

ETHIOPIA COUNTRY REPORT 2008

<p>Background and debt sustainability</p>	<p>Ethiopia is one of the largest and most populous countries in Sub Saharan Africa, with an agrarian-based economy and 44% of the population living below the poverty line. Per capita GNI is US\$170. It reached its HIPC decision point in November 2001, and its completion point, including topping up of debt relief, in April 2004. It is using HIPC indicators to assess external debt sustainability, and CBP indicators to assess domestic and total sustainability. As a post-HIPC and post-MDRI country it has highly sustainable external debt but its domestic debt burden is unsustainable. Ethiopia is rated as moderate risk of debt distress in 2008 on the basis of the latest DSF-DSF. In order to maintain long-term debt sustainability Ethiopia is aware of the need to focus on new public sector borrowings and to strengthen its expertise for domestic debt market and strategy analysis.</p>
<p>CBP support and impact</p>	<p>The HIPC CBP began working with Ethiopia in July 1998. During Phases 1-3, the CBP conducted a demand assessment mission, three national strategy workshops and three follow-up missions. The March 1999 workshop and May 2001 follow-up mission strengthened Ethiopia's capacity to prepare for its HIPC decision point, and the August 2003 workshop helped them prepare for their completion point. The CBP also played an active role in supporting Ethiopia with the lobbying arguments necessary to receive an additional US\$ 700 million (in PV terms) of topping up of relief at completion point. In 2004, CIDA provided co-financing of C\$100,000 which funded the 2004 national strategy workshop, at which Ethiopia demonstrated it had a team capable of updating the national debt strategy analysis and national trainers in debt data, external debt strategy and macro analysis. CIDA also funded Ethiopian participation at a regional training event, and two students on the distance learning programme.</p> <p>So far in Phase 4, CBP core funds have been used to conduct one institutional mission, which reviewed the institutional framework and designed a National Capacity Building Plan; and two national strategy workshops, in which three national officials acted as resource persons. Ethiopia also had six successful graduates, one with a distinction, in the first distance learning intake, and one student is participating in the second intake.</p> <p>As a post-HIPC and MDRI country, the focus of the 2007 national workshop was on new external financing and domestic strategy, to ensure Ethiopia's debt remains sustainable. The 2008 workshop focused on DSF training and updating the national analysis. The results indicate that as long as the macroeconomic environment remains favourable and the Government continues to rely primarily on grants and concessional loans, external debt will be sustainable in the medium to long term. Government has also held sensitisation seminars for parliamentarians on debt issues. However, to date the Government has not formally adopted the national debt strategy, but has instead been using it to guide policy decisions.</p>
<p>CBP support and impact</p>	<p>As can be seen in the table below, as a result of the CBP assistance, Ethiopia has strengthened its technical expertise to prepare a debt strategy, using national personnel, and is regularly updating its strategy analysis. As a result, its debt strategy self-assessment scores have risen from 2 when it joined the programme to 3.6 at the start of Phase 4. Although Ethiopia has the capacity to prepare a high quality strategy analysis, there are weaknesses in formal adoption and implementation of the strategy. Phase 4 has focused on the institutional framework (its score has risen from 3 to 3.6) and training more personnel (rising from 2 to 4), through the distance learning programme, participation at training for trainers events and consistent on-job practice through the national team regularly updating the strategy analysis. There has also been the development of a national capacity building plan, although improvements in implementation are needed.</p>

Objectives and content of proposed country assistance	<p>The current priorities for reinforcing Ethiopian capacity (and activities envisaged for the remainder of phase 4) are:</p> <ul style="list-style-type: none"> • Conducting an institutional support mission to review and recommend any improvements to the legal and institutional framework for debt and new financing management, update the national capacity building plan and present a proposal for donors to fund capacity building post-Phase 4 (either independently or as part of a regional organisation). • Participation at Anglophone regional workshops to enhance Ethiopian knowledge of the DSF by training trainers • Finalisation of the studies of the two Ethiopians currently in the distance learning programme. <p>With these activities Ethiopia is expected to substantially achieve its targets shown in the table below.</p>
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Country Debt Strategy Progress

Progress and Intended Results	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">CBP Logical Framework Performance Indicators</th> <th style="text-align: center;">Initial Score</th> <th style="text-align: center;">Phase IV Baseline</th> <th style="text-align: center;">Current</th> <th style="text-align: center;">Phase IV Target</th> </tr> </thead> <tbody> <tr> <td>LT 1. Debt sustainability</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">4.0</td> <td style="text-align: center;">5.0</td> </tr> <tr> <td>MT 2a. Debt management strategy updated at least once a year.</td> <td style="text-align: center;">2.0</td> <td style="text-align: center;">3.6</td> <td style="text-align: center;">3.6</td> <td style="text-align: center;">4.6</td> </tr> <tr> <td>MT2b. High-quality legal and institutional frameworks for debt strategy</td> <td style="text-align: center;">2.0</td> <td style="text-align: center;">3.0</td> <td style="text-align: center;">3.6</td> <td style="text-align: center;">4.4</td> </tr> <tr> <td>ST 3a Availability of trained personnel capable of formulating and executing national debt strategies</td> <td style="text-align: center;">1.0</td> <td style="text-align: center;">2.0</td> <td style="text-align: center;">4.0</td> <td style="text-align: center;">4.0</td> </tr> <tr> <td>ST 3c. High-quality capacity building plans which are implemented and annually updated.</td> <td style="text-align: center;">1.0</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">2.0</td> <td style="text-align: center;">4.0</td> </tr> </tbody> </table>	CBP Logical Framework Performance Indicators	Initial Score	Phase IV Baseline	Current	Phase IV Target	LT 1. Debt sustainability	5.0	5.0	4.0	5.0	MT 2a. Debt management strategy updated at least once a year.	2.0	3.6	3.6	4.6	MT2b. High-quality legal and institutional frameworks for debt strategy	2.0	3.0	3.6	4.4	ST 3a Availability of trained personnel capable of formulating and executing national debt strategies	1.0	2.0	4.0	4.0	ST 3c. High-quality capacity building plans which are implemented and annually updated.	1.0	1.8	2.0	4.0
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Expenditure and Budget	<p>Overall spending on Ethiopia since the start of CBP activity has been US\$507,020. The budget allocated to events to support Ethiopia in phase 4 is US\$299,082, which is to be financed from core as well as some non-core funds. Ethiopia has sharply reduced the needs for core financing of CBP activities in recent years by providing training facilities, equipment, administrative support and transport, as well as three national resource people.</p>
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