

### **Annex 3**

#### **Indicators and targets for DFID PRGS from Joint DBS matrix**

1. DFID will monitor the effectiveness of budget support through the Common Monitoring Framework outlined in Section 3.x of the Project Memorandum. This Annex details how DFID will draw indicators for PRSG from the Joint DBS Policy Matrix.
2. The status of all indicators in June each year will be reported on in the Annual Progress Review process in December. All thematic and sectoral reviews will have taken place in time to inform the APR. DFID will use the APR process to dialogue on progress against a subset of indicators. DFID are not specifying in advance a mechanistic financial response to particular actions, unlike other donors. This process will be described further in the proposal for multi-annual DBS in mid-2004.
3. The first draft of the Matrix was written by the government and drawn from the SDPRP. The process for refining of the matrix in discussions during the period May to December 2003 was aimed to keep government ownership, and to ensure that all donors could use the indicators and targets agreed for DBS purposes. Moreover, non-DBS donors were involved in discussions to ensure the DBS donors did not distort the policy dialogue. This means the indicators do reflect a compromise between a wide range of partners in order to meet our harmonisation objectives.
4. There is one key area where the Joint DBS Matrix will be supplemented: macroeconomic stability, which will be monitored under the PRGF.
5. The Joint DBS Matrix targets for 2004/05 will be revised during the next few months to ensure they reflect recent policy changes and that they are realistic. Provisional indicators for 2005/06 will be added in late-2004 on the basis of sector review findings (Sept-Oct 2004) and GoE work to cost MDGs during 2004. The next SDPRP will be written during 2005, covering a five year rolling framework which will be substantively updated every three years. This will mean that at any point there will be a three year time horizon.

#### Focus areas

- A. Economic Growth
  1. Macroeconomic stability
  2. Environment for growth: financial and private sector; trade
- B. Four CAP core themes
  1. Food Security
  2. Education
  3. HIV/AIDs
  4. Capacity Building
- C. CAP/MOU systems
  1. Public Financial Management
  2. Democratic Governance

### 3. SDPRP monitoring and evaluation

Other MDG areas on which Ethiopia will report routinely through the SDPRP include:

1. Health
2. Environment

#### **A. Environment for pro-poor economic growth**

##### **A1 Sound macroeconomic management**

UK direct budget support will be dependent on continued implementation of sound macroeconomic policies, demonstrated by continued progress with the PRGF programme. [The next formal review of the PRGF, the sixth and final review, will take place between May (mission) and September (Board decision). It is expected that a successor PRGF will follow immediately.] If the conclusions of discussions are delayed – either by a delayed mission or incomplete negotiations – DFID will review the circumstances and reflect this in the design of the next planned multi-annual DBS operation.

##### **A2 Financial and private sector and trade development**

Conditionality between the IMF and the World Bank is well streamlined with the IMF focusing on macroeconomic management and relatively few structural/sectoral areas. The one appropriate exception is the banking sector – at least the reform of the dominant Commercial Bank of Ethiopia. The slow pace of reform has implications for monetary policy and encouraging the take-up of private sector credit; and the IMF has a comparative advantage in policy dialogue in this area. The World Bank are the lead donor in dialogue with government on a wide range of sectors and themes important for revising the role of the state and encouraging the private sector. These issues are critical for implementing the SDPRP. As DFID DBS is not conditional upon World Bank PRSCs (unlike the PRGF), indicators of an improved environment for growth need to be reflected in DFID's bilateral aid agreement.

The private sector in Ethiopia has only been in existence since 1991 before which all property was nationalised. There are a number of key areas where the government needs to act to encourage private sector development from this very low base. The indicators chosen reflect several key bottlenecks: reform of the banking sector that goes beyond that in the PRGF (led by the World Bank); government involvement in infrastructure and utilities (initially telecommunications); and trade integration, explicitly WTO membership.

Indicator	Progress to date	Targets	
	2002/03	2003/04	2004/05
<b>Outputs</b>			
Banking system: reduction of NPLs for CBE and DBE	51%	36%	29.2%
<b>Inputs/actions</b>			

