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FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF PLANNING AND DEVELOPMENT

# MEDIUM-TERM DEVELOPMENT & INVESTMENT PLAN

EFY 2023/24 – 2025/26



**SUSTAINABLE,  
RESILIENT & INCLUSIVE  
ECONOMIC GROWTH**

2024 - ADDIS ABABA, ETHIOPIA

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# MASSAGE FROM THE MINISTER

The Ten Years Development Plan (TYDP) serves as the socioeconomic blueprint for the current government, extending at least until 2030. The formulation of this plan is spearheaded by the Ministry of Planning and Development (MoPD), which also facilitates the development of accompanying documents, including the Results Matrices (RM) and the Midterm Development and Public Investment Plan (MDIP).

While the TYDP outlines the strategies and policies that the entire government will implement to achieve its objectives, the MDIP translates these measures into concrete programs and projects. The 2023/24-2025/26 MDIP (corresponding to the Ethiopian fiscal years 2016-218) is a three-year midterm planning document that delineates the government's priority programs and projects for the specified period, aimed at contributing to the societal goals and targets identified in the TYDP.

Similar to the TYDP, this document is anchored in the Administration’s Homegrown Economic Reform Agenda (HGER) and is focused on achieving HGER II. Ultimately, the implementation of the programs and projects outlined in the MDIP will support the government’s vision of establishing a foundation for inclusive growth, fostering a high-trust and resilient society, and positioning Ethiopia as a beacon of African prosperity by 2030. Recognizing the importance of broad participation, the Ministry of Planning issued a circular to guide all federal government public bodies and agencies, including state-owned enterprises, in the implementation of the MDIP and the Public Investment Plan (PIP) for 2023/24-2025/26.

In addition to adhering to the main chapters of the TYDP, the MDIP details the priority programs and projects, specifying the responsible government agencies, the spatial coverage, the modalities for execution, and the corresponding investments required for implementation. The whole process of coming up with this document did not rest on MoPD alone; it is the result of collaborative efforts among various implementing agencies, sectoral ministries, affiliated autonomous institutions, parliamentary bodies, and the judiciary, which regularly convened to craft the Plan and its accompanying documents. The formulation process of the MDIP underwent rigorous scrutiny to ensure alignment with the TYDP and feasibility within the medium term. Principles of good governance, human rights, and inclusivity—particularly concerning gender and marginalized groups—were integral in determining the priority projects and programs included in the MDIP.

What distinguishes this MDIP from its predecessors is the rigorous engagement with sectors, supported by the “One Plan, One Report” system, which links development results to implementation strategies through development programs, subprograms, projects, and activities. This system fosters consensus in aligning development planning, programming, and financing (PPF). The PPF is also envisioned as a tool to enhance the connection between planning, programming, budgeting, and monitoring, thereby ensuring budget efficacy as the government transitions towards performance-based resource allocation.

The MDIP is a dynamic document that will be continuously updated to reflect recent developments in the government's priority programs and projects, in conjunction with the TYDP and HGER II. Most importantly, with both the TYDP and MDIP in place, we are poised to embark on our journey towards realizing the aspirations of the Ethiopian people, as envisioned in the quest to build a prosperous nation through sustained economic transformation that ensures an equitable, sustainable, inclusive, and resilient green economy.

Paul Ryan

## Fitsum Assefa (PhD)

Minister, Ministry of Planning and Development

# CHAPTER 1

## INTRODUCTION

Ethiopia embarked on the implementation of its national Ten-Year Development Plan (TYDP) three years ago, spanning from EFY 2020/21 to 2029/30, with the long-term vision of becoming an African beacon of prosperity. The preparation of the TYDP followed the country's wide-ranging reform processes starting in the spring of 2018 to address structural, political, economic, and social bottlenecks facing one of the biggest economies in Africa. Coupled with the democratic, justice and political reforms, the first phase of the homegrown economic reform (HGER I) and the government's pragmatic policy approach played a significant role in creating an enabling environment for better implementation of the plan.

The first three years of implementing TYDP witnessed unprecedented achievements in some sectors, and all the reform measures have shown significant progress, thereby enhancing the country's resilience. Stable, resilient, and strong economic growth has been registered during this period, while the agriculture and food sectors have witnessed unparalleled progress. What was achieved in the digital and ICT sectors has also contributed to the effectiveness and efficiency of the other sectors while it has been a significant source of growth by itself. The economy has benefited from the reforms ranging from policy and legal framework to ways of doing things in many sectors of the economy.

Nevertheless, multiple and overlapping challenges and shocks that the economy faced during the same period, including the COVID-19 pandemic, Russia-Ukraine conflict, climate change-induced flood and drought, domestic war and conflict, and international commodity price rises have weakened the scale of gains and outcomes expected from key policy reforms and actions, and simultaneously, delayed some policy reforms and actions. The country still faces medium-term challenges regarding enhancing export performance and competitiveness, investment attractions and retaining, enhancing the domestic productive capacity and productivity growth, and ensuring the stability and resilience of the economy in the face of fast-changing regional and global economic dynamics.

Hence, developing an operational Medium-term Development and Investment Plan (MDIP) with an embedded phase II reform program is essential to realise the national vision and goals set out on the TYDP. The MDIP is a crucial development instrument and strategic management tool to translate national development goals and objectives into viable development programs and projects to achieve the desired national outcomes. The MDIP outlines a three-year investment portfolio of programs and subprograms, including major development projects and activities aligned to the TYDP. MDIP's planning horizon is from EFY 2023/24 to 2025/26, and it will be the key mechanism for coordinating the implementation of medium-term development objectives. The MDIP is one of the principal implementation mechanisms of the TYDP, and it will assist in achieving greater coherence and effectiveness in executing the national development objectives.

## ABOUT THE MEDIUM-TERM DEVELOPMENT AND INVESTMENT PLAN

The MDIP serves as an operational instrument for sustainable, resilient, and inclusive growth by outlining clear public policy areas, strategic goals, and development program priorities during the medium-term period from EFY 2023/24 to 2025/26. The formulation of the plan went through a comprehensive and consultative development planning and programming process to ensure inclusiveness both in terms of scope and actors of development. The MDIP is crucial in consolidating and aligning development programs and optimising and guiding resource allocation towards key sectors of the economy that drive growth, job creation and shared prosperity. It also provides a framework to ensure the coherence and synergy of different development policies and accompanying development programs and projects to address the challenges facing the Ethiopian economy.

The MDIP is formulated as a public investment plan to operationalise the high-level targets set in the TYDP and its expected results. It is also part of the government's comprehensive reform initiatives to improve the effectiveness of development planning, programming, and financing (PPF). Chapter Two presents the details of the PPF reform framework.

The MDIP has detailed actionable items that will propel Ethiopia towards the realisation of its long-term vision. It is well aligned with both SDG 2030 and the Africa Agenda 2063.

In the MDIP, each sector's strategic development plan is linked with a clear implementation strategy to answer how the desired strategic development goals and results will be achieved. One way to design implementation strategies is to identify concrete development programs, which include subprograms, projects, and related activities. This is done by identifying a rolling list of priority programs, subprograms, projects, and related activities to be implemented by the federal government public bodies and state-owned enterprises within the medium-term. These priority projects and activities contribute to achieving the development goals and targets set in the TYDP and are responsive to the indicators in the national result matrices (NMRs). Hence, the MDIP outlines the expected key targets and the means to achieve them, which have been identified through public investment programming for each sector.

The MDIP targets are identified as key performance indicators (KPIs) for the core strategic activities, which are, in turn, logically linked with the sectoral strategic goals and policy areas. The linkages between policy areas, strategic goals and KPIs bridge the TYDP, the MDIP and the short-term operational development plan.

In general, the MDIP aims to cascade the TYDP by clearly identifying the MDIP strategic goals, core strategic functions and activities, and key performance indicators to operationalise the TYDP. It further concretises the higher development outcomes indicated in TYDP by clearly identifying the means to achieve the MDIP development targets through streamlined development programs to ensure (1) close alignment with the national priorities, (2) improve synergy among development actors, (3) improve the effectiveness and efficiency of development program investment that has become characterised as an annual standalone practice, without due regard to proper linkage with the national priorities, and (4) a shift in emphasis from isolated investment to long-term integrated investment programs formulated with reference to a desired development outcomes determined by national objectives.

## MDIP WITHIN THE PLANNING, PROGRAMMING, AND FINANCING FRAMEWORK

The formulation of MDIP is integral to the ongoing reforms aimed at establishing an integrated development planning, programming, and financing (PPF) system. Integrating the PPF system involves creating a comprehensive and coordinated approach by aligning the three components – planning, programming, and financing - which is crucial for maximising the impact of development initiatives and fostering sustainable progress and shared prosperity.

The MDIP contains programs, subprograms, and projects that are responsive to the strategic goals, core strategic activities and indicators in the strategic long-term TYDP and its national result matrices. Therefore, it serves as a guide in allocating and mobilising budget and resources and, eventually, as a means of monitoring and evaluating how the stated development targets are achieved during the planning period.

The programs, subprograms, projects, and activities identified in the MDIP can be financed through

various sources, including the federal government budget, state-owned enterprises, public-private partnership (PPP) scheme, and official development assistance (ODA) from development partners, which could either be in the form of grants and/or loans. Eventually, the integrated PPF system reform will be standardised and harmonised across all regional governments.

## MDIP FORMULATION PROCESS AND STEPS

Following the issuance of the budget call by the Ministry of Finance for the submission of programs, projects, and activities (PPAs) for the fifth-round national program budget (the EFY 2023/24 – 2025/26 medium-term fiscal plan), the Ministry of Planning and Development has undertaken the following processes, including the orientation on the prepared MDIP guideline, orientation for the political heads of the government organs, and technical level engagements.

