



# European Joint Co-operation Strategy with Ethiopia, 2017-2020



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## 1. ETHIOPIA'S DEVELOPMENT CONTEXT

**Ethiopia's** vision to become a lower middle-income country by 2025 - backed by its **policies** and supported by development assistance – is **delivering results**. Over the last decade, Ethiopia has made notable progress in its economic growth. Rapid, broad-based, sustained and equitable economic growth to eradicate poverty has been a key objective of the Growth and Transformation Plan (GTP) 2011-2015 and will continue to be the main driver of Ethiopia's policies and development strategies for the next five years as set out in the **GTP II 2016-2020**.

The expansion of the Ethiopian economy, together with a pro-poor policy has benefited a large portion of the population living under the poverty line and has helped providing a sustainable boost to household consumption. **Public spending on basic social services** has increased significantly. However, the use of basic services by the poor is still low, and access to basic services remains a challenge, especially among dispersed pastoralist communities and the increasing urban population. Nonetheless, the levels of poverty, inequality and vulnerability remain, to date, amongst the highest in the world.

The adoption of GTP II brings the **opportunity for European Partners to support Ethiopia address some of its most pressing challenges**. European Partners have identified **job creation, natural resources management and governance** as the three cluster areas where joint strategizing and action would be the most meaningful.

The Government of Ethiopia recognises that **creating decent jobs** both for men and women is **the biggest challenge in the coming 5 years**. Unemployment rate is a major economic and social challenge, with over 3 million young people entering the job market each year. The high level of unemployment presents a serious social problem and a major policy challenge for Ethiopia. The young generation is increasingly educated starting from a very low base but the labour market fails to provide job opportunities for them with the unemployment rate being particularly high in urban areas, where the informal labour market is still important. This is also related to high population growth in rural areas, where the family plots of land are small and thus cannot be divided among the children when they grow up – contributing to rural migration of the youth to cities.

Given the **low levels of education among rural youth**, focus on **skills development** for men and women will be **vital for increasing productivity and making the country more attractive to international firms seeking to invest in Africa**.

**Governance** is a key area where the GoE has undergone several reform processes, notably the introduction of a multi-party electoral system and the decentralisation of the state to the district (Woreda) and sub-district (Kebele) levels to improve service delivery and increase local participation in decision-making. The picture of governance remains however mixed: while the Government's commitment to social and economic rights is strong, democratic culture and civic

and human rights are not keeping the pace with social and economic transformation however, the recent political changes give hope for improvement. **Effective governance** is a key to sustain the country's developmental successes as well as the ambitious developmental agenda outlined in the GTP II.

The **effective governance of natural resources including agriculture productivity, forest, land and water resources management**, combined with internal movement of population and the environmental impact of large scale investments presents a key challenge for Ethiopia whose heavy dependence on rain-fed agriculture and high population growth make the country particularly **vulnerable to the adverse impacts of climate change and environmental degradation**. Environmental degradation is a serious threat especially to the rural people livelihood, and women are particularly concerned because their household activities depend closely on the quality and availability of natural resources, such as land, water, firewood, wild products of economic and nutritional importance. The Government is making efforts to mitigate their impact, however, serious droughts and conflict-driven crises in Ethiopia and neighbour countries like South Sudan pose a serious threat to the stability of the region as well as to the security and development gains achieved over the past years. The changing climatic conditions and successive failed rains during the past three years are exacerbating recurrent food insecurity in Ethiopia and neighbouring countries notwithstanding the negative impact on the economy. Climate phenomena like El Niño has left over 18 million in need of food assistance.

**Nutrition** is one of the strategic areas for the GoE and its development partners. The magnitude of the challenge is extraordinary. The annual cost associated with child undernutrition is equivalent to 16.5 % of Ethiopia's GDP. Over the past 20 years, Ethiopia has reduced the prevalence of stunting (chronic undernutrition) in children under five years of age from 67% to 38%. This has been a major contributing factor to **Ethiopia's impressive performance in reducing child mortality**. Despite this, this trend over the duration suggests that Ethiopia could still fall short of its commitment to reduce stunting to 20% by 2020 and 0% by 2030.

