Title: **Implementation of the Paris Declaration on aid coordination: A literature review and a case study of the Ethiopian health sector**

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Acronyms

AFRODAD- The African Forum and Network on Debt and Development

APRs- Annual Progress Reports

ARM- Annual Review Meeting

CDC- Center for Disease Control

COVID- 19

CPA- Country Programmable Aid

CPIA- Country Policy and Institutional assessment

CSA- Central Statistical Agency

CSOs- Civil society organizations

DAC- Development Assistance Committee

DAG- Development Assistance Group

DAH- Development Assistance for Health

DPs- Development Partners

ECA- Economic Commission for Africa

EDHS- Ethiopian Demographic and Health Survey

EPRDF- Ethiopian Peoples´ Revolutionary Democratic Front

EU- European Union

FMoH- Federal Ministry of Health

GAVI- Global Alliance for Vaccines and Immunizations

GBS- General Budget Support

GDP- Gross Domestic Product

GFATM- Global Fund to Fight Aids, Tuberculosis and Malaria

GNI- Gross National Income

GTP- Growth and Transformation Plan

HEP- Health Extension Program

HIV/AIDS- Human Immunodeficiency Virus/Acquired Immuno-Deficiency Syndrome

HLF- High-Level Forum

HMIS- Health Management Information Systems

HPN- Health, Population, and Nutrition

HSDP- Health Sector Development Plan

IDA- International Development Association

IHP- International Health Partnership

IMF- International Monetary Fund

IMR- Infant Mortality Rate

IR-International Relations

JAS- Joint Assistance Strategies

JCCC- Joint Core Coordination Committee

JCF- Joint Consultative Forum

JRM- Joint Review Mission

LDC- Least developed Countries

MDGs- Millennium Development Goals

MDGPF- Millennium Development Performance Fund

M&E- Monitory and Evaluation

MoFED- Ministry of Finance and Economic Development

MTEF- Medium-Term Expenditure Framework

NDS- National Development Strategy

NGO- Non-Governmental Organization

NHA- National health Account

ODA- Official Development Assistance

OECD- Organization for Economic Cooperation and Development

OWNP- One WASH National Program

PASDEP- Plan for Accelerated and Sustainable Development

PBAs- Performance-Based Approaches

PD- Paris Declaration

PEFA- Public Expenditure and Financial Accountability

PEPFAR- President´s Emergency Plan for Aids Relief

PFM- Public Financial Management

PFSA- Pharmaceutical Fund and Supply Agency

PIU- Project Implementation Units

PMMS- Performance Measurement and Management Systems

PRS- Poverty Reduction Strategy

PRSPs- Poverty Reduction Strategy Papers

SDG- Sustainable Development Goals

SDGPF- Sustainable Development Goals Performance Fund

SDPRP- Sustainable Development Poverty Reduction Program

SWAp- Sector Wide Approach

SWG- Sector Working Group

TB- Tuberculosis

U5MR- Under five Mortality Rate

UHC- Universal Health Care

UK- United Kingdom

UN- United Nations

USA- United States of America

USAID- United States of Agency for International development

USD- United States Dollar

UNDP- United Nations Development Program

UNFPA- United Nations Fund for Population Activities

WASH- Water, Sanitation and Hygiene

WPAE- Working Party on Aid Effectiveness

Abstract

The aim of this literature review is to examine in detail the structure (architecture) of aid in Ethiopia´s health sector vis-à-vis the Paris declaration on aid coordination. The focus is giving a literature review on the previous and existing approaches to aid coordination by taking the Ethiopian health sector as a case in point. Significant number of literatures have explained and elaborated the issue and have contributed to give an overview of the challenges manifested in the Ethiopian health sector. As such, the thesis, by assessing various literature, stresses that, even though both donors and the Ethiopian government have made an effort to fully implement the PD, achievements have not been comprehensive. This is due to the fact that both the government and donor agencies are not fully committed to implement the Paris declaration to have one plan, one budget, and one monitoring framework, and the existence of weak enforcement mechanisms for donors that do not follow the PD principles´, absence of willingness, and the ability to change their (donors´) behaviors (policies, processes, and procedures) are at best questionable and at worst not real.

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Chapter One

1. Introduction

1.1. Purpose of the literature review

A literature review can be broadly referred to as a more or less systematic way of collecting and synthesizing existing research (Baumeister & Leary, 1997). By integrating findings and perspectives from several existing studies, a literature review can address research questions in a better way than a single study can. Literature review is important when the aim is to provide an overview of a certain issue or research problem, or to evaluate the state of knowledge on a particular topic. It can be used, for example, to create research agenda or simply discuss a particular matter (Synder, 2019). As such, this literature review examines in detail the structure (architecture) of aid in Ethiopia´s health sector vis-à-vis the Paris declaration on aid coordination. The focus is giving a literature review on the previous and existing approaches to aid coordination by taking the Ethiopian health sector as a case in point. Thus, the review examines the implementation Paris Declaration by looking into the main features, principles of the declaration.

As a background, after several attempts to reform the landscape of traditional aid approaches, the international community finally came up with the introduction of the Paris Declaration on Aid coordination and effectiveness in 2005. Based on this new approach to aid coordination and effectiveness, in 2011 the Busan High level Forum has also developed behavioral principles to `effective development cooperation practices´ (OECD, 2011, pp. 8). The five principles of Paris declaration, ownership, alignment, harmonization, managing for results, and mutual accountability, are considered as action-orientated roadmap to improve the coordination and effectiveness of aid and its impact on development. It puts in place a series of specific measures for implementation and establishes performance indicators that assess progress. It also calls for an international monitoring system to ensure that donors and recipients hold each other accountable – a feature that is unique among international agreements (OECD, 2005). I have observed that the donor community, mostly in Africa, has attempted to follow this declaration and subsequent coordination approaches. The motivation behind the call for coordination is that in recent decades, there is a proliferation of donors and fragmentation aid among an increasing number of countries and projects.

Since donor coordination in general is not meant only producing policies, approaches, and guidelines but to alter or modify behavior and to improve development results in the health sector. It is therefore necessary to explore the main issues that undermine the coordination of aid in health sector and come up with recommendations that can encourage donors as well as recipient country manage to achieve better aid coordination in the health sector. When we see previous health sector plans and relevant documents, the Ethiopian Health Sector Development Plan (HSDPs) had designed to strengthen donor coordination and improve health results in the country. The HSDP was initially developed based on Sector Wide Approach (SWAP) principle, which was introduced in health sector in Ethiopia in 1997 (FMoH, 1998, 2002). These coordination structures both at the country and sectors levels exist, but their full functionality remains a challenge. This challenge necessitates to take a closer look at aid coordination in health sector in Ethiopia by considering the principle of Paris Declaration.

The need to focus on health sector is that health is a complex sector, and it involves multiple actors, needs and financing streams. The substantial number of inflows of development assistance to Ethiopian health sector by donors have created challenges for harmonization and alignment efforts as well as the increasing difficulties of the government in adapting to the new aid architecture in health. This necessitated the need for all development actors in aid coordination to change in their behavior in order to make best use of the additional funding available for better health outcomes.

The review identifies the challenges of foreign donor coordination and problems that weaken the effective implementation of Paris Declaration in Ethiopian health sector. In such effort this review examines the existing knowledge of donor coordination and aid effectiveness. It will contribute towards a better understanding of the mechanisms employed in African context particularly in Ethiopia´s health sector and useful for health policy formulation, implementation and evaluation for donors and recipient country. Moreover, with in this domain of research, I hope that more scholars will be inspired to further research the circumstance surrounding foreign aid coordination.

1.2. Research question

Identifying the research question is the first stage in conducting a literature review. Based on the above objective, this literature review attempts to answer the following questions- Has development aid to Ethiopia (especially in health sector) been affected by the Paris Declaration? Particularly, has the Paris Declaration improved aid coordination in the Sector?

In order to succinctly answer the research question, it is important to look into these sub-questions:

- How was development aid in Ethiopia prior to the Paris Declaration?
- What are the principles of Paris Declaration?
- What factors have pushed the significance of implementing the Paris Declaration on aid coordination in Ethiopia´s health sector?
- How does the implementation of the declaration impact the Ethiopian health sector?

1.3. Research Method

The literature review is limited to focus on how development aid to Ethiopian health sector has been affected by the Paris Declaration and how the Paris Declaration has improved aid coordination in the sector. The Ethiopian health sector as a case in point, the review explores the main issues that undermine the coordination of aid in health sector and helped to outline future prospects to manage and achieve better aid coordination in the health sector.

1.3.1. Approach to the literature review

After identifying the purpose of the review and the research questions, the next focus point should be identifying the type of literature review that would be the most helpful and would make the greatest contribution. There are approaches that give some guidelines for conducting literature reviews. These are narrative, systemic and integrative reviews (Synder, 2019). And this literature review uses an integrative type of literature review. It is a type of approach that reviews, critiques, and synthesizes secondary data about research topic in an integrative manner so that new frameworks and perspectives on the focus area are generated. It summarizes existing literature to provide a more comprehensive understanding of a particular phenomenon (Ibid). The purpose of applying an integrative review method is to overview the knowledge base, to critically review and potentially re-conceptualize, and to expand on the theoretical foundation of the specific topic as it develops. As an integrative approach, the review solely based on secondary data, as such I have reviewed various documents, academic sources, working papers, books, articles, and relevant website-based research materials. Moreover, reports of the Development Assistant Group (DAG), the Organization for Economic Co-operation and Development (OECD) were applied. In such approach, there are strategies to be applied to enhance rigor in integrative review.

1.3.2. Literature Search Strategy

A search strategy involves identifying relevant literature and includes identifying searching terms and appropriate database and deciding on inclusion and exclusion criteria. Search terms and concepts can be words or phrases used to access relevant articles, books, and reports. For this thesis such terms and concepts were applied: foreign aid, Implementation of Paris Declaration, aid coordination, aid coordination in Africa, aid in health sector in Ethiopia. These terms are identified in accordance with the research question. My main motive to focus on this subject area is that I have a wide previous experience in the field working as project coordinator, program officer in aid sector particularly in non-governmental organizations in Ethiopia. Through my experience I had the opportunity to search and access most of the books and articles referred in the thesis over the years. There is always the tendency to search for literature that supports one's beliefs and ignore the contradicting literature (i.e. confirmation bias), has been frequently encountered in literature review. For instance, by only selecting some specific books, articles, journals, or even search term, we can end up with a very flawed research and missing studies that would have been relevant to our case (Myers & Dwall, 2015). So as to minimize the risk of confirmation bias, I have continually searched for literature that challenges and contradict my existing assumptions and hypothesis.

In addition, for the literature search I have followed the guidelines for literature search set by the department of International social welfare and health policy. Based on this guideline, I have searched the literature from ORIA, The Cochrane Library, Google Scholar, Research Gate and JSTOR. As per the guideline, from the OsloMet online library I accessed database and journals relevant for the research. And then I clicked the subheading database which are useful for social sciences and then it directly leads to oria.no. There are several databases for social sciences. Among these databases, I have used Academic Search Ultimate to find relevant documents. By using the Boolean/Phrase, for the first search phrase (S1) foreign aid, I have found 14, 831 results. For the second search phrases (S2) implementation of Paris Declaration, I have found 5 results. For the third term (S3) aid coordination, 163 hits were resulted. To synthesis and narrow the literature search, I have joined (S1) and (S3) together and found 20 hits, (S2) and (S3) resulted 2 hits. In such manner, I have managed to search in the database and find relevant documents such as books, articles, reports and reviews. At the end of the search, after applying all the relevant terms, I found 35 search results.

1.3.2.1. Inclusion and exclusion criteria

In the literature search, I have applied an inclusion and exclusion criteria. Based on this criteria I have selected results that are appropriate in fitting/conforming with the research question, based on the year of publication, language of the document, type of the document and publication, and geographic location of study. The inclusion/exclusion criteria are applied to most of the studies retrieved by the literature search, with the exception of government documents. I have managed to access the government documents from the official government websites and through my contacts in Ethiopia. Most of the relevant literature on the problem is included in the review, however the process of obtaining this literature can be challenging. For instance, computerized databases are effective, but limitations related to inconsistent search terminology and indexing problems have resulted only about half of the eligible studies. Thus, other recommended approaches to searching the literature include networking and applying my experience is considered. The decision of inclusion/exclusion is made using the titles and abstracts of the documents, and those that are clearly irrelevant are excluded.

1.3.3. Analysis and Discussion

This chapter analyzes and discusses several literatures written on the PD and aid coordination in Ethiopian health sector and attempted to respond the main research question of the review. Based on this, the chapter examines the principles of PD, assesses the existing mechanisms and challenges of aid coordination in the Ethiopian health sector.

1.3.4. Limitation of the review

Initially, the project aimed at supplementing the literature review with interviews with informants in relevant government ministries and in the US, UK and World Bank aid cooperation offices in Ethiopia. However, due to the ongoing cconflict, a sufficient number of informants were not available for interviews. Therefore, the master thesis is in the form of a literature review of the aid coordination debate, supplemented by a presentation and discussion of attempts to evaluate aid coordination in the Ethiopian health sector.

Like other studies, my thesis has limitation. By focusing on the PD and its implication to aid coordination in the Ethiopian health sector, it is difficult to get up to date information on the subject matter. Most of the literature materials were written before a decade and a few are recent but lacks specificity in focus on aid coordination in the Ethiopian health sector. None the less, this literature review should take a reader up to date on the present research status in the field.

Chapter Two

2. Theoretical framework of the review

2.1. Foreign aid from theoretical perspective

It is important to give a short description of foreign aid from theoretical perspective by referring some of the literature in the field. What are the motives to foreign aid? To answer the question, it is imperative to look it through the theoretical lens by analyzing the position of donors and receiving countries. For this reason, I would like to use the main theoretical paradigms of International Relation (IR), Realism, Liberalism and world system theory. First, according to Realism, it is a policy tool that originate during the Cold War to influence the political judgement of recipient countries in a bi-polar struggle (Morgenthau, 1962). And they see the state as the primary unit of analysis, that is states engage in international politics to achieve its material interests in order to maximize survival, security and power. Since realism sees foreign policy as a tool to fulfil state´s material interests, they see foreign aid as another mechanism through which they seek to maximize their relative power and security in international system (Pauselli, 2020). Second, as to Liberals, it is a set of programmatic measures designed to enhance the socio-economic and political development of recipient countries (Riddel, 1996; Opeskin, 1996). Third, as to world system theory, it is a means to influence the development path of recipient countries, encourage the unbalanced accumulation of capital in the world (Wood, 1986). Therefore, these three theories of International Relations (IR) are about what foreign aid is, and from a donor country perspective mainly, not what aid actually does for citizens in receiving countries. Does it help to bring cooperation (security, economic) compliance with the interest of donor countries in United Nations votes? Does it work in promoting poverty reduction, inequality, peace and economic growth? Attempting to give answers to these questions leads us to the debate on effectiveness of foreign aid.

The issue of foreign aid (bilateral and multilateral aid) and its motivation has long been debated among political science and economists. As to political scientists, the motives behind bilateral aid is that it is determined by the issue of political and diplomatic factors while economists have tended to argue on the impact of foreign aid on the recipient´s economy (Lin, 2000). In addition to these two schools of thought assertions, so as to analyze the dynamics of bilateral

and multilateral aid, it is important to see the issue from the recipient perspective. When we see the donor's perspective, one has to ask whether aid facilitates the recipient's economic development or has political or diplomatic motivations. Similarly, when seen from the recipient´s perspective, it can be said that distinctive development experience of particular donors has dictated the various features of their foreign aid programs. As a result, there may well be a need for recipient countries to make an evaluation of the proposed aid programs before deciding whether or not they should accept the entire packages.