Increased strength of the banking system	Satisfactory restructuring plan for the Commercial Bank of Ethiopia commenced.  Timed programs of reduction of NPLs through collection, foreclosure, rescheduling, etc.	Satisfactory implementation of CBE restructuring plan  Implementation of restructuring plan for the Development Bank of Ethiopia  NPL reduction continued	Satisfactory implementation of DBE restructuring plan (i.e. according to planned schedule)  NPL reduction continued
Improved enforcement of competition policy	Appointment of Competition Commission, implementation plan for Competition Secretariat	Finalisation of Commission & Secretariat, and formulation of regulations, with Private Sector consultation	Test new regulations in two sectors and publication of results
Telecoms sector		Revised telecommunications policy allowing for partial liberalization	Implementation of relevant actions from policy statement
Reduce the role of the public sector in commercial activities		Commence implementation of agreed measures for accelerating privatization program	Enterprises brought to the point of sale per new action plan.
Trade Policy	Submission of application of accession to WTO	Submission of Memorandum on Foreign Trade Regime to WTO	Government staff and Private Sector representatives trained for negotiations

## B. Four CAP core themes

### B1. Food security and vulnerability

The key policy issue which the DBS Matrix will assist in policy dialogue relates to GoE adopting a new approach to reduce the number of chronically (or predictably) food insecure people. The key output indicator is an increase in the number of predictably food insecure people benefiting from the Food Security Programme's multi-annual productive safety nets (including public works, conditional transfers and programmes for the most vulnerable). The corresponding input indicator – differentiated public response to predictable and unpredictable food insecurity – focuses on legislative and institutional changes that will ensure people are transferred systematically from the DPPC to the safety net programmes.

Indicator	Progress to date		Targets	
	2002/03		2003/04	2004/05
<b>Outputs</b>				
Number of predictable food insecure people benefiting from FSP's multi-annual productive safety nets, including public works, conditional transfer programs and other programs for the most vulnerable			1.5 million	3 million

<b>Inputs/actions</b>			
Differentiate public response to predictable vs unpredictable food insecurity	Refocused DPPC's mandate on needs of unpredictable food insecurity caseload	Define institutional arrangements, implementation modalities and monitoring mechanisms for a system of multi-annual productive safety nets and begin implementation	Expand implementation of multi-annual productive safety nets

## B2. Education

The main objectives are to increase access, completion and quality of education. The indicators are consistent with PSA targets, although the enrolment target is presently on a gross basis rather than net due to data availability constraints – an internationally comparable figure is not available due to poor quality of data on age of students in grades. The output indicators provide a basis for DFID to engage on the key issues of participation, quality and equity. The input indicators underpin these satisfactorily by addressing the key constraints of (i) adequate finance for education, especially primary education and non-salary budgets critical to improving quality; and (ii) capacity for education planning and monitoring.

<b>Indicator</b>	<b>Progress to date</b>		
	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>
<b>Outputs</b>			
Primary (1-8) Gross Enrolment Ratios (%)			
- Boys	73%	75%	78%
- Girls	53%	57%	62%
- Total	63%	66%	70%
Textbook/pupil ratio for core subject for Grades 1-8	--	TBD	TBD
Pupil :Teacher ratio (1-8)			
<b>Inputs/Actions</b>			
Increased Access, Completion & Equity	Effective Joint Review Mechanism in education.	Effective Joint Review Mechanism in education linked to Aligned Calendar.	Effective Joint Review Mechanism in education linked to Aligned Calendar.
Adequate budget for education, especially for primary education services		Sector ARM reviewed next FY's (2004-5) draft budget proposals and provided feedback to MOFED/MOE.  Sector JRM reviewed previous FY's (2003-4) pre-actual expenditures and provided feedback to MOFED/MOE.	Sector ARM reviewed next FY's (2005-6) draft budget proposals and provided feedback to MOFED/MOE.  Sector JRM reviewed previous FY's (2004-5) pre-actual expenditures and provided feedback to MOFED/MOE.
Staff with adequate skills in policy analysis, planning and monitoring skills and educational management		Complete training for federal and regional personnel in educational policy trade-off analysis and planning tools.	
Strengthen performance monitoring process across Federal, Regional and Woreda tiers of service delivery	Ministry develops regional and woreda performance indicators and targets for their feedback and	Complete dissemination and discussion of key sector indicators and targets at sector ARM 2004.	Complete review of 2004 sector performance data against agreed targets and discuss at the 2005 JRM

	comments.		
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### B3. HIV/AIDSs

The main objective is to halt and begin to reverse the spread of HIV/AIDSs. The indicators are consistent with PSA targets, in particular UNGASS targets. The DBS Matrix indicators for HIV/AIDSs capture both 'Prevention' as well as 'Care and Support' activities, despite much debate during finalisation of the Matrix to look only at prevention. The final output targets are more realistic than earlier suggestions also. In the next round of dialogue on the Matrix, DFID may argue for an indicator relating to strengthening support provided for orphans and vulnerable.

