

Final Country Case Study: Ethiopia

Evaluation of Management of Danish Development Cooperation – 20 Years after Decentralisation

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Abbreviations and Acronyms

AMG	Aid Management Guidelines
ATI	Agricultural Transformation Institute
BDP	Bilateral Development Programme
CCA	Climate Change Adaptation
CSO	Civil Society Organisation
DDD	Doing Development Differently
DE	Danish Embassy
DIHR	Danish Institute for Human Rights
DKK	Danish Krone (currency)
EHRC	Ethiopian Human Rights Commission
EQ	Evaluation Question
HQ	Headquarters
MEAL	Monitoring, Evaluation, Accountability, and Learning
MFA	Ministry of Foreign Affairs
ODA	Official Development Assistance
RBM	Results-based Monitoring
RFI	Results Framework Interface
SSC	Strategic Sector Cooperation
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Sexual and Reproductive Health Agency
UNICEF	United Nations International Children's Emergency Fund
UPR	Universal Periodic Review (Council for Development Policy)
USAID	United States Agency for International Development
USD	United States Dollar
WASH	Water, Sanitation, and Hygiene
WB	World Bank
WFP	World Food Programme

1 Introduction

The field phase of the case study in Ethiopia took place from 15 to 19 April 2024. It entailed key informant interviews and focus group discussions with Danish Embassy (DE) staff, development partners, the Ministry of Finance, and the three pre-selected case projects:

- 1) The support to the Agricultural Transformation Institute (ATI) under the Thematic Programme 1: Agricultural Commercialisation Clusters
- 2) The institutional cooperation between the Danish Institute for Human Rights (DIHR) and the Ethiopian Human Rights Commission (EHRC) under Thematic Programme 4: Governance and Human Rights. This cooperation also entails pooled funding for regional support managed by DIHR.
- 3) The United Nations Sexual and Reproductive Health Agency (UNFPA) humanitarian action under outcomes 1 and 3 in its country programme for Ethiopia

Ethiopia was selected as a case country to obtain data from an expanded partnership country with a bilateral, decentralised development cooperation in addition to other types of engagements. It represents an opportunity for the evaluation to draw lessons learned from a development context in which Denmark relatively recently complemented its regional and multilateral support with a bilateral development programme. This includes assessing the relevance and conditions for synergy and coherence of Danish interventions and the robustness of the aid management vis-à-vis internal conflicts and the coronavirus pandemic. The country case study assessed the linkage between the Ministry of Foreign Affairs of Denmark's (the MFA) headquarters (HQ) and the embassy, as well as the capacity and skill set of the latter to manage the bilateral support, and the adequacy of the Aid Management Guidelines (AMG) to underpin the aid management principles, including mainstreaming of climate change adaptation measures.

The projects with the ATI and UNFPA entail joint programme support with multilateral and bilateral development partners, and the case study sought to better understand the embassy's ability to influence project design and implementation, the linkage to other Danish instruments, and the pros and cons of core and earmarked support. In the case of UNFPA, the effectiveness and transaction costs of using a multi-bi instrument were further explored, including the relationship between the DE, the MFA (the multilateral contact group) and UNFPA's HQ and country office; synergies with other instruments; and how to manage trade-offs between centralised and multilateral aid management and localisation.

The country visit was conducted in 'reverse order' due to the visit of the Danish Development Council. This meant that most meetings with project partners were completed in the first three days of the country visit, while embassy meetings took place during the last two. To prepare for the country visit, interviews were conducted with MFA staff in Copenhagen with some bearing on the Ethiopia programme, and with the DIHR Advisor.

2 Key Findings across the Evaluation Questions

2.1 Main developments (EQ1)

The present bilateral development programme is the first in Ethiopia. It was extended by two years due to internal conflicts and the COVID-19 pandemic

The Danish embassy in Addis Ababa was inaugurated in 2004. The main purpose was to strengthen the political dialogue with the African Union and to support peace and security on the continent and the Horn of Africa. This engagement included humanitarian and development assistance delivered through multilateral organisations.