According to Lin (2000), this is to say that the recipient´s economic development interest is also a decisive factor in determining the donor´s commitment. That means, program of aid that are negotiated with the receiving countries would mainly focus on infrastructure and labor-intensive projects, areas that would strengthen economic development. It is not only donors that determine or select their recipient country but also recipients are able to determine their preferred donors. From the donor approach point of view, since the aid package is committed to the recipient, receiving government recognizes its obligation to reciprocate whenever the need arises. In this context, foreign aid becomes a beneficial means in the process of any bilateral aid transactions. Donors have their own reasons to provide aid and while recipient countries will be obliged to the needs of the donors after they receive aid. That is why donors effectively convey its power and exert influence upon the recipients.

And drawing from the above theoretical paradigms of International Relation, a combination of factors determines the motives and the applicability of foreign aid in International relations. So as to produce high level of development cooperation states can be motivated by a combination of factors such as strategic, economic, humanitarian needs, and the alignment of national interest with the `cosmopolitan value´ (Pauselli, 2020). Having a brief discussion on the motives of foreign aid from theoretical perspective, we are going to look the debates surrounding the effectiveness of foreign aid in the literature.

2.1.1. Debates in foreign aid

The literature in the subject matter points that, historically, debates in the effectiveness of foreign aid has started since 1980s. During the 1980s and 1990s the issue of foreign aid was under increasing critics about the reasons for the poor performance of development and aid effectiveness especially in Sub Saharan Africa. These necessitated an abundance of research and a series of debates on the agenda. Particularly the debates have been intensified since 2001

through 2010, which led to the coining of the phrase the "Great Aid Debate" (Bigsten & Tengstam, 2015; Gulrajani, 2011). The issue of foreign aid to Africa has been for a long period of time a subject of controversy and the blame game. Even many argue to extent that, despite enormous flow aid to Africa for decades, the continent´s problem of underdevelopment is not solved, or it become worse. There is lack of consensus among experts on the effectiveness of foreign aid on development. Generally, these debates have been divided in two camps, between those who have radical or pessimistic view and reformist or optimistic view towards the effectiveness of foreign aid.

2.1.1.1.The reformist Camp

Two of the experts that are strong advocates of this camp are Gulrajani (2011) and Sachs (2005). As to Gulrajani (2011), optimistic camp of the development aid sees the `glass is half full´ and they fall into the managerial basket and arguing that aid has its problem but can be improved if it is better managed. Sachs (2005) argue that foreign aid, in terms of humanitarian and health goals, has been a success, as a result what is needed is to increase the amount of aid if it could bring sustainable growth. Others also assert that if it hadn´t been for foreign aid, things might be a lot worse. Most aid reformers share an idea of improvement that emanate from managerial logic. Managerialism is defined as a 'set of beliefs and practices, at the core of which burns the seldom-tested assumption that better management will prove an effective solvent for a wide range of economic and social ills' (Gulrajani, 2011, pp. 204). The salient feature of managerialism is a relatively uncritical acceptance of corporate management in all administrative contexts. This system gained acceptance as a global principle of government reform, so as to reduce cost and enhance efficiency in the public sector. Present day aid reformers are posetive adherents of managerial logic for aid administration and planning to facilitate improvement and higher performance (Gulrajani, 2011). The proponents of managerial logic for aid reform suggest that aid works better in good institutional and policy environments, which mainly has been dependent upon to justify the World bank´s decision to allocate aid financing on the basis of recipient rankings on international benchmarks of good governance.

The proliferation of systems, tools, techniques and practices such as performance measurement and management systems (PMMS), result-based management illustrate the widespread belief of abstract practices in aid and their acceptance as vehicles for enhanced results. Result-based management is mostly prevalent in the aid sector, for example targets like the Millennium Development Goals (MDGs) or Paris Declaration (PD) on Aid Effectiveness indicators, global

rankings assessing everything from transparency, competitiveness and human development and intelligence gathering to assess employee performance (Ibid).

In terms of development aid, the idea is that by employing market and entrepreneurial techniques, it is possible to challenge the slowness of aid bureaucracy and to achieve aid effectiveness. Based on such assumption, the Paris Declaration in 2005 represent a managerial agenda agreed among the OECD donors. And the subsequent Third High Level Forum in Accra in 2008, the OECD donors agreed to increase action on the five principles and to include the `emerging´ donors and civil society (OECD, 2012).

2.1.1.2. The Radicalist camp

As opposed to the reformist/optimists, others believe that foreign aid has been ineffective due to the fact that it serves the interest of those few who are engaged in aid business. Experts like Bauer (in Schleifer, 2009) and Moghalu (2014), are radical or pessimistic view to foreign aid that it even exacerbates the cause of development on the continent, for the fact that aid brings in more money than private capital inflows, a culture of dependency is created, which erodes civil initiatives and dynamism that hinder the process of development. It leads to corruption of funds and resources by recipient governments, which in turn weaken state capacity to govern and reduces legitimacy with their people. Many believe that foreign aid money neither goes where it was intended and nor helps to bring development (Park, 2019). Such perspective combines neo-Marxist (left) and neoliberal (right) perspectives in denouncing foreign aid. As a radical view, it seems to agree that foreign aid is unnecessary at best, harmful at worst. As such foreign aid has been for so long been at the center of poverty reduction debates especially concerning Sub-Saharan Africa. Some foreign aid recipient countries have achieved better governance have received more foreign aid as compared to those who have registered low in governance. However, as to proponents of this perspective, the positive impact of aid should not be exaggerated, as most countries aid might have failed to achieve its intended purpose of poverty reduction and promoting economic growth. Most Sub Saharan African countries have often been described as corrupt and incompetent personnel in government institutions who have embezzled, and misappropriated aid money given for development (Thirwal, 1989).

Radicals on the right such as economist like Easterly (The White Man´s Burden, 2007) and Dambisa Moyo (Dead Aid, 2009) assert that aid has failed to achieve its developmental aims at the same time it creates dependencies that keep countries poor and worsen the burden of

poverty. Their recommendation is to replace with market-based policies that can address the root causes of poverty deriving from lack of access to capital and insufficient trading opportunities.

Radicals of the left (neo-Marxist) are inspired by the social theory of Michel Foucault, and some of prominent advocates are Escobar (1995), Fergusen (1994) and Rist (2002). They share the aid skepticism of the radical right and argue that the under-developed poor countries and their citizens look for foreign aid is to satisfy their need for advancement and modernity without directing their capability on their own social and political transformation. The neo-colonial business of Western aid suppresses the autonomy, ownership and agency of local communities and citizens by the power of its representation and maintain the continuation of poverty and underdevelopment. Programs and projects such as poverty reduction justifies the existence, intervention and perpetuation of the aid industry and its elites, who rely on foreign aid as source of power. As a result, neo-Marxist recommend that there is a need to look beyond development, advocating termination of aid planning architecture and aid experts, and encouraging local social movements and local practical knowledge.

Both neoliberal and neo-Marxist share common criticism on foreign aid. First, both agree that it is the politico-administrative system within which foreign aid is situated that is blamed as a source of failure. Second, the aid industry sustains peripheral states such as most African states, dependency on benevolent interests in global core. Third, the aid industry that justify its existence through poverty reduction does not sufficiently target or alleviate structural problems of underdevelopment, for example the asymmetric power relation in the capitalist system. Last, the aid apparatus depends for its survival on the continuation of poverty and underdevelopment (Gulrajani, 2011).

2.1.1.3. Finding a common Ground (A synthesis approach)

After evaluating these two competing camps, the reformist and the radicals, Gulrajani (2011) suggests there is a need to find a common ground between the two opposing camps or views of whether or not aid works would facilitate the re-theorization and radical reform of aid. In her conclusion, she recommends that "practical rationality" is what is needed in re-theorizing aid. According to her, practical rationality does not require purely scientific and rational models nor assume universal ideological solutions but rather the effort to act on what is practical within

given constraint, i.e to apply pragmatic common-sense approaches and move away from the formal rationality of bureaucracies.

She also pointed that states and other stakeholders have a clear intention for radical-reform with regard to management of development co-operation/foreign aid, in particular management of aid coordination, but so as to make it effective is a challenge. As a result, the debate between the two views remains unresolved and policy makers are not sure about the types of development co-operation that are likely to be more effective. Scholars did not yet find a clear satisfactory typology of development co-operation that helps advance theories of development co-operation. But several scholars have suggested, the two competing camps as well as donor and recipient states need to come to work together and understand each other's for effective aid coordination.

In addition, for scholars such as Knack & Eubank (2009), and Moore (1998), there is a growing recognition that development aid and particular donor practices can unintentionally weaken governance in poor countries. Aid can motivate rent seeking and lack of governmental accountability to its own citizens, by lowering its dependence on domestic taxpayers for revenues. Moreover, donors' practice can also weaken government capacity, by way of fragmenting their aid among too many projects, sectors and countries, and by insisting on delivering aid using their own reporting system and other procedures (Brautigam and Knack, 2004).

These assumptions have managed to attain the stature of conventional wisdom within the international aid community. As a result, the significance of delivering aid besides long run institutional strengthening is a major focus of the Paris Declaration so as to reform aid practices. As such, the Paris Declaration created a set of indicators on improved "alignment" of aid activities with country systems and international donor coordination, to be monitored through surveys of donors and recipient countries, with clear targets for the year 2010 (Knack,2013).

As a conclusion in this regard and bearing in mind the debates, motives and suggested points on foreign aid and its effectiveness, it is important to consider the global international system that affects the behavior of states and other multilateral organizations. As opposed to most literature on foreign aid that focus on the debate of foreign aid is a radical/bad or reformist/good, the current economic argument in this globalized world is that foreign aid

provides basic financial resource for development projects in developing countries, such as Ethiopia, so as to create the necessary institutional mechanisms that helps to escape from the poverty trap. Such assumptions should be accompanied by the altruistic/moral duty of people in the developed world where they feel the responsibility of helping people living in extreme poverty. Moreover, the effect of globalization and easy access of information necessitated the assumption that problems emerging from one part of the world, are not any more limited to the country of origin and its effect can be manifested globally. The spill-over effect of globalization, problems for example- terrorism, human and drug trafficking, disease (such as COVID-19) and other negative outcome have the ability to affect any country or region. As such, foreign aid is one means of achieving global development and balancing and redressing asymmetrical economic relationship of countries.

Chapter Three

3. Aid Coordination and The Principles of the Paris Declaration (PD)

3.1. Aid Coordination

There is a general consensus for the necessity of aid coordination in development cooperation. The main argument for the need of better donor coordination is that aid effectiveness is becoming increasingly affected by aid fragmentation. Several studies have shown that more donors are giving Official Development Assistance (ODA) than in decades past, and, until recently, many donors were disbursing their financial assistance across a growing number of recipients (Lawson, 2013). Coordination advocates such as Lawson (2013) and Frot and Santiso (2010) argue that the multiplicities of donor agencies in many developing countries pose challenges for both donors and recipients. As a result, the following problems were observed, and they have the potential to undermine aid efficiency and aid effectiveness.

- Duplication of efforts- Most often donors focus on the same needs in a country and may duplicate each others' efforts in the absence of coordination (Lawson, 2013).
- Cross-purposes. The uncoordinated activities of donors may clash and undermine development objectives. It is popular, for example, trend that health providers are receiving conflicting guidance from technical advisors provided by different donors (Ibid).
- Loss of scale. As to Frot & Santiso (2010), a donor activity of supporting a number of lower-value projects weakens the impact of aid and challenges activities that have high fixed costs and are most efficient on a large scale, such as energy and infrastructure improvements. In the absence of donor coordination, these projects may be passed by, as they are often not cost-effective at the scale that a single donor could support.

- Administrative burden. Mostly the existence of a large number of donors does not necessarily mean significantly more assistance, however, it often does mean more administrative burdens imposed by donors on recipient governments in order to fulfill

their own accounting and oversight requirements. Donor coordination and collaboration could substantially minimize the administrative burden on recipient governments (Lawson, 2013).

- Unclear leadership. In many recipient countries, no donor with implied authority to convene other donors (Ibid).

Criticism against the effort of aid coordination in the literature

Even though the majority of the donors, recipient governments and professionals have agreement on the desirability of greater donor coordination to address fragmentation concern, some others (Hyden, 2008; Booth, 2011; Blunt and Lindroth, 2012) are skeptical of the effort of coordination and positive for the growing number of donor's presence in many developing countries. As such they contend that the presence of a large number of independent donors is valuable in exercising pluralism in action and manifesting the decentralization of authority that many development plans promote. Others also contend that the presence of a range of active donors leads to more ideas, competition, and innovation, as well as a more continual flow of funding (Frot & Santiso, 2010). Some development professionals stress donor coordination is the exclusive responsibility of recipient governments, not donors, and that while it may be disappointing to donors when recipient government officials do not act in concert, failure to coordinate often shows political and policy variance that must be resolved by the host officials through internal political processes. Others development experts see potential benefits of coordination, but criticize the time consuming task of donor coordination, especially in countries for which aid is not a major component of the national budget (Lawson, 2013).

3.1.1. International Framework for Donor Coordination

Historically, the establishment of the OECD DAC in 1960 marked the first formal coordination effort of official development assistance, and this forum was designed for the major bilateral aid donors, including the United States, to discuss issues and develop guidance related to aid and development (Organization for European Economic Cooperation). With regard to multilateral aid coordination, the United Nations Development Program (UNDP) was established in 1965 through a merger of existing U.N. aid offices to circumvent duplication of effort within the multilateral U.N. development programs. Mostly such early coordination efforts focused on tracking how much aid was provided, and to which countries. Since the year of 2000, however, most activities are focused on coordinating the efforts of bilateral and

multilateral aid donors for the objective of improving aid efficiency and effectiveness. The DAC established a Working Party on Aid Effectiveness (WPAE), in 2003, to set up an international development cooperation framework. Since its creation, the WPAE has sponsored four (Rome 2003, Paris 2005, Accra 2008 and Busan 2011) international high-level forums on aid effectiveness. The major donors such as the United States has played a leading role in this process. Donor coordination was the principal issue at these forums and the results of these forums manifest broadly accepted goals and best practices in donor coordination.

3.1.2. Implementing Donor Coordination

Even though the Paris Declaration and ssuccessive forum agreements emphasized on specific aid effectiveness goals and measures, they did not indicate how to translate the agreement into change at the country policy and implementation level. Various mechanisms have been generated at the international level for enhanced coordination, creating a loose framework, while each donor also acts within the framework of its own foreign assistance statutes and agencies to fulfill its international commitments (Lawson, 2013).

3.1.2.1. Global Mechanisms

A) Use of Multilateral Organizations

Multilateral aid organizations, like the World Bank, regional development banks, and U.N. entities, were partially considered to be coordinators of development assistance. By merging resources provided by participating donor countries and disbursing them in accordance with a joint decision-making process, multilateral development organizations have the capability to increase aid efficiency and maximize effectiveness (Lawson, 2013).

B) Joint Assistance Strategies (JAS)

As a result of the Paris Declaration, recipient governments and donors in several countries came together to create joint assistance strategies (JAS) to improve aid coordination, mainly through establishing a clear division of labor among donors. JAS have been established in an ad hoc manner, with great difference of scope and specificity from country to country (Linn, 2009).

C) Sector-Wide Approaches (SWAps)

Several countries´ experience shows us, donors have aligned in support of sector-wide approaches (SWAps), which aims to coordinate all donor activities in a given sector by channeling resources to support a single sector policy and spending program under the leadership of the recipient government. Often, but not always, SWAp funding is pooled and flows through the receiving government budget mechanisms. SWAps are meant to promote both donor coordination and recipient country ownership while permitting more conditionality than direct budget support. But SWAps can sometimes be difficult or impossible to implement in cases where donors have different views on the best approach to development (Atherton, 2002).