Indicator	Progress to date	Targets	
	2002/03	2003/04	2004/05
<b>Outcome</b>			
HIV Prevalence among 15-24 year old pregnant women.	12%	11%	10%
<b>Outputs</b>			
% HIV +ve pregnant women from ANC receiving a complete course of ARV prophylaxis to reduce the risk of MTCT*	1%	15%	20%
% of people with advanced HIV infection receiving ARV treatment	4000 (1.3%)	12000 (4%)	24000 (8%)
<b>Inputs/actions</b>			
Strategic framework for implementation	Initiate review of current HIV/AIDS strategy	Complete, adopt and start implementation of revised HIV/AIDS strategy	
Database established and used	Establish joint MOH and HAPCO committee to facilitate piloting of an HIV/AIDS biological survey	Conduct of HIV/AIDS pilot biological survey	Report on the pilot survey and conduct the HIV/AIDS biological survey (if feasible)
Strengthen support provided for orphans and vulnerable children	Remove stigmatization by eliminating cause of parental death as criteria for HAPCO support		

### B4. Capacity Building

Capacity building is one of the pillars of the SDPRP and cuts across the matrix, in particular the "Democratisation and Governance" and "Improved Public Institutional Performance" themes. The six sub-themes within are clustered in a large, federal level sector wide programme (PSCAP) that has support from several donors including DFID and is coordinated by the World

Bank. A number of CB indicators are covered in other sections of this paper but of particular relevance are: a legal framework clarifying roles and functions at regional and woreda level; confirmation of the regional transfer mechanism; accountability mechanisms at local level; and alignment of various processes with the SDPRP (to note that the indicators for the latter two are missing from matrix though targets are identified).

Indicator	Targets		
	2002/03 (Progress to date)	2003/04 (Planned)	2004/05 (Planned)
<b>Democratisation and Governance</b>			
<b>Outcome</b>			
Legal framework for functional assignment in Woredas	Regional constitutional amendments effective for division of power between 430 Woredas & respective 4 Regional Governments (Tigray, Amhara, Oromyia and SNNP)	Revised legal framework for functional assignment established in 430 Woredas (in Tigray, Amhara, Oromyia and SNNP)  Legal framework for functional assignment established in Woredas in affirmative seeking 5 Regional Governments	Legal framework for functional assignment established in remaining 60 Woredas in affirmative seeking 5 Regional Governments (Afar, Somali, Benishangul-Gumuz, Gambella & Harari)
<b>Outputs</b>			
Formal fiscal transition for decentralisation implemented in all reforming regions	Establishment of federal specific purpose capacity building or PSCAP program to support transformation at the federal, regional, and local level	House of Federation approval of updated Grant Formula to federal/regional transfer system  Cabinet approval of fiscal decentralisation strategy for municipalities and woredas	Implementation of fiscal decentralisation policy including recurrent transfers to municipalities and capital funding mechanism for municipalities and woredas
No indicator for Outcome C.5 ("Enhanced accountability for decision making and service delivery in woredas and municipalities")		Manual for system developed for transparent, integrated organizations of public institutions & for citizens to hold accountable electorates and civil servants  Service standards for urban services established  Guidelines for citizen participation at municipal level established	

## C. CAP/MOU systems

### C1. Public Financial Management

As set out in the Fiduciary Risk assessment, GoE is revising its programme of financial management reform, EMCP, in the light of CFAA/CPAR recommendations with DFID support. This will constitute a credible, monitorable action plan meeting DFID's fiduciary risk requirement. The matrix includes a key output referencing this process and then a range of detailed progress indicators on individual components of EMCP reforms: planning, budgeting, accounts, audit, cash management, IT systems and procurement which can be seen in the full annex. DFID will base its ongoing fiduciary assessment on monitoring the implementation of the finalised EMCP Strategic Plan within PSCAP. This is expected in April 2004 and before DFID's multiyear budget support is approved.

Indicator	Progress to date		Targets	
	2002/03		2003/04	2004/05
<b>Outputs</b>				
Review and integrate EMCP Strategic Plan with civil service reform programme			Adoption by MOFED and BOFEDs of EMCP Strategic Plan.	

To underpin sound budgeting at federal and sub-federal levels, the government has also established a new financial calendar. The next steps are to operationalise this calendar by implementing key steps such as the Public Expenditure Plan – an important step in the budget preparation process for linking recurrent and capital budgeting. A directive on strategic planning is a target for June 2004.