First, the Ministry of Planning and Development disseminated an MDIP formulation guideline to all sector-line ministries and relevant government organs, delineating the requisite steps for preparing and submitting inputs for the MDIP. This guideline provides detailed instructions on rationalising development programs to optimise attaining the expected outcomes and targets of the TYDP. To ensure the effective formulation of the MDIP, high-level deliberations were conducted with the ministers of all ministries and heads of government organs. These discussions focused on addressing the rationales of formulating MDIP, how it helps identify medium-term priorities, and addressing emerging issues. Furthermore, a technical workshop was convened involving the planning, monitoring, and evaluation divisions of all ministries, as well as policy-level advisors and key division heads. This workshop addressed the preparation process, methodologies, and pertinent issues that should be considered during the MDIP formulation.

The Ministry of Planning and Development provided technical assistance to all government organs throughout the preparation process. This support was instrumental in ensuring that the MDIPs were meticulously prepared and aligned with the overarching development goals.

Each ministry, in collaboration with their accountable government organs and regional counterparts, evaluated their sector's performances over the past

three years from EFY 2020/21 to 2022/23 as part of the first medium-term implementation of the TYDP. They identified key challenges and issues that require attention and prioritisation during the next medium-term plan period.

Following the EFY 2020/21 – 2022/23 performance evaluation, all government organs reviewed their respective NRMs and updated their plan accordingly. To effectively implement the next medium-term development goals and targets, they identified and designed national programs encompassing detailed initiatives and investment requirements. These programs aimed to achieve the desired results through public investment, with a particular emphasis on funding from the treasury, state-owned enterprises, development partners, public-private partnerships, and, in some cases, subnational financing. The national development programs were scrutinised for consistency and alignment within and across sectors by the Ministry of Planning and Development in collaboration with each sector-line ministry and government organs.

Recognising the misalignment between the existing program budgeting and the national development planning, the Ministry of Planning and Development supported government organs to rationalise their development programs in accordance with the new national development framework of the TYDP 'One Plan, One Report' system. This entailed aligning programs, subprograms, projects, and activities with the NRM strategic goals, core strategic activities, and targets (KPIs).

Subsequently, sector-line ministries and government organs prepared their sectoral MDIPs, which the Ministry of Planning and Development subsequently consolidated with the national framework. The MDIP was also aligned with the macroeconomic framework to ensure that the investment requirements align with the desired policy outcomes outlined in the TYDP and the second phase of the homegrown economic reforms (HGER II). Given the complexity and coordination inherent in this process, integrating the MDIP with subnational plans will be a pivotal strategic follow-up activity. Adequate integration and harmonisation will be implemented in the subsequent rollout of the MDIP during the next fiscal years. The integration of development planning and programming efforts undertaken by the Ministry of Planning and Development during the MDIP formulation process has resulted in valuable lessons learned and significant progress achieved. This progress will strengthen the next phase of reforming the PPF system. Nevertheless, much must be done

to further strengthen and deepen the efficiency and effectiveness of such PPF reform initiatives. Chapter Three details the next planned activities to strengthen the PPF system by formulating the MDIP. Integrating the MDIP with subnational plans will be one of the next key strategic activities, paving the way for future integrated and comprehensive MDIP formulation and implementation and ensuring the realisation of national development vision and goals.

### KEY HIGHLIGHTS OF THE MDIP

During the implementation period, the estimated total investment targets for the twenty-three (23) of policy areas, one hundred thirty-three (133) programs, and four thousand fifty-five (4455) of projects and activities amount to Birr 4.38 trillion.

Considering that Rehabilitation, Reconstruction, and Recovery (RRR) program will be the primary areas of focus for all governmental organs across different sectors, it is important to note that the strategic objective of transforming conflict-affected communities through comprehensive RRR efforts in the MDIP should not be perceived as the responsibility of a single entity, and there is an overlapping of core strategic activities and investment with those respective government organs. By excluding the total investment target for the recovery, resilience, and risk management policy area, the total MDIP investment requirement would decrease from 4.38 trillion to 3.37 trillion over the three years period.

### Investment Target by Policy Area

The MDIP involves a substantial total investment

aimed at diverse sectors. The total investment outlined in the MDIP amounts to 3.8 trillion Birr, encompassing a comprehensive array of 116 programs, 2,670 projects, and 1,633 activities across various sectors.

The MDIP prioritizes key sectors for significant investment. The MDIP outlines significant investment requirements across various policy areas, focusing on five key sectors. Integrated and Modernised Transport and Logistics commands an investment of 736.6 billion Birr, making up 20.10% of the total investment, and incorporates 545 programs, projects, and activities (PPAs), which is 12.3% of the total. Accessible and Inclusive Healthcare Systems follows with an investment of 483.5 billion Birr (13.20%) and 341 PPAs (7.7%), demonstrating a commitment to improving healthcare services. Quality Education receives 451.9 billion Birr (12.33%) and includes 82 PPAs (1.8%), indicating a focus on targeted educational reforms. Sustainable Management of Water and Sanitation is allocated 219.7 billion Birr (6.00%) and has the highest number of PPAs among the top five, totaling 784 and representing 17.7% of the total PPA share. Lastly, Agricultural Production Growth and Food Self-Reliance is set to 227.2 billion Birr (6.20%) with 544 PPAs (12.3%), highlighting the importance of food security and agricultural productivity. Collectively, these areas reflect a strategic emphasis on crucial sectors necessary for national development.

A detailed breakdown of remaining policy areas complements the investment overview. The remaining policy areas, along with their respective number of PPAs, investment targets, and percentage shares, are presented in Table 2, providing a comprehensive view of the MDIP's overall investment strategy. Table 21 MDIP Investment Target by Policy Area.

Policy Area	Number of PPAs			Investment (Million, Birr)	
	Program	Project	Activity	Total	Share
Sustainable Macroeconomic Management and Growth	15	227	153	314,078	8.18
Trade and Investment Competitiveness	5	29	48	20,145	0.52
Agricultural Production Growth and Food Self-Reliance	8	233	303	227,174	5.92
Manufacturing Industry Capacity Utilisation and Growth	6	86	73	68,782	1.79
Mineral Resources for Growth and Prosperity	6	18	25	17,511	0.46
Economic Opportunities in the Tourism Sector	6	36	42	28,032	0.73
Harnessing Digitalization And Innovation Technology For Growth And Prosperity	5	53	107	151,747	3.95
Construction Industry Efficiency and Competitiveness	3	27	8	19,990	0.52
Safe, Resilient and Smart Urbanisation	1	71	47	193,171	5.04
Sustainable Management of Water and Sanitation	4	720	60	219,703	5.72
Affordable, Reliable, and Green Energy	1	96	10	225,480	5.88
Integrated and Modernised Transport and Logistics	6	460	79	736,646	19.20
Skills Development and Labour Market Competitiveness	4	38	45	16,086	0.42
Quality Education	5	28	49	451,937	11.78
Accessible and Inclusive Healthcare Systems	9	332		183,189	12.60
Social Protection and Equality	6	34	116	86,945	2.27
Promoting Culture, Sports, and Creative Economy	6	46	295	24,741	0.64
Effective Administration of Justice and human rights	10	45	41	127,233	3.32
Promoting and Protecting National Interest Through Pragmatic, Diversified & Inclusive Foreign Relations and Partnership	5	21	30	51,201	1.33
Effective Public Service and Administration	4	23	17	129,883	3.38
Peaceful and Democratic Society	9	66	46	68,907	1.80
Green Growth and Clean Environment	3	23	39	759	0.02
Recovery, Resilience, and Risk Management	2	30	8	173,640	4.52
<b>Total MDPI Policy Areas</b>	<b>115</b>	<b>2,695</b>	<b>1,641</b>	<b>3,839,994</b>	<b>100</b>

Table 1.1 MDIP Investment Target by Policy Area

### Investment Target by Program

The analysis identifies significant financial priorities within the development programs. The analysis of the top five development programs by investment target highlights significant financial allocations within the MDIP. The Transport and Logistics Infrastructure Development Program has the highest investment targets with a total of 363.8 billion Birr, accounting for 9.93% of the total investment, reflecting a strong commitment to enhancing transportation infrastructure crucial for economic growth and connectivity.

Investment in administrative efficiency and governance is prioritized. Close behind, the Administration and Management Program has a total investment of 350.9 billion Birr (9.58%), supported by 197 PPAs, indicating a comprehensive approach to improving administrative efficiency and governance. The Integrated Renewable Energy Development Program emphasizes sustainable energy solutions with an investment of 225.5 billion Birr (6.15%),

highlighting the transition to renewable resources essential for environmental sustainability.

Infrastructure development and education are critical for economic mobility and workforce enhancement. The Road Sector Development Program is allocated 203.9 billion Birr (5.57%) and includes 358 PPAs, underscoring the importance of road infrastructure in facilitating trade and mobility. Finally, the Higher Education Development Program rounds out the priorities with an investment of 202.0 billion Birr (5.51%), aiming to enhance the quality and accessibility of higher education to develop a skilled workforce and promote innovation.

A detailed overview of additional prioritized programs supports strategic development goals. Collectively, these programs reflect a strategic focus on critical areas vital for fostering sustainable development and improving citizens' quality of life. The remaining top ten (10) programs with the highest investment target are presented in Table 1.2.