The country policy strategy 2018–2022 outlines four strategic action areas which tally with shared Danish–Ethiopian priorities: 1) The fight against climate change: green energy and enhanced resilience; 2) Strengthened commercialisation and economic opportunities in the agricultural sector; 3) Good governance, enhanced protection of rights and civil society participation; and 4) Support for sustainable solutions in relation to refugees and migrants. In 2020, the embassy in Addis Ababa was also selected as one of Denmark’s new green frontline missions to enhance the promotion of green Danish solutions in the country (Water and Energy).

In 2018, the first bilateral development programme (BDP) 2018–2022 was launched to underpin inclusive, sustainable growth, improved governance, and Ethiopia’s quest to achieve lower middle-income status by 2025. The bilateral programme is aligned to Ethiopia’s attainment of Sustainable Development Goals 1, 5, 8, 13, and 16, as well as the Growth and Transformation Plan II 2014–2019, and the Climate Resilient Green Economy strategy from 2011. In accordance with the AMG at the time, the BDP features four thematic programme interventions: 1) Agricultural Commercialisation Clusters, 2) Coherence between humanitarian responses and development cooperation, 3) Climate-resilient forest livelihoods, and 4) Governance and human rights.

In line with the introduction of bilateral support, the Danish development support for Ethiopia grew from DKK 75 million in 2013 to DKK 621 million in 2023, with a total budget of the BDP of DKK 995 million. Due to the conflict in the north of the country, the BDP has been subject to a non-cost extension until the end of 2024. The largest Danish engagement is the Assela Wind Farm Project 2018–2022 supported by Investment Fund for Developing Countries/Danida Infrastructure Financing Facility, with a total budget of DKK 635 million, and with another DKK 143 million added in 2023. Other significant interventions include the support for UNICEF’s WASH interventions 2022–2025, with a total budget of DKK 200 million,¹ and the thematic support for the Agricultural Transformation Agenda implemented by the Agricultural Transformation Institute, with a budget envelope of DKK 300 million.

Meanwhile, the DE will present the draft Ethiopia Strategic Framework 2025–2029 for approval of the Council for Development Policy (UPR) in May 2024. The next BDP is expected to be finalised later in 2024 with an increase in climate change adaptation targets and more focus on Civil Society Organisation (CSO) support, if the Government of Ethiopia agrees.

2.2 Relevance and effectiveness (EQ2/EQ3)

Development partners as well as project partners find Danish aid management principles relevant and conducive to achieving results

In general, development partners and Ethiopian counterparts appreciate Danish aid management principles. Denmark is perceived as a flexible partner with mutual respect for partner needs and priorities. It is also very easy to reach out to Denmark when questions arise during implementation of a project. Some partners also praised Denmark’s qualitative monitoring approach with more emphasis on outcomes and shared learning compared to other development partners such as the Foreign, Commonwealth &

¹ The programme is based on bilateral agreements with each of the donors rather than one common JFA for all, and the Danish bilateral agreement covers all strategic outcomes of UNICEF’s programme, but with earmarking according to Danish strategic priority of access to clean water and sanitation in rural and urban areas of Africa, and a focus on climate resilient WASH in accordance with the green agenda and the long-term strategy for global climate action in development cooperation. This entails that the support for Rural and Urban/Refugees WASH in the UNICEF Programme, receives 39% and 20% of the budget, respectively.

Development Office and the United States Agency for International Development, which prefer activity-level monitoring (number of workshops conducted, number of workshop attendees, etc).

The DE finds its role and responsibilities adequately defined and the AMG comprehensive. However, it is under-resourced compared to the scale of the development portfolio, the political challenges in the region, and the ramifications of Danish aid management principles

Overall, the staff of the DE found that its cooperation with Copenhagen worked well, and that its role and responsibilities were adequately defined. The AMG are also adequate for the management of the development cooperation. However, the DE considers itself under-resourced in terms of the manpower needed to manage the development portfolio, also in light of the time needed to meet requirements in Copenhagen for coordination and reporting related to the political situation and internal conflicts in Ethiopia and the region. Contrary to likeminded development missions, Denmark also combined the functions of Deputy Head of Mission and Head of Cooperation, while the DE staff, including the Head of Cooperation, received little or no formal in-service training on the Doing Development Differently (DDD) principles and adaptive management.