Demographic developments are important factors in the **migration-development nexus** in the country and particularly regarding the labour market and social services provided by the government (health, education). Currently almost half of Ethiopia's population are aged under 14. With a population that is projected to double by 2060 and with a demographic structure which contains a very high percentage of the youth cohort, the risk for political violence is high unless demographic challenges are addressed.

The GoE has also made the **effective participation of women and youth** as well as their right to benefit from the outcomes of development, key elements of GTP II. According to **Ethiopian Constitution** (art. 35), *"measures shall be to provide special attention to women so as to enable them compete and participate on the basis of equality with men in political, social and economic life as well as in public and private institutions"*.

## 2. EUROPEAN DEVELOPMENT PARTNERS' VISION

The European Partners present in Ethiopia (Austria, Belgium, Czech Republic, Denmark, the EU and the EIB, Finland, France, Germany, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, and the UK) are firmly committed to **support the Government of Ethiopia achieve the objectives of its Second Growth and Transformation Plan (GTP II)** towards a stable and prosperous Ethiopia in a challenging region. It is estimated that the European partners' joint financial contribution to Ethiopia's Growth and Transformation Plan II for 2017-2020 will total around **4.3 billion euros, exclusive of other forms of financial support** such as humanitarian assistance provided, regional programmes and private sector financing which bring additional substantial funds.

Building on a longstanding relationship between Ethiopia and its European partners, the present Joint Co-operation Strategy lays out a **shared vision** for European partners **to support Ethiopia's long-term development and reinforce its strategic partnership with Ethiopia**. The reinforced partnership aims to evolve towards a mutually-beneficial **"aid and beyond"** approach based on **strengthened political and policy dialogue with the Ethiopian Government structures, increased economic and commercial co-operation** on trade, private sector competitiveness and development including through blending mechanisms in line with the European External Investment Plan **and shared EU/Universal values** such as sustainability, social accountability, inclusion, participation of Civil Society in section. It should be underlined that this Joint Co-operation Strategy does not cover the full spectrum of the EU's engagement in and with Ethiopia which is wider than that 3 priority clusters identified below.

The Joint Co-operation Strategy aims to **support stability** and further develop **democracy** in Ethiopia and help to attain its objective to **transform its economy into a lower middle-income category by 2025** and increase the productivity, quality and competitiveness of the productive sectors; enhancing the capacity, participation and equitable benefit for citizens.<sup>1</sup> In this regard, the European Partners' support will aim to contribute to enhanced results and impact in **3 priority clusters** in line with Ethiopia's GTP II and in consultation with the GoE:

1. JOB CREATION
2. NATURAL RESOURCES MANAGEMENT
3. GOVERNANCE

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1 GTP II Policy Matrix

Nutrition, migration and gender will be streamlined throughout the priority areas of the Strategy as cross-cutting issues

In line with the EU Comprehensive Approach, this Joint Co-operation Strategy aims to make **European Partners external action more strategic**, consistent and effective and include issues such as migration, gender, climate change, nutrition, fragility and security, thus **presenting a reinforced and coordinated EU approach and response to increasing global challenges**. In this vein, the Strategy will aim to **reinforce coordination and policy coherence** and **build synergies between development cooperation and humanitarian assistance**, thereby creating synergies in the nexus around preparedness for natural disasters.

This Joint Co-operation Strategy lays the building blocks for European Partners' joint programming in Ethiopia. It seeks to **ensure coherence with DAG initiatives**, and promotes participation and coordination with other development partners. It focuses on supporting Ethiopia implementation of its Growth and Transformation Plan II and **achieving the sustainable development goals (SDGs)** thus contributing to a revitalized global partnership towards the achievement of the SDGs as stated in the Addis Ababa Action Agenda.

