



Country Strategy for  
Development Cooperation with

# ETHIOPIA 2014–2017

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## Abbreviations

<b>Agro-BIG</b>	Agro-Business Induced Growth in the Amhara National Regional State (Agro-BIG) programme
<b>AU</b>	African Union
<b>CBO</b>	Community based organization
<b>CMP</b>	Community Managed Project
<b>COWASH</b>	Community-Led WASH
<b>CSO</b>	Civil Society Organization
<b>DAG</b>	Development Assistance Group
<b>DfiD</b>	Department for International Development
<b>EPRDF</b>	Ethiopian People's Revolutionary Democratic Front
<b>ESDP</b>	Education Sector Development Programme
<b>EU</b>	European Union
<b>EU HoMs</b>	EU Heads of Delegation
<b>EUR</b>	Euro
<b>FinnWASH BG</b>	Rural Water Supply, Sanitation and Hygiene Programme in Benishangul-Gumuz Regional State
<b>GEQIP</b>	General Education Quality Improvement Programme
<b>GDB/P</b>	Gross domestic product
<b>GoE</b>	Government of Ethiopia
<b>GTP</b>	Growth and Transformation Plan
<b>HDR</b>	Human Development Report
<b>HLF</b>	High Level Forum
<b>ICI</b>	Institutional Cooperation Instrument
<b>IDA</b>	International Development Association
<b>IGAD</b>	Inter-Governmental Authority on Development
<b>IMF</b>	International Monetary Fund
<b>LCF</b>	Local Cooperation Fund
<b>MDG</b>	Millennium Development Goals
<b>MFA</b>	Ministry for Foreign Affairs
<b>MoE</b>	Ministry of Education
<b>NGO</b>	Non-governmental organization
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OECD DAC</b>	OECD Development Assistance Committee
<b>REILA</b>	Project for Responsible and Innovative Land Administration in Ethiopia
<b>SNNPR</b>	Southern Nations, Nationalities, and People's Region
<b>TDP</b>	Teachers' Development Programme
<b>UN</b>	United Nations

## ETHIOPIA

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<b>UNICEF</b>	United Nations Children’s Fund
<b>UPR</b>	UN Universal Periodic Review
<b>USA</b>	United States of America
<b>USAID</b>	United States Agency for International Development
<b>SNE</b>	Special Needs Education
<b>SWAp</b>	Sector-wide approach programme
<b>WASH</b>	Water, sanitation and hygiene
<b>WFP</b>	World Food Programme
<b>WIF</b>	WASH implementation framework
<b>WTO</b>	World Trade Organization

# 1 Executive Summary: ETHIOPIA

Ethiopia is one of the poorest countries in the world and highly vulnerable to internal and external shocks. Its development is characterized by consistent economic growth and improved human development indicators. Its investments in health and education have brought concrete results and poverty has declined. The country is on track to achieve most Millennium Development Goals. However, a number of serious challenges remain in the political, economic, social and environmental domains. Progress in maternal health, gender equality and environmental sustainability has been slow.

The most likely development scenario is that the economy will continue to grow, the ruling party EPRDF will remain in power. The ruling party will continue to pursue the current development agenda, but the political opposition will remain marginalized. Nevertheless, the country is likely to bring stability to the whole region which suffers from constant instability. It is worth noting that the implementation of human rights instruments and the protection of human rights remain serious challenges. The European Union and its member countries are concerned about political and civil rights in Ethiopia especially in relation to antiterrorism and civil society legislation.

Ethiopia's strategic importance in the region and its good record in achieving development results justify continued assistance from the donor community, including from Finland. By being present in Ethiopia as an EU member country and as part of the donor community Finland can participate in political dialogue on issues in which there has been less progress, such as democratic governance and political and civil rights. Political dialogue with the donor community is important and has influence, but change requires time and patience. Furthermore, through participation in the local aid management structures, Finland can seek to exercise influence on how the development agenda is put into practice.

The interventions Finland supports will help Ethiopia translate its development strategy into concrete actions. At the same time, Finland actively supports human rights based approach. The issues to be supported and pursued through the policy dialogue include equality in service provision and citizens' participation in the development processes affecting them. Finland concentrates on three sectors in Ethiopia: education, water and rural economic development. The objectives contribute to Ethiopia's country development goals as follows:

1. poverty reduction at small-holder farmer level through support to agriculture-based economic growth;
2. improved rural land tenure security and sustainable management of natural resource in order to improve livelihoods and economic wellbeing of the rural population;
3. improved access to potable water and improved sanitation and hygiene services in rural Ethiopia;
4. improved quality of general education;
5. reduced inequalities especially with regard to children with special educational needs.

In addition to these –, as cross-cutting objective – Finland strengthens the capacity of the civil service, CBOs and citizens in the development processes.

This Strategy aligns Finland's support with Ethiopian plans and programmes, in particular the Growth and Transformation Plan, and sectoral water and education programmes. The biggest change in the cooperation involves diversification of Finnish support, which used to focus on water and sanitation and education, into agricultural growth and rural development. Additionally, Finland will promote capacity building of the civil service and the civil society across all development interventions; human development and participatory approaches will be further mainstreamed in all interventions.

Most interventions will be geographically focused on the same limited number of regions. In the water and sanitation sector, a move is planned from projects to a sector wide programme.

## 2 Country Analysis

### 2.1 POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENT

Ethiopia is a Federal Democratic Republic with nine regional states and two city administrations. It is the second most populous country in Sub Saharan Africa with a population of over 84 million (2012). Over 80% of the people live in the rural areas.

Ethiopia, one of the world's oldest civilisations, is still one of the poorest countries in the world. On the other hand, it has a good record of achieving development results. The Government has increased its investments in education and health and the human development indicators have improved. The poverty level has declined from 38.8% in 2005 to 30.7% in 2011.

Even so, critical gaps exist in investments and implementation of national development policies and plans. The Government of Ethiopia's (GoE) new five-year plan (2011-2015), the Growth and Transformation Plan (GTP), aims to foster broad-based development in a sustainable manner to achieve the MDGs and targets. According to the UN's 2011 MDG Report, Ethiopia is on track to achieve most of the MDGs by 2015. The country is stepping up progress towards these goals in areas where it has been lagging behind, such as gender equality and empowerment of women, maternal health, and environmental sustainability. Ethiopia's Human Development Index has improved significantly over the past decade, rising from 0.250 in 2000 to 0.363 in 2011 (Human Development Report 2011).