D) Data Sharing

The issue of "Transparency", or public availability of detailed aid data, was mentioned in the Paris Declaration, and gained acceptance at the Accra HLF, and became a pillar of the Busan commitments. The action of widespread data sharing, using common measures and standards, has been considered by some participants as a realistic substitute for more formal donor coordination mechanisms. Global aid transparency, facilitated by information technology, should allow donors to consider into account the work of others at the time of developing their assistance plans and allow recipients to both accept donors responsibility and plan their own development programs with greater anticipation (Lawson, 2013).

3.1.2.2. Coordination Challenges

Many aid experts agree that the Paris Declaration monitoring surveys are imperfect, however the apparent absence of significant progress toward Paris Declaration harmonization goals is the existence of persistent obstacles to a more unified international approach to ODA. Almost half of donors surveyed for the Paris Declaration implementation evaluation in 2008 reported confronting significant domestic political and institutional challenges to establishing coordinated aid arrangements. Some of the challenges indicated in several literature (OECD-DAC, 2005; Lawson, 2013; Woods, 2007; Kharas & Linn, 2008) are, division of labor, concerns about direct budget support and funding pools, the lack of agency and incentives, absence of inter-agency coordination, coordination costs, conflicting strategic interests, and lack of coordinating with the non-traditional donors.

3.2. New Paradigm of aid and The Paris Declaration

Since the 1950s, there have been three major shifts in donors´ approaches to aid. The first foreign aid approach started from 1950s up to the late 1970s which took the form of project aid in support of the investment plans of the recipient countries. The second aid approach emerged in 1980s as a mainstream consensus is structural adjustment programs, expressed and inspired by IMF and World Bank. The paradigm shifted away from a strategy of aid-financed investment towards a strategy of aid-induced economic reform (LDC report, 2000). According to Fin and Jomo (2006) and Stern & et al. (2008), the failure of the structural adjustment programs in various countries caused debates on the effectiveness of aid. As such, the "great aid debate" has necessitated the need to redesign the foreign aid business and states and non-state actors to become increasingly motivated to face the challenges of development cooperation in a new and reformed aid structure and framework which marked a major shift from the 1980s and 1990s Washington Consensus.

This paradigm shift has started from late 1990s and the new millennium, accompanied by a high degree of global consensus that reflected to consolidate a set of principles and aid targets that became popularly known as the `Paris Declaration´ or `aid effectiveness paradigm´. Such consensus was supported by bilateral donor countries which make up the Development Assistance Committee of the organization for Economic Cooperation and Development (the OECD-DAC), the major multilaterals, recipient states, (re)emerging development partners, and non-state actors (Gore, 2013). Although, internal tensions and external pressures have heightened, many policy makers and development professional are agreed on the need for radical change in aid world and to move beyond `aid effectiveness´ (Mawdsley, et. al, 2014). Initially such aid-effectiveness agenda has been advocated by the Working Party on Aid Effectiveness (WPAE). WPAE started in 2003 as a `classic subsidiary body of the OECD-DAC´ (Manning, 2008, 7). But in 2005 it has elevated itself to joint partnership with a large number of developing countries as an indicative move to challenge the problem of donor-only forums. In 2009, it expanded its members up to 80 by including 24 recipient countries, 8 countries that are donors and recipients, 31 donor countries, 9 multilaterals, and 6 civil society organizations (CSOs) and other organization. However, even though OECD-DAC is described by Manning (2008) as a genuine multilateral enterprise, it is not free from critiques from commentator. This is mainly due to the fact that OECD-DAC is still hosted the forum as a constituent member, but it has given the impression that a real shift from `Western hegemony over aid governance´ is a challenge. As to Zimmermann and Smith (2011) the non-DAC providers of development cooperation includes Eastern and Central countries who aligned their

program with OECD DAC norm; providers of South-South development countries such as India, China, Brazil and Venezuela; and Arab donors such as Saudi Arabia and Kuwait. Even though there is a proliferation of new actors, the traditional DAC donor countries still dominate the landscape of development cooperation. With such structural shift, the main concern has been to move beyond aid and to reorganize its role (or non-role) within a wider development cooperation so as to address global and national challenges (Gore, 2013).

The WPAE as a host organized a serious of High-Level Forums (HLF) such as Rome (2003), Paris (2005), Accra (2008) and Busan (2011) and their associated regional and working party meetings. The Paris and Accra forums helped to codify international agreements on the aid effectiveness paradigm. Generally, this new aid paradigm and the subsequent forums from Rome to Busan have two core elements: first, it underlines greater ownership and responsibilities to recipient countries for their own poverty reduction and development strategies through Poverty Reduction Strategy Papers (PRSPs); and secondly, it underlines strong focus and global commitment to tangible target-led development result, as provided in MDGs. These two core elements are considered as tools to improve aid effectiveness and coordination (Mawdsley, Savage & Kim, 2014).

Accordingly, the 2005 Paris Declaration promoted five principles such as ownership, harmonization, alignment, result based management and mutual accountability, and it was signed by 35 donor countries, 26 multilateral donors, 56 recipient countries and 14 civil society observers (OECD-DAC, 2005).

The new aid coordination paradigm has also focused on issues that are not covered in previous aid structures, this `beyond aid` agenda has focused on issues such as : (i) exerting dramatic change on the way aid is provided so as to accelerate domestic resource mobilization and leverages other sources of external finance, like foreign direct investment, for development purposes (Kharas, Makino and Jung, 2011); (ii) maintaining police coherence for development in donor countries so that all policies at the national level which affect developing countries consider the development cooperation objectives (Carbone, 2012); (iii) introducing a new innovative source of finance; and (iv) reorganizing the broader international development architecture. This can be translated in to: (i) effort to increase the representation and voice of recipient countries within the World Bank and IMF (Vestergaard and Wade, 2013); (ii) the redesign of the OECD DAC mandate and the introduction of an OECD Strategy on Development Strategy which aims to integrate recipient countries perspective into OECD DAC

policy analysis, to bolster OECD members´ capacity to design policies consistent with development (Gore, 2013).

The Paris declaration promotes harmonization by encouraging donors to scale up coordination and cooperation with each other so as to work more effectively. As White and Lensink (2001, pp. 44) put it, the reasons for the Paris declaration to focus on a series target are that,

> `first they are outcome-based measures, with focus being judged by achievement of impact rather than the traditional donor concern with monitoring inputs (i.e. the amount spent), or with immediate and short term effects. Second, these targets have expanded the concept of development in that they do not focus on income poverty alone: the MDGs for example, include health and wellbeing, gender and so on. Third, they have acted as a means of bringing a spectrum of governments and non-state actors together.´

Most of the (re)emerging development partners have signed up to the MDGs, even though some are not fully agreeing with other forms of cooperation with the international development community, such as China, India and Saudi Arabia.

3.2.1. The general reflection given to the PD in various literature

Much of the literature on this regard focused on the relationship between aid and economic growth rather than broader notion of development. As some of the literature (White & Lensink, 2001; Gore, 2013; Mawdsley, Savage & Kim, 2014) evidenced that aid when delivered in line with PD (e.g General Budget Support (GBS)) can improve the way aid is managed and delivered. But such evidences are not more convincing about the changes in aid effectiveness will lead to sustained reform in policy making and governance. Moreover, the evidences are not sufficiently convincing as to the likely efficiency gains or reductions in transaction costs likely to follow from PD implementation. Much of the literature evidenced that aid-funded intervention can improve public services, however no clear evidence that confirm PD like intervention lead to sustained improvements in public services such as health and education let alone to income growth. Several case studies showed that country ownership is often narrowly based mostly exclude civil society, parliament and the private sector rather it strengthened government ownership.

Some researchers such as Bigsten & Tengstam (2015), Bigsten, Platteau, & Tengstam (2011) also suggested after analyzing the aid effectiveness implication of the PD, the type of aid that is relevant for the PD is Country Programmable Aid (CPA) which is dependent on multi-year programming at the country level. According to Development Assistant Committee´s (DAC) definition, CPA represent a subset of ODA outflows. It takes in to account the data on gross ODA disbursements by recipients but excludes spending, in humanitarian aid and debt relief; or administration costs, student costs, development awareness, and research and refugee spending in donor countries; or food aid, aid from local governments, core funding to Non-Governmental Organization (NGO)s, aid through secondary agencies, ODA equity investments, and aid which is not allocated by country; and CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions. As a result, CPA is a gross concept. Here our focus should be the coordination of CPA aid from Development partners.

3.2.2. Limits of the Paris Declaration

Even though substantial shift in perspective and the existence of consensus about the ´new aid paradigm´, there are limits to how far the consensus stretches (Stern & et al, 2008, pp. vii):

- The consensus model primarily influenced by the main multilateral aid and development agencies (World Bank and IMF) with to different degrees of support from donors and partner countries. As such it is not clear that all those endorsed the PD agree its principles and commitments or have common understanding and interpretation of the PD.
- The consensus model is mainly expressed in procedural and operational terms. The model´s explanatory power in scientific terms is weak.
- The issue of balancing and linking the economic and the social emphasis has not been resolved.
- The PD is policy neutral that it does not clearly point which policy work best.
- The role and extent of participation of citizens, civil society and the private sector is not clear.

These areas that are stated unclear or unresolved manifest the political nature of the PD and it affects the long procedures of alliance formation, knowledge transfer, negotiation and compromise made in coming decade. Most importantly the theory of aid that concerns the issue

of politics, power relation and the nature of development and how aid is supposed to work to support development have been suppressed (Hyden, 2008).

The strong focus of the PD on aid effectiveness agenda overwhelmingly influenced by government national development strategies and excluding other relevant stakeholders on developing democratic ownership of development policies. Such limitations hinder its ability to bring about the required development effectiveness to alleviate severe problems such as poverty, hunger, disease and under education in developing countries (Reality of Aid Report, 2008).

Furthermore, the Declaration includes, without creating partnership of equals, several preconditions that developing countries are expected to meet, without suggesting for reciprocal efforts from donors. Recipient governments are penalized if they fail to implement the conditionality framework but fails to penalize their donors (Ibid).

The African Forum and Network on Debt and Development network (AFRODAD, 2011) report also suggested that the principles of the PD are not enough to lead to greater aid effectiveness unless they are accompanied by progress in democratic ownership. It argues that harmonization and alignment must be considered as necessary, but not sufficient conditions for development effectiveness. However, the article also recognized that it has contributed positive efforts towards harmonization and aid coordination in Africa around joint mission, common analyses of situations and performance, and the development of Sector Wide Approaches (SWAps). In addition, the Poverty Reduction Strategy Papers (PRSPs) have helped to open doors to various levels of national ownership of the strategies in several African countries.

3.3. Modalities of the Paris Declaration

Most of the criticism of aid that pose a challenge to coordination has to do with the fragmented and 'supply-driven' mode of delivery that has evolved since western governments' aid to developing nations picked up in 1960s (Leiderer, 2015). The modality of aid delivery then was the **project aid**, and thus, the criticism mostly directed to the inefficiencies and disincentives created by this form of providing aid. As a result, projects have been associated with ineffective, costly, unsustainable and donor-driven aid. Project-based aid was not only the result of, but promoted in itself, the fragmentation of the international aid system. It is this fragmentation of aid agencies, instruments and processes that is mainly hold accountable for creating the inconducive incentives on both sides of the aid relation that diminish the overall aid coordination and effectiveness (Acharya, Fuzzo de Lima & Moore, 2006; OECD, 2009;

Frot & Santiso, 2009; Aldasoro, Nunnenkamp & Thiele, 2009; Bigsten, 2006; Halonen-Akatwijuka, 2004; Knack & Rahman, 2007).

Budget Support- As to Whitfield (2009) and Swedlund (2013) an important feature of the new paradigm of aid is its application of budget support as the main modality of aid. Since the early 2000s, budget support or direct resource transfer into the recipient country government, particularly in Sub Saharan Africa, had become the main aid modality for many bilateral and multilateral donors. Advocates of budget support and ownership, or recipient country control of policy outcomes argue that compared to other aid modalities especially project support, it improves aid effectiveness by strengthening state capacity, harmonizing donor activities, and more importantly promoting recipient-country ownership. As a result (Armon, 2007), budget support became the aid modality to the 2005 Paris Declaration on aid effectiveness, which ties ownership to increased aid effectiveness.

The literature says about ownership and the way it can be operationalized (Zimmerman, 2007; de Renzio et al., 2008; Meyer and Schulz, 2008). Some experts also focus on "democratic ownership," posing the question of how the aid modalities such as budget support influence domestic accountability structure (Faust, 2010; Meyer and Schulz, 2008). Alternatively, some other literature shows on power relations between donors and recipient countries (Booth, 2011; Hyden, 2008; Whitfield, 2009; Whitfield and Fraser, 2010). According to Whitfield, country ownership is defined as "the degree of control recipient governments is able to secure over implemented policy outcomes" (Whitfield, 2009, 4). That means, ownership does not only focus on the commitment of a particulars economic reform agenda but also it is about a more fundamental shift in power relations between donor and recipient country governments. For many advocates of budget support, it exemplifies a break with donor-driven aid disbursement in contrast to structural adjustment loans or project aid, budget support is supposed to allow recipient governments to allocate development aid as they see it.

However, the dominant rhetoric of ownership and budget support as an aid modality has been challenged both in scholarly literature and on the press on development aid. Hyden (2008), as an aid coordination critique, for instance, points that the type of ownership that the PD stresses assume a relationship of trust and mutual accountability, even though it is largely unproved due to the fact that the issue of power remain un-opposed and under-theorized. Whitfield (2009) concluded that state must be capable to "project non-negotiability" for ownership to result more than empty political statement; but the state´s capability is determined by how

much negotiating capital they possess, which mostly varies and often limited. Moreover, Booth (2011), notes that the type of ownership assumed by policymakers requires a type of political vision, leadership and a particular institutional setup, that most aid recipient countries lack.

There are criticisms that are focused on the poverty reduction strategy (PRS) which is associated with the budget support. Developing countries are expected to outline their mid-term development goals and strategies, which budget support is supposed to finance. The PRS process is devised to ensure the national priorities take precedence. However, many have been critical whether the program actually strengthen "country-owned" development strategies, as planning is often overseen by donors and lacks broad citizen participation (Gould, 2008; Cheru, 2006). Consequently, the PRS process criticized as it only repackages a neoliberal, donor-driven approaches to development (Craig and Proter, 2003), or, at least, could not bring significant shift in donor-government relations.

The other important part of the budget support strategy is Sector Wide Approaches (SWAps). The aid community welcomed SWAps as a response to inefficiencies in foreign aid investment, including fragmented, project-based aid administration, the development of parallel, unsustainable channels for implementation, and weak links to host country government policies and plans (Cassels, 1997; Peters & Chao, 1998; Walt et al., 1999; and Vaillancourt, 2009). The main driving factor for donors and governments alike was the issue of increasing country ownership. The SWAp strongly influenced the 2005 Paris Declaration on Aid Effectiveness and coordination, the 2008 Accra Agenda for Action, and the subsequent International Health Partnership (Rome Declaration on Harmonization, 2003; Paris Declaration on Aid Effectiveness, 2005; International Health Partnership Plus Global Impact, 2007; and Accra Agenda for Action, 2008).