### 3. EUROPEAN PARTNERS' JOINT RESPONSE IN ETHIOPIA

The European Partners have- in line with Ethiopia's GTP II and in consultation with the GoE -identified areas of strategic engagement where the European Partners can make a difference and bring added-value. In this regard, they jointly aim to contribute to enhanced results and impact in **3 priority clusters** and sectors with nutrition, migration and gender as cross-cutting issues. In line with the strategic approach to focus results on key strategic clusters, European Partners aims for more impact and added-value beyond individual bilateral support. The total contribution in terms of fresh indicative commitments from European partners to these Three clusters for the period 2017-2020 totals **2.8 billion euros**.

The European Joint Strategy will focus its support on the following 3 priority clusters:

- 1) **JOB CREATION**
- 2) **NATURAL RESOURCES MANAGEMENT**
- 3) **GOVERNANCE**

It is expected that **alignment to GTP II priorities and reinforced coordination will help strengthen meaningful dialogue with the Government** as well as other actors and further contribute to working on an urgent and new areas such as building resilience and migration..

#### 1. **JOB CREATION**

The Government of Ethiopia recognises that **creating decent jobs both for men and women is the biggest challenge in the coming 5 years**. Its ambitious targets in light manufacturing, agricultural transformation and SME development indicates that job creation is not only a development issue, but also stability for the country. GTP I progress in this area was good in terms of growth rates, but the overall targets were missed by some margin in achieving the transformation of the economy. A take-off is needed in export sectors in the coming years. To achieve this, potential significant partnerships will be needed with and between European Partners.

The key priorities for European partners in decent and inclusive job creation are:

1. Supporting policy and regulatory reform, towards inclusive and equitable private sector growth;
2. Supporting the development of quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being;
3. Gender and nutrition smart agri-value chains development, including in pastoral areas

4. Support productive and planned rural-urban shift of the population to safe, inclusive and clean settlements, and reduce the impact of industrial waste on the environment;
5. Labour and skills development (dual education system to generate job opportunities (TVET));
6. Enterprise development;
7. Promote enabling environment for gender equality in the labour market, and promote access to credit and ownership of productive assets;
8. Ensure inclusion of nutrition aspects, from capacity building to specific actions, at the level of actions, in all sectors, (industry, agriculture, gender, etc.).

## 2. NATURAL RESOURCES MANAGEMENT (NRM)

Despite fast economic growth over the last decade and the Ethiopian government's strong commitment to resilience, food and nutrition security through three agricultural flagship programmes, the IGAD Strategy and the National Nutrition Programme II, **Ethiopia continues to face serious and recurring episodes of food and nutrition insecurity**. The country is particularly vulnerable to the adverse impacts of climate change, recurring droughts and food insecurity crises.

Environmental degradation poses a serious threat, especially to rural peoples' livelihoods. Women are particularly concerned because their household activities closely depend on the quality and availability of natural resources such as land, water, firewood, and wild products of economic and nutritional importance.

To help Ethiopia address these challenges, the European Partners will promote the twin goals of **food and nutrition security** and **resilience** through gender sensitive strategic objectives in selected priority areas, namely,

- a) **Agriculture productivity** through the sustainable increase in agriculture productivity and diversity as well as support to nutrition-sensitive agriculture value chains.
- b) **Forest management** by improving livelihoods through sustainable production and management of forests as well as improving environmental services of forests for climate resilience.
- c) **Land management** through the rehabilitation and land improvement to sustain productivity and contribute to resilience as well as through enhanced tenure security, responsible and equal land governance and administration.
- d) **Water resources management** by supporting the development of a sustainable water resources management system.