Ethiopia embarked on a series of governance reforms in 1992. The reforms have led to improvements in public service delivery, electoral administration, access to and administration of justice, and women's participation in politics. Nonetheless, big challenges remain in enhancing pluralistic and participatory democracy, human rights and capacities for effective public sector and development management.

Ethiopia is driven by its vision to become a middle-income country and a carbon-neutral economy by 2025. The vision has been backed by prudent macro-policy management and significant investments in infrastructure. Ethiopia holds a long record of steady economic growth. Over the past decade, the average annual gross domestic product (GDP) growth has been 10.6%, that is, double the average in the rest of Sub Saharan Africa. Growth was initially led by agriculture but it has become more broad-based, with increasing contributions from service and industry sectors. Although growth has been encouraging, several key targets (exports, government revenues and savings) have not been met. Inflation is high. Ethiopia's economy is still highly dependent on rain-fed agriculture which constitutes 46% of GDP, followed by services (36%) and industry (13%). Dependence on rainfall makes the country vulnerable to climate-related shocks, which in turn threaten the food and humanitarian security.

Ethiopia is an important regional player and a centre of stability in the conflict prone and volatile Horn of Africa. Ethiopia is the key ally of the USA in the region. The relations with Eritrea, Somalia and Sudan/South-Sudan will continue to dominate Ethiopia's foreign-policy agenda. To facilitate the process of regional integration and policy coordination, Ethiopia participates actively in regional groupings such as the African Union (AU) and the Inter-Governmental Authority on Development (IGAD). Nevertheless, the ramifications of the conflict

in Somalia, current political events in Sudan/South Sudan, and the border dispute with Eritrea have implications for the stability and development prospects of Ethiopia.

### 2.2 DEVELOPMENT SCENARIOS FOR THE COUNTRY

The most likely development scenario to materialise is that the economy will continue to grow, the ruling party EPRDF (Ethiopian People's Revolutionary Democratic Front) will remain in power, and Ethiopia will continue to open up gradually. The ruling party will continue to pursue the current development agenda, but the political opposition will remain marginalized. The country is likely to bring stability to the region which suffers from constant instability. The new political leadership provides an opportunity for a change that is faster and more profound.

Another development scenario is that economic growth will slow down due to lower foreign investment and export prices or sparse rainfall and unexpected natural disasters. They could have an adverse effect on the development agenda, lead to economic and political stagnation or worsening of the situation and, ultimately, trigger political instability and civil unrest.

Ethiopia has gradually expanded the Government's role in the economy, and interventionist action is expected to be a feature of public policy in the coming years. Economic growth can be faster if the Government gives more space for the private sector. Ethiopia may attract large foreign investments over the coming decade. It is also expected that the investment climate will be more attractive thanks to the relatively stable political outlook. Ethiopia intends to become a member of the WTO by 2015.

GDP growth was around 7% for the 2011/2012 fiscal year and inflation about 22% (IMF, 2012 Article IV Consultation with Ethiopia). Approximately similar growth is expected in 2012/2013 and 2013/2014. The strong economic growth and investments in the context of the GTP are also seen as causes for inflation. Ethiopia's inflation rate is among the highest in the world and it causes a heavy burden on the poor. Consequently, inflation erodes gains from donor-funded social protection and social safety net programmes.

Despite huge investments and significant agricultural potential, the humanitarian situation and food security will remain major challenges in Ethiopia both because of internal unrest and external shocks. Currently 25% of Ethiopia's total external assistance is humanitarian and food aid. Despite that the humanitarian support programmes are fragmented. A large proportion of the Ethiopian people have limited coping mechanisms at their disposal and there is an immediate need for transition from humanitarian aid to development. Without a range of dynamic and comprehensive activities to promote effective private sector development, particularly in agriculture, it will be very difficult to achieve the anticipated growth rates under GTP.

Despite concerns about democratic ownership and governance, as well as the lack of a functioning opposition, Ethiopia's strategic importance and good record of achieving development results mean that donors will continue to provide support. Political dialogue with the donor community plays an important role in precipitating change, but time and patience are required. Ethiopia does not want to be too dependent on a few selected partners or foreign investors, but rather prefers to diversify its international partnerships.

## 3 The Development Context

### 3.1 NATIONAL DEVELOPMENT FRAMEWORK; DONOR HARMONISATION AND DIVISION OF LABOUR

Ethiopia has a strong ownership and it is determined to develop. It has a clear vision, strategies and plans which enable alignment. The Government has prepared the five-year development plan GTP (2010/11 - 2014/15) to carry forward the important strategic directions pursued in the previous plan. Special emphasis will be given to agricultural and rural development, industry, infrastructure, social and human development, good governance and democratisation.

The total financial resources required are about EUR 58-60 billion for five years (ETB 1325 billion, composed of ETB 756 billion for poverty oriented and other expenditures, and ETB 569 billion for infrastructure and industry). This entails mobilising substantial domestic and external resources, one of the sources being official development assistance.

The GTP outlines the Government's strategic direction in terms of visions, objectives and targets over the five-year period. The plan has been criticised for not taking into consideration the resources and the implementation capacity at different levels of administration, and not including an assessment of risks associated with inflation and other risk factors. The preparation process of the GTP included a dialogue at the regional level but, according to the Development Assistance Group (DAG), was nevertheless rather a top-down process.

The Government has been spending over 60% of its annual budget on poverty-related sectors and increased tax collection during the last year. It does not plan to increase taxes, but instead is broadening the tax base. The Government generated 78% of the fiscal year 2012/2013 budget from domestic tax revenues. Yet the target of raising domestic revenues to 15% of the real GDP, which at present stands around 11-12% (IMF 2012) is to be achieved.