3.4. Implementation of the Paris Declaration

The Accra Third High-Level forum on Aid Effectiveness in 2008 assessed the implementation record of the Paris Declaration. The Accra Agenda for action recognized that `we are making progress, but not enough´ and key recommendations included increasing country ownership, building more effective and inclusive partnerships, as well as achieving and accounting for development results (OECD 2008, p.1; Wennmann, 2010). Monitoring and periodic reports are used to foster state compliance with the Paris Declaration, as such monitoring of the declaration, the OECD has developed a series of progress indicators along the principles of

ownership, alignment, harmonization, managing for results, and mutual accountability (OECD, 2005). Based on the 2009 Principles Monitoring Survey Report showed good, moderate, or improving results for most of the Principles with mixed results for principle 1, and weak results for principle 10 (OECD, 2010).

According to Leiderer (2015), at first glance, the PD had a major impact on the business of aid and many activities of OECD countries´ aid provision, such as in policy orientation, institutional and procedural reforms, and the introduction of new aid modalities and instruments. Such effort is supported by substantial investment in capacity and focus given to monitor and evaluate the implementation agenda. Despite the fact that as most experts argue that the PD has contributed to improve donor coordination and the quality of aid provided, there is so many challenges to make foreign aid more effective in terms of achieving development objective. As to Killen (2011), several evaluations conducted on the implementation of the PD found that there is a change of aid quality that it becomes more transparent, better coordinated and in many instances less donor driven. However (Wood et al., 2011), the impacts made on the quality aid may not yet have reduced the overall burden of aid management as hoped. But these positive evaluations are in contrast to the results of the 2011 Survey on Monitoring the PD, which finds that in spite of the positive progress on most targets, only one (´strengthen capacity by coordinated support´) out of the 13 targets formulated for the implementation of the PD had been met by 2010, with donors lacking fulfilling their commitments (OECD, 2011b, pp. 15). As such, implementation of the PD arguably not yet completed. Moreover, there are strong evidences that indicates the problem of ´coordination and harmonization fatigue among donors and a lack of political will to follow through with the reforms prescribed by the agenda have become more apparent (Alvarez & Acharya, 2012; Wood et al., 2011; Bigesten & Tengstam, 2015).

However, some analysts such as Hyden (2008), pointed out that the fundamental problem challenging the PD was its lack of ability to wrestle with the political nature of development and foreign aid. The new millennium aid effectiveness paradigm was continuously described as a consensus, not only between donors but also with and among recipients, which were in theory `partners´ in the development cooperation. In contrast to this theory, critiques argue that political realities are left to be considered in this vision of a technical realm in which agents have an agreed set of goals and market-led means to get there, embraced within the liberal

framework of the post-Washington consensus and supposedly expressed in country-led PRSPs (Fine and Jomo 2006; Rogerson 2005; Odén and Wohlgemuth, 2011).

Even though the Paris declaration on Aid effectiveness has shown slow progress in its implementation, its major evaluation indicated that it had contributed to better development results, and that it has play a crucial role in strengthening good practice and legitimizing higher expectations of aid and its effectiveness. At the same time, the evaluation of PD on aid effectiveness recommended that the uncommon coalition in the international campaign for more effective aid should reach out to other forms development co-operation and actors (Hall, 2019). The new aid architecture in foreign aid have implied a shift towards what some scholars label the ´partnership´ era, mostly comprising two trends. The first involves donor commitments to harmonize and coordinate their activities amongst each other to reduce administrative burden place on aid recipient countries. Aid fragmentation has become a serious problem on recipients´ administration capacity. For such problems the solution given have been, for example the formation of development partner groups and joint funding arrangements. The first trend also involves shifting from donor-imposed conditionality towards recipient country ownership and long-term commitment by donors to align with the policies, programs and administrative systems of their partner countries (Sundberg, 2019).

The second trend involves an increased focus on measuring, identifying, and conditioning the channeling of aid on ´development results´. In foreign aid business, this is called results-based management, and entails that aid is determined based on performance as estimated by the recipient's country policy strength and the measurable outcomes of those policies (Sjöstedt, Martin, 2013; Sundberg, 2019).

Chapter Four

4. Development Aid in Ethiopia

4.1. History of Foreign aid in Ethiopia

Ethiopia is a federal country with a three-tier decentralized governance structure: federal, regional and woreda levels. The country has 11 regions (with the inclusion of Sidama and South-West as new region in 2021) , which are organized based on ethnicity and two special status cities – Addis Ababa and Dire Dawa. The regions are also structured as zones, Woredas (districts), and Kebele (wards) (World Bank, 2010; OECD, 2016). Ethiopia is considered as a low-income country and has a predominantly rural, agriculture-based economy. As a result of the political turmoil and history of civil war, investment in and progress towards improving access to safe water, housing, sanitation and health services has been low (Alebachew et al. 2020).

Ethiopia is the second populous country in Africa and with population estimated about 110 million. Further, the country is also one of the lowest per capita income with about $ 936 in 2020 (World Bank, 2021). In addition, Ethiopia economy is highly depend on agriculture, which in turns depends on nature (rain fed). Generally, Ethiopia is not different from the other poor countries in Africa. The capability of the country in improving the level of investment and promotion of economic growth through domestic capital sources and private capital inflow alone is not sufficient. Thus, the existence of these resource gaps directly or indirectly shows that the domestic economy is not in a position to generate enough income to bridge these gaps. Hence, these makes the significance of foreign aid beyond doubt to the performance of the economy.

The history of aid in Ethiopia began in the late 1940, which makes the country as one of the earliest developing countries to receive foreign aid in the modern sense. When we see its pattern of flow of aid, every regime´s relation with the traditional donors determines the amount and continuity of aid flow. In the 1950s and ‘60s, there was a slow increase, even though it discontinued by the revolution of 1974. Following the end of WWII, Haile Selassie depend heavily on Western economic assistance to support the early industrialization and infrastructure development of the country (Fantini & Puddu, 2016).

In 1974, the imperial regime was overthrown by a military junta known as the Derg. After late 1976, the shift of international alliances decided by Mengistu Haile Mariam shifted the towards the eastern bloc. However, the fundamental dynamics of the relationship with international financier did not change. Western countries and the multilateral organizations continued to play a critical role in the non-military sector: despite much emphasis given by official propaganda, Soviet contributions accounted only for 22 per cent of total aid figures in the 1980s (Ibid).

After the regime change in 1991, the privileged relationship between Ethiopia and international donors has not changed. During EPRDF regime (1991-2018), Ethiopia has placed itself as one of the most cherished 'donor darlings', become one of the top-ten recipients of international aid flows worldwide. Even though Ethiopia falls below the regional sub-Saharan average in terms of aid per capita, ODA still rcovers a major component of the national public expenditure and the overall GDP of the country, covering around one third of the country's annual budget (Alemu, 2009). Such dependency also covers the expenditure of the local administration: only because of the Protection of Basic Services programme, every district (*wereda*) in the country depends on international assistance for 36 per cent of its budget spending in the sectors of health, education, water, agriculture and roads construction (Feyissa, 2011). The government´s development strategy was based on a hybrid model that merges together the notion of developmental state with the neoliberal logics of market efficiency. Such contrast is not only ideological, but reflects geographical patterns well established in the country's recent history (Fantini &Puddu, 2016).

In spite of the poor records in the areas of democracy and human right, from 2006 to 2016 international ODA to Ethiopia in absolute term has constantly grown. This apparent paradox may be explained by two factors. Firstly, the EPRDF regime has effectively exploited the opportunities provided by the US and other countries' concerns with counter-terrorism, representing itself as a center of stability within a conflict-prone region surrounded by failed states and rebel groups who have linkage with global terrorist networks. Secondly, the Ethiopian government has managed to diversified its donors, so as to decrease the degree of reliance from one single external source and maintaining a relevant leverage in bargaining the content of the aid relationship (Feyissa, 2011). The involvement and influence of donors in the process of budget is very weak. Such behavior of the government widely recognized that it

does not want outsiders `in the kitchen`. This perception of donors has implications for the degree of comfort in providing budget support.

4.2. How much aid matter in Ethiopia?

African countries like Ethiopia with meager domestic resources to finance investment and the foreign exchange to import capital goods and technology. Foreign aid which finance investment can directly bridge the the savings-investment gap and, in the form of hard currency, it can indirectly fill the foreign exchange gap (Heyi, 2018). According to Todaro and Smith (2006), the basic argument is that most developing countries are faced with shortage of domestic saving and/or shortage of foreign exchange to finance the requirement of imports of capital and investment inputs. This fact is compounded by slow economic growth with high population growth. By considering these factors, estimation get worst when comes to Sub Saharan Africa countries like Ethiopia.

For a long time, Ethiopia has been facing challenges that are almost similar to the majority of Sub-Sharan Africa, meeting human development needs are arguably the greatest of all the challenges. Similarly, the capacity to finance these needs is probably lower than anywhere else. As such, the expenditure requirements challenging the government, to provide even minimum levels of health and education services, are huge (World Bank, 2004). The government of Ethiopia has been trying to cover these requirements by leveraging external resources to increase spending in pro-poor sectors such as health and social protection, for instance the social safety net program. This program, as the largest in Africa, has achieved remarkable health outcomes by applying cost effective approaches (World Bank, 2016).

Measuring aid dependency is challenging, however taking a rough indicator the share of public spending financed by aid is as good as any. Historically, Ethiopia had relative independence thinking in dealing with donors, that is, donors have just not been that important as a source of financing – in comparison with other heavily-aid-dependent countries. Several studies showed this fact that the increase in the importance of aid in financing the budget is relatively recent (Furtado & Smith, 2007). Thus, aid dependence has varied a lot over time, but that it has been significantly increasing in recent years. This has implications for the subsequent discussion on government-donor relations.

The expenditure requirement facing the Ethiopian government exacerbated by the population growth. The number of people requiring basic services has increased significantly for the past two decades. By considering these challenges, the government and donors need to pursue aggressively expanding social service coverage. However, the efforts made by them are far from solving the issues or coming up with realistic fiscal framework. The issue of foreign aid matters in Ethiopia, given the limited capacity to finance those needs domestically, these needs heavily influence foreign aid necessity over the next two decades (World Bank, 2016).

4.3. Government and Donor relation

Historically, Ethiopia has received relatively low levels of development assistance, partly due to the absence of former colonial power that felt compelled to provide bilateral support, and also as a result of the revolution of 1974, Ethiopia was considered as being on the 'wrong' side during the cold war. Before 2005, most of the aid has been channeled largely to humanitarian and famine relief efforts. Consequently, per capita aid levels are far below those of most low-income countries. In 2004/05, for example, Ethiopia received US$15 per capita in development assistance, compared to US$49 per-capita for sub-Saharan Africa as a whole (MoFED, 2006).

With regard to cooperation with the Ethiopian government by referring the Paris Declaration principles, the majority of DAC actors reject the assertion that their cooperation in Ethiopia is guided by political conditionality and emphasize that their projects are demand driven. Aid and financing from traditional donors have been highly significant, even under previous authoritarian governments, with the major donor community acknowledging their development agenda. Donors such as USA, UK and the World bank claim, their support gives Ethiopians more ownership by claiming that, firstly, they provide untied aid and financing, which allows Ethiopian governments to run transparent and competitive tenders to decide on companies that will be involved in projects. Second, they provide contributions to support budgets in sectors such as health. Third, such form of cooperation gives Ethiopian governments much more control over decision-making than cooperation based on individual projects. Fourth, these donors community have a less centralized and more inclusive understanding of ownership (Esteban & Olivié, 2021).

Some observers have emphasized that the Ethiopian government's ability to manipulate official international development discourse, decisively confronting international donors in order to direct ODA to fulfil its political priorities (Furtado & Smith, 2007; Feyissa, 2011). Others have

stressed to donors' naiveté or lack of understanding of local political dynamics and real decision-making processes (Vaughan & Tronvoll, 2003).

Ethiopian rulers in their engagement with the outside world have applied contradictory relations by seeking and obtaining international support to achieve their modernist development goals. On the one hand, for Ethiopian political elites and government officials, donor–recipient relationships have been important in order to reaffirm state sovereignty and the control over its territory and population (Whitfield, 2008), invigorating the fact that Ethiopia was the sole African country that did not experience colonial domination (Feyissa, 2011). On the other hand, Ethiopian ruling elites have continuously played what Christopher Clapham has named the 'politics of emulation': the use of external models and 'mechanisms of developmental success of countries perceived as having some similarity to their own' (Clapham, 2006: 138) and the hybridization of these approaches with native cultural and political stocks in the organization of state politics and institutions (Zewde, 2002).

But such high-modernist approaches have limits and incompleteness, which are always susceptible to negotiation, co-optation, appropriation, dissidence and resistance at various scales. These historically contingent interactions among state and non-state actors have been substantially researched and documented within Ethiopian domestic politics (Ibid). Furthermore, the reasons given in relation to the functioning of the international aid apparatus, which has adopted Ethiopia as a showcase to demonstrate the effectiveness of its work as well as to the moral importance of aiding a country that faces huge humanitarian challenges (Furtado & Smith, 2007).

Furtado & Smith (2007) have constructed a framework that helps to explain the trade-off between aid and ownership faced by the Ethiopian government. Based on this framework, they have shown three overlapping spheres of policy and programming, identified by their varying degrees of government and donor ownership and influence.

> A, strongly owned- this is highly and strongly owned by the government, in areas of agriculture, economic management, the pace of liberalization and its commitment to improve basic services.
>
> B, Consensus part of agenda- this is a part of the development agenda- negotiated at the margin with donors – that is less-strongly owned by government and almost based

on mutual agreement. For example, technical and vocational training program, the expansion of health infrastructure.

C, Non-Consensus part of Agenda- it is part of the development program identified as wholly donor-originated (either in terms of policy reforms, or in project activities), which has no ownership, even though it has been adopted under aid agreements.

Based on the research made by Furtado & Smith (2007), this sphere of policy and programming is significantly smaller than elsewhere. As such, there is stronger ownership in Ethiopia i.e. the probability of effectiveness and implementation is high; but also, the inclusion of what donors want in the program will be less; and therefore, there may be less consistency in donor commitment.

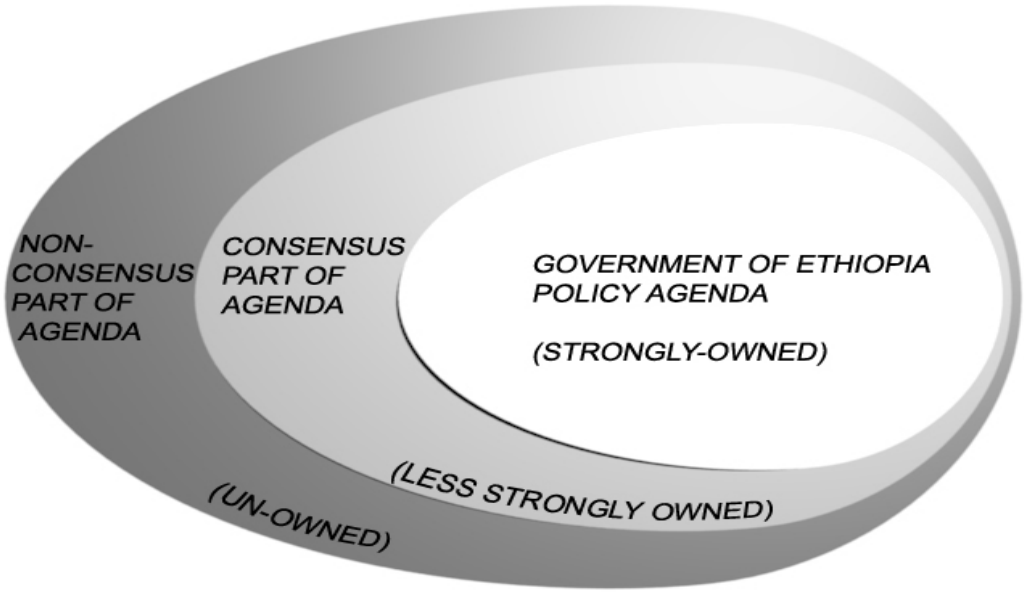


Figure 1. Spheres of policy programming. Source: Furtado & Smith (2007)

Due to the difficulty to resolve the difference between donors and government, the donors have relatively weaker influence, as their money and attention is mostly absorbed in the sub- sectors where they are most active, and where there is less disagreement (for example in basic education, health).