To this end, key DE staff use up to 80% of their time on political reporting back to Copenhagen and felt this diverts attention away from the development cooperation and face-to-face dialogues with project partners. In addition, aid priorities are often driven by Copenhagen due to the magnitude of the development cooperation in Ethiopia (the largest in the world apart from Ukraine), and the country often receives high-level delegations from Denmark, which the DE is required to support. This further constrains the attention to partner dialogues, and the oversight of programming opportunities, synergies, and absorption capacity. For example, scarce staff resources imply a risk of overlooking potential mainstreaming opportunities related to climate change, human rights, and social cohesion within the current portfolio as well as synergies with other instruments and interventions in general.

The push for improved Rio markers in the next bilateral development programme is a limiting factor for ongoing project collaborations

Rio markers are not always easy to increase within current project engagements, even if Ethiopia is severely impacted by climate change. A request from Copenhagen to aim for 50–75% greening of the next BDP is limiting for the full potential of ongoing project collaborations. For example, it is a challenge for the DE to convince the ATI to increase the present 20% greening of the ATI support to 50% (i.e., increasing the Rio marker value from 0 to 1) without imposing a Danish Climate Change Adaptation (CCA) target on the ATI, which the ATI is not willing to comply with. The same applies for the Productive Safety Net Programme and the Urban Productive Safety Net Joint Programme implemented by the World Bank (WB). These projects could absorb more Danish support, but not if that support is conditional on stricter CCA targets. In addition, there are limited resources at the DE to explore alternative options for improving Rio markers.

On the other hand, the KLIMA department at HQ is still seeking a successful link between its global and local climate engagements, and models for integrating climate change into development aid. In general, it also found that DEs often set high Rio marker commitments then back track when met with resistance from local partners, leading to repeated back-and-forth dialogue on the use of Rio markers.

The effectiveness of multi-bi development cooperation varies greatly according to the DE

Discussions with the DE revealed that the value added by multi-bi development cooperation varies a great deal between multilateral agencies. The World Food Programme (WFP) seems to be the poorest-performing agency, although the DE in Uganda holds a more favourable view. Other UN agencies are also seen as less effective and efficient and are often not able to explain in detail what they are doing, when asked during M&E meetings. While the practice of on-granting may to some extent explain this, some DE staff find that UN agencies are generally good at mobilising funds but often less effective in implementing them. They also found that the degree of influence on project implementation through

UN agencies depends on the scale of support of individual development partners. Small contributions do not warrant a great deal of influence for a development partner, see below.

Some project partners, including UN agencies, found that Denmark applied stricter reporting and auditing requirements compared to other development partners. Clearer reporting requirements from the onset would enhance project transaction costs

Discussions with the UNFPA confirmed findings made by the multi-bi evaluation from 2023 where UN agencies highlighted that Danish multi-bi development cooperation created high transaction costs, especially in single-donor, hard earmarked project engagements². To this end, UNFPA found that Denmark stands out as particularly strict in reporting requirements, financial monitoring, and in its requirements for spot checking, which is against UNFPA regulations. The DE confirmed that such issues exist, and that financial management in particular was the problem rather than narrative progress reporting. This issue was not limited to just small multi-bi engagements as the WASH support rendered through UNICEF faced similar problems. UNFPA claimed that these issues have been referred to New York to address them in the global Strategic Partnership Agreement between UNFPA and Denmark and make the framework agreement more conducive on the ground. This topic will be further assessed in the multilateral case study.

The Swedish embassy informed the evaluation that SIDA conducted an evaluation of its multilateral support to Ethiopia last year. The Swedish embassy also hinted that there could be a change in Sweden's approach to multilateral support, making it more aligned with the Danish position in near future. To this end, the ATI, which is an entity in the Ministry of Agriculture, also highlighted that Denmark is stricter on progress reporting and results-based monitoring (RBM), and it suggested that Denmark needs to be clearer on the details that are needed in future reporting to avoid high transaction costs for the ATI.