Development partners are expected to maintain their support and aid flows comprise approximately one third of the national budget (\$4bn in 2010). Three biggest donors to Ethiopia are the World Bank, the US and the Department for International Development (DfID). Over the last few years, Ethiopia has received aid from non-traditional bilateral donors such as China, India and the Gulf States. As a result, the share of the EU has gradually diminished. Anyway, in 2010 the EU and Norway provided USD 1,025 million of Official Development Assistance (ODA), which is equivalent to 28% of the total ODA to Ethiopia.

A lot of support and capacity building has been directed to the building of democratic institutions. However, as long as politics override principles and law, the independence of democratic institutions - including the justice sector - remains undefined. The 2013 Corruption Perception Index (CPI) of Transparency International gave Ethiopia a score of 33 out of 100. Ethiopia's rank on the CPI was 111th out of the 177 countries surveyed in 2013, and 113th out of the 177 countries surveyed in 2012. The Government is strengthening its efforts to fight corruption. Nevertheless, corruption remains a challenge especially in the private sector.

Ethiopia was a pioneer in the international movement towards donor harmonisation, though much momentum was lost in the aftermath of the 2005 elections. The OECD DAC Paris Declaration monitoring survey in 2011 concluded that overall progress has been uneven. While managing for results has improved, there has been no improvement in aligning aid flows with national development strategies since 2007. The use of public financial management systems is good, however, and coordination of technical cooperation relatively advanced. In 2011, the Government signalled renewed interest in the reactivation of the Aid Effectiveness Taskforce and in the setting up of an Aid Effectiveness Action Plan.

The DAG, which comprises 26 bilateral and multilateral development agencies, is the main aid coordination structure on the development partners' side. Its main objective is to ensure a more effective delivery and use of development assistance. A high level forum where Ethiopian Ministers have discussions with DAG Heads of Agencies takes place two to three times a year. The DAG relies on the technical expertise of its working groups in the preparation of policy papers, reviews and reports. Although there is no formal agreement on division of labour, de facto lead development partners exist within the DAG structures.

The main challenges include a lack of a common strategy among development partners and a lack of enthusiasm by some key development partners to move forward with the formalisation of the division of labour. Their main fear is that such a move could compromise government ownership. Related discussions have taken place in the DAG since 2010 and the general agreement has been to concentrate on the dialogue and on better use of multi-donor programmes. The EU has however selected Ethiopia as one of the pilot countries for the EU Fast Track Initiative on Division of Labour, including an EU joint programming process to be conducted in 2012.

Finland concentrates on three sectors in Ethiopia: education, water and rural economic development. In 2010, Finland was the second largest bilateral donor in the water sector and the fourth largest in the education sector. The biggest donors in these two sectors are the World Bank, the DfID and the EU. In rural economic development, the biggest players are the World Bank, Germany and Canada. Finland is one of the most significant contributors to the sector.

### **3.2 STATUS OF HUMAN RIGHTS BASED APPROACH AND THE THREE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY**

According to the UN, Ethiopia is on track to achieve most of the MDGs. Hence, there has been a remarkable improvement in terms of economic, social and cultural human rights. When it comes to political and civil rights and freedoms, the picture is more unbalanced. Also, the implementation is lagging behind in certain economic and social rights, such as employment and maternal health.

The Ethiopian Constitution acknowledges political and civil rights, and Ethiopia has ratified most of the important international human rights conventions. However, implementation of the conventions and protection of human rights is rather weak. Awareness-raising on human rights is included in the GTP. Ethiopia has also set up a Human Rights Commission which started work in 2006. Its mandate includes promoting, protecting and enforcing the rights of citizens. The Commission carries out activities in human rights education, protection, and monitoring. Furthermore, it conducts human rights research and advises the Government.

The EU and its member countries remain concerned about political and civil rights in Ethiopia especially in relation to antiterrorism and civil society proclamation. The UN conducted its Universal Periodic Review (UPR) of Ethiopia in 2009. Ethiopia is committed to implement 99 of its 142 recommendations. The UPR recommendations have been incorporated into the newly drafted National Action Plan on Human Rights for Ethiopia. This Action Plan has not yet passed the Federal Parliament, but when it becomes public, the EU is willing to support it, if deemed a useful document. The implementation of the UPR recommendations is monitored by the EU, the DAG and the Ethiopian Human Rights Commission, as well as the non-governmental Human Rights Council.

Ethiopia ranks 173th out of the 187 countries surveyed in the UN gender-related development index (2013). There has been progress in gender equality in that, for example, a Ministry for Women's Affairs was established in 2005. It has issued a National Action Plan for Gender. A relatively high number of MPs are women, but their number in key policy-making and managerial roles remains low. In education, far fewer girls than boys complete their basic education, because girls need to take care of household chores and because of early marriages. Female genital mutilation is widespread, although it has been declining according to Ethiopia Demographic and Health Survey 2011 (Central Statistical Agency, Ethiopia).

In accordance with the Ethiopian Constitution, ethnic minorities have equal access to social services and opportunities. In practice, access to social services and infrastructure facilities is still not equitably distributed among and within regions. Most of the ethnic minorities have the right to education in their mother tongues. However, in pastoralists' areas this has not been possible due to the inadequate number of educated workforce and insufficient infrastructure facilities.

Ethiopia has ratified the United Nations Convention on the Rights of Persons with Disabilities. Nevertheless, according to the Ministry of Education, less than three per cent of children with disabilities participate in primary education.

Ethiopia is making a serious effort to address climate sustainability. In order to make Ethiopia a middle-income country by 2025, the country has adopted a Green Economy Strategy, which support of a climate resilient green economy. At present, the erratic rainfall causes food insecurity in a largely rain-fed agricultural system. Deforestation, accelerated soil erosion and land degradation are other major environmental issues. Watershed degradation causes silting of reservoirs and thus reduced access to water resources.

## 4 Finnish Cooperation to Date and Lessons Learned for the Future

### 4.1 FINNISH COOPERATION PROGRAMME TO DATE AND CONTRIBUTION TO COUNTRY LEVEL RESULTS

The 2010 evaluation of the country programme<sup>1</sup> concluded that Finland's development cooperation with Ethiopia in 2000-2008 has been focused, relatively coherent and highly relevant. It has responded to the Ethiopian poverty reduction strategies and built on specific Finnish expertise, thus contributing Finnish added value in the two main sectors of cooperation, water and education. Sustainable development results and long-term engagement in these two sectors brings leverage and impact that go beyond Finland's own support.