Table 1.2 MDIP Investment Target by Program (Top Ten)

Development Programs	Number of PPAs		Investment (Million, Birr)	
	Project	Activity	Total	Share
Transport and Logistics Infrastructure Development Program	87		363,784	7.8
Administration and Management Program	197	219	350,946	7.5
Integrated Renewable Energy Development Program	96	10	225,480	4.8
Road Sector Development Program	358	2	203,924	4.4
Higher Education Development	12	14	202,015	4.3
Water Supply and Sanitation Development Program	644	18	186,881	4.0
Housing Development and Property Valuation	3	9	158,235	3.4
Digital Infrastructure Development Program	24	7	137,940	2.9
Disaster Risk Management Program	8	8	133,778	2.9
Health System Capacity Building and Regulatory Program	133		133,140	2.8
<b>Total MDPI Program</b>	<b>2,695</b>	<b>1,641</b>	<b>3,839,994</b>	<b>100</b>

### Investment Target by Implementing Government Organs

The analysis reveals significant investment allocations among key agencies in the MDPI program. As Table 1.3 shows, the agency with the highest total investment under the MDPI program is Public Universities, with an investment of 303.3 billion Birr, accounting for 7.9% of the total investment. Ethiopian Airlines, the Ministry of Health, and the Ministry of Water and Energy follow closely, with investments of 235.8 billion Birr (6.1%), 218.9 billion Birr (5.7%), and 217.4 billion Birr (5.7%), respectively.

Investment distribution highlights a concentration of funding among leading agencies. The agency with the lowest investment in the top 10 is The Federal Civil Service Commission, with an investment of 128.8 billion Birr (3.4%). Overall, the top four agencies make up over 25% of the total MDPI investment, while the top 10 agencies comprise 50% of the total investment. Table 4 MDIP Investment Targets by Implementing Government Organs (Top Ten)



**Table 1.3 MDIP Investment Targets by Implementing Government (Top Ten)**

Implementing Agency	Number of PAPs			Investment (Million, Birr)	
	Program	Project	Activity	Total	Share
All Public Universities	2	4	5	303,318	7.9
Ethiopian Airlines	1	4		235,772	6.1
Ministry of Health	9	142	0	218,915	5.7
Ministry of Water and Energy	4	704	39	217,447	5.7
Ethiopian Roads Administration	2	358	2	203,924	5.3
Ministry of Urban and Infrastructure	5	21	47	193,521	5.0
Ethiopian Electric Power	1	54		162,388	4.2
Ethiopia Disaster and Risk Management Commission	2	9	9	136,035	3.5
Ethio Telecom	1	1		129,524	3.4
The Federal Civil Service Commission	2	10	17	128,833	3.4
<b>Total MDPI Agencies Investment Estimated (excluding RRR program)</b>	<b>115</b>	<b>2,695</b>	<b>1,641</b>	<b>3,839,994</b>	<b>100.0</b>

### Investment Target by Financing Source

The MDPI investment analysis highlights major funding sources and their significance. The MDPI investment targets by financing show that the mode with the highest total investment is Federal Capital, accounting for 1.43 trillion Birr or 37.2% of the total MDPI investment. This is followed by Federal Recurrent at 870 billion Birr (22.6%), and state-owned enterprises at 606 billion Birr (15.8%). The mode with the lowest total investment is Pension Fund, which accounts for only 27 billion Birr (0.7%). Overall, the top three modes of implementation—Federal Capital, Federal Recurrent, and State Owned Enterprises—make up over 75.6% of the total MDPI investment.

**Table 1.4 MDIP Investment Targets by Financing Source**

	PPAs			Investment (Million, Birr)	
	Program	Project	Activity	Total	Share
Development Partner	23	426	25	407,653	10.62
Federal and regional governments Capital	1	1		83,000	2.16
Federal Capital	90	1773	0	1,428,591	37.21
Federal Government and Development Partner	20	377	48	337,149	8.78
Federal Recurrent	117	0	1575	870,054	22.66
Pension Fund	1	2	2	27,009	0.70
Public Private Partnership	5	8	5	168,741	4.40
State Owned Enterprises	11	149	121	606,338	15.79
<b>Total MDPI by Source of Finance</b>	<b>115</b>	<b>2700</b>	<b>1643</b>	<b>3,839,370</b>	<b>100.00</b>

The inclusion of the RRR program significantly impacts overall investment requirements. The RRR program will be a multi-sectoral initiative, and some of its projects may overlap with the regular programs of major agencies. Consequently, the investment requirements outlined above have been calculated excluding the RRR program. When the RRR program, estimated at 839.4 billion Birr, is included, the total investment requirement will increase to 4.68 trillion Birr. This adjustment will also raise the financing needed from development partners and the federal government from 337 billion Birr to 1.2 trillion Birr.

Integration of the RRR program into the MDIP will refine investment strategies. During the implementation of the MDIP, the RRR program will be integrated into other policy areas. However, the specific investment requirements for reconstruction, rehabilitation, and recovery will be further refined. A programmatic approach will be adopted for initiatives that necessitate targeted actions and interventions beyond the mainstream activities within the policy areas.

# CHAPTER 2

## DEVELOPMENT PLANNING, PROGRAMMING AND FINANCING REFORMS

Integrating development planning, programming, and financing (PPF) reforms involves creating a comprehensive and coordinated approach to achieve inclusive and sustainable development goals. By aligning these three components, the government is committed to ensuring that national development goals and objectives are well-conceived, effectively implemented, and adequately financed. In essence, integrating development planning, programming, and financing is crucial for maximising the impact of development initiatives and fostering sustainable and shared prosperity.

Development planning sets the overarching vision and priorities, programming translates these into actionable projects and initiatives, and financing reforms create the necessary fiscal frameworks and financing mechanisms. Integration facilitates a more efficient and strategic use of resources, reduces fragmentation, and enhances the overall effectiveness of development efforts. It promotes a coherent and synchronised approach that holistically addresses socio-economic challenges, ensuring that the country's development policies are aspirational, practically feasible, and financially viable.

A successful PPF system integrates strategic long-term development planning, development program planning, and development financing or budgeting into a cohesive and adaptive framework, fostering informed decision-making, resource optimisation, and improved public sector capability and government organisational performance, ultimately contributing to sustainable and inclusive growth.

### The essentials of an integrated PPF system include:

**(1) Long-Term Development Planning:** The PPF system starts with developing a national long-term development plan that outlines the country's vision, goals, and priorities. This plan considers the overall political, social, economic, and environmental dimensions. One of the key strategic objectives of improving public sector capability is to modernise and innovatively organise government organisations to enable them to design development policies correctly and define sectoral long-term goals, objectives, and priorities. This involves thorough needs assessment and sectoral analysis to understand the country's specific challenges, opportunities, and developmental priorities. This forms the foundation for aligning planning efforts with the country's unique circumstances and determining the overall direction for the future. The government ensures inclusive and participatory stakeholder engagement at this stage, including regional governments, local communities, private sector entities, and non-governmental organisations. Inclusivity and participatory planning process ensure that diverse perspectives are considered, leading to more comprehensive and locally relevant plans.

**(2) Development Program Design and Implementation:** The next most important step within the integrated PPF system is translating the long-term strategic development plan into actionable programs, projects, and activities (PPAs). This involves consolidating and clearly defining each program's objectives, activities, timelines, and expected strategic results and outcomes. As part of harmonising the development planning and reporting system, the sectoral strategic goals and core strategic activities were broken down into specific PPAs. This step details the activities, resources, and timelines required to achieve each goal. Programs are aligned with the overall national strategic direction and sectoral priorities. One of the objectives of the medium-term development and investment plan (MDIP) is to integrate and consolidate the development program of the sectors, and hence, programs designed to achieve the same development strategic goals and targets should be combined and integrated as much as possible (i.e., program consolidation) to optimise resource allocations and ensure effective implementation of development projects and activities.

**(3) Financial Resource Mobilization and Budget Allocation:** The finance mobilisation and budgeting phase of the integrated PPF system links the designed development programs with financial resources, including budgetary and of-budget resources. This involves allocating financing and budgets to various programs based on their priorities and expected impact. The financing and budgeting in an integrated PPF system is done on a multi-year approach, effectively aligning financial resources with the planned activities and goals. Such integration enhances the capacity of the country to innovatively explore and mobilise available financial resources, both domestic and international, and explore innovative financing mechanisms. This may include PPP, development partner grants, long-term concessional loans, and other funding sources. It also helps to enhance revenue generation and fiscal discipline.

**(4) Performance Measurement and Evaluation:** Another crucial aspect of the PPF system is incorporating performance measurement and evaluation mechanisms. This involves establishing and defining key performance indicators (KPIs) under each sectoral strategic goals and core strategic

activities during development planning and is used to assess the effectiveness and efficiency of programs during and after implementation. As part of the PPF reform process, the government is committed to establishing a modern and digital monitoring and evaluation framework to track the progress of programs and assess their impact. This involves collecting relevant data and statistics and conducting regular evaluations to inform decision-making and improve program effectiveness.

**(5) Effective Coordination and Capacity Building:** Successful implementation of the integrated PPF reforms requires effective communication and coordination among different levels of government organisation at the federal and regional levels. Effective communication, socialisation, and transparency in the reform process help build consensus and ensure that everyone understands and implements the system effectively. This involves investing in the capacity building of government officials and organisations responsible for implementing and overseeing the integrated PPF process. Strengthening government institutional capabilities enhances the country's ability to manage and sustain development initiatives. Effective coordination and capacity building foster a culture of adaptability and continuous learning.