Delegated management of partner funds underpins scale, synergy, and coherence, but this is not possible for the DE in Ethiopia

The EU delegation is a co-funding development partner of the ATI Project, but with a lesser budget. It is very impressed by the competences of the DE within agriculture and how this is leveraged in the support to the ATI. Therefore, it has proposed that Denmark manage the EU contribution to the ATI on behalf of the delegation. While this may enhance the synergy and coherence of the Danish support, accepting delegated aid management on behalf of other development partners is not possible for the DE in Ethiopia. This reduces opportunities for the DE to underpin coherence of the Danish support with other development partners.

The adaptability reserve is indispensable in the Ethiopian context

Without the ability to apply a 25% adaptability reserve in the Ethiopia BDP, it would not be possible for the DE to operate effectively in the Ethiopian context. The level of uncertainty is simply too high to fully predict the evolution of needs and priorities within a five-year perspective. To this end, the DE disagrees with the scepticism of the DDD Stocktaking Review towards the adaptability reserve, and its proposal to minimize or withdraw it due to poor programming quality and the limited scope of adaptive management and learning. The ability to tap into evolving opportunities in Ethiopia through the reserve is key to engaging and remaining relevant within a changing and fragile political context, and the DE is willing to accept added transaction costs to improve the quality assurance of the programming, to retain this feature. But adaptive programming in general needs to be resourced, to achieve a good quality.

The next BDP could see an increase in CSO support and hence a need for more attention to coherence between Danish instruments and sustaining results

The bilateral support to Ethiopia is focused on government partnerships through bilateral projects and multi-bi interventions. The DE anticipates an increase in the support to CSOs through the next BDP, if the government of Ethiopia agrees to it. In addition, the DE wants to build on the strategic sector

² KIIs of this case study overlapped with KIIs of the multi-bi evaluation, which explains why similar claims were made.

cooperations (SSCs) within energy and water and strengthen the Danish climate change support through these instruments. However, these additions could add more complexity to the Danish support and increase the need to ensure synergy and coherence between the BDP and other Danish instruments, and with development interventions in general. Given the scarce human resources at the DE, the need for adaptation, synergy, and coherence of the aid management on one hand, and the resources to implement it, needs to be carefully assessed in the programming process and beyond.

Moreover, an increase in the use of the light strategic sector cooperation instrument needs to be balanced with the absorption capacity of counterparts. All things being equal, the ability of the Strategic Sector Cooperation instrument to deliver catalytic contributions relative to the resources invested, will decrease in less developed contexts with more fragmented frameworks, less absorption capacity for Danish solutions, and more competition from other, more well-resourced development programmes. This specific aspect was not part of the Ethiopia case study and will be addressed in more detail in the Vietnam case study, but it is critical for the DE to keep a focus on this. To this end, the Ethiopian Ministry of Finance emphasised that capacity development, research, and innovation/learning loops in addition to financial support were critical to sustaining results within institutional strengthening

2.3 Lessons learned (EQ4)

Flexibility and local ownership are key enabling factors in Danish development cooperation. They are underpinning the adaptability reserve, while resources and reporting formats may not sufficiently do so

Denmark is perceived as a flexible partner open to partner needs and priorities. It also has a relevant emphasis on qualitative outcome monitoring, which partners found more constructive and informative compared to other development partners' emphasis on quantitative activity-level monitoring. Transparency, flexibility, and emphasis on outcome-level monitoring tallies with key intensions of adaptive management, and this approach is further underpinned by the adaptability reserve, which allows the DE to operate in the often-unpredictable context of Ethiopia. But adaptability must be resourced, and the DE questioned whether the resource envelope is sufficient to ensure good quality in adaptive programme management. Moreover, the DE found that the Results Framework Interface (RFI) reporting format with requirements for output-based, numerical monitoring was somewhat rigid and not aligned with adaptable, more outcome-oriented approaches. Interviewees at HQ level confirmed the issue with RFI reporting and questioned the accuracy of results reporting due to the dynamics of local contexts.