Finland is among the main partners of Ethiopia in particular in rural water, sanitation and hygiene (WASH). Finnish involvement in the water sector has expanded into a comprehensive programme comprising management of water resources, land management and related growth-related interventions. The programme as a whole is coherent due to its clear geographical focus and good balance between project interventions and policy development. The Community Managed Project (CMP) approach, which was created within Finland's support programme, has influenced implementation modalities in the sector. The CMP approach means that the communities, through water and sanitation committees, are responsible for the full development process through planning, financial management, implementation and maintenance. Importantly, the CMP is acknowledged for its contribution to the acceleration of access to water supply and to the sustainability of results especially at the grassroots level. It is now mainstreamed into the Ethiopian WASH implementation framework (WIF) as the main implementation modality for rural WASH.

In the education sector, Finland has been among the main partners developing and implementing a sector wide approach. Finland has been supporting this sector through two channels: a multi-donor programme and a bilateral technical assistance project. To raise the quality of general education, Finland has channelled support through a multi-donor programme, which has had a significant impact on improving and systematising teacher training. The lessons learned from the earlier Teachers' Development Programme (TDP) have been taken into account in the General Education Quality Improvement Programme (GEQIP). In addition, Finland has focused its project support on Special Needs Education (SNE). Needs for SNE are significant and there are no other donors supporting it bilaterally. Finland's support has been significant also in keeping SNE on the government agenda.

Support to civil society through Finnish NGOs as well as through the Local Cooperation Fund (LCF) complements the bilateral programmes. However, the restrictions on NGO advocacy based on the CSO law mean that the sector's potential impact may be more limited in the future. The civil society projects funded by Finland mainly focus on such themes as disability rights, health issues (including HIV/AIDS and reproductive health), children's rights (to education and to safe childhood), rural development and food security, women's rights, and income-generating activities, as well as environmental protection. The projects are running

<sup>1</sup> Development Cooperation with Ethiopia 2000-2008 (Evaluation Report 2010:2)

countrywide. In 2012 the size of the Finnish NGO funding to Ethiopia was approximately EUR 2.9 million.

### **4.2 AID EFFECTIVENESS: KEY LESSONS AND RECOMMENDATIONS FOR FINLAND**

Finland bases its cooperation programme on the Ethiopian national development strategy the GTP. To avoid fragmentation, Finland is engaged in no more than three sectors. Finland has been an important supporter of harmonisation and a leader in the water sector. Accordingly, Finland has aligned its cooperation with government priorities, and increasingly channelled funding through joint programmes, pool funds and sector programmes.

In the education sector, the 2010 evaluation of the country programme<sup>2</sup> recommended that potential synergies between the bilateral project and multilateral programmes should be fully exploited. This has now been addressed through the inclusion of SNE as one of the cross-cutting objectives of nationwide general education programmes.

In bilateral programmes and projects, Ethiopian financial systems are used in channelling the aid. Government procurement systems are widely used. In addition to financial support, Finland provides significant technical assistance to all supported programmes and projects and also to the sector programmes in education and in the development of a WASH sector programme. Management structures are harmonised with country structures as much as possible; nonetheless, some parallel structures have been put in place specifically for capacity-building purposes. Finland is among the main supporters of and a provider of technical assistance to a sector wide approach programme in the water sector. Finland is also engaged in the mobilisation of wider donor support to it.

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<sup>2</sup> Evaluation Report 2010: Development Cooperation with Ethiopia 2000 - 2008

## 5 Objectives of Finnish Development Cooperation with Ethiopia

### 5.1 COUNTRY DEVELOPMENT GOAL

The vision of Ethiopia's Growth and Transformation Plan (GTP) is to *“become a country where democratic rule, good governance and social justice reign, upon the involvement and free will of its people and once extricating itself from poverty to reach the level of middle-income economy as of 2020-2023”*.

### 5.2 COUNTRY DEVELOPMENT RESULTS AND FINLAND'S STRATEGIC CHOICES

In order to achieve the above-mentioned country development goal, the Government of Ethiopia strives to attain the following development results to be achieved under the GTP:

1. Creation of macroeconomic stability conducive to rapid and sustained development;
2. Accelerated and sustained agricultural growth and rural development;
3. Faster and sustained development of the industrial sector;
4. Enhanced infrastructure services and the foundation for long-term sustained growth and development;
5. MDGs in the social sectors;
6. Capacity of civil service to implement the GoE policies and plans and participation of citizens and community-based organizations (CBOs) in the development process.

Out of these six development results Finland will support results 2, 4, 5 and 6. They make a direct contribution to the attainment of the MDGs and contribute to Ethiopia's country development goals. They are also in line with the primary goals of Finland's development policy, mainly with regard to the agenda for the eradication of extreme poverty, for ensuring sustainable use of natural resources, and for guaranteeing basic human rights as well as gender equality and equality between citizens. Finland has selected these four development results through which a special emphasis will be put on human development and inclusive green growth.

The biggest change in the country programme is in that while Finnish support in the past has focused on infrastructure services (result 4) and on the MDGs in the social sectors (result 5), in the future Finland will also support agricultural growth and rural development (result 2). Capacity building, both of the Ethiopian civil service and of the Ethiopian civil society (result 6), will be supported across all development interventions. Because of the wide scope of all selected development results, Finland has chosen a specific sector of cooperation in each case: for example, in infrastructure Finland concentrates on rural water supply and sanitation, and in the MDGs on education. Moreover, Finnish assistance aims to focus on a geographically limited number of regions. Also, there is a firm intention to move to sector programmes where this is possible, for example in water and sanitation.

According to various evaluations<sup>3</sup>, Finland's long-term engagement in its two main sectors of cooperation, water and education, has made an impact that goes beyond Finland's own support. Finland's engagement in the water sector has registered best results not only in making aid effective and bringing a difference at the grassroots level, but also in influencing the Ethiopian Government's sectoral implementation strategy. Finland sees that educated people make things change, and that enhanced knowledge will improve people's participation in decision-making. Finland's engagement in education has contributed significantly to such development in Ethiopia.