### HARMONISING PLANNING AND REPORTING UNDER ONE PLAN, ONE REPORT SYSTEM

The "One Plan, One Report" framework has been developed to strengthen and harmonise the planning and reporting system, both at the federal and regional levels. Continuous capacity-building has been accordingly tailored at the regional level. A harmonised planning and reporting system, particularly within the "One Plan, One Report" framework, is strategically relevant for optimising development efforts, enhancing accountability, and fostering a more cohesive and effective approach to achieving sustainable development goals. The framework is significant for promoting efficiency, coherence, and transparency in implementing policy and development initiatives. It streamlines the planning and reporting processes, unifying diverse strategic goals, core strategic activities and key performance indicators under a single strategic sectoral framework.

The key strategic advantages of the "One Plan, One Report" framework include –

- (1) It ensures that various sectoral line ministries and their accountable government organisations align their efforts with a unified sectoral development plan,
- (2) It facilitates better-informed decisions as leaders can assess the interconnectedness of various programs and understand the collective impact on overarching development objectives,
- (3) It allows for the optimisation of scarce resources by prioritising and allocating resources based on shared strategic goals,
- (4) It provides a clear framework for tracking progress against established goals and targets that fosters public trust and facilitates the engagement of stakeholders,
- (5) It simplifies the reporting process, reducing administrative burdens on implementing government organs; it supports the establishment of clear indicators and metrics for measuring the impact of development initiatives and
- (6) It helps to correctly align national development plans with continental and international development frameworks and aids in demonstrating a country's commitment to sustainable development goals.

## FORMULATING STRATEGIC GOALS AND CORE STRATEGIC ACTIVITIES

During the preparation of the medium-term development and investment plan (MDIP), all the identified programs and subprograms are designed to clearly show the intended results of each program and subprogram in terms of its links to sectoral strategic goals, core strategic activities, and its contributions to target results (i.e., outputs and outcomes). Based on the "One Plan, One Report" framework, sectoral strategic goals, core strategic activities and key result areas, and key performance indicators had been well-structured for all macro and line sectors under the ten-year development plan (TYDP) framework and the programs and subprograms were aligned with those strategic goals, core strategic activities, and KPIs.

Several government organisations can possibly share similar strategic goals given the nature of the sector and its mandate structure, clearly separating core

strategic functions. Strategic goals are usually set at the sector or line ministry level (given ministries are organised along sectoral mandate structure and differentiation), and strategic goals are subdivided into multiple core strategic functions and activities (indicating key result areas delivered by separate accountable government organs).

Where effectively possible, the core strategic functions and key result areas are meant to allow for dynamism, clear accountability, and responsibility of an accountable government organisation under the line ministry. For instance, under the Ministry of Agriculture's strategic goal of ensuring market-oriented sustainable livestock development and productivity growth, the two accountable public bodies (including the Ethiopian Veterinary Institute and Livestock Development Institute) are directly responsible for supporting the attainment of this overarching strategic goal of the agriculture sector.

Another similar example is to adjust the strategic goal in a comprehensive approach. For instance, the Ministry of Justice's strategic goal of enhancing the respect and enforcement of human rights and civil societies clearly indicates the role and responsibility of the Authority for Civil Society Organisations. In another context where the overarching mission given to the accountable public body may not necessarily or directly consolidated under the strategic goal of the sector or line ministry, the standalone strategic goal can be structured to show the clear responsibility of the government organ.

The "One Plan, One Report" framework also followed the reorganisation of the government organisations under Proclamation 1263/2021, which defined the powers and duties of the federal executive government organs. The federal government organisations were reformed based on the rationale of effective and successful implementation of the TYDP to ensure that the sectoral strategic missions of government organisations were clearly defined and aligned with the expected development results and outcomes. The main objectives of the reorganisation and reform works of government organisations were to address the deep-rooted problems of inefficient coordination, duplication of efforts, and inefficient resource utilisation of government organisations.

The reorganisation and reform effort has attempted to clearly define and separate the mandate structure of government organisations along policy formulations, regulatory activities, research and development operations, service provisions, and infrastructure administrations and developments. In particular, the mandate structure with clear roles

and responsibilities of high-level policy-formulating government organisations was clearly defined, and an opportunity was created for institutions to ensure their autonomy and carry out their expected development activities.

Further reform activities to strengthen and modernise the government administrations and structure will continue under the medium-term HGER II public sector reform pillar. The government is committed to harmonising and standardising the organisation and structure of government institutions at the federal and regional levels to manage development and public delivery operations across the country effectively. It is strategically essential to have such government organisation and structure while considering the regional dynamics to successfully implement the national development plans and achieve sustainable development goals. In addition, the structure of government organisation should be equipped with relevant skills and quality manpower.

## FORMULATION OF MEDIUM-TERM DEVELOPMENT AND INVESTMENT PLAN

Preparing the medium-term development and investment plan (MDIP) is integral to the ongoing PPF system reforms. The MDIP during the EFY 2023/24 – 2025/26 is aligned with the TYDP and designed based on the evaluation of the first phase of the mid-term performance of TYDP (FY 2020/21 – 2022/23). The MDIP EFY 2023/24 – 2025/26 is an improvement over the previous mid-term development plans of the country, where attempts had been made to integrate the development planning, programming and federal budget allocations under the medium-

term fiscal framework and the fifth-round program budget allocation during the EFY 2023/24 – 2025/26 under the Ministry of Finance. Further improvement and deepening of the integration process will continue under the second phase of the HGER II reform process.

The MDIP process involved all line ministries and other government organisations at the federal level in identifying the sectoral priorities for the next three years. This process went beyond simply identifying development goals and targets. It also involved clearly identifying how strategic goals and targets would be achieved and making significant attempts to properly define and design implementation programs and investment targets. This was done to create transparency on how and through which the expected strategic results would be implemented and to help create institutional synergy at all levels.

To ensure the expected strategic results and impacts during the medium-term, further capacity building and reforms are to be done to improve the quality of development project designing, appraisal, and project prioritisation and selection under the nationally defined development programs and subprograms, as well as the efficient multi-year allocations of finances. The key limitations that would require further modernisation and capacity-building efforts include –capacity gap across government entities in project design and appraisal, effective coordination of project sequencing, selection and investment allocation decisions based on sectoral strategic goals and priorities, alignment gap with multi-year budgeting and budget comprehensiveness, investing in priority development programs and projects, and capacity gap in project implementation, project maintenance, and public asset management system. This will be further explained under the public investment management system reforms.

Diagram 2.1 Key Phases of PPF Reform



## DEVELOPMENT PROGRAMMING PROCESS AND MECHANISMS

Ethiopia has implemented government institutions-based program budget allocations for the federal government organisations over the past fifteen (15) years, based on a three-year program budget framework for five consecutive rounds. The primary idea was to allocate resources based on individual government agencies' missions and expected output. The new integrated PPF framework builds on the positive strengths of the previous programming and attempts to rectify the gaps and challenges under the new TYDP framework and the new public investment management (PIM) system following Proclamation 1210/2020.

One of the key gaps that were addressed is avoiding the duplication of programs and a weak link between development planning and budget allocations. Past practices were largely dependent on institution-based budget allocations, which has led to failure to effectively and comprehensively identify the development programs that needed to be implemented to achieve the priority strategic goals and targets in a coordinated manner, both vertically across federal line sectors and horizontally with the sub-national levels of government.

For example, ensuring market-oriented sustainable livestock development and productivity growth is one of the key strategic goals of the agriculture sector. Government administrations that contribute to this goal include the Ministry of Agriculture, the Ethiopian Agricultural Research Institute, the Livestock Development Institute, and the Ethiopian Veterinary Institute. Based on the conventional program budget, these government organisations design their own development programs, and budgets have been allocated to them separately for each PPA without systematically linking how the individual initiatives implemented by each institution will contribute to the sectoral level livestock development outcomes. As a result, government programs cannot effectively and efficiently use limited resources and create synergies to achieve the expected strategic results and impacts. The current program budget practices also fail to ensure that scarce resources are allocated efficiently.

The new integrated PPF approach would solve such gaps and challenges by integrating and consolidating development programs at the sectoral level, and hence, programs designed to achieve the same development strategic goals and targets should be combined and integrated as much as possible (i.e., program consolidation). Development programs are

designed based on sector strategic development goals and not necessarily on government organisation structure. However, a development program may be directly linked with a single government organisation for specific strategic and sector-specific goals.

Executive bodies (especially accountable government organs) that share the same strategic goals and sector targets are expected to gather and align under the same sector development program by making a clear division of responsibilities at the subprogram level. The main purpose of the consolidated program classification is to simplify the alignment and connection between development planning, investment programs and financing preparation as much as possible. So that resources can be allocated based on information on achieved strategic goals and results.

Therefore, based on the strategic goals of the TYDP, the MDIP has designed national development programs and subprograms by clearly linking them with core strategic activities and expected results. Under this framework, in addition to the federal government executive organisations, the PPAs of public enterprises and development partners were attempted to be linked with the identified policy-area-specific programs and subprograms to contribute to the successful implementation of the national development plan. Such integrated programming often serves as the main framework for promoting private sector engagement by clearly showing priority programs carried out by the government. In the coming medium-term reform years, the same exercise will be further deepened at the regional level, both regional executive government organisations and regional public enterprises.

Furthermore, the MDIP is expected to serve as a framework for transparent resource mobilisation from development partners and financing institutions in the medium term. It will help to align the interests of development partners with the country's development priorities and mobilise resources more effectively. In this process, the sustainable development goals (SDGs) can be implemented more effectively through the vertical and horizontal coordination of all stakeholders, including the government, the private sector, civil society organisations, and humanitarian and development partners.