### 3. GOVERNANCE

The Growth and Transformation Plan (GTP) II recognizes governance – through a strengthened civil service and citizen engagement and public participation – as one of the nine pillars to achieve the development goals and targets envisaged by the GoE for the next five years. Mindful of the importance of Ethiopia’s political and economic stability, the GoE has increased its political attention to addressing ‘bad governance’ – with a focus on anti-corruption and on ‘rent-seeking behaviour’ – and has committed to set up a reform process to respond to the legitimate demands put forward by Ethiopian citizens.

Within this context, the European Partners have identified **3 priority areas for joint engagement**:

- i) **Economic Governance** contributing to a) a strengthened institutional capacity to identify corruption bottlenecks and address corruption; b) a strengthened Public Finance Management (PFM) systems; c) Increased Domestic Resource Mobilization through tax reforms and specific Domestic Resources Mobilization initiatives; d) Better business climate; e) Increased representation of women and their interest.
- ii) **Political governance** towards strengthening independent oversight mechanisms and enhanced Government capacity on transparency and accountability, including an enabling environment for civil society’s involvement in planning, budgeting and monitoring across sectors. European Partners will promote freedom of speech the independence and diversity of the media. Finally, special attention will be given to increasing women participation by promoting gender-sensitive public policies and by improving their capacity in decision making;
- iii) **Institutions** - the European Partners will support the capacity building of the public sector and its institutions as well as the access to justice for all citizens, with a focus on women. Support will also be provided to electoral reform and political parties’ dialogue, enhanced capacity of political parties and parliament and increase the female representation in political parties.

European partners will **promote the mainstreaming of governance** throughout the Government’s flagship programmes and major European programmes, including those dealing with migration flows.

### 4. CROSS - CUTTING ISSUES

#### i. Nutrition

The Ethiopian Government reaffirmed its commitments in tackling malnutrition and reducing stunting to 20% by 2020 and to 0% by 2030 with the Ethiopia’s National Nutrition Programme (NNP) II. The Joint European Nutrition Strategy for Ethiopia 2016-2020 offers the opportunity for the European Partners to contribute to the objectives of NNP II. The strategy takes into account the Nutrition- Sensitive Agriculture Strategic Plan, the EU Communication on Enhancing Maternal and Child Nutrition and the policy direction of the EU Member States. It will ensure that nutrition is mainstreamed in all relevant sectors/areas of intervention. The following priorities guide the implementation of the European Nutrition Strategy to:

1. Articulate a common understanding of development challenges and guiding priorities for

European support of Ethiopia's NNP II;

2. Achieve complementarity across sectors and fill gaps through dedicated actions.
3. Align European country strategies with agreed mutual guiding principles and actions in specific sectors;
4. Enhance the quality of policy dialogue and advocate jointly;
5. Make European Partners' financing more effective through a focus on alignment, harmonisation, managing for results, predictability and mutual accountability;
6. Enhance the leverage, knowledge sharing, and visibility of European support to Ethiopia.

## ii. Gender

The Government of Ethiopia stated clearly its commitments and efforts **towards** mainstreaming **gender equality and women empowerment (GE/WE)**. The **GTP II sees GE/WE as one of its strategic pillars, and Ethiopia has promulgated several pro-gender laws and ratified several international treaties over the years.**

The European Partners commit to increasing coordination and coherence on gender strategies, developing common positions and enhancing common policy dialogue. As a first step the EU Gender Strategy and the Gender Action Plan 2016/2020 have already been adopted. Furthermore the Europeans' Gender Task Force (GTF) is working very actively to reach a common ground through regular monthly meetings, joint annual work plans and joint actions, such as the recently finalized mapping of gender initiatives in Ethiopia. The first actions will focus on the "Institutional Culture Shift" and "systematic gender analysis".