Finland considers water and land resources as an overarching element and thematic entry point for its interventions. Therefore, within the framework of the existing Ethiopian and Finnish policies, the planned support for agricultural growth will complement the existing support in water and land resources. This new support will address the problem of food security and extreme poverty, which stems from the dependence on rain-fed agriculture and weak value chains in the agricultural sector. The approach is to support inclusive green economic growth by linking production to markets, as strongly requested by the federal and regional governments of Ethiopia. This is also in line with Finland's development policy in the agricultural sector.

Consistent economic growth and improving human development indicators provide a basis for a positive development scenario in Ethiopia. Much will depend, however, on the capacity of the Ethiopian leadership to consolidate democracy and human rights. While the role of the state in the economy has been expanding, the capacity of the Ethiopian civil service has also become a critical factor for economic growth and social development. Also, participation of citizens and CBOs in the development processes affecting them is to be further consolidated and enhanced. Against this background, and in light of the orientations of Finland's Development Policy Programme, Finland has decided to support the capacity building of the civil service and of the civil society across all development interventions Finland will finance. This is not a new feature in Finnish support in Ethiopia - people's participation has been key to success for example in the water sector - but the human development focus and participatory approaches will be further mainstreamed in all interventions.

### 5.3 FINLAND'S OBJECTIVES

#### **COUNTRY DEVELOPMENT RESULT 1: ACCELERATED AND SUSTAINED AGRICULTURAL GROWTH AND RURAL DEVELOPMENT SECURED;**

##### **FINLAND'S OBJECTIVES IN AGRICULTURAL GROWTH AND RURAL DEVELOPMENT**

###### **A) Contribute to poverty reduction at small-holder farmer level through support to agriculture based economic growth**

Ethiopia's economic growth strategy is agriculture-based and the majority of Ethiopians earn their living from agriculture. Agriculture accounts for more than 80% of export revenue and around 85% of the Ethiopians work in the agricultural sector. The sector is nevertheless not fully taking advantage of its potential, and the value chains in the agricultural sector are weak. Industries suffer from long and weak production chains, and the low level of technol-

<sup>3</sup> Development Cooperation with Ethiopia 2000-2008 (Evaluation Report 2010:2); Evaluation of the Finnish Development Cooperation in the Water Sector (Evaluation Report 2010:3); Mainstreaming the Community Development Fund mechanism, (Evaluation Report, 2010).

ogy and poor standard of business knowledge hampers the functioning of the market. The level of agricultural business development services and technical assistance in the public and private sectors is low in all the value chains. To a large extent, the services rely on government service provision which is not geared towards value chain development. Investment in the introduction and development of new technologies is modest, and private and public financial institutions have limited financial tools to invest in new technologies.

### **Finland's specific objective is**

- ▶ Establishment of efficient and profitable value chains of selected crops and/or products, which benefit the involved stakeholders along the chain (farmers, processing industries, traders and buyers).

Through Finland's support, a value chain approach will be used to address the above-mentioned constraints in the selected agricultural value chains. This support will focus on the Amhara Region, on the Tana and Beles Growth Corridor, in line with the geographical concentration of Finnish development cooperation in Ethiopia. It is expected that this support will strengthen the efforts of the GoE to pursue agriculture-based economic growth and thus reduce poverty. The lessons learnt are expected to be beneficial also at the federal level.

### **Inputs, instruments and resources**

Finland will participate in the policy dialogue and sector coordination mechanisms for agricultural development. In terms of technical assistance, the main instrument to be used to is the new bilateral Agro-Business Induced Growth in the Amhara National Regional State (Agro-BIG) programme. Moreover, local cooperation funding will be used to support Ethiopian civil society organizations (CSOs) involved in urban agriculture.

### **B) Improved rural land tenure security and sustainable management of natural resource in order to improve livelihoods and economic wellbeing of the rural population**

The problem of land degradation stems largely from poor land-use and inappropriate farming practices as well as from high population growth and deforestation. Insecure land tenure is an underlying cause for land degradation as farmers do not have incentives to take good care of and improve the land they cultivate. Without a certificate to prove their right to the land, farmers do not perceive tenure security strong enough to fully invest in it.

### **Finland's specific objectives are**

- ▶ Improvement of rural land tenure security through strengthening the land administration system in Ethiopia;
- ▶ Improvement of livelihoods of rural households through enhanced productivity and promotion of sustainable land use practices.

As Finland recognises the causes of land degradation, it has decided to support the upgrading of the land administration system by strengthening institutional capacity in rural areas. As a result of this support, rural households will gain increased land tenure security and relevant government institutions will have in place a clear legal framework for more advanced land management system. Finland will also support the rehabilitation of degraded land in Tana sub-basin watersheds, which aims to contribute to a more modern management system of watersheds, leading to better and sustainable livelihoods, reducing the sediment loads of the watersheds.

### **Inputs, instruments and resources**

Finnish participation in the policy dialogue and sector coordination will ensure synergies between bilateral and multilateral interventions and will contribute to Ethiopian policies. The Responsible and Innovative Land Administration in Ethiopia (REILA) project will be the main bilateral instrument. Finland will also support the multilateral Tana and Beles Integrated Water Resources Management project (TBIWRDP).

### **FINLAND'S OBJECTIVE IN INFRASTRUCTURE**

#### **COUNTRY DEVELOPMENT RESULT 2: INFRASTRUCTURE SERVICES EXPANDED AND THE FOUNDATION FOR LONG-TERM SUSTAINED GROWTH AND DEVELOPMENT STRENGTHENED;**

##### **A) Improved access to potable water and improved sanitation and hygiene services in rural Ethiopia**

Despite Ethiopia's vast overall water resources, the country suffers from poor water supply and sanitation coverage particularly in rural and peri-urban areas. Fortunately, the Government has a clear vision of how to respond to this challenge, and national financial and human resources have been allocated for the purpose. The vision culminates in the Universal Access Plan (UAP) in which ambitious targets have been set.

##### **Finland's specific objective is**

- ▣ Expedient water point and latrine construction process and their improved sustainability through the CMP approach.