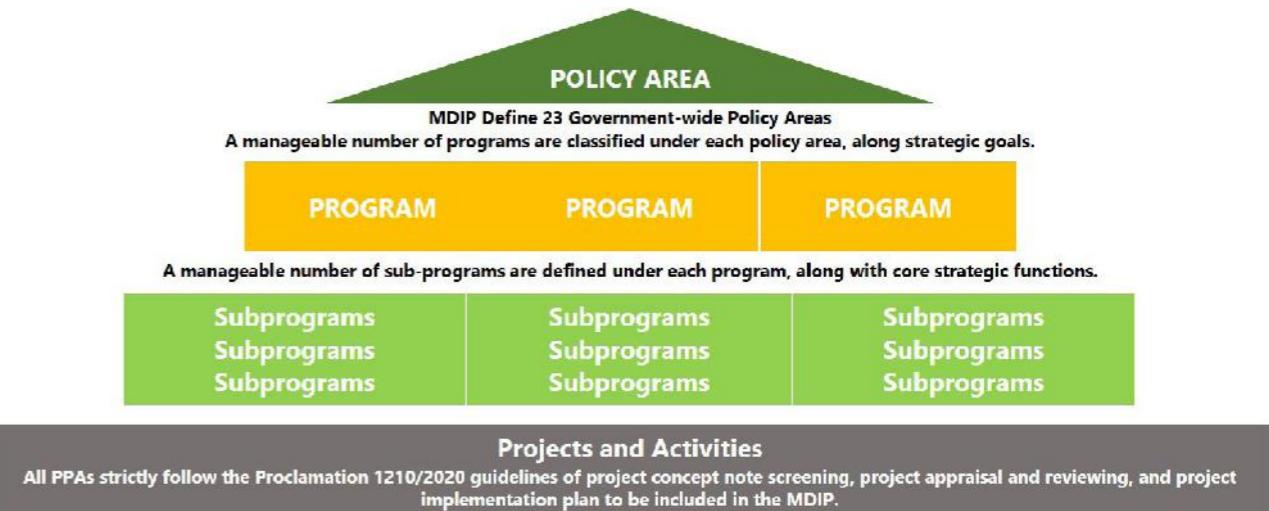
## DEFINING POLICY AREA AND FORMULATING PROGRAM CLASSIFICATION

Development program classification defines groups of key strategic activities, projects and services with common strategic goals, results, and outcomes. Under the new perspective, program classification is thus not merely a statistical reporting classification of expenditure since programs are used especially for broader development planning, monitoring, and evaluation. In the new context, program classification

and hierarchy are usually a four-level classification (including the definition of a government-wide policy area, program classification, subprogram classification and specific activity and project), in which government-wide policy area is sub-divided into programs, programs are sub-divided into lower-level subprograms, and subprograms are further broken into projects and activities.

This classification and structure are based on the government's strategic goals and priorities based on the national development planning framework. Ultimately, the classification of programs will be

Diagram 2.2 Policy Area and Program Classification



stable over time, with no major changes taking place. The same sectoral program classification, strategic goals and core strategic activities will be used as the basis for the development planning, programming, and financing under the new integrated PPF system. It would also strengthen the national harmonised planning, monitoring and evaluation system.

### First Level Classification: Policy Area and Strategic Goals

Government policy and development planning framework can be divided into various policy areas, each aiming to achieve the same and/or interrelated national development objectives under specific sectors and/or thematic areas of development management. Policy areas are categories of development planning and financing based on groups of various outputs and outcomes with common strategic goals and development outcomes. The definition of policy area follows the basic principles declaring priority objectives that the government seeks to achieve and preserve in the interest of the country and its citizens. The policy areas have been designed to allow which development activities

and public services make up the policies, how they are prioritised, and resources allocated to each of them. The policy areas do not necessarily follow the government organisational classifications and structure, but each of them covers areas of various line ministries and government organs. Usually, one-line ministries and/or government organisations are mandated and responsible for specific policy areas. It is also the case that some broader policy areas can reflect interrelated strategic goals and objectives of more than one government administration. In such cases, the clear roles and responsibilities are separated with clear strategic goals and program classifications. According to Proclamation 1263/2021, Article (77), in a relationship between a ministry or other executive organ accountable to it, the ministry will lead and cooperate with other accountable organs of the policy area.

The following twenty-three (23) policy areas have been broadly defined. Each separate chapter presents the details of accountable government organisations under each policy area. Strategic goals are identified and defined as general objectives under

Policy Area		Primary Government Organs
1	Ensuring Sustainable Macroeconomic Management and Growth	Ministry of Finance Ministry of Revenue Ministry of Planning and Development National Bank of Ethiopia
2	Boosting Trade and Investment Competitiveness	Ministry of Trade and Regional Integration Ethiopian Investment Commission
3	Enhancing Agricultural Productivity for Domestic Food Self-Reliance	Ministry of Agriculture Ministry of Irrigation and Lowland Development
4	Enhancing Manufacturing Growth and Competitiveness	Ministry of Industry
5	Harnessing Mineral Resources for Growth and Transformation	Ministry of Mines
6	Expanding Tourism Economy	Ministry of Tourism
7	Harnessing Digitalization And Innovation Technology For Growth And Prosperity	Ministry of Innovation and Technology Information Network Security Administration Artificial Intelligence Institute
8	Enhancing Construction Efficiency and Competitiveness	Ministry of Urban and Infrastructure
9	Ensuring Resilient and Smart Urbanisation	Ministry of Urban and Infrastructure
10	Ensuring Sustainable Management of Water and Sanitation	Ministry of Water and Energy
11	Ensuring Affordable, Reliable, and Green Energy	
12	Ensuring Integrated and Modernised Transportation and Logistics	Ministry of Transport and Logistics
13	Enhancing Skills Development and Labour Market Competitiveness	Ministry of Labour and Skills
14	Ensuring Quality Education	Ministry of Education
15	Ensuring Equitable and Inclusive Healthcare System	Ministry of Health
16	Promoting Social Protection and Equality	Ministry of Women and Social Affairs Refugees and Returnees Services
17	Promoting Culture, Sports, and Creative Arts	Ministry of Culture and Sport
18	Ensuring Rule of Law and Effective Administration of Justice	Ministry of Justice Federal Policy Commission Federal Supreme Court Federal High Court Federal First Instance Court Ethiopia Human Rights Commission
19	Ensuring Effective Government Administration and Service	Civil Service Commission Federal Ethics and Anti-Corruption Commission Office of the Federal General Auditor
20	Building Peaceful and Democratic Society	Ministry of Peace National Election Board of Ethiopia National Dialogue Commission House of Peoples Representative House of Federation Government Communication Services Ethiopian Media Authority
19	Pragmatic, Diversified and Inclusive Foreign Partnerships	Ministry of Foreign Affairs
22	Ensuring Green Growth and Clean Environment	Ministry of Planning and Development
23	Ensuring Resilience and Risk Management	Ethiopian Disaster Risk Management Commission National Rehabilitation Commission

each policy area. These strategic goals highlight the general priorities and targets of development planning resource allocations in that policy area. The strategic goals of a policy area are defined on a very general level and dynamically broken down into core strategic functions and activities (often referred to as objectives). Strategic goals are formulated to make them stable over a certain period, like a program derived from strategic goals. In most cases, these strategic goals are translated into development programs, and the subprograms under the programs indicate key result areas which can be defined as strategic objectives in some contexts. The identified activities and projects under each subprogram clearly indicate the outputs, outcomes, and impacts, defined as key performance indicators.

on the strategic goal, core strategic functions and/or expected strategic results. The programs and their titles are defined so broadly that they would not need to be changed frequently, although some changes and restructuring can be flexibly tailored within the subprograms under the program. Similarly, new subprogram creations and changes to existing subprograms are relatively allowed to accommodate emerging needs and requirements of government administrations. In other words, the defined programs do not give too much restriction to the subprograms and projects that can be classified under them.

### Third Level Classification: Subprogram Identification

Each program is divided into subprograms, which form the third and more concrete level of the program classification. Subprograms are more specific and aim to achieve more concrete and strategic results and direct impacts. Again, the number of subprograms can vary depending on the program's size and structure.

The definition and title of subprograms have been made to follow similar rules as programs but have a more practical and sectoral approach. Government organisational classifications and mandate structure have been considered when drafting subprograms to clarify responsibilities for line ministries and other budget users. Each subprogram was made accountable to a single government organ or budget user specific under sectoral program classifications where possible. All the identified programs and subprograms clearly show the intended results of each program and subprogram in terms of its links to sector strategic objectives and goals and its contributions to target results. This has been ensured by using result chains and program logic by looking at the chain of results expected from the program and what the activities and projects included in the subprograms will eventually result in to achieve the program's expected results.

### Fourth Level Classification: Designing Projects and Activities

So, the title of the program and subprogram should focus on the core strategic functions and expected results (outcomes and impacts). The title does not cover all the activities and projects implemented within the subprogram because activities and projects easily change from year to year. These projects and activities form the "fourth level" for the program classification.

In this context, the definition of projects and activities is usually similar, and they represent a single focused work and are designed to deliver outputs, whereas subprograms and programs focus on delivering benefits, outcomes, and impacts. The fundamental difference between projects and activities is that activities are recurrent focused work pursued by government organisations, whereas a project is a focused work pursued for a specific period.

A collection of projects and related activities that are linked to one another rationally to attain the combined results determines the relevance and appropriateness of subprograms and programs. The quality of subprograms and programs in terms of

design and implementation depends on the quality of the project and activity design. At the preparation of the MDIP stage, each federal government organ, considering the development objectives contained in the TYDP and the result matrices, identifies how it will achieve sectoral strategic goals through the identification of development programs, which consist of subprograms under its core functions and expected roles. Under each subprogram, government organs identify key activities and projects which are required to achieve specific outputs reflected in KPIs.

