this issue with the line ministries and to move forward the proposal for the Social Sector Technical Assistance Fund has so far not succeeded.

6 Issues for Discussion

What was remarkable from our discussions was the level of certainty about the advantages of pooling general programme funding as well as funds for TA for capacity building. Both donors and the government feel that pooling would be particularly beneficial in Ethiopia today because of the decentralisation and other reforms that are due to take place. Decentralisation will involve the devolution of major decision-making power to the districts and *woredas*, which will be expected to carry out their own development planning, prioritisation of programmes, budget allocations, and so on.

There is a shortage of skilled manpower and a disparity in the capacity of regions versus the *woredas*. The process of decentralisation is to start with those regions that are believed to be best prepared as of the Ethiopian fiscal year beginning in July 2002. The rest are to follow in the next fiscal year. Some civil servants from regional and zonal offices will be relocated to the *woredas* to augment the numbers of trained personnel at that level. However, dispersing the already limited number of skilled civil servants will not make overall government operations more efficient. It is therefore essential that the government and donors come to some kind of agreement on the issue of pooling TA funds in order to increase the numbers of trained staff.

During the launch of the first social sector programmes (ESDP 1 and HSDP 1) the requirements and importance of capacity building in all senses (the need for personnel with the required skills and thus for training, more manpower and equipment) were recognised but were not fully addressed. The regions and the federal level had included capacity building in their original five-year plans, in the expectation that a large capacity building effort would take place 'up front'. This did not happen, however, due to the slow release of donor funds. Some donors withdrew because of the conflict with Eritrea, and the situation deteriorated further. SWAs, by their nature, require considerable effort to formulate and put in place. The issue now is how to ensure that these processes are not hijacked by unforeseen changes in the political positions of the donors who encouraged the government to go in that direction in the first place.

One of the marked policy differences between the current government and its predecessor is that civil servants are now allowed to leave the system. For well educated officials in particular, the expansion of private sector and donor activities has offered tremendous opportunities. The civil service system has been hit hard by this loss of experienced personnel, and the situation is worsening. Donor agencies attract many civil servants, often their former contacts, by paying them up to ten times their government salaries. These same people are then assigned back to their former institutions as advisers (TA), adding to the demotivation of the civil servants who remain, and increasing their desire to leave. For example, the WHO and other donors assign local hospital physicians as advisers to the Ministry of Health. As part of its civil service reform programme and to try to stem the outflow of personnel, the government recently (2002) introduced new salary scales, but even with these increases salary levels are still well below what the market offers. The loss of personnel from the civil service, which has already started to affect its capacity, is likely to continue until the market is saturated, and this does not seem to be in sight. Under these circumstances, it is appropriate to ask whether the government should insist on local TA, or encourage at least some foreign TA.

During the formulation of the first SDPs donor agencies demonstrated unprecedented levels of collaboration amongst themselves and with the government. They chose not, however, to meet their implementation commitments because of the outbreak of the war with Eritrea. The World Bank and the African Development Bank (ADB) were the only agencies to keep to their commitments to provide sector budget support. Some donors withdrew their support completely, and those who did not continued with traditional forms of project assistance. Government officials insist that this is a repeat of what happened to the UNDP-initiated programme approach in 1990. They have gone through the same experience of formulating programmes, which ended up being a classic UNDP country programme, and amounted to a waste of resources and energy. Donors need to think about how they

can better influence government decisions: by remaining in the system and continuing to work with local authorities, or by withdrawing support. In the case of Ethiopia, their withdrawal has resulted in a significant loss of trust that will require major efforts to rebuild. There has been some recent progress in rebuilding that lost trust. Monthly donor/government meetings on education and health have restarted, and many of the bilateral donors that were previously involved in these sectors have reactivated their discussions with the government.

7 Conclusions

This paper has attempted to reflect on the various reforms that have been under way in Ethiopia since the change of the country's political and economic environment. Encouraged by the international financial institutions and other donors, including various UN agencies, the government has embarked on a series of reforms. These include the adoption of SWAs as a means to promote economic and social development. Some of the support promised during the formulation of the reform programmes, particularly of the SDPs, did not materialise for various reasons, the conflict with Eritrea being the most important.

The most advanced sector programmes, HSDP and ESDP, are now coming to the end of their first phase. Both government and donors claim that they have achieved far more than would have been possible from projects. Whatever the outcome, it is likely that the failure of (mainly bilateral) donors to support the implementation of these programmes has created a credibility gap between them and the government. The government feels strongly that it made a number of changes to its procedures in the broader SDP context to accommodate the donors' requirements, but that these were not met with positive responses. The government and the donors therefore need to rebuild a framework of trust and partnership as they prepare for ESDP2 and HSDP 2.

The situation for TA is not likely to be different. Attempts to develop a system to pool TA funds have so far been unsuccessful. The need for more and better TA is expected to increase as decentralisation moves down to the *woredas*. This may mean not only providing short-term support such as consultants, workshops, studies, etc., but also expanding and/or developing tailor-made training programmes to address specific skills gaps. It is therefore expected that the issue of pooling TA will require far more attention than it received in the first phases of the education and health sector programmes.

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