Finland will continue to support the acceleration of the water point and latrine construction to reach Ethiopia's UAP access targets. This support aims also to strengthen the sustainability of water and sanitation infrastructures constructed through the CMP approach according to which the community has ownership of the whole project cycle. Now that the CMP approach has been taken as part of the GoE's WASH Implementation Framework, the main emphasis of Finnish support will be on capacity building at various levels.

### **Inputs, instruments and resources**

Through policy dialogue and participation in sector coordination, Finland aims to scale up the use of approaches that are proven successful, such as the CMP. The main instruments are the bilateral projects COWASH and FinnWASH BG, as well as technical inputs to the development of a sector-wide approach programme in the WASH sector.

#### **COUNTRY DEVELOPMENT RESULT 3: MDGS IN THE SOCIAL SECTORS ACHIEVED**

### **FINLAND'S OBJECTIVES FOR MDGS IN THE SOCIAL SECTORS**

##### **A) Improved quality of general education**

Ethiopia's investments in education have resulted in great improvements in access to general education and in meeting the target to get all children to school by 2015. There are over 30,000 schools and 17 million children go to school at present. Despite the impressive growth in enrolment, still three million children remain out of school and many of those are girls, children with disabilities and children from pastoralist communities living in the emerging

regions<sup>4</sup>. Moreover, increased access rates have meant poor quality of education and weakening learning outcomes. Early Grade Reading Assessment conducted in 2010 estimated that as many as 80% of students were not reading as expected in their mother tongue.<sup>5</sup> The pupils-teacher ratio has risen and the supply of qualified teachers is inadequate.

The international donor community, while supporting the implementation of the GoE's Education Sector Development Programme (ESDP), has launched a major quality initiative in 2009, the General Education Quality Improvement Programme (GEQIP I). Building on the achievements of its predecessor, the TDP, the four-year GEQIP I has significantly improved teacher training, textbooks, and assessment, including school grants.

#### **Finland's specific objectives are**

- ▣ Improved teaching and learning conditions in general education;
- ▣ Strengthened institutions at different levels of the education management.

Based on the government commitment to improve the quality of education, and the results achieved in GEQIP I, Finland will continue to finance the four-year GEQIP Phase II together with DFID, USAID and the Global Partnership for Education. IDA and the World Bank will manage the funds. This support will also improve equality in general education, for example between poor and better-off regions.

#### **Inputs, instruments and resources**

Finland participates actively in the education sector dialogue and the steering structures of multi-donor and joint financing programmes. The main instrument is Finland's participation in GEQIP I and from July 2013 in GEQIP II.

#### **B) Addressing inequalities improved, especially with regard to children with special educational needs**

The Ministry of Education (MoE) recognises that in order to achieve its main goal to provide "education for all", it has to target specific groups, such as children with special educational needs. The MoE has included SNE in the ESDP and prepared an SNE Strategy, which has been updated in 2012 to be more oriented towards inclusive education. Teachers have been trained in SNE, resource centres have been established and schools equipped. Finnish support has been instrumental in making this happen. However, the needs are huge. While the GoE estimates that there are over 1.7 million children with special educational needs in Ethiopia, it recognises that only around 3% of them have access to primary education at the moment. The number of children with special educational needs enrolled at the different levels of education (mostly in special schools or special classes in regular schools) has increased only modestly and remains extremely limited.

#### **Finland's specific objective is**

- ▣ Improved access and learning support for children with special educational needs.

<sup>4</sup> UNICEF (2011) Draft Out of School Study for Ethiopia

<sup>5</sup> Piper, B. (2010) Ethiopia Early Grade Reading Assessment Report. RTI/USAID Ethiopia International

Finland has managed to create added value in the education sector by supporting and strengthening SNE/inclusive education. This is well in line with the cross-cutting objective of reduction of inequalities of the Finnish development policy. The Government is committed to provide SNE/inclusive education and recognises that that this work has only started. Based on this, Finland has decided to continue the provision of technical support to SNE/inclusive education alongside its support to general education (GEQIP II). While SNE/inclusive education is one of the cross-cutting objectives of the nationwide GEQIP II, the planned Finnish bilateral project will provide technical assistance in capacity development in selected regions and in teacher colleges in all regions. The objective is that such capacity development will then be mainstreamed through GEQIP II.

### **Inputs, instruments and resources**

Finnish participation in the policy dialogue will support mainstreaming of SNE/inclusive education in GEQIP II and ESDP. Technical assistance will be provided through the new bilateral SNE/inclusive education project. In addition, small projects implemented by Finnish and Ethiopian NGOs will be financed.

## **COUNTRY DEVELOPMENT RESULT 4: CAPACITY OF CIVIL SERVICE TO IMPLEMENT THE GOE'S POLICIES AND PLANS AND PARTICIPATION OF CITIZENS AND CBOS IN THE DEVELOPMENT PROCESS ENHANCED.**

### **FINLAND'S OBJECTIVE FOR CAPACITY BUILDING AND PARTICIPATION**

#### **A) Strengthened capacity of the civil service, CBOs and citizens in the development processes**

This cross-cutting objective is to be implemented through dialogue and the interventions mentioned above. Finland considers that the strengthening of the capacities of the Ethiopian civil service for good and democratic governance is of utmost importance. The participation of citizens in the development processes affecting them also needs to be widened. Both issues are prioritised in the Finnish Development Policy Programme and match with one of the six expected development results of Ethiopia's GTP. Moreover, institutional capacity building and wider participation of citizens are a condition for successful implementation of the above-mentioned interventions supported by Finland.

#### **Finland's specific objectives are**

- ▶ Increased participation of citizens and CBOs in development processes within interventions supported by Finland;
- ▶ Increased participation of the civil society in government development planning, monitoring and evaluation through sector platforms in sectors where Finland is involved.

### **Inputs, instruments and resources**

These objectives are pursued by means of bilateral and multilateral dialogue with Ethiopia, the bilateral and multilateral programmes and projects in which capacity building within the government structures and participatory approaches play a significant role, and small projects carried out by Finnish and Ethiopian NGOs.

#### **5.4 HUMAN RIGHTS BASED APPROACH AND THE THREE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY AS PART OF THE COUNTRY STRATEGY**

Finnish development cooperation in Ethiopia promotes the economic, social and cultural rights of the Ethiopian people. The promotion of social rights, such as the right to education, in the long run also supports civil and political rights. Strategic choices made in the programmes address people's right to food, water, land, education and employment. The rights of women and vulnerable groups are also taken into account, and people's right to participate in the development processes affecting them is strongly encouraged.