Indicator	Progress to date		Targets	
	2002/03		2003/04	2004/05
<b>Outcome</b>				
No indicator for Output C1 (Aligning the SDPRP, the planning and budget cycle, sectoral review cycle, and integrating DBS donors with the government fiscal calendar)	MoFED issuance of directive on financial calendar; and implementation of two actions (Cabinet approval of MEFF for 04/05-06/07; and MOFED issuance Indicative Planning Figures for Federal regional subsidy and federal specific purpose grants)		Revise the financial calendar and issue a directive on strategic planning management, consistent with MEFF, PIP/PEP and annual budgeting cycle	Implement financial calendar

## C2. Democratic governance

The proposed indicators and targets are the result of a recently established dialogue between the international community (donors and ambassadors) with the government, chaired by the Prime Minister's Office and involving the Ministries of Foreign Affairs, Capacity Building, Finance and Economic Development and Women's Affairs Office.

	Indicators		Responsible/ implementing agency
	2003/04	2004/05	
<b>Indicators</b>			
Law reform			
Revised and implemented public consultation mechanism for parliament	Enhance the parliament's public consultation mechanisms in its law making process with a view to strengthen the participation of the public, civil society and other stakeholders.	Open, timely and properly resourced mechanism in place for consultations	Council of Peoples' Representatives
Human rights			
Establishment of Human Rights Commission and Ombudsman	The names of the commissioners for the Human Rights Commission and the Ombudsman's Office will be announced	Operational establishment report, establishing baseline of cases dealt with/complaints	Council of Peoples' Representatives
Elections			
Elections administered and implemented in accordance with the Ethiopian Constitution	National Electoral Board to take appropriate actions in preparations for the 2004/05 elections (such as civic education and equal access to the media)	National Electoral Board to continue taking appropriate actions in preparations for the 2004/05 elections (such as civic education and equal access to the media)  Election will be held according to the Ethiopian Constitution	National Electoral Board
Judicial independence			
Well trained judges, merit and competency based selection of judges to build career judiciary	Complete the establishment of a judicial training center at the federal level with all the necessary facilities  Make public the names and qualifications of all newly appointed judges	Complete training curriculum for continuous professional development of judges and prosecutors  Complete a study on judicial conduct and accountability in judicial administration	Federal Supreme Court  Ministry of Capacity Building  Council of Peoples' Representatives
Gender			
National Action Plan on Gender drawn	Initialize National Action Plan on Gender	Complete the preparation of National Action Plan on Gender  Submit the National Action Plan on Gender to the Cabinet	WAO

### **C3. Monitoring and evaluation system**

M&E arrangements for all donors providing DBS support are linked with GoE's Annual Progress Reviews of the SDPRP. To improve the existing system based on the experience of the first APR, the government needs to finalise and begin implementing an M&E Action Plan to strengthen data collection and improve analysis and dissemination capacity in the Central Statistics Authority and the Welfare Monitoring Unit. Though government has yet to officially circulate the Plan, CSA and MoFED/WMU have prepared a proposal for selected activities drawn from the Action Plan and submitted it last week to the DAG-CG for funding. The CSA/MoFED proposal includes plans for developing a poverty research agenda jointly with others and for more effective dissemination of poverty data and findings to a range of stakeholders. The proposal thus represents an important opportunity for dialogue on implementation as well as the overall system. Government are also considering a donor proposal to hold a stakeholder workshop on M&E as a means to initiate, and ideally institutionalise, the dialogue. Another important step taken by Government has been to recently approve a Data Access Directive. Having said this, achieving a more systematic engagement of non-state organisations in monitoring and evaluating the SDPRP will require more concerted action by government and donors. In this regard, donors are also considering a proposal by the NGO PRSP Task Force for civil society engagement with the SDPRP. Ethiopia will not achieve a good SDPRP M&E system overnight but the existing system, despite its weaknesses, does provide a foundation for the medium term. An Interim APR is now planned for August/September 2004 to dry run the system ahead of the second substantive APR on which DBS decisions will be made.

### **D. MDG areas on which Ethiopia will report routinely through the SDPRP**

#### **D1. Health**

<b>Indicator</b>	<b>Progress to date</b>			<b>Targets</b>	
	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2004/05</b>
<b>Outcomes</b>					
Infant mortality rate (97/1000 in 2000/01)					85/1000
Maternal mortality rate (871/100,000 in 2000/01)					750/100,000
<b>Outputs</b>					
Contraceptive prevalence	20%			22%	24%
EPI coverage as measured by proportion of children receiving DPT3 vaccination	50%			55%	60%
Proportion of deliveries attended by trained personnel	15%			20%	25%

## D2. Environment

Indicator	Progress to date	Targets	
	2002/03	2003/04	2004/05
<b>Outputs</b>			
% of population with access to potable water	33.7%	36.6%	39.9%