All projects and activities that are to be included in the MDIP strictly follow the Proclamation 1210/2020 guidelines of project concept note screening

appraised set of projects and related activities, and (6) ensure that each project and related activity has clear results. By following this framework, it has been ensured that the MDIP is well-aligned with the TYDP and that it is implemented in a coordinated and effective manner.

## ADMINISTRATION AND MANAGEMENT PROGRAM

Every government organisation established by law has a well-defined 'administration and management program' separate from the programs formulated based on their core strategic goals and activities of the government organisations, which can be consolidated under sectoral strategic goals. However, this administration and management program is specific to each government organisation and is designed to support the strategic goal of enhancing organisational implementation capacity, resource utilisation and service delivery practice with the following core strategic functions and activities.

The Administration and Management key program function includes administrative costs that mainly include the following components – (1) personnel compensation and benefits, and (2) general operating expenses that support the entire range of operating expenses necessary for the government organisation to administer its programs and execute the above core strategic functions and activities.

budgetary processes, and facilitate the effective implementation of policies, plans and programs.

Proclamation 648/2009 (as amended Proclamation 970 /2016, and the dependent second-tier legal framework of Regulation 190/2010) provides the current effective legal framework for the administration of the government financial administration, mainly the administration of the country's budget system and fiscal framework. The rules and procedures for financing and budgetary decisions set in this law predate Proclamation 1210/2020 and other reform processes under the current government administration, which calls for an urgent adaptation or modification of the budgetary system laws to the country's current political economy arrangements. Additionally, the roles and responsibilities of government organisations at the federal level in terms of coordination for development planning and programming, the rules and principles of allocating resources, and appropriation of the government budget that would enable efficient allocation and utilisation of government resources.

The key rationale for modifying or adapting the new law relating to the government finance and budget system include -

1 to align the format of the macroeconomic and fiscal framework with the medium-term development and investment plan,

2 to address the procedural gaps between the Ministry of Finance and the Ministry of Planning and Development and synchronise development programming, budget call and calendar, budget preparations and budget submissions by the sectoral government organs,

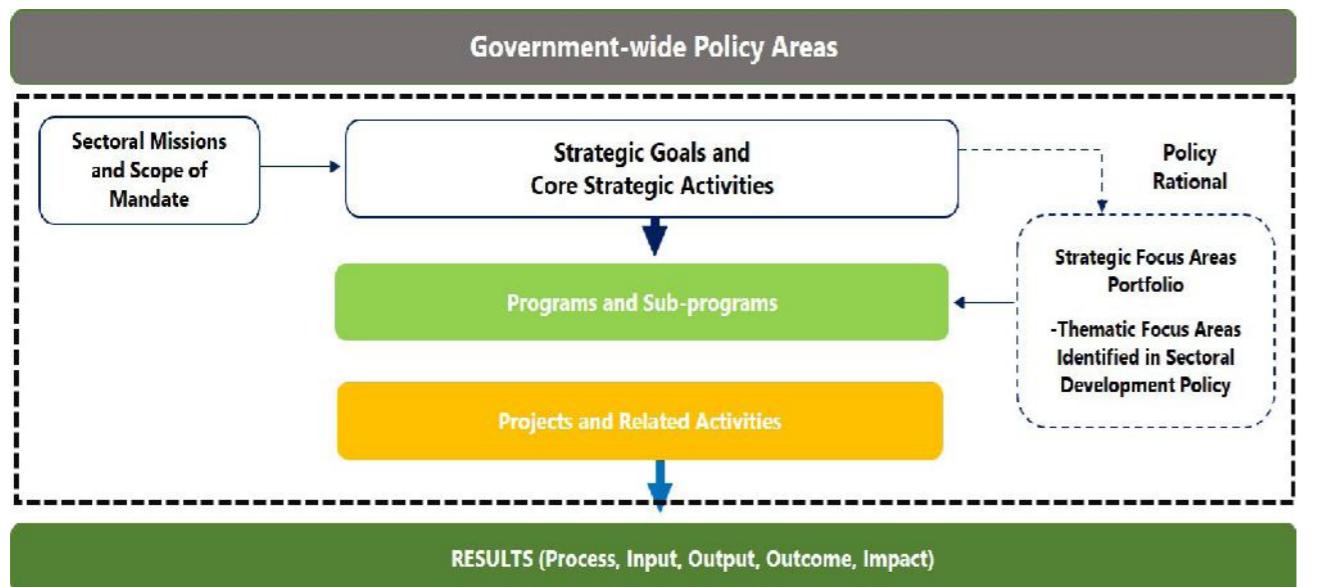
3 to promote effective multi-year budgeting for investment by strengthening the alignment between medium-term capital expenditure framework and medium-term development planning,

4 to strengthen the consolidation of the public finance management system that strengthens the PPF system, public-private partnerships, public procurement system, and public asset management system,

5 to introduce new budget principles, such as transparency, accountability, fiscal stability and sustainability, and budget performance, and

6 to strengthen the modernisation and digitalisation efforts of the PPF system.

Diagram 2.3 Illustration of Transition Path from Policy Area to Results



(mandated Template One under the Proclamation 1210/2020), project appraisal and reviewing (mandated Template Two), and project implementation plan (mandated Template Three) to be included in the MDIP.

In general, the following has been broadly followed to prepare the Ethiopian MDIP cascaded from the TYDP include – (1) identify the key policy areas for the MDIP, (2) for each policy area, identify the responsible line ministry or government organ, (3) identify sectoral strategic goals and core strategic activities, (4) identify the programs and subprograms that will be implemented within each policy area and link them with strategic goals and core strategic activities, (5) ensure that each program and subprogram has a clearly designed and

## REFORMING GOVERNMENT FINANCE AND BUDGET SYSTEM LAWS

The next step in strengthening the development planning, programming, and financing (PPF) system is modernising and adopting a new legal framework for government finance and budget systems. One of the key strategic objectives of strengthening the PPF system is to modernise government development financing operations and ensure efficient resource allocation. Adopting a new legal framework for government finance and budget systems is imperative to enhance transparency, accountability, and efficiency in government financial management practices.

A robust legal framework provides a structured foundation for fiscal discipline, allowing governments to align budgetary priorities with long-term development goals. Modernisation efforts and an updated legal framework enable better coordination between the Ministry of Finance and the Ministry of Planning and Development, streamline government

Enhancing Organisational Implementation Capacity, Resource Utilisation and Service Delivery Practice	
1	Improving the effectiveness of planning, monitoring and evaluation, and data management
2	Improving the effectiveness of human resource development and management
3	Improving the efficiency and effectiveness of financial and property management
4	Improving the efficiency and effectiveness of information, communication, and technology
5	Improving the effectiveness of partnership and public relations practices
6	Improving support and monitoring mechanisms of regions and accountable institutions
7	Improving ethics and anti-corruption monitoring activities
8	Improving diversity, inclusivity, and social protection practices
9	Improving charitable initiatives and community service activities



## **DEEPENING PUBLIC INVESTMENT MANAGEMENT PROCESS AND SYSTEM**

Modernising and adopting a new legal framework for government finance and budget systems is part of the second phase of homegrown economic reform (HGER II). An improved public investment framework is integral to laying the foundation for long-term economic growth, resilience, and improved living standards. The government is committed to ensuring an efficient Public Investment Management (PIM) process and system – aimed at improving the whole life cycle of public investment and asset management system, as opposed to just focusing on fiscal and budgetary perspectives of public investments – including the four fundamental pillars of the PIM system including the planning and programming, the financing allocations, the public investment implementation, and management of public assets.

The rationale for deepening the PIM process and system include -

- 1 to establish effective multi-year public investment programs through an integrated (PPF) framework,
- 2 to adopt a standardised and harmonised regional PIM process and system, and
- 3 to strengthen the public asset management system.

Chapter four details the detailed reform activities set under the HGER II to deepen the PIM process and system.

# CHAPTER 3

## MODERNISING AND DIGITALISING MONITORING AND EVALUATION SYSTEM

**T**he reform measures of integrating the development planning, programming, and financing system will be continued. Another crucial aspect of the integrated development planning, programming, and financing (PPF) system is establishing an effective performance measurement and evaluation framework. Building on the gains of the last three years of TYDP implementation (FY 2020/21 – 2022/23), the government recognises the need to strengthen the monitoring and evaluation of the MDIP to ensure stability, resilience, and sustainability.

Over the next medium term, the Ministry of Planning and Development will fully implement the digital planning, monitoring, and evaluation system (DPMES) at the federal and regional levels. Modernising and digitalising the system is strategic because it can foster integrated, evidence-based, and agile approaches to development planning. By leveraging digital technologies, the DPMES become effective tools for optimising resources and cost-effectiveness, enhancing data collection and analysis accuracy and quality, improving performance reporting systems, enhancing stakeholders' participation, fostering transparency and accountability, and driving sustainable and inclusive development in a rapidly changing global and national landscape.

### EFFECTIVE NATIONAL COORDINATION AND SYNERGY

Effective and efficient coordination at different levels of government is paramount in the development planning, monitoring, and evaluation (PME) system as it ensures a streamlined and coherent approach to data collection, analysis, and reporting, aligning these activities with overarching development goals. By preventing duplication of efforts and standardising methods, coordination optimises resources and enhances the accuracy of information. It facilitates timely and informed decision-making by providing reliable insights, promoting stakeholder collaboration, and fostering continuous learning and improvement.