The workload and the human resource envelope of the DE are constraining factors of aid management effectiveness

Several factors constrain the DE in capturing the full potential of Denmark's development cooperation with Ethiopia, including better synergies and coherence, climate change mainstreaming, and lowering transaction costs. The most significant constraint is the scarce human resources at the DE, and to a lesser extent the skill sets relative to aid management principles. Political reporting requirements from Copenhagen and the frequent servicing of high-level delegations to Ethiopia limit the attention to aid management and close dialogues with development partners. A comparatively strict interpretation of financial monitoring and audit requirements, while comprehensible, is another constraining factor that diverts attention from the more strategic aspects of development cooperation.

Multi-bi interventions are less effective and efficient when they lack scale and involve hard earmarking

The multi-bi interventions, which are applied as a means of scaling Danish development support in a downsizing context, can be a source of tension and paradoxically, also a source of extra work for the DE when the Danish monitoring, and in particular, audit requirements are not met by UN agencies. This finding confirms the conclusion of the multi-bi evaluation from November 2023 and questions the

rationale of third-party implementation through multilaterals as a cost-saving measure, at least in smaller, hard earmarked engagements.

More core funding for multilaterals may enhance Danish aid management, provided they participate in Danish bilateral programming and are willing to raise Denmark's visibility

Discussions with the DE suggest that, as a forward-looking measure relative to the bilateral development cooperation, the MFA may consider reverting to core funding of multilaterals as a default approach. This would enable the DE to engage more with local partners. However, this lesson learned is conditional of the following measures:

- 1) UN agencies should actively engage in Danish bilateral development programming to ensure synergies and coherence with agency country programmes. This mutual engagement should be underpinned by an improved dialogue between the DEs and multilateral contact groups within the MFA on multi-bilateral linkages through the Strategic Partnership Agreements, and uptake of lessons learned during implementation.
- 2) UN agencies need to be better at promoting Danish support locally and enhancing Denmark's visibility as a dialogue partner at the country level.

Annex 1: Workplan

Date	Time	Stakeholder ³
Friday, 5 April	9:00–10.30	DIHR Copenhagen
Monday, 15 April	10:00–12:00	DIHR Project Office
	14:00–15:00	EHRC
Tuesday, 16 April	10:00–11:00	EU Delegation
	14:30–15:30	UNFPA – United Nations Population Fund
Wednesday, 17 April	10:00–11:30	Agricultural Transformation Institute (ATI)
Thursday, 18 April	9:00–10:00	Danish Embassy
	10:00–11:00	Danish Embassy
	11:00–12:00	Danish Embassy
	14:00–14:00	Embassy of Sweden
Friday, 19 April	9:00–10:00	Danish Embassy
	10:00–11:30	Danish Embassy
Thursday, 25 April	10:00–11:30	Ministry of Finance (Climate Resilient Green Economic Facility (RGE))