Women's participation in decision-making is promoted through the bilateral programmes. Women's empowerment and income-generating activities are supported through civil society projects. Through the local cooperation fund, Finland is also promoting women rights in the health sector (for example, Finnish contribution to ban female genital mutilation and training on reproductive health issues).

Reduction of inequality - one of the cross-cutting objectives of the Finnish Development Policy Programme - is strongly promoted in all programmes supported by Finland. For example, specific measures will be taken so that landless people will also benefit from the Agro-BIG programme that targets small-holder farmers in the Amhara region. Equal opportunities are supported in particular in the SNE programme which promotes the rights of children with special educational needs.

Finland is promoting climate sustainability through preventing unsustainable use of natural resources as well as increasing environmental awareness. For instance, the watershed management project has decreased land degradation and desertification, and hence directly contributed to climate resilience of its beneficiaries.

#### **5.5 POVERTY REDUCTION AS PART OF THE COUNTRY STRATEGY**

Poverty reduction is an overarching goal of all the chosen country development results. At the policy level, Finland supports government efforts to achieve agriculture-based economic growth, as well as the GoE's capacity for land tenure administration. In addition, Finland supports the GoE in improving the quality of education.

Finland finances programmes which target poverty reduction at the grassroots level. Employment opportunities are created through training of teachers (GEQIP) and small holder farmers (Agro-BIG).

Finland also supports local CSOs through the LCF and through funds for the Finnish NGOs working in partnership with their Ethiopian counterparts. These projects promote equality, democracy and human rights, as well as support the education sector and people's economic empowerment.

## 6 Management of Strategy and Programme Implementation

### 6.1 PARTNERSHIPS

Finland's Country Strategy in Ethiopia is managed and implemented in cooperation with its main partner, the GoE. Apart from the Ministry for Foreign Affairs, Finland works in close collaboration with the Ministry of Finance and Development (MoFED), the Ministry of Education (MoE), the Ministry of Agriculture, and the Ministry of Water and Energy. The main regions of operation are Amhara and Benishangul-Gumuz. Finland also collaborates with Oromia, Tigray and SNNPR (Southern Nations, Nationalities, and People's Region). Communities are also participating in the programmes and Finland is working in close collaboration with them.

The impact of Finnish strategic choices will be maximised through collaboration and complementary efforts with the GoE, development partners and CSOs. In the international donor community, Finland's key partners are: the EU, the DAG, the UN and the international financing institutions and the Nordic countries. These partnerships are based both on regular policy dialogue and on operational cooperation. Ethiopia has been selected as one of the pilot countries to conduct EU joint programming in which Finland participates actively.

Collaboration with development partners like the DFiD, the World Bank, WFP, UNICEF will bring added value in supporting Finland's objectives through multi-donor programming. CSOs are encouraged to complement Finland's activities and expected to improve the cost-effectiveness of Finland's objectives. Effective implementation of this Country Strategy entails strengthening of policy dialogue and exchange of information and cooperation with the emerging donors.

### 6.2 AID MODALITIES, IMPLEMENTATION AND AID EFFECTIVENESS

Different aid modalities will be used based on their comparative advantages. These include multi-donor programmes and joint financing as well as bilateral projects and funding for NGOs.

Under the country development result "agricultural growth and rural development", two modalities will be used: a bilateral project (Agro-BIG) and a bilateral project linked to a sector flagship programme (REILA) through alignment and partial joint financing. The Finnish bilateral project provides TA and the sector flagship programme investment funds and implementation staff.

Under the country development result "infrastructure", bilateral project support will be targeted at the improvement of WASH services (COWASH, FinnWASH-BG). However, it is expected that as soon as the framework under discussion has been approved and the necessary instruments are in place, there will be a gradual shift towards sector-wide support. The gradual shift is expected to start at the earliest in July 2013 (start of Ethiopian Fiscal Year 2006). Finland's intervention in WASH has influenced the creation of the framework, which aims at ensuring aid effectiveness in the sector. Another modality in use to support integrated water resources management is a co-financing arrangement with the World Bank (TBIWRDP). Within the arrangement, Finland provides bilateral TA funding and the investment funding goes through the World Bank Trust Fund.

Under the country development result “MDGs in social sector”, where Finland concentrates on education and two modalities: a multi-donor programme (GEQIP) and a bilateral project (SNE/inclusive education). GEQIP is administrated by the World Bank and the following donors: DFID, USAID, Finland, Italy and Global Partnership for Education. The bilateral project in SNE/inclusive education will be aligned with the wider multi-donor programme GEQIP II.

Existing country systems are widely used. The respective government ministries manage the interventions and funds allocated to them. The government offices are often supported by technical assistance which is embedded in the programme structures in order to provide hands-on technical support to implementation.

Under the fourth cross-cutting country development result, NGO funding and LCFs are used to support local NGOs which operate within the thematic areas that correspond to Finnish priorities. In addition, NGOs are actively engaged in projects which aim at poverty reduction and MDGs. Moreover, specific instruments, such as the ICI, are used to complement support within the above-mentioned country development results.

### **6.3 MAIN FORUMS OF POLITICAL AND POLICY DIALOGUE**

The cooperation between the GoE and development partners takes place in the High Level Forum (HLF), which provides the opportunity for the Government and the DAG to have policy dialogue on the successful implementation of the national development strategy. HLFs convene two to three times a year. Sectoral level dialogue between ministers and sector working groups is conducted quarterly.

Country consultations between the GoE and the Government of Finland take place every third year. Bilateral contacts between Finland and Ethiopia are active, high-level visits are frequent, and the range of issues covered is broad. Article 8 -dialogue between the GoE and the EU, based on the Cotonou Agreement, is another forum for discussions. The main forums for political and policy dialogue in the international community are Ethiopian partners group (ambassadors’ group), and the EU HoMs and deputy HoMs.

Finland, as a part of international community and EU, participates actively on all these forms of dialogue with international partners and with the GoE. Currently Finland is co-chairing both the education and the water sector working groups. Human rights and civil society issues are discussed in the respective sectoral working groups and technical working group platforms.