Efficient coordination in the PME system not only strengthens the reliability and quality of data but also supports ethical conduct and adherence to standards, contributing to the overall effectiveness of the evaluation process and enabling organisations to adapt and innovate for more impactful development outcomes. The government's commitment to evidence-based governance and sustainable development underscores the

importance of a strong PME system in informing decision-making, enhancing accountability, and achieving development objectives. Activities have been undertaken to strengthen the existing PME system of all line ministries, including comprehensive assessments and capacity-building efforts based on empirical evidence. To ensure the improvement of the PME system, the government will implement the recommendations proposed in the assessment at national and ministerial levels. Stakeholders at all levels will be actively involved through consultations, workshops, and collaborative platforms to foster ownership, accountability, and collective responsibility.

### FORMULATION OF NATIONAL RESULT MATRICES

Ethiopia's National Result Matrices (NRMs) hold paramount strategic relevance in medium-term development and investment plans (MDIP) by providing a pivotal framework that aligns policy areas with sectoral strategic goals and overarching development programs. The NRMs facilitate outcome-oriented development planning, programming, and financing, ensuring that development efforts are geared towards achieving measurable and impactful results.

The NRMs also enhance accountability and transparency, allowing for the efficient allocation of resources and systematic monitoring of progress. In essence, the strategic significance of NRMs lies in their ability to provide a clear, comprehensive, and adaptable framework that guides effective development planning, implementation, and evaluation, ultimately steering nations towards sustainable and inclusive growth.

The content structure of Ethiopia's national development planning results matrices involves four hierarchical levels, including – (1) policy area, (2) sectoral strategic goals, (3) core strategic functions and activities, and (4) key performance indicators (KPIs). The NRMs are printed separately from the MDIP document, containing the main targets of the MDIP under each policy area, strategic goals, and core strategic activities.

In the NRMs, the nature of the expected results under each strategic goal and core strategic activities, which are reflected in terms of key performance indicators (KPIs), are typically hierarchically categorised into five (5) major areas to comprehensively measure and assess the progress and impact of development policies, programs, and projects.

KPIs Hierarchy and Definitions	
RESULTS	IMPLEMENTATION
	<b>Process Indicators</b>
	<b>Input Indicators</b>
	<b>Output Indicators</b>
	<b>Outcome Indicators</b>
	<b>Impact Indicators</b>

**Process Indicators** focus on the processes and activities involved in implementing development policies and programs. They provide insights into process efficiency, timeline adherence, and implementation quality. Monitoring process indicators help ensure that activities are carried out as planned and contribute to the intended outcomes.

**Input Indicators** measure the resources invested in development policies and programs, including financial, human, and material resources. These indicators assess the quantity and quality of inputs utilised to implement programs and projects, helping to evaluate the cost-effectiveness of interventions.

**Output Indicators** track the tangible and immediate results of development programs and projects. These indicators represent the specific deliverables, products, or services generated through the implementation of programs and projects. Measuring outputs provides insight into the efficiency and effectiveness of the development activities.

**Outcome Indicators** measure the desired changes or impacts resulting from implementing development programs. These indicators focus on the ultimate objectives of the projects and related activities and assess whether they have contributed to meaningful improvements in sectoral policy areas.

**Impact Indicators** assess the broader and often long-term effects of development policies, measuring the overall societal changes resulting from the sustained implementation of programs and projects, providing a comprehensive understanding of the transformative effects.

The government will use indicators and interim targets identified in the NRMs to monitor and assess progress. The NRMs, which provide results orientation to the MDIP, will be regularly updated to ensure responsiveness to the country's evolving development landscape. Annually, the Ministry will prepare the Ethiopia Development Report (EDR) on development plan performance in line with the 'One Plan, One Report' framework to present actual accomplishments and identify key challenges and policy directions.

### PLANNED WORK ACTIVITIES

Several strategies will be employed to address gaps in data generation and improve monitoring. The Ethiopian Statistics Development Program (ESDP) will serve as the primary mechanism to address data requirements. Additionally, the government recognises the need for a clear framework for the Evaluation Agenda for the MDIP and a binding legal framework for the National Evaluation Policy (NEP) Framework. The NEP will provide principles and standards for data collection, management, utilisation, and financing. The government will undertake scoping studies, strengthen the collection and analysis of evaluation data, and support enacting the NEP to institutionalise evaluation practice.

To ensure policy coherence and a standardised framework for PME practices, the government will revisit and implement national PME guidelines and their accompanying implementation manual. Stakeholders from diverse sectors will be engaged to promote consistency and alignment in PME processes across all levels of government.

Emphasising the importance of capacity building for evaluation, the government will implement training programs and establish an institutionalised evaluation unit within each public body. Communication of evaluation findings will be prioritised to increase utilisation and influence. The Ministry of Planning and Development will consult the House of People Representatives on assessing strategies and effectiveness. It will also vigorously participate both state and non-state actors, including citizens, in period tracking of progress as well-structured evaluation of the achievements of key results and major goals of the plan.

Capacities to monitor the plan will be enhanced through resource allocation and partnerships with development partners, civil society organisations, and academia. Targeted capacity-building initiatives

will be implemented to enhance PME skills and knowledge. Training programs, knowledge sharing, and dissemination of best practices will empower officials to actively contribute to the PME system and fulfil their responsibilities effectively.

Ethiopia's digital transformation agenda will be crucial in digitising the PME system. The government plans to develop a cutting-edge DPES that promotes information sharing, transparency, data accessibility, and collaboration among different levels of government. The digitisation of the system will enable seamless exchange of information and facilitate evidence-based decision-making. Analysis, reporting, and use of monitoring data will be improved through the availability of online platforms and data visualisation solutions.

Strategic collaboration with development partners will be sought to leverage additional resources, expertise, and technical support. Joint initiatives, knowledge exchange, and learning opportunities will enhance the effectiveness and efficiency of the PME system, aligning it with international best practices. Adequate financial allocation is crucial for a robust PME system. The government will allocate a dedicated budget for PME activities, ensuring the sustainability of the framework for effective monitoring, evaluation, and decision-making. To facilitate communication, knowledge sharing, and collaboration on PME matters, the government will establish a national-level stakeholders' platform led by the Ministry of Planning and Development. This platform will foster a culture of continuous learning, innovation, and shared responsibility for effective PME practices.

The government is resolutely committed to reforming and strengthening the PME system. Through inclusive stakeholder engagement, digital transformation, targeted capacity-building initiatives, strategic collaborations, policy alignment, adequate financial allocation, and establishing a national stakeholders' platform, the government aims to achieve a robust PME framework.

This framework will drive evidence-based decision-making, enhance accountability, and contribute to sustainable development. The government's commitment to these efforts will be upheld over the next three years, ensuring the effective implementation of development initiatives and the improved well-being of all Ethiopians.

### IMPACT EVALUATION OF FLAGSHIP PROGRAMS AND PROJECTS

The government is also committed to extending the monitoring and supervision process to post-implementation evaluation to assess the long-term impact of projects using the policy impact and outcome indicators. This involves understanding how flagship programs and projects have contributed to sustainable growth and shared prosperity over time.

Impact evaluation of flagship programs and projects is strategic and essential in comprehensively understanding their effectiveness and contribution to desired outcomes and impacts. By systematically assessing the actual impact on targeted communities and economies, impact evaluations offer evidence-based insights crucial for informed decision-making. This process goes beyond traditional monitoring and supervision, providing a deeper understanding of the causal relationships between program and project interventions and the expected strategic outcomes. It helps identify successful strategies and pinpoints improvement areas, guiding future development planning and programming.

Impact evaluations are important because they can inform resource allocation, policy formulation, and program design, ensuring that limited resources are optimised for maximum positive impact. They are also integral for fostering transparency, accountability, and adaptive management, ultimately promoting the achievement of sustainable, inclusive, and transformative development goals.

# CHAPTER 4

## ENABLING THE MDIP: COMPREHENSIVE ECONOMIC, INSTITUTIONAL REFORMS AND PEACEBUILDING

**T**his section provides a progress review of the wide-ranging reform processes undertaken in Ethiopia over the past five years. It examines the results achieved under the first phase of the Homegrown Economic Reform (HGER I), as well as the factors and constraints that continue to challenge the Ethiopian economy, necessitating transformative reform actions.

The rationale and goals of the second phase of the Homegrown Economic Reform (HGER II) are then outlined, underscoring the importance of establishing a robust system and institutions for peacebuilding, national dialogue, and transitional justice.

Crucially, this section sets the reform process as an integral component and enabling environment for the Medium-Term Development and Investment Plan (MDIP). By addressing economic, institutional, and peacebuilding priorities in a comprehensive manner, this multifaceted approach aims to create the necessary conditions for the successful implementation and realization of the MDIP's development objectives. Through a detailed examination of the reform progress, challenges, and strategic initiatives, this introduction lays the foundation for a thorough exploration of how the synergies between economic, institutional, and peacebuilding efforts can unlock the full potential of the MDIP as a catalyst for Ethiopia's sustainable development and prosperity.

Ethiopia has embarked on a wide-ranging reform over the past five years to address structural democratic, political, and economic bottlenecks facing one of the biggest economies in Africa. Following the political transition in the spring of 2018, the reform processes brought new hope of a transition to democracy and a stable economy. Key milestones in democratic, judicial, and political reform have included repealing oppressive legal frameworks that hindered the establishment of free, independent, and robust institutions crucial for peacebuilding and democracy. A notable example is the establishment of the National Dialogue Commission (Proclamation No. 1265/2021), which aims to foster inclusive dialogue and cultivate a civic and political culture conducive to resolving internal issues and fostering a peaceful and democratic society. Furthermore, reforms to civil society laws have created an environment that enables civil society organisations to participate actively in the democratisation and development processes of the country.