The following commitments guide the implementation of the European Gender mainstreaming approach:

1. Undertake strong and rigorous Gender Analysis;
2. Collect, analyze and process gender/age-disaggregated data, throughout p/p cycle;
3. Ensure the adoption of gender sensitive objectives, gender results-driven approach and gender-sensitive indicators to measure progress and performance;
4. To allocate resources to support gender objectives and gender related activities for interventions that are not women-specific targeted;
5. Ensure adequate human resources, expertise and funds throughout p/p cycles;
6. Set high standards for reporting, evaluation and accountability mechanisms;
7. Promote the involvement of gender related CSOs/CBOs/ FBOs and female beneficiaries at different stages of the p/p;
8. Support civil society action of girls and women, boys and men and their associations as agents of change towards GE;

9. Establish/strengthen learning platforms and the sharing of best practices on gender equality among European Partners.

iii. Migration

**Ethiopia is a country of origin, transit and destination of migrants** and is currently hosting over 840.000 refugees and asylum seekers. Mixed migration movements into Ethiopia predominantly include refugees, trafficked persons, irregular and economic migrants from neighbouring countries. **Ethiopia is also a country of internal displacement.** Data collected by the IOM shows over 2 million individuals displaced with conflict and drought representing the primary causes of displacement<sup>2</sup>. **Inter-communal and cross-border violence** results in most IDPs living in protracted displacement situations.

One of the main drivers of migration outside of Ethiopia is the **lack of employment opportunities.** Furthermore, climate change, the lack of political space, violations of human rights and social issues (e.g. family pressure) are factors for Ethiopians to migrate. As migration tends to increase until a country reaches upper middle-income status, **an increased flow of migrants can be expected from Ethiopia in the coming years.** This highlights the need to put in place a well-functioning legal migration system<sup>3</sup> as well as a continued need to prevent smuggling and trafficking and to address root causes of migration.

The European Partners are committed to supporting Ethiopia in addressing the ‘push and pull’ factors that make young people susceptible to migration and the issues-related to human trafficking. The EU and the EU MS have, through the establishment of a European Migration Coordination Forum in 2015, improved coordination on migration issues thus multiplying the impact and the leverage of the European Partnership the country. One of the key policy documents is the **Common Agenda on Migration and Mobility (CAMP)**, signed by the EU and the GoE in 2015. In addition, the **EU engages with Ethiopia through the EU-Ethiopia Strategic Engagement, the Khartoum Process, the 2015 Valletta Summit and the Mobility Partnership Framework.**

**The three priority clusters are closely related to migration.** Four interrelated priority areas have been identified to contribute to reduce the push factors of migration:

1. Support **resilience** and improve livelihoods and possibilities for Ethiopians to continue their lives at home in a decent manner;
2. Provide **employment** and support the management of national resources to mediate the negative effects of climate change;
3. Strengthen **dialogue on return and readmission;**
4. **Strengthen civil service and citizen engagement** and public participation in addressing the root causes of migration.

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2 Data collected throughout May and June 2017 for the Displacement Tracking Matrix. IOM SLO ETHIOPIA. Emergency and Post-Crisis Unit SITUATION REPORT. 31 July 2017

3 Which includes, among others, the full implementation of the Immigration Proclamation 354/2003.

## 4. MONITORING OF THE JOINT RESPONSE

The purpose of monitoring of the Joint Response is two-fold:

1. Measure progress made in terms of aid-effectiveness commitments which aim at better managing the diversity of development partners on the ground. The commitments include reducing fragmentation, concentration of sectors, reducing the proliferation of aid channels etc;
2. Measure the benefits of the Joint Response to the development partners themselves. Is the process bringing added-value to their work in terms of building synergies, improved collaborative work among partners, economies of scale, and reduction of transaction costs.

The monitoring process should help determine the improvements in division of labour and defragmentation including the increase in jointly implemented interventions and use of country systems. It will coherently and systematically review:

- the level of fragmentation of EU assistance including division of labour, and
- the volume of assistance delivered through common instruments or joint implementation mechanisms.
- the effectiveness, efficiency and sustainability of the EU development cooperation outcomes and provide direction for the subsequent EU joint programming processes.