³ The work plan has been anonymised

Annex 2: References

- Danish Country Policy Paper for Ethiopia 2018–2022
- Danish Country Programme for Ethiopia 2018–2022
- Draft Denmark–Ethiopia Strategic Framework 2025–2029
- Annual MFA consultation minutes (stocktaking review etc.)
- Ethiopia Country Programme Stocktaking cum rapid assessment 2018-2022/23 February 2022
- Draft Results-based Monitoring Annual Report 2022, August 2023
- Report from the Corporate Visit
- Embassy Addis Ababa to the Ministry of Foreign Affairs, April–May 2014
- Ethiopian Country Programme 2018–2022: Overview of commitments and disbursements as per end 2021
- Agricultural Commercial Cluster Initiative
 - Project Appraisal Document, Agricultural Transformation Agency, EFY 2011 – 20151 (G.C. 2018/19–2022/23), November 2018
 - M&E Plan, 2019
 - Slide Presentation on Program Update for the National Steering Committee, 6 November 2023
 - Revised Annual Budget Approval for EFY 2015, 9 February 2023
 - Result audit report on Tigray Agricultural Transformation Center, 2 November 2023
- Ethiopian Human Rights Commission Project
 - Project proposal for second phase of DK support (first phase of basket fund)
 - Signed Development Engagement Document
 - Signed Financial Agreement
 - Documents from the latest steering committee meeting in November 2023
 - Updated risk assessment
 - Overview of funding
 - Note project reconciliation
 - Latest progress report Jan–Aug 2023
 - Interim Financial Report Jan–Aug 2023
 - Revised 2023 budget and explanatory note
 - Budget 2024
- United Nations Population Fund
 - 9th Country programme document for Ethiopia, July 2020–June 2025
 - Signed Standard Programme Document – 9th CP
 - 9th Country programme progress report July–Sept 2021
 - 9th Country programme progress report Jan–Dec 2022
 - Appraisal of UNFPA Intervention, Sida, 13 May 2017
 - Concept Note – Denmark’s support to UNFPA’s 9th Country Programme
 - UNFPA Progress report – Integrated programme on sexual and reproductive health, gender-based violence and COVID-19 amongst women, adolescents and youth in Afar region, Aug 2020–June 2021

Annex 3: Additional graphs/portfolio analysis

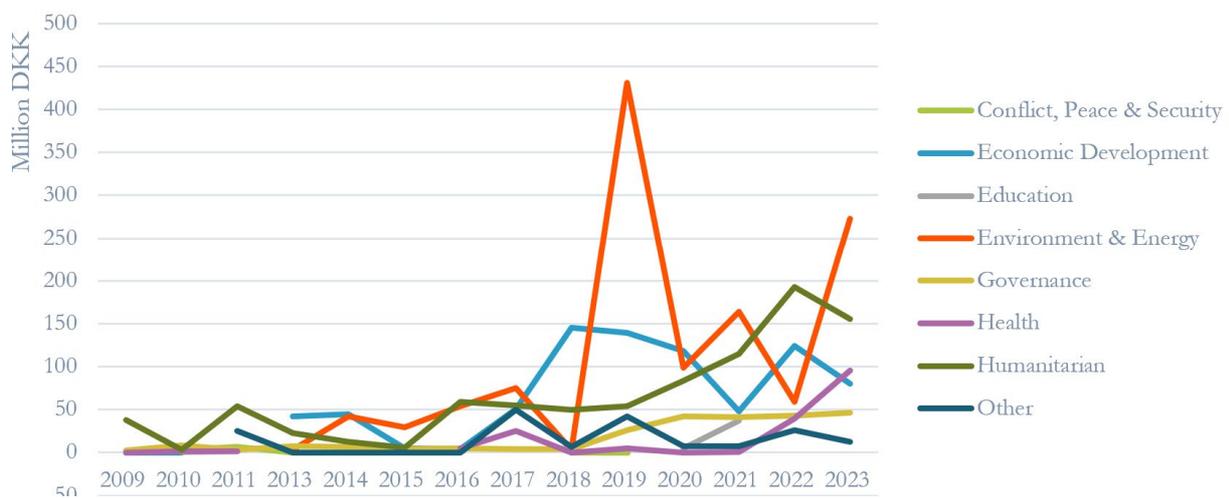
The following graphs give an overview over the portfolio budget disbursements 2009–2023⁴