Democratic, justice and political reforms are pivotal in fostering sustainable and inclusive growth and development. They serve as the bedrock for establishing free, independent, and robust institutions, ensuring accountability, and upholding the rule of law, all of which are vital for attracting and maintaining investments. By improving the effectiveness of governmental institutions, these reforms enable better addressing of socio-economic challenges and the implementation of sustainable development plans. Ultimately, a politically stable environment cultivates an atmosphere conducive to continuous growth and development by encouraging innovation and ensuring equitable distribution of development benefits among the populace.

As part of the wider reform process, homegrown economic reform holds immense policy implications. The strategic objective of the first phase of the homegrown economic reform (HGER 1.0) program was to achieve inclusive, quality, and sustainable growth by maintaining a stable macroeconomic environment and reducing domestic and external economic vulnerabilities. This laid the foundation for prosperity by correcting macroeconomic imbalances, enhancing sectoral productive capacity, diversifying sources of economic growth and job opportunities, and correcting structural bottlenecks to ensure an enabling environment for private sector initiative and investment. Therefore, the HGER 2.0 promises to build on these successes and further propel Ethiopia's economic growth.

All the reform measures have shown significant progress and enhanced the country's resilience. Nevertheless, multiple and overlapping shocks that the economy faced during the implementation period of HGER 1.0, including the COVID-19, Russia-Ukraine conflict, climate change-induced flood and drought, domestic war and conflict, and international commodity price rises, have weakened the scale of positive effects expected from key policy reforms and actions, and simultaneously, delayed some policy reforms and actions. However, all reform programs and activities collectively create an enabling environment for Ethiopia's Medium-term Development and Investment Plan (MDIP), which will be implemented during the 2023/23 – 2025/26 Ethiopian fiscal years.

Ethiopia's structural issues and transitions, and its impact on the progress of HGER and sustainable growth and prosperity: A fuller understanding of Ethiopia's HGER reform progress requires an appreciation of structural factors that influence the pace and scale of reform and transformations

over the medium- to long-term. The core insight is that the country is undergoing multiple structural transitions simultaneously. How these transitions unfold can either expand the development frontier for the country in ways that were not possible before or limit this frontier. Either way, these transitions may make the task of economic reform, development planning and management more complex, volatile, and uncertain. At least six structural transitions are worth noting in the context of anchoring reform and achieving sustainable macroeconomic management and economic growth – complex economic structure and dynamics, macroeconomic structure and transition, demographic transition, social inclusion, and the wider political reform process transition.

On the other hand, multiple and overlapping shocks and uncertainties continue to challenge Ethiopia's progress. The multiple and overlapping shocks during the implementation period of the HGER 1.0 and the ten-year development plan (TYDP) include the impacts of the triple shocks – the COVID-19 pandemic, persistent domestic conflict and security situation, and external economic uncertainties. The COVID-19 pandemic in early 2020, followed by the northern Ethiopian war and the war in Ukraine, has affected the economy. These multiple and overlapping external and domestic shocks continue to challenge the successful implementation of domestic reforms and development agendas. The shocks have become recurrent and the new normal; hence, preparedness and building resilience through reforms and flexibly adjusting priorities are vital. For this reason, the government has formulated MDIP to integrate HGER 2.0 by renewing its commitment to maximise the potential, consolidate peace, and enhance the economy's resilience.

The economic and social repercussions of recent shocks have been substantial. These shocks, coupled with global trade disruptions and increases in commodity prices, have led to inflationary pressures, exacerbating the cost of living and food security concerns. Global commodity prices have also increased the costs of imported raw materials and intermediate inputs used in the manufacturing and construction sectors. The conflict in Northern Ethiopia has further strained basic service delivery, affecting education and healthcare. The government has implemented various measures, including budgetary allocations and public mobilisation efforts, to generate resources to support affected local communities. A multi-year Reconstruction, Rehabilitation, and Recovery Plan (3R Plan) has been initiated to expedite rebuilding and improve community conditions in the short to medium term.

This plan is critical to the MDIP. Furthermore, the government is dedicated to reducing the likelihood of prolonged dependence on humanitarian aid and preventing a return to conflict. To this end, an all-inclusive peace process and sustaining peacebuilding will be cemented under the coordination of the NDC.

The climate-related shocks continue to challenge Ethiopia. The recent climate-related drought shocks in the Somali Region and southern parts of Oromia have caused a significant loss of livestock assets, the community's main livelihood sources. Frequent weather events and climate change's long-term impacts undermine Ethiopia's development effort, especially in agriculture and pastoral livelihoods. These climate-related shocks of drought and flooding have been a recurring risk, and the government recognises that it requires a sustainable solution in terms of investment in the water sector to build a climate-resilient production system, which will remain a key component of the MDIP.

The global economy has become fragmented and volatile, and external development finance flows to Ethiopia have been constrained. The country has, however, benefited from the Debt Service Suspension Initiative of the G20, and implementation of the Common Framework is still in progress. Implementing the HGER program to manage external debt sustainably has eased the pressure on the overall external public debt, and the observed export growth performance is easing the external debt distress risk. On the positive end, Ethiopia's foreign policy engagement has shown a significant improvement and is expected to reward Ethiopia in attracting investment, finance, and technology.

Inadequate human and institutional capabilities limit Ethiopia's progress towards sustainable growth and prosperity. Implementation capacity gaps have become a challenge in different government institutions involved in the implementation, coordination, and service delivery of development plans, including implementing the HGER 2.0. Capacity challenges occur in the design of results-based performance management systems, database management, monitoring, evaluation, and reporting systems for up-to-date information on implementation status.

Ethiopia faces significant challenges and shocks, but transformative actions and reforms are imperative to enhance resilience. Despite these obstacles, there's a critical need to persist with inclusive reforms and sustainable development agendas, ensuring sustainable economic growth,

shared prosperity, social inclusion, and a peaceful society. The government is steadfastly committed to advancing inclusive peacebuilding efforts, instilling hope in affected communities, and mitigating the risk of conflict resurgence.

It's important to recognise that Ethiopia's crises and challenges represent temporary setbacks rather than permanent hindrances to its progress towards sustainable economic growth and shared prosperity. The government remains steadfast in its vision of fostering a peaceful and inclusive society, aiming to become a beacon of sustainable growth, peace, and prosperity. Prioritising this goal, the government is determined to continue domestic reform processes and implement robust policies to ensure prosperity for all citizens.

#### **4.1. BUILDING ON HGER-I ACHIEVEMENTS AND HGER-II AS AN ENABLING ENVIRONMENT**

Ethiopia's economy faces multifaceted challenges, including low productivity, infrastructure gaps, macroeconomic instability, public sector capability and institutional weaknesses and, different emerging social/political challenges. The most pressing issues are external sector and stability concerns, such as global economic uncertainty, balance of payments pressures, foreign exchange rate distortions, persistent high inflation, and financial sector constraints limiting domestic savings and investment.

Additionally, Ethiopia faces fiscal gaps, including difficulties in mobilizing sufficient domestic tax revenue, rapidly escalating expenditures outpacing tax growth, and challenges accessing and utilizing external financing due to debt sustainability concerns and capacity limitations. Addressing these fundamental issues through comprehensive and coordinated reforms will be crucial for Ethiopia to enhance macroeconomic resilience, strengthen domestic resource mobilization and financial sector development, improve fiscal governance and debt sustainability, and foster inclusive and sustainable economic growth. Tackling these challenges will be essential for Ethiopia to achieve its long-term economic development goals and ensure the country's economic stability and prosperity.

The real sectors in Ethiopia face low productivity, particularly in agriculture, manufacturing, and mining, due to issues like outdated farming practices, infrastructure gaps, and regulatory complexities. This has led to a declining export-to-GDP ratio and

high concentration of exports in a few primary commodities, making the economy vulnerable to global price fluctuations.

Structural challenges include an unfavourable investment and trade environment, a low-skilled labour force, infrastructure gaps, and weak public sector capability. These constrain competitiveness, innovation, and sustainable growth.

To address these challenges, the HGER 2.0 and MDIP will need to focus on macroeconomic reforms, strengthening public sector capabilities, and targeted investments in infrastructure, education, skills, and the digital economy. Ensuring political stability and fostering a conducive business environment are also critical for attracting investment and unlocking the country's growth potential.

#### **4.1.1. KEY PROGRSS AND CHALLENGES DURING HGER 1.0**

##### **REAL ECONOMIC GROWTH PERFORMANCE**

The Ethiopian economy has demonstrated resilience and robust growth in recent years. The nominal GDP has doubled from US\$84.3 billion in EFY 2017/18 to US\$163.7 billion in EFY 2022/23, corresponding with a 40.1% increase in real GDP and an impressive average annual GDP growth rate of 7.1% at constant prices over the past five years. Furthermore, per capita GDP at current prices has increased by a significant 75.6%, reaching US\$1,549 in EFY 2022/23.

The agricultural sector remains the primary driver of economic growth. The agricultural sector has contributed an average of 33% to GDP during the 2017/18 to 2022/23 period. Notably, the crop sub-sector within agriculture has displayed a consistent upward trend, growing at an average annual rate of 5.3%, outpacing the overall agriculture sector. To sustain this momentum, it will be crucial to continue the policy reforms and initiatives that have expanded the productive capacities of the agricultural sector, such as the extensive cluster farming approach, farmland expansion, irrigation-led dry