4.3.1. Ethiopia's Aid Management Framework

Ethiopia's Ministry of Finance and Economic Development (MoFED) holds on the exclusive mandate to negotiate bilateral and multilateral assistance programmes on behalf of the Government. As a result, it plays a significant role in coordinating the framework for aid management and dialogue in Ethiopia. The Development Assistance Group (DAG), which encompasses all donor agencies active in Ethiopia and is coordinated by a rotating members of DAG, serves as the main coordinating body for the various working groups that comprise the aid management framework. The management framework, and the multiplicity of groups therein, depicts global evolutions in development thinking and, especially, the emergence of General Budget Support and Performance-Based Approaches. GBS and PBAs resulted in increased demand for additional joint donor-Government fora. In principle, these groups are concerned to facilitate policy discussions between donors and Government agencies. When the need arises, they should also facilitate the resolution of disagreements (MoFED, 2006).

To summarize donor-government relation in Ethiopia, as per the literature (Furtado & Smith, 2007; Alemu, 2009; Teshome and Hoebink, 2018; Hoelscher & Degefa, 2020), mostly donors in Ethiopia have not sufficient understanding as to how policy decisions are made. The degree to which the Government seems reluctant to accept input from the donor community, partly because of the unpredictable donor support in the past, sets Ethiopia to differ from other low-income countries where donors have more easily embedded themselves in government structures, thereby potentially facilitating a more smooth exchange of information and policy ideas. Simultaneously Ethiopia has maintained a degree of control and ownership over its policy agenda more than elsewhere and has a relatively strong performance history of implementation once policies are agreed.

4.4. Aid Flows and Donors

Despite the massive flow of foreign aid to developing countries, the economic growth achieved and improvement in living condition which is supposed to be highly affected by inflow of foreign aid by many sub-Saharan African countries and has not been sufficient and remained poor. The Ethiopia case is not different from the other developing countries. Such lack of sufficient impact of foreign aid has been explained in different empirical literatures conducted by various researchers (Shiferaw, 2017; Haile, 2015; Ketsia, 2010; Tasew, 2011). Still, the actual impact of foreign capital inflow has been remained an area of controversy.

When we look into the overall aid flow to Ethiopia has exhibited big shift since 1950s, with the highest average peak of approximately US$78 million recorded in 2009. Before 2000, average aid flow recorded at around US$ 62 million in 1985. In the 2000s, the flow was mostly increased with the exception of 2010–2012 period. Several reasons can be attributed to such high aid inflow during the 2000s, among others it could be as a result of humanitarian aid flow, the fight on terrorism, and the new initiative (aid for trade) that the World Trade Organization member countries launched in 2005 (Flows of net ODA to Ethiopia, OECD), and, as to Alemu (2009), significant inflow of aid is attributed to the introduction of the Sustainable Development Poverty Reduction Program (SDPRP) in 2001/02. In this substantial aid inflow, World Bank´s support through the soft windows of IDA was huge.

With an estimated population of 112 million in 2020, the per capita income of the country was only US$850, way below the Sub-Sahara Africa average of US$1550 (OECD, 2021). Several explanations can be given for the limited improvement of Ethiopia's per capita income, ranging from globalization to population growth. Aid inflow—as a way to increase the country's capital base—has been acknowledged as one of the remedies since the 1950s. However, results from empirical studies and reports on aid effectiveness are, at best, mixed (Easterly and Pfutze, 2008).

In principle, to finance the government´s deficit, it could utilize both domestic and external sources of finance. The important fact for for countries like Ethiopia is to finance deficits with hard currencies since substantial part of the financing is required to cover expenses on importing essential goods and services (Teshome and Hoebink, 2018).

4.4.1. Has Ethiopia Received Predictable Aid Inflow from Donors?

It is obvious that predictable and sustainable aid flow is crucial for countries like Ethiopia that are reliant on aid to finance deficits, emergency reliefs, and infrastructure development.

The issue of predictability and sustainability of aid flows from multilateral donors such as World bank, there were more ups and downs and was not uniformly consistent flow of aid to Ethiopia. In recent decades, growing average aid flows are recorded from the usual multilateral donors (i.e. African Development Bank/Fund and the Bretton Woods institutions). As such unpredictability is common in most donors. This is also to say that that all countries do not increase or decrease their aid flow at the same time. There is a high possibility that donors are

making effort to coordinate their aid disbursements to avoid duplication, similarly other donors give only for humanitarian needs while others, for projects and long-term development programs (EU and the World Bank). Predictability of the aid flows for projects and long-term development programs is important (Alemu, 2009).

Chapter Five

5. Aid in health sector

There is lack of evidence on the impact of development assistance on health outcomes in developing countries. Within the limited literature on the issue, there is lack of agreement on its effectiveness of aid in the health sector. Some authorities in the field contend that health specific aid contributes to improved health outcomes in developing countries by reducing resource constraints and directly improving health service delivery. Based on this, Levine (2004) asserts that health is an area where aid is likely to show positive changes, as preventive and promotive health activities are directly related to the better health outcomes. The empirical studies by Mishra and Newhouse (2009), and Ebeke and Drabo (2011) also show robust and positive effect of health aid on health outcomes in terms of improving infant mortality rate and access to health care for the treatment of fever and diarrhoea respectively in developing countries. Chauvet, Gubert and Mesple-Somps (2013), have examined the respective impact of aid and remittances on infant and child mortality rates with a panel data from 1987 to 2004, also reported results showing a positive effect of health aid on health outcomes. Similarly, Gormanee, Girma, and Morrissey (2005) showed that aggregate aid improves health status by reducing infant mortality in developing countries.

In contrast, some other scholars contend that there is no dependable evidence supporting the asserted positive effect of health aid on health outcomes (Williamson, 2008; Wilson, 2011). Williamson (2008), for instance, investigated the impact of foreign aid commitments by donor to health sector using a panel set of 208 developed and developing countries with data from 1973 to 2004 and found no substantial impact of health sector aid on a variety of health outcome indicators (such as infant mortality and life expectancy at birth).

Even though Sub-Saharan Africa including Ethiopia is among the largest recipients of foreign aid, the relationship between such assistance and health outcomes has not been accurately assessed. Ethiopia has been receiving substantial inflow of foreign aid following its implementation of the Health Sector Development Plan (HSDP) (Alemu, 2009). During 2009 and 2010, the country received the second highest volume of average foreign aid in absolute terms among 24 low and lower-middle income countries, while in 2011, it was the first recipient among these countries. Consequently, the country's National Health Account (NHA) show foreign assistance as contributing to 50% of the general health care spending in the year 2010-2011, up from 40% during 2007-2008 (FMoH, 2014).

Similar to the increase in foreign assistance, health outcomes in the country have also indicated noticeable changes during the last two and half decades (FMoH, 2014; ECA, 2015). Under-five Mortality Rate (U5MR) is decreased by two thirds between 1990 and 2015, and the country has achieved MDG4 two years before the target year (FMoH, 2014; ECA, 2015). The Ethiopian Demographic and Health Survey (EDHS) reports of 2013 also indicate declining trends in both U5MR and IMR (CSA, 2001; CSA, 2006; and CSA, 2012), even though changes in neonatal mortality rate were not as impressive (Ibid). These findings´ implication is that foreign aid for health is essential component in improving health status in the country and should continue as an important necessity means to an end.

5.1. Health sector financing and aid management

The reasons this thesis focus on aid health sector is that the Ethiopian health sector manifest many of the general aid problems faced by many African countries. As compared to other sectors, the health sector in Ethiopia continues to attract many aid organizations. As per the information in 2006, there are as many as 82 multilaterals, bilaterals, and international NGOs providing aid to the health sector, such multiplicity of donors cause a big challenge for coordination. In addition to these donors, there are also emerging actors, such as GFATM, PEPFAR, and GAVI, that provide aid in the health sector and cause significant changes to the traditional aid architecture (MoFED report, 2006). As such, it is because of the context of aid dependency, aid problems, and coordination challenges vis-a-vis the Paris Declaration that this thesis choose to focus on the health sector.

The previous part of the aid 'reformist' debate, the argument most noticeable at present is that foreign aid did not bring desired results because it was an external influence in the non-

existence of a strong partnership and lack of ownership by recipient partners for their development agenda (OECD, 2008, 2011a; Goldberg and Bryant, 2012; Gore, 2013). In attempt to respond such criticism, the sector- wide approach (SWAp) was introduced in the 1990s, and thus donors and recipient governments have promoted the need for country-owned and -led development cooperation. However, due to the inconclusiveness of the debate and the existence of limited empirical evidence it is difficult to demonstrate aid effectiveness as a result of country led development cooperation in developing countries (Bigsten and Tengstam, 2015; Haque, Hill, and Gauld, 2017). The health sector in Ethiopia have exhibited similar experience with the rest of developing countries.

However, Ethiopia is a compelling case to study aid coordination and effectiveness at the sectoral level, due to the fact that it is one of the African countries that has shown impressive progress in the health sector in the context of a consistent health policy environment (International Health Partnership ((IHP+) Results 2010, 2015, 2016). The sector has been one of the major aid investment destinations for several bilateral and multilateral donors. Based on the OECD data (accessed august 20201), from 2013 to 2015, there were, on average, 26 donors and more than USD 1 billion inflow annually to the health and reproductive health sectors in Ethiopia. The average annual share of bilateral ODA to the health sector in the years 2015 and 2016 was one of the highest, at 22% of total net ODA disbursement, second only to humanitarian aid at 25%. Key Millennium Development Indicators in the health sector in Ethiopia are: A significant improvement has been recorded in the increasing access to, and quality of, health services—Infant mortality and under five child mortality have shown tremendous declines. Similarly, life expectancy at birth, immunization coverage, and household access to safe water have registered significant improvements (World Bank, 2008). Central features of the health sector financing in Ethiopia

- **Low public health spending in Ethiopia but good health outcomes**
  Ethiopia's government health spending is low (7.8%). The country has not acheived the Abuja target of 15% of budget allocation to the health sector. However, Ethiopia's health sector performance is better compared to other low income and sub-Saharan African countries in terms of health outcomes and outputs (Alebachew et al, 2020).
- **Donors hold a crucial share in Ethiopia's health financing landscape**
  Given the largest recipient of official development assistance in the African region, donors play a crucial role in Ethiopia's health sector. Ethiopia received the highest

share of total foreign aid for health amounting to US$ 828.3 million in 2015, with United States being the largest health donor. Donor financing, which has mostly targeted on primary health care has been the main driver of improved health outcomes in Ethiopia (World Bank, 2018).

- **Three channels of health financing**
  In Ethiopia, There are three major health financing channels– Channel 1, includes un-earmarked donor and government funds flowing from the Ministry of Finance and Economic Development; Channel 2 managed by the Ministry of Health, consisting of earmarked project funding including donor basket funds like the SDG Performance Fund (SDGPF); and Channel 3 through which off-budget funds flow in to the health sector from various development partners (Alebachew, et al., 2020).
- **Scope for improving fiscal space for health**
  With global aid continuously decreasing, Ethiopia would need to focus on identifying alternate domestic sources of fiscal space for health to maintain its health sector performance (FMoH, 2006; MoFED, 2006).

5.2. Disbursement channels

As to other sectors in the country, getting the comprehensive understanding on the flow of aid in the health sector is challenging because of problems associated with the disbursement channel itself. So as to understand these problems it is better briefly looking into the three disbursement channels practiced in Ethiopia. These are (Alebachew, 2020; Alemu, 2009):

Channel 1- Ministry of Finance and Economic Development (MoFED)- the funds that flow through the first channel flow directly through the Ministry of Finance as budget support and MoFED have no problem of data reporting and funds disbursed always captured in the budget. The budget support received from donors is seen in this channel. Channel 1a are those funds that transfer to the regional governments as formula-based block grants with those formulae endorsed by the House of Federation. These funds channel through the treasury system, on budget, on treasury and on account. This Channel 1a is the government's preferred channel for donor funds.

Channel 1b are those funds that are earmarked for specific projects, outcomes and activities in line with the agreement between the government and donors. Funds flow from donor special accounts within MOFED to program- specific accounts to be used for clearly earmarked

purposes. The flow of funds is on budget, on treasury and on account. Although these funds follow a harmonized system as articulated in a One Plan One Budget One Report system, donors using this channel also require a separate planning and reporting document with their own format, as agreed with the government (Ibid).

Channel 2- funds disbursed through sector bodies and funds are disbursed outside the mainstream government budget and thus might not be captured. The funds that flow through the intergovernmental block grant system and/or through the FMOH as earmarked program and project funds, which are agreed on between the donors and the government, or as non-earmarked funds through the MDGPF/SDGPF, which are then allocated to health facilities through in-kind transfers and capacity building grants. According to the MoFED report (2006), some federal sector ministries work directly with donors and may utilize the funds without notifying MoFED, let alone reporting to MoFED. Channel 2a funds are un-earmarked funds mostly managed through the MDG/SDG Performance Fund (MDG/SDG Pool).

Channel 2b is for those funds that are earmarked for program-specific activities, with allocations being released based on specific agreements between donors and the government. Although these resources are managed by FMoH, accounting and reporting largely follow separate donor procedures. Few donors, such as the Global Fund, GAVI and UN agencies, transfer resources through FMoH to the Woreda level which takes responsible for managing and reporting on their use through government agreed procedures. Channel 2a is the FMoH preferred channel for donor funds (Alebachew, 2020; Alemu, 2009).

Channel 3- those funds funds that flow as off-budget in-kind contributions and capacity building grants directly from the donors (e.g., USAID, PEPFAR and CDC funding). Here, funds disbursed are are directly by donors without involving any government agency, thus they are mostly not captured in the budget and are usually not reported at all. In some instances they fail to report to the regional bureaus or to the sectoral ministry concerned but these parties may not report to MoFED. These shows that there is lack of systematically organized and comprehensive data available on a regular and consistent basis concerning the trends of aid flows to the health sector—either by MoFED or FMoH. As such, data sourced from budget documents do not reflect the exact amount of aid used in the health sector. For example, U.S. President's Emergency Plan for AIDS Relief (PEPFAR) data is absent from the budget document; it is disbursed partly through channel 2 and partly through channel 3 (Ibid).

As the HSDP Harmonization Manual identifies, the various channels have differential impacts on the predictability, flexibility and transaction costs of the budgeting process. As the Table below indicates, the desirable channel for the government would be for Channel 1 (1a) as this gives the most predictability and flexibility at the lowest transaction costs for the government. Channel 3 is the least preferable, with Channel 2, being highly tied aid, having predictability but with less flexibility than Channel 1. The MoFED prefers Channel 1, while the FMoH prefers Channel 2, with the various donors having different preferences across the three channels. There is general consensus that all donor funds should ideally flow either through Channel 1 or 2 to be naturally on plan, on budget and on report (MoFED, 2006, FMoH, 2006).