Figure 1: Bilateral (including earmarked bilateral) ODA to Ethiopia 2009–2023



Source: Danish MFA, internal note

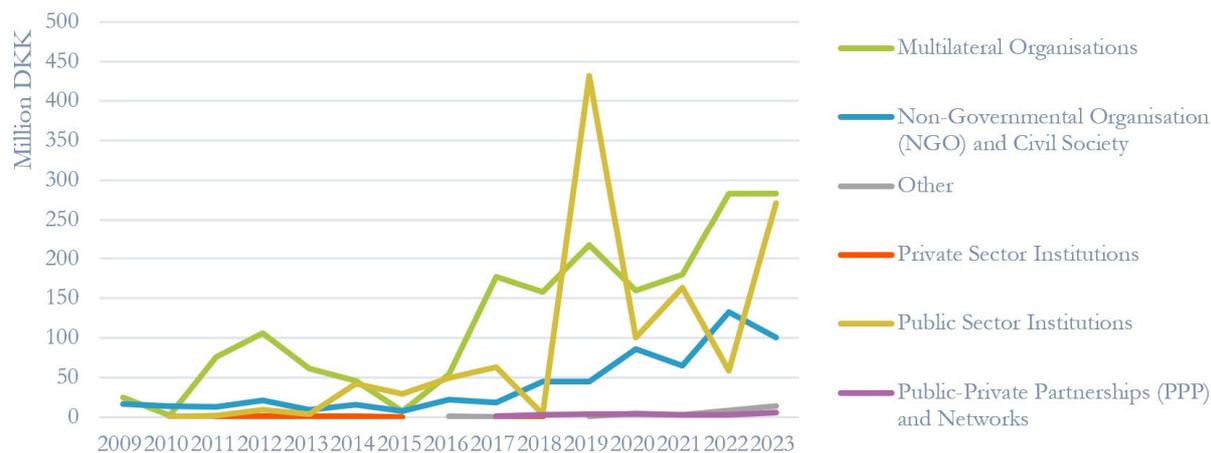
Figure 2: Bilateral (including earmarked bilateral) ODA to Ethiopia over main sectors 2009–2023



Source: Danish MFA, internal note

⁴ The data source for the numbers shown in the graphs is the Danish MFA. The numbers shown in these figures exclude multilateral core contributions and contributions to Ethiopia that have been channeled through regional programmes.

Figure 3: Bilateral (including earmarked bilateral) ODA to Ethiopia by channel of delivery 2009–2023



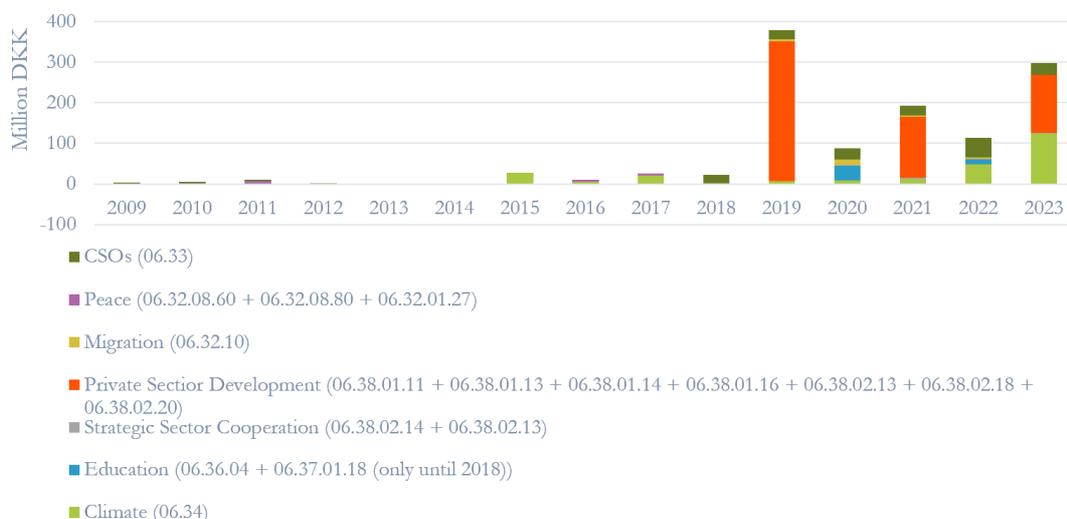
Source: Danish MFA, internal note

Figure 4: Bilateral (including earmarked bilateral) ODA to Ethiopia managed centrally vs. decentrally, 2009–2023



Source: Danish MFA, internal note

Figure 5: Selected thematic areas based on the Finance Act Classifications (disbursement) 2009–2023



Source: Danish MFA, internal note