### **6.4 INTERNAL MANAGEMENT ARRANGEMENTS**

The Country Strategy is implemented by a team of civil servants in the Ministry for Foreign Affairs (MFA) in Helsinki and in the Embassy of Finland in Addis Ababa. The Internal Management Arrangements are defined and regularly updated by the MFA (Department of Africa and the Middle East). The expertise available in the Unit for Sectoral Policy of MFA will be systematically used to support the implementation (and review) of the Country Strategy. The members of the team will participate in skills training based on the needs identified. Division of labour within the team (including issues of delegation) will be further clarified.

## 7 Strategic Steering

### 7.1 MONITORING AND REPORTING OF RESULTS AT COUNTRY LEVEL AND OF FINLAND'S PERFORMANCE

The MoFED is in charge of monitoring the country development results through its GTP monitoring mechanism. It produces an annual progress report using its own and sector ministries' monitoring data and selected indicators and the respective baseline data, presented in a policy matrix. After this report has been prepared, the MoFED conducts annual consultations with development partners. Each sector ministry is responsible for the preparation of its sector progress report, which is then appended to the report prepared by the MoFED.

Monitoring of interventions supported by Finland is done by the MFA in Helsinki, by the Embassy in Addis Ababa and by the management structures in charge of implementation. The level of detail varies according to their roles and needs. Joint technical reviews and an annual multi-stakeholder forum are held jointly with other development partners and the Government. Finland receives government progress reports based on the government reporting schedule.

Bilateral programmes are led by steering committees, in which the Embassy takes part as a member. Periodic progress and financial reports (quarterly and annual) are presented in their meetings. These reports are based on internal monitoring of the programmes, based on performance indicators and baseline data. The projects and programmes are subject to mid-term reviews and evaluations, which provide guidance for implementation and lessons learned for the future.

Fragmentation is not a major challenge in the Ethiopia country programme of Finland. In 2013, as many as seven interventions are under way. All except the two interventions in the education sector are carried in the same regions. Substance-wise, there are several inter-linkages. In the future, the current three separate WASH interventions should be absorbed by the sector programme. This would bring the number of interventions to five. The average size of the interventions in 2013 is EUR 2.6 million, while in 2016 it will be EUR 2.3 million (based on the current commitments).

### 7.2 RISK MANAGEMENT

The major risks in the implementation of the Strategy are related to issues that may arise at institutional, macro-economic, policy and strategy, natural disaster and community levels.

Such external factors as inflation, climate change or unexpected natural disasters are beyond the scope of this Strategy. However, we can raise awareness at all levels so that the effects of some of these factors can be minimised through interventions such as conservation measures. Finland can contribute to the risk mitigation initiatives through its programmes. Finland will continue in cooperation with its partner countries, the EU and DAG to encourage the GoE to sustain its reforms regarding inclusive political, economic and social development, broadening democratic space as well as peaceful and constructive relations with its neighbouring countries.

Institutional risks such as structural changes and the associated staff turnover both in the public sector in Ethiopia and in the Foreign Service in Finland, low level of commitment and declining ownership of the responsible partner organisations and other stakeholders can be averted through identification of causes and continuous discussion. Problems related to capacity limitation can be minimised through integration of capacity enhancement initiatives and short-term training periods within projects.

Technical assistance is also designed to bring about knowledge transfer with long-term benefits to the implementers. Policy and strategy level risks can also be improved by engaging in policy level dialogues with other development partners. Using the opportunities of the various platforms is important when issues are brought to the attention of the GoE for improvement. It is indispensable to participate in political level dialogues assessing the application of policies, laws and restrictive proclamations, so that we can help citizens and CBOs better participate in the development process. Participation in monitoring of GoE programmes that are envisaged to be detrimental to programme implementation is important to avoid waste of resources.

## 8 Tentative Financing Plan (Budget)

The budget proposal of Finland's Country Strategy for Development Cooperation in Ethiopia in 2014–2017 is presented below. As a number of projects support attainment of a certain development result, it is not possible to provide a budget per results. Therefore, the budget is presented per sector.

### Budget estimates for Finnish development cooperation with Ethiopia 2014–2017 (EUR million)

<b>RURAL ECONOMIC DEVELOPMENT SECTOR</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Project name</b>				
Programme for Agro-Business Induced Growth in Amhara (Agro-BIG)	0.3	1.2	5.3	2
Support to Land Administration (REILA)	0.3	2.7	2.5	1
<b>Sector Total</b>	<b>0.6</b>	<b>3.9</b>	<b>7.8</b>	<b>3</b>
<b>WATER SECTOR</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Project name</b>				
Support for institutionalising the Community Development Fund mechanism (COWASH)	2.5	4.2	2.8	3.7
Rural Water Supply, Sanitation and Hygiene Programme (FinnWASH)		-	-	-
<b>Sector Total</b>	<b>2.5</b>	<b>4.2</b>	<b>2.8</b>	<b>3.7</b>
<b>EDUCATION SECTOR</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Project name</b>				
Support to Teacher Development Programme (GEQIP II)	4	5	2.3	4.3
Technical Assistance to Special Needs Education in Ethiopia (SNE II)	0.5	0.5	0.5	
<b>Sector Total</b>	<b>4.5</b>	<b>5.5</b>	<b>2.8</b>	<b>4.3</b>
<b>OTHER</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Programme planning	0.1	0.2	0.2	0.2
Education sector support/unspecified				2.5
<b>TOTAL BILATERAL BUDGET (million Euros)</b>	<b>7.7</b>	<b>13.8</b>	<b>13.6</b>	<b>13.7</b>

All figures above are subject to change. The figures exclude funds carried forward from previous years.

In addition, calls for proposals administered by the NGO Unit in the MFA are issued annually to Finnish NGOs. Due to the independent nature of NGO projects, it is impossible to present any exact figures concerning NGO cooperation during the strategy period. Funding is also provided through the LCF administered by the Embassy and through ICIs. The LCF has been in the range of EUR 350,000–500,000 (2011–2012) and ICI funding is expected to be in the range of EUR 200,000–300,000 annually in the strategy period.

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