Table 1: Characteristics of budget channels in the health sector

Type of Budget	Predictability	Flexibility	Lowest transaction costs	Remark
Channel 1a	****	****	****	
Channel 1b	****	*	***	Earmarked requires separate documentation at least for some donors
Channel 2a	****	***	***	Sector pooled fund and only applicable to health
Channel 2b	****	**	**	Different procedures and planning formats
Channel 3	*	*	N/A	Funds may not be known, plans and reports not shared

**** Excellent; *** Good; ** Problematic; * Poor Source, Adapted from FMoH, 2007, pp. 43

By realizing the fragmentation of health-related funding, the government, by working together with the development partners, have approved a loose definition of "one budget" as being a fusion of the various health funding, reflected in one health budget with recognition that the development partner funding is flowing through various channels. The Health Sector Development Plan (HSDP) Harmonization Manual (FMoH, 2007) indicates the minimum requirements for each stakeholder, stressing the need for maintaining all government levels informed of the planned activities and resources either streamlining through their plans and budget or those streamlining in parallel to their plans and budgets.

Linking One Plan and One Budget to One Report means all stakeholders will be applying a similar, standard reporting and monitoring framework. The objective is to lessen the compliance costs caused by using different formats, calendars and systems in the health reporting process.

5.3. Financing and aid fragmentation in Ethiopia health sector

The substantial increase in aid to support the health sector in Ethiopia, for instance, the rise in health and reproductive health aid to over a billion USD in 2014, which makes the country one of the top-five DAH recipients in Sub-Saharan Africa next to Nigeria, Tanzania, and Kenya. DAH continuously increased following the health sector reforms and execution of the HSDP in the late 1990s. The average growth rate of DAH to Ethiopia before HSDP (1990– 1996) was only 4%; however, it grew by 68%, 65%, and 129% during implementation of HSDP-I (1997–2001), HSDP-II (2002–2004) and HSDP-III (2005/06–2009/10), respectively. A substantial increase in DAH to Ethiopia was recorded during HSDP-III (2005/06-2009/10). This can in part be due to an increase in vertical funding by the Global Alliance for Vaccine and Immunization (GAVI) and Global Fund (FMoH, 2014), as well as a sharp rise in global commitments and support following the Paris Agenda on Aid Effectiveness in 2005, the relatively improved policy environment, and the presence of strong leadership at the top during that period.

However, by looking at closer the health financing in Ethiopia, the sector has faced two fundamental challenges (Teshome & Hoebink, 2018), which points the necessity for effective coordination of DAH in the country. The first challenge is that the sector has been heavily

reliant on external sources; and the second one is that the existence of high aid fragmentation in the sector, even greater than in the other top DAH recipient Sub-Saharan Africa countries and the degree of fragmentation increased after the Paris Declaration. In contrast, the government has demonstrated a strong commitment to increasing public health expenditure and has coordinated the use of program-based approaches such as pooled funding to reduce the effect of aid fragmentation in the sector.

Slowly, the financing structure of the HSDP has switched from domestic sources to largely external financing. Especially, HSDP-I and HSDP-II were highly reliant on domestic financing. At the initial stage of HSDP-II, for instance, donors contributed only 10.3% of total health financing, while the rest of 89.7% covered by domestic financing. As the result of the Ethio- Eritrea war, most of the donors unwilling to support Ethiopia during that period. However, from the beginning of HSDP-III, the level of foreign financing increased more than three-fold. From only 15.2% at the beginning of the HSDP in 1997, it reached half (50.1%) of total health funding in 2010 and then started to decline to 41.7% at the completion of the HSDP. This carries significant risk in terms of the sustainability and predictability of health service provision in the country, especially in situation when the country faces some kind of event that makes the donors to decline funding (Ibid).

An analysis of average annual DAH flow to Ethiopia over the five years from 2011 to 2015 also indicates that the top three of the 26 donors contributed two-thirds of the total health aid in those years. This has contributed in high aid fragmentation in the sector (OECD 2009, 2011b).

Chapter six

6. Analysis and Discussion

6.1. Literature review of evaluations of the PD and aid coordination in Ethiopian health sector

The implementation of the Paris Declaration and its progress achieved since 2005 up until 2011 depends on improvements by both donors and partner governments. As Ethiopia is a major recipient of aid, for the targets in the 2011 Survey, only five have been met out of the 13 indicators, as a result the overall progress has been uneven (OECD, 2012).

In terms of the PD principles, no improvement has been registered in aligning aid flows to national development strategies since 2007, however managing for results has improved, with a B score being allocated. The three indicators on harmonisation were not met in 2010, and showed varying trends. In 2010, 86% of scheduled disbursements to Ethiopia were recorded by the government which shows an improvement from 2007. The indicator on joint missions experienced a challenge in 2010 in comparison with the 2008 Survey, and there were challenges for the remaining indicators on joint country analytical work and application of common arrangements or procedures for the same period. Substantial progress was registered on a number of alignment indicators, including coordinated technical cooperation, use of public financial management systems and pooling aid, which were all substantially above target (Ibid).

Table 2: baselines and targets for 2010, OECD, 2012

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	B	B	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.5	4.0	3.5	4.0
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	74%	62%	48%	87%
4	Strengthen capacity by co-ordinated support	27%	67%	86%	50%
5a	Use of country PFM systems	45%	47%	69%	63%

5b	Use of country procurement systems	43%	41%	55%	No Target
6	Strengthen capacity by avoiding parallel PIUs	103	56	49	34
7	Aid is more predictable	96%	73%	86%	98%
8	Aid is untied	66%	76%	86%	More than 66%
9	Use of common arrangements or procedures	53%	66%	61%	66%
10a	Joint missions	27%	29%	25%	40%
10b	Joint country analytic work	50%	70%	52%	66%
11	Results-oriented frameworks	C	C	B	'B' or 'A'
12	Mutual accountability	Y	Y	Y	Y

Table 3: Paris Declaration Indicators 2005-2010

Indicators	Targets for 2010
1. Operational Development strategies- % of countries having a national development strategy rated "A" or "B" on a five-point scale	75%
2. a) Reliable public financial management (PFM)- % of countries moving up at least one measure on the PFM/CPIA scale since 2005 systems. b) Reliable procurement systems- % of countries up at least one measure on the four-point scale since 2005	50% No Target
3. Aid flows are aligned on national priroties- % of aid for the government sector reported on the government budget	85%

4. Strengthen capacity by coordinated support- % of technical cooperation implemented through coordinated programs consistent	50%
5. a) Use of country PFM systems % of aid for the government sector using partner countries´ PFM systems, b) Use of country procurement systems % of aid for the government sector using partner countries´procurement systems	5.5% No Target
6. Strengthen capacity by avoiding parallel PIUs- total number of parallel project implementation units (PIUs)	565
7. Aid is more predictable- %of aid for the government sector disbursed within the fiscal year for which it was scheduled and recorded in government accounting systems	71%
8. Aid is united- % of aid that is fully united	More than 89%

9. Use of common arrangements or procedures- % of aid provided in the context of programme-based approaches	66%
10. a) Joint missions- % of donor missions to the field undertaken jointly, b) Joint country analytic work- % of country analytic work undertaken jointly	40% 66%
11. Results-oriented frameworks- % of countries with transparent and monitorable performance assessment frameworks	36%
12. Mutual accountability- % of countries with mutual assessment reviews in place	100%

Source: OECD Report 2012

6.2. The five principles of the PD

6.2.1. Ownership

The principle of ownership aims at recipient countries have the ability to formulate their policy in line with their own priorities through wider participation in development policy formulation, stronger leadership on aid-coordination and more use of country systems for aid delivery (OECD, 2005). In line with this principle, some studies suggested that aid contributes to the development of a recipient country when development partners (DPs) support country

ownership by reinforcing internal capabilities under a true partnership framework (Booth, 2011; Goldberg and Bryant, 2012; Sweeney and Mortimer, 2016) and when aid is financed in national development priorities (Burnside and Dollar, 2000; World Bank, 2005; Hasselskog and Schierenbeck, 2017), with a substantial, stable flow of aid to pro-poor sectors like health (Mosley and Suleiman, 2007) and with strong support for fighting corruption (OECD, 2008). Most importantly, it is important to have a dedicated and politically committed government leadership by a recipient partner that is capable of defining its priorities and establishing proper health development coordination platforms makes a difference in ensuring an improved and sustainable health system (Balabanova et al., 2013; Ulikpan, Narula et al., 2014; IHP+ Results, 2015; Reich et al., 2016). In principle, country ownership involves government and non-state actors with regard to owning the policies and coordination efforts (World Bank, 2005; OECD, 2008; Carothers, 2015), but practically, it would be challenging to assume country ownership in this broader sense in countries like Ethiopia, which are led by an authoritarian type of government, where the role of civil society and the private sector is limited. As such, it is imperative to consider the country ownership narrowly to refer as government-led health development cooperation.

In the context of the Paris Declaration, ownership emphasizes a country's capacity to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country (OECD, 2012). Indicator 1 evaluate the operational value of a country's development strategy. Particularly, it assesses at the existence of a unified strategic framework, the degree to which priorities are established, and either these policies are costed or linked with the budget. A five-point scale goes from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010 (Ibid).

Based on the above indicator, Ethiopia achieved a B for indicator 1, as it did in 2007. In 2010, Ethiopia progressed from the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) to the Growth and Transformation Plan (GTP) for 2010-15. The government's plan for development has consolidated over successive national development strategies (NDS) to establish a consistent and coherent approach. Sector strategies are showed, broadly, in the budget although a medium-term expenditure framework (MTEF) was only emerged in 2011. There is performance orientation in the budget process although the mechanism through which this is achieved is not clear (Ibid).

6.2.2. Alignment

According to the principle, donor countries are advised to align behind these objectives and use local systems (OECD, 2005). For aid to be effective it is important to be less fragmented, it must utilize the national development strategies and support to strengthen capacity in national systems, such as those for procurement and public financial management (OECD, 2012). The Paris Declaration intends donors to base their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment (Ibid).

With regard to alignment, Ethiopia, including its health sector, has recorded some improvements in comparison with its performance in 2007. Out of the seven indicators with applicable targets, three were met and four remained unmet. The indicators for which targets were achieved shows that there has been an extensive use of country systems among donors, a strengthening of co-ordinated technical co-operation, and an increase in untied aid. However, indicators on the number of parallel PIUs, the proportion of predictable aid, the reliability of PFM systems and the alignment of aid to national priorities have failed to meet targets, with the latter two encountered challenges since 2007 (OECD, 2012, MoFED, 2018).

In terms of indicator 2 in the 2011 Survey, Ethiopia has obtained a rating of 3.5 for its public financial management (PFM) systems, decreased from 4.0 in 2007, and below the 2010 target. But the Ethiopian government fails to agree with this rating indicating that recognised improvements described below should have led it to score more highly than in 2007 (OECD, 2012).

The assessment did not consider the Ethiopian procurement systems and no target is applicable for this indicator. But the government has pointed out procurement reform as a priority and, with donor support, a number of reforms and capacity development initiatives have been initiated (Ibid).

Exhaustive and transparent reporting on aid, and its applicability, supports to ensure that donors align aid flows with national development priorities (OECD, 2012). As a factor for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is captured in the annual budget for the same fiscal year. In 2010, 48% of Ethiopia's aid was accurately estimated on budget. This makes the 2010 target of 85% unmet and forms a

significant difficulty from previous surveys. For the average donor, only 32% of aid was accurately captured on budget, while most donors pointed out that actual disbursements are greater than government estimates. The following factors are partly considered factors for the discrepancies between estimates and disbursements: that the government´s inclination to only record donor disbursements for which it is directly accountable; lengthy internal procedures for approval and implementation of initiatives among donors; governance conditionalities attached to funding which may affect to predicted disbursements; and variations in programming and budget cycles between government and most donors (Ibid).

Indicator 7 assesses assesses two aspects of predictability. The first is the capability of donors to disburse aid according to schedule. The second is the capability of government to record disbursements for the government sector as received in its accounting system (Ibid). In 2010, 86% of planned disbursements to Ethiopia were recorded by the government. This rate reflects a positive change from 2007 but is still lower than 2005 figures, and as such Ethiopia has not fulfilled the 2010 target for this indicator. It should also be noted that average predictability of aid by each donor is only 49%, substantially lower than average rates for previous years (Ibid). Discrepancies in the proportion of predictable aid can partly due to delays among donors in giving disbursement certification, absence of delegated decision making among donor country offices, the introduction of additional conditions at the time of disbursements, unpredictability about disbursement, and difficulties in aligning disbursements with the country's budget cycle (Ibid).

According to the 2010 data, among the total technical assistance provided by 23 donors during 2010, 86% was co-ordinated. This is a highly significant improvement since 2007, and Ethiopia has thus achieved the 2010 target, even though the government considers some exaggeration on the report that some donors may have over-reported the amount of coordinated technical cooperation. Most major donors in Ethiopia co-ordinate a significant section of their technical co-operation, for instance, the United States score particularly high with over 90% of its co-operation being co-ordinated (OECD, 2012).

Indicator 5 is directly linked to Indicator 2 on the quality of Public Financial Management (PFM) and procurement systems (OECD, 2012). Indicator 5a assesses the extent to which donors use partner country PFM systems when providing funding for the government sector. The 2010 target is set in relation to Indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on Indicator 2a scale the target is for a two-thirds slashing

in the proportion of aid to the public sector not employing the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on Indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5 (OECD, 2012).

Ethiopia has managed to reduce the number of parallel PIUs from 56 in 2007 to 49 in 2010, although this is somewhat short of the 2010 target of 34 parallel PIUs. The reasons by government authorities that some donors continue to use parallel PIUs because of their reluctance to change their procedures, and also a lack of flexibility to accommodate new approaches (Ibid).

6.2.3. Harmonization

The principle of harmonization calls for donor countries coordinate, simplify procedures and share information to mitigate duplication (OECD, 2005). The Paris Declaration emphasizes on two dimensions of aid as a factor for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the degree to which donors and partner countries conduct joint missions and co-ordinate analytic work (Ibid).

Aid effectiveness is intensified when donors apply common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be expressed as one that has shared objectives and integrates the various interests of stakeholders. As such, indicator 9 evaluate the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA channeled within programme-based approaches (PBAs). In practice, there are various approaches and modalities which can use PBAs and harmonisation takes place at various levels (OECD, 2012). The proportion of aid channeled through programme-based approaches (PBAs) reduced from 66% in 2007 to 61% in 2010. This constitutes a challenge for 2010 and as a result, Ethiopia has not met the target of 66%. Even so, the use of common arrangements remains to be an important aspect of development assistance in Ethiopia. Among major donors, the United Kingdom made the greatest use of PBAs, while the World Bank and United Nations registered significantly lower figures (Ibid) .

Donors make increasing use of multi-donor trust funds in Ethiopia. The health sector is included in program-based interventions through the Public Sector Capacity Building

Programme. The problem that associates in this regard is, when donors implement PBAs with varying priorities and institutional procedures is that this makes it increasingly hard to ensure effective management. In turn, lengthy preparatory work decreases the timeliness of support to the country. The government firmly assert that the existing PBA programmes are efficient and effective and more should be implemented (FMoH, 2014).

The Ethiopian government´s complain indicates that donors make too many requirements and demands on their limited resources. The Paris Declaration acknowledges that ´donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – i.e. that the burden of such work is shared´ (Steurs, 2019, pp. 14). The 2010 target is that 40% of donor missions to the field are conducted jointly.

Based on the 2011 Survey, only one-fourth of 210 donor missions to Ethiopia were conducted jointly, a drop from the rate of 29% in 2007. This is substantially below the 2010 target of 40%. The extensive use of multi-donor programmes has contributed to raising the proportion of joint mis- sions, and will probably continue to do so. Partnerships in the health sector has improved donor mission co-ordination. However, an increasing number of donors still follow a project-based approach and organise stand-alone missions, which both overloads the implementing partners and increases transaction costs (OECD, 2012).

Indicator 10b measures the proportion of country analytic work that is carried out jointly. The 2010 target is that 66% of country analytic work is undertaken jointly. In the 2011 Survey, 52% of 153 analytical works were co-ordinated – this is a significant decrease from 70% in 2007, and fails to meet the 2010 target of 66% (Ibid). The government insists that the most important issue regarding analytical work relates to the degree to which this has improved the government's analytical capacity. Studies indicate that donors need to work more towards involving the government constructively in carrying out analytical work in order to improve government capacity. Moreover, better sector policy dialogue should significantly increase joint country analytical work (MoFED, 2018).

With regards to division of labour, the main challenges were lack of common strategy amongst donors, and lack of willingness from key donors (such as United States) to move forward for structural reasons. Thus, division of labour should fully consider the importance of government playing a central role in defining and assigning the division of labour among donors and making sure that the exercise does not lead in to the reduction of aid flows (OECD, 2012).

6.2.4. Managing for results

Donors and receiving countries are expected to shift focus to development results and results get measured (OECD, 2005). Based on the OECD report (2012), indicator 11 assesses the quality of a country's results-oriented frameworks. Especially, it takes in to account the quality of the information generated, stakeholder access to information, and the degree to which the information is utilised within a country level monitoring and evaluation system. The government is expected to provide evidence against these criteria through the survey, and this is converted by the World Bank into a score running from A (highest score) to E (lowest score). The Paris Declaration 2010 global target is to lower the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. The World Bank gave Ethiopia a B for its results-based management practices, an improvement from 2007. The national development strategy (NDS) has a monitoring and evaluation (M&E) framework outlined to follow progress against achieving the targets and goals of the NDS. The institutional responsibilities and the coordination structure of the framework are well established and annual progress reports traces NDS implementation in a unified way. The data collection in support of the NDS is extensive and draws on a variety of resources. The country is making effort to improve the quality of data through capacity development. There is also an improvement of stakeholder access to information. Policy makers and line ministries apply the outputs of the M&E framework (i.e. reports) and the framework tracks input and output indicators identified by the NDS (Ibid).

Limitations observed in the government system (public financial management, procurement, budgeting formulation, and execution of reporting and reviews) to respond in an effective and timely manner are often raised as challenges for moving forward in the alignment and harmonization agenda (Alemu, 2009). Indeed, Ethiopian government systems need strengthening. Developing the capacity of the government system is a process and cannot be built over night; it also needs investment in skills, processes, procedures, and the enabling environment. It is clear that the management cost of providing aid outside the government system is huge (e.g., the establishment of multiple parallel systems which is challenging to manage; weakening of government capacity through poaching staff and diminishing the already weak government capacity; the time spent to prepare and submit vertical plans and reports by the government (FMoH) to this programs and not sustainable. Still, donors are mostly reluctant to invest on strengthening government systems. Some donors are even

requiring more from the Ethiopian government than what they can do themselves (MoFED, 2018).

According to the MoFED (2014) document the main challenge for further alignment, harmonization, and predictability in Ethiopia is the willingness and political commitment of donor headquarters. Most donors regard the agendas positively but are not not in apposition to move from talk to action. One such example to provide political push for alignment has been the International Health Partnership (IHP) road map.

Due to high dependency on aid, aid flow stability is significant for ensuring proper planning and development. As it is pointed in most aid literature, it is suggested that the volatility of aid is increasing recently (Kharas, 2008; Teshome & Hoebink, 2018; Steurs, 2019). Kharas noted that aid is, "much more volatile than national income" and that, "volatility has risen since 1990, compared to the two preceding decades" (Kharas, 2008:21). It is indicated that aid is more volatile (30 percent from a trended average) than GDP (<10 percent from a trended average). Aid is also twice as volatile as tax revenues (Ibid). Such trend is also happening in Ethiopia. Since 2010, both net ODA and CPA are volatile, and volatility has risen. The volatility of CPA is higher than the volatility of total ODA. Interestingly in Ethiopia, the volatility of CPA and the share of CPA in net ODA move in the same direction implying that CPA is more volatile than non-CPA. This is clear as a important part of non-CPA has a characteristic of timely and fast disbursing nature (OECD, 2012).

6.2.5. Mutual Accountability

For aid to be effective, strong and balanced mechanism that support accountability are required at all levels. Donors and partner country governments are expected to be accountable to their respective public and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes (OECD, 2005).

Indicator 12 assesses whether there exists a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. Three criteria are identified that must all be met: there should be an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets carried out by both partner and donors in the last two years and discussed in a forum for comprehensive dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Ethiopia has not managed to meet the 2010 target for mutual accountability. Mutual accountability in Ethiopia is hindered by the absence of specific country-level aid effectiveness targets for both the country and donors, and the absence of assessment towards these targets carried out by both the country and its donors (OECD, 2012).

6.3. Monitoring and evaluation framework and their achievement/failure in meeting the objectives

6.3.1. Countrywide framework

Government Ethiopia has been reviewing its performance through the Annual Progress Reports (APRs) of its national development plans and strategies, or poverty reduction strategy papers such as PASDEP (2005/6 to 2009/10), GTP (2009/10 to 2014/15). These reports analyze the performance of the economy by relying on administrative reports produced for sector and macroeconomic performance, and are supported by various survey-based data including but not limited to: household income, consumption and expenditure, welfare monitoring surveys, and the participatory poverty assessment (MoFED, 2014).

6.3.2. Health sector framework

Since the Sector Wide approach initiated, Ethiopia has been routinely carried out sector reviews. To this day, three final evaluations, four midterm reviews and nine annual health sector reviews have been carried. International and national consultants have been participated for these reviews. The main achievements of these reviews have been their ability to show the main challenges/possible solutions. The reviews have allowed stakeholders to renegotiate targets and strategies for improvement. On the other hand, reviews have so far not involved, in a systematic way, implementers in the evaluation process. As a result, some of the recommendations are not carried out or may not be accepted by implementers (FMoH, 2015). Following the review that there is a need to transform the objective of the external review on verification and providing external quality check. This could help in getting issues taken up and recommendations implemented. The findings of the annual reports and midterm and final reviews and other topical issues have been presented and actions and recommendations are prepared during annual review meetings. Regional health bureaus have sassumed to take on organizational and leading roles since 2008.

Reviews mainly emphasis on all issues of recipient government accountability to results, as the Paris Declaration clearly points mutual accountability as one of the five principles. However, in practice the reality is different that there is only one-sided accountability (government to donors) and not vice-versa. The absence of mechanism put in place to ensure that donors are also accountable for predictability of aid, aligning, and harmonization to the government systems and priorities. This is pointed by government officials and experts in the field as the main reason for lack of progress in the area of alignment and harmonization in Ethiopia (Ibid).

6.4. Aid coordination in the health sector after the PD

In line with the PD for aid effectiveness, the International Health Partnership and other related initiatives (referred to together as IHP+) (the Universal Health Care 2030 [UHC2030] since 2016), which is one of the international aid and development joint coordination platforms in the health sector, introduced seven behavioural principles of effective development cooperation for development partners in the health sector (UHC 2030, 2018): (1) Support a single national health strategy; (2) Record all funds for health in the national budget; (3) Harmonize and align with national financial management systems; (4) Harmonize and align with domestic procurement and supply systems; (5) Apply one information and accountability platform; (6) Encourage and assist south-to-south and triangular cooperation; (7) Delivere well-coordinated technical assistance. These core elements (behaviors) recognize commitments from the PD, the Accra Agenda for Action and the Busan Partnership. These principles are significant that they are anchored on effective coordination of aid. The IHP+ aims at the development cooperation at the health sector level, instead of focusing on around a particular health priority. As such, it paves the way for the emergence of comprehensive and coherent approaches to achieve national health objectives and contributes evidence for global and national dialogue on how to address ineffective or inefficient ways of working (Alebachew, et al., 2020).

The IHP+ has become more relevant even for the post-2015 era. New global initiatives in the health sector are emerging constantly. Though these initiatives bring opportunities, without proper coordination and management they may worsen the situation for developing countries like Ethiopia, leading to duplication of effort and fragmentation (OECD, 2015). IHP+ explains country ownership specifically in the health sector as the existence of a single national health plan with a long-term vision and clear health priorities, as well as medium-term expenditure and result frameworks that are jointly assessed and validated in a participatory approach under

the guidance of strong leadership by the recipient partner in a 'One Plan, One Budget, One Report' approach (IHP+ Results, 2010, 2015). A well-developed and country-owned health development plan can guarantee positive health results through strengthening alignment and harmonization as well as guiding financing of health priorities and facilitating result-based coordination and mutual accountability for better aid effectiveness and coordination in the health sector (Guillaumont and Chauvet, 2001; Ulikpan, Mirzoev et al., 2014).

Generally, some studies suggested that aid contributes to the development of a recipient country when development partners (DPs) support country ownership by reinforcing internal capabilities under a true partnership framework (Booth, 2011; Goldberg and Bryant, 2012; Sweeney and Mortimer, 2016) and when aid is financed in national development priorities (Burnside and Dollar, 2000; World Bank, 2005; Hasselskog and Schierenbeck, 2017), with a considerable, stable transfer of aid to pro- poor sectors like health (Mosley and Suleiman, 2007) and with strong encouragement for fighting corruption (OECD, 2008). Most importantly, it is important to have a dedicated and politically committed government leadership by a recipient partner that is capable of defining its priorities and establishing proper health development coordination platforms makes a difference in ensuring an improved and sustainable health system (Balabanova et al., 2013; Ulikpan, Narula et al., 2014; IHP+ Results, 2015; Reich et al., 2016). In principle, country ownership involves government and non-state actors with regard to owning the policies and coordination efforts (World Bank, 2005; OECD, 2008; Carothers, 2015), but practically, it would be challenging to assume country ownership in this broader sense in countries like Ethiopia, which are led by an authoritarian type of government, where the role of civil society and the private sector is limited. As such, it is imperative to consider the country ownership narrowly to refer as government-led health development cooperation.

In the context of aid coordination, the consecutive health sector plans (since 1997 up to 2015/16, there have been three HSDP I, II, III and IV) and relevant documents (such as HSTP I (2015/16-2019/20) and HSTP II (2020/21-2023/24) had some characteristics features that contributed positively to the efforts of donor coordination and improved health results in the country. Firstly, the HSDP was initially established based on Sector Wide Approach (SWAp) principle, which was introduced into health sector in Ethiopia in 1997 (FMoH, 1998, 2002). This emboldened the practices of country ownership, in a broad partnership with the health DPs, from the start. Secondly, contrary to many other African countries, the HSDP was 'home-

made' and the Ministry of Health assumed a stewardship role in the design and implementation of the program, as well as in defining national health priorities. Thirdly, the HSDPs were clear in sketching the national health goals and priorities, which have progressed from the rehabilitation and expansion of basic health services, focused during the first two phases of the HSDP I &II, to health service quality and equity in the Health Sector Transformation Plan (HSTP), which initiated in 2015/16 and will run until 2023/24. This has helped the Ministry to strongly make sure that, on the one hand, support from the DPs fits the health priorities, and on the other hand, that all donors equally appreciate the health priorities. As to Teshome & Hoebink (2018), there is a strong desire of the government that donors are required to align with the country´s health sector strategy. Donors also respect and understand such position of the government. On the other hand, as pointed by Alebachew and his collogues (2020), the consultative meeting of health partners in the development of the HSDP, especially during the last two phases of the HSDP, contributed to increased mutual trust and a sense of shared ownership of the HSDP. Such trust and mutual understanding have made the alignment of donors' programs with the government's health priorities easier and increased donors' level of confidence in investing more in the health sector, with continued engagement in joint health development planning and coordination.

From the context of the Paris declaration on aid effectiveness, MDGs and national development policy, implementation of the HSDPs has also advantages. For example, HSDP-III (2005/6-2009/10), was applied under the ambitious national plan, known as the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) (FMoH, 2015b). Global drive from the Paris agenda on Aid Effectiveness caused the implementation of HSDP-III with a wider scope of country-led health development cooperation. During HSDP-III period, the Ministry endorsed the HSDP Harmonization Manual and the IHP+ Country Compact along with the Joint Financing Agreement (JFA) for the Millennium Development Goals Performance Fund (MDG PF). The Healthcare Financing Strategy, which gave emphasis to community-based health insurance, social health insurance, and other core strategies in the health sector, was introduced and implemented in HSDP-III. The Paris Declaration and the MDGs and as well as the national development policy drove the momentum gained by HSDP-III continued during the implementation of HSDP-IV. The HSDP ffinalized in 2014/15 and has been replaced by another 20-year health sector strategy called 'Envisioning Ethiopia's Path to Universal Healthcare through Strengthening of Primary Healthcare'. The first phase of this strategy is the HSTP (Ibid).

6.5. Leadership of the Ministry of Health

The Ministry of Health has been one of the strongest ministries in Ethiopia with a 'practical' country ownership, and its leading role in the joint health development coordination process. Some of the side of the ministry: First, is has enough political determination to say 'no' when support from donors is against the national health priorities and the principles of ownership in development coordination (Teshome & Hoebink, 2018). The leadership is quite capable and strong enough to defend the goals and strategies. This is significant, especially for the DPs using the country system, budget support, and the pooled fund. Second, the top leadership has been appreciated by several development partners and they have demonstrated technical and professional ability to coordinate resources from the health partners towards the goals of the sector. Third, as compared to other sectors, the level of corruption in the health sector was perceived as low, and the leadership has continuously shown the political commitment to fight and reduce corruption in the health sector. Such attributes of the ministry have contributed to the stability of the health plan and strong country ownership of the health leadership in Ethiopia has inspired DPs to provide increased and stable DAH for strategic results in the sector.

6.6. Donor coordination platforms in the Health sector

The health, population and nutrition Sector Working Group (SWG) is a platform that serves to bring together the development partners and the Ethiopian federal Ministry of Health (FMoH) to promote, support and coordinate effective and sustainable strengthening of the Ethiopian health service delivery system and to achieve the goals of the Health Sector Transformation Plan (HSTP, 2015-2020), in accordance with the Growth and Transformation Plan II (GTP II). The FMoH and HPN group, in addition to multilateral and bilateral partnerships, hold high-level Joint Consultative Forum (JCF) to speed up policy dialogue and address binding constraints to facilitate progress towards the HSTP and health Global Goals. JCFs have allowed evidence-based decision making and harmonization and alignment of investments to address to increasingly complex health challenges in Ethiopia (DAG Annual Report, 2016/17).

In addition to the JCF, the coordination platform in the health sector in Ethiopia includes, Joint Core Coordination Committee (JCCC), Joint Review Mission (JRM), Annual Review Meeting (ARM), and SDG PF (formerly the MDG PF). Among these platforms, the JCF is the highest coordination and dialogue forum, where the Ministry arranges policy discourse and supervises of coordination jointly with health partners. The JCF, as a highest forum, is made up of the

Minister, state ministers, all directors of the Ministry of Health, heads of agencies, DPs the Health, Population, Nutrition (HPN) Donor Group, two NGO consortiums, and members of the private sector as well as representatives from health professional associations. The Minister of Health chairs the JCF and it is co-chaired by one of the HPN Donor Group co-chairs. The JCCC is the technical arm of the JCF and functions using technical task forces and ad hoc sub-committees. It includes technical people from the Ministry of Health and the HPN Donor Group, and is chaired by the Director of the Policy and Planning Directorate of the Ministry of Health (Teshome & Hoebink, 2018, Alebachew, et al., 2020; Alemu, 2009).

Figure 2: DAG Working Group Architecture- Health sector

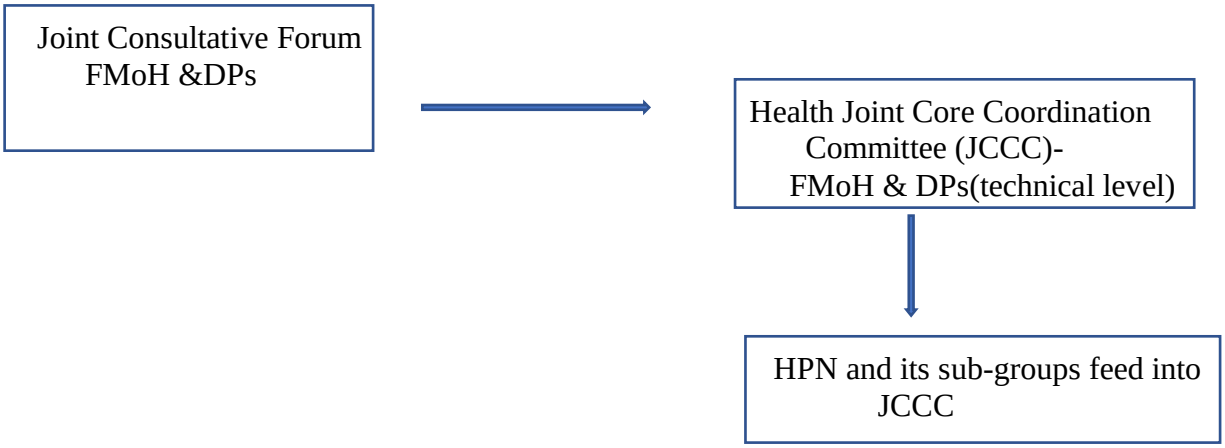
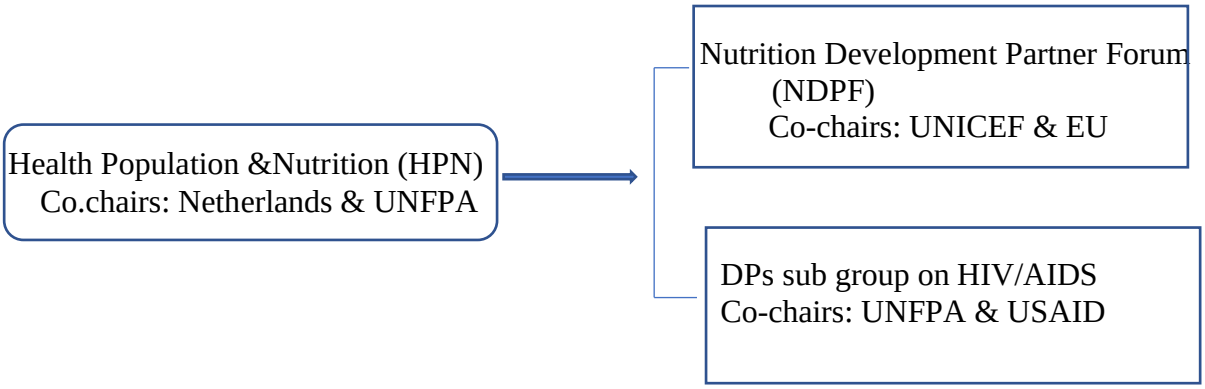


Figure 3: DAG Technical Working Groups



The JRM and ARM are the common monitoring and evaluation platforms in which the government and its health partners follow up the annual progress of HSDP implementation. The JRM is a joint mission in which groups of representatives from the health partners, government, and other stakeholders visit selected samples of regional states, districts, and health facilities to examine HSDP implementation issues and to validate on the ground health-

related data coming through the Health Information Management System. The combined report from the discussion of different joint missions helps as input for the ARM and JCF. The ARM is an annual meeting with representatives of the health partners, regional states, districts, hospitals, and health facilities, as well as health extension workers. Based on input from the JRM, issues like the performance of the sector, next plan priorities and other policy issues are timely discussed. It also reviews and endorses the woreda core annual plan (Ibid).

The HPN Donor Group is a sector working group dominated by donors for the health sector under the Development Assistance Group (DAG) and has more than 26 members, including the 11 contributors to the SDG PF. It gives technical support to the JCCC through its technical sub-groups and facilitates policy dialogue through its role in the JCF (Ibid).

6.7. Assessment of donor coordination in health sector

In general, as several studies conducted in Ethiopian health sector (World Bank, 2015; Teshome & Hoebink, 2018; Alebachew, et al., 2020; Abegaz, 2015), we can say that there is a better alignment of donors and recipient interests. The government has consecutively presented donors with three Poverty Reduction Strategy Papers (PRSPs). Updated every three years with annual progress reports, the PRSPs cinclude an assessment of poverty and of the associated macroeconomic, structural and social programmes along with identified external financing. Ethiopia's PRSPs are frequently appreciated for being country-owned, pro-poor and jointly developed with external partners. A noticeable division of labour is manifested between multilateral donors and bilateral donors. Multilaterals are mostly engaged in supporting physical infrastructure and better economic governance (civil service, fiscal management, training and decentralisation). Bilaterals have showed competitiveness in supporting the social sectors (education, health, water and food security) along with a secondary interest in issues related to political governance .

As per the literature (Steurs, 2019; Teshome & Hoebink, 2018, Alebachew, et al., 2020; Alemu, 2009), the coordination platforms in the sector have facilitated the participation of donors in the joint planning, implementation, and evaluation of the HSDP and subsequent medium-term strategic plans, even though there are several indications that the platform is still weak at the regional and local levels. Most of the donors, large and small, bilateral and multilateral donors, have a role to play in the coordination process, with different expertize, approaches, and levels of engagement, which is generally considered as productive to the health sector.

6.8. Aid coordination challenges

Aid in Ethiopia, particularly in the health sector, is not effectively coordinated partly due to its fragmentation and unpredictability. The aid environment in Ethiopian health sector has several donors with several projects but they only cover a small share of the aid market. Even though Ethiopia's has initiated early of an in-country harmonization and alignment process, both at the sector and country levels, achievements have not been complete and extensive. If we take for instance the health sector SWAp, it has not been effectively utilized by either the government or donors to improve aid predictability or harmonize funding arrangements. Even some of the progress made in areas where significant transaction costs cannot be lowered. Most donor countries and multilateral organizations continue to use their own systems rather than aligning and harmonizing (Alemu, 2009; Teshome & Hoebink, 2018; Alebachew et al., 2020). The main challenge for more alignment and harmonization in the health sector is the readiness and political commitment of donors and their headquarters. Most of donors have recognized the significance of the effort of alignment and harmonization but are reluctant to walk the talk. With lack of political commitment at donor headquarters or incentive mechanisms to alter the attitude and behavior of donor staff, recipient counties are likely to be discouraged by the lack of meaningful progress (Ibid).

The other challenge (Alebachew, et al., 2018) is particularly related to fulfilling the objectives and principles that underpin the Paris Declaration. That is the need to substantially strengthen good governance, the rule of law, and fiduciary systems to an acceptable standard. These are real challenges, as they require enormous investment in a country with serious financial and capacity constraints. These investments require commitment well before visible results. The IHP initiative in the health sector that aims to make sure that aid is more predictable and aligned to government priorities and systems can decrease a number of transaction costs—but contigent upon systems are strengthened and become acceptable to donors. The HPN group is continually trying to find for ways to better partner with the Government of Ethiopia, and in particular to reduce its transaction cost. Some of the efforts that are being carried out: rationalize the number of meetings and particularly avoid bilateral discussions as far as possible to free up the Ministry´s time to focus on delivery; encouraging donors to commit to reducing the number of indicators they use for their programs to a standard core as far as possible to reducing monitoring burden on Ministry of Health and Regional Health Bureaus; and lower the number of duplicative audits from different partners, and as far as possible develop collective audits

which meet partner needs yet reduce burden on the Ethiopian Government, particularly the PFSA.

The existence of coordination structures both at the country and health sector level are not enough, but their full functionality remains a challenge. Most coordination structures need to work according to their terms of references. In the health sector, the coordination structures necessitate merger and minimization of parallel mechanisms. These coordination structures should apply the practice of mutual accountability (including naming and shaming) rather than government-to-donor accountability to influence donor behavior on aid effectiveness in general, and on alignment and harmonization in particular. The practice of division of labor among donors through the involvement of lead and silent donors, delegated partnership, or specialization in a few sectors has yet to be practiced in Ethiopia (Ibid).

The constitution of the existing consultative and coordination mechanisms at all levels do provide opportunity for all stakeholders to voice their concerns and issues. However, in terms of power and decision making, such structure is dominated by the government and donors. The involvement of other stakeholders such as the private and NGOs sectors is weak. This can be justified by their limited roles (comparatively) in service delivery and management, and their weak organizational strength. But it is a challenge for the private sector and NGOs to align their interests and reinforce their negotiating ability with the government and donors (Ibid).

According to the DAG Annual report (2016/17), it has been indicated that there is a wide gap between the data generated through the routine Health management Information Systems (HMIS) and findings of the population and facility-based surveys. These differences are posing challenges to objectively evaluate Ethiopia´s progress towards HSTP and Global Goals on an annual basis and impeds evidence-based planning and decision-making on an annual basis. Despite this highlight, data from household and facility-based surveys which are being undertaken once in two to three years are of very high quality to set valid and reliable baselines for HSTP and carry out mid-term and end-line assessment.

The other challenge in relation to coordination, is the issue of inter-sectoral coordination. Based on the interviews conducted and the DAG annual report (2016/17), there are common problems in coordinating development partners and government Ministries on an inter-sectoral basis. The HPN Group recognizes that it needs to do more to work with non-health partners such as nutrition, WASH and energy to ensure we collectively meet our goals. The HPN Group will start a series of dialogue to leverage the One WASH National Program (OWNP) and help to facilitate coordination between the FMoH and Ministry of Water, Irrigation and Electricity to improve Institutional WASH. Currently a very high proportion, over half in some areas, of

health facilities lack running water. However, it is believed that with better coordination this can be addressed, since the funding streams exist in the OWNP.

6.9. Aid prospect in the Ethiopian Health sector

Due to the nature of the health sector that requires huge health expenditure, and especially spending on primary health care which has been the main driver of improving health indicators, have been backed by continued increases in development assistance for health (DAH). However, while the health agenda remains numerous and the associated resource requirements are huge, an uncertain on the prospect of development assistance suggests that alternatives to DAH must be sought.

It can be indicative that the policies of donors and the pressures they face suggests that the recent decline in aid may be the start of a longer- term trend. An amalgamation of slow growth, fiscal pressures and rising nationalism/globalization counteraction in major countries provide support to such a view. At the very least, according to Alebachew and his colleagues (2018) the probability that significantly more aid will be accessible in the future is very slim, and the 0.7 percent of GNI aid target will probably remain unavailable (aid is currently less than half this level). However, both development assistance and DAH in Ethiopia have not exactly reflected broader aid trends, which depicts to the fact that it is difficult to project what will the future holds in any one country or sector based on anticipated general trends.

The alternative solution under such circumstances is to consider alternative aid scenarios. If we consider the approaches in the study made by Mann and his colleagues (2017) which assesses the future financing of primary health care in Ethiopia. This study applies two aid scenarios: firstly, aid remains at its constant 2011 real level; secondly, it remains at this level until 2020 and is then halved by 2035. These are reasonable descriptions of the range of possible scenarios, and the main conclusion of the study is that choosing one or the other does not affect the fact that the main challenge facing Ethiopia is to identify alternative sources of fiscal space to cover for a significant share of future primary health expenditure.

Chapter Seven

7. Conclusion

This literature mainly focused to find an answer to the research question that whether development aid to Ethiopia (especially in health sector) has been affected by the Paris Declaration and more specifically whether the Paris Declaration has improved aid coordination in the Ethiopian health sector. As per the literature, the PD has affected the aid delivery and management in Ethiopian health sector. The Paris declaration, by basing its assumptions in a managerial model (representing the reformist camp), has introduced five principles, such as ownership, alignment, harmonization, managing for result and mutual accountability. At the same time, the declaration expects countries to implement and follow these principles. So as to achieve aid effectiveness and better aid coordination, the Ethiopian government and donors have exerted efforts to implement these principles and realize the objectives of the declaration. But most of the literature do not show the changes in aid effectiveness has led to sustained reform in policy making and governance. Much of the literature have not evidenced that aid-funded interventions in Ethiopia have improved public services, or no clear evidence that confirmed PD like intervention led to sustained improvements in public services such as health let alone to income growth. This might be due to the fact that in Ethiopia, as the largest recipient of foreign aid, the relationship between assistance and health outcomes has not been accurately assessed. Ethiopia has shown impressive progress in health sector in the context of a consistent health policy environment. However, it is difficult to demonstrate such impressive achievement are the result of country led development cooperation in Ethiopia.

In terms of aid coordination, the PD had significant impact on the business of aid especially in introduction of new aid modalities and instruments. For instance, in the health sector, donor organizations play significant roles in supporting, for example, the Health Extension Program (HEP) under the management of the government and the goals of equity and a universally comprehensive agenda for health. However, there are so many challenges identified in the literature to make foreign aid more effective and coordinated. After the PD aid in Ethiopia, particularly in health sector, is not effectively coordinated and the problem of fragmentation and unpredictability still common. Despite early initiation of in-country harmonization and alignment process, both at the sector and country levels, achievements have not been comprehensive. For instance, the health sector SWAp, has not been effectively utilized by either the government or donors to improve aid predictability or harmonize funding

arrangements. Some of the reasons given for such problems are, donors continuesly apply their own parallel systems rather than aligning and harmonizing with country system, reluctance and lack of political commitment of donors and their headquarters, lack of capacity to strengthen good governance, the rule of law, and fiduciary systems to an acceptable standard. With regard to harmonization, there are efforts by donors to improve it but the increasing use of multi-donor trust funds in Ethiopia make it difficult. When donors implement PBAs with varying priorities and institutional procedures, it makes increasingly hard to ensure effective management. As it is indicated by several experts, the effort of strengthening capacity development for co-ordinating technical assistance has contributed to make even fragmented the actions of donors and such ad-hoc and supply-driven support is not consistent with the country's capacity building strategy. Besides, some capacity building efforts tend to be expensive and do not necessarily develop the country's existing capacity in a sustainable way.

Moreover, despite the existence of aid coordination structures both at the country and sectors levels, their full functionality remains poor. These coordination structures should own and implement the concept of mutual accountability (including naming and shaming) rather than only government-to-donor accountability to exert influence on donor behavior on aid effectiveness in general, and on aid coordination in particular. The existing consultative and coordination mechanisms at all levels do provide opportunity for all stakeholders to express their concerns and issues. However, in terms of power and decision making, it is obvious that it is dominated by the government and donors.

In conclusion, despite the existence of Paris declaration, as a framework to coordinate aid at country level (Ethiopia) and among donors, based on the literature being reviewed suggested that, achievements have not been comprehensive. This is due to the fact that both the government and donor agencies are not fully committed to implement the Paris declaration to have one plan, one budget, and one monitoring framework, and the existence of weak enforcement mechanisms for donors that do not follow the above principles, absence of willingness, and the ability to change their behaviors (change their policies, processes, and procedures so as to make aid effectively coordinated) are at best questionable and at worst not real. This is exacerbated, among other factors, donors need to be accountable to their tax payers (or to their government). It still remains a challenge to balance their interests, targets and performance measures from their country and policy priority of the recipient country. As a result of the above challenges, implementation of the Paris Declaration has not fully achieved its objective, or the process of implementing is not fully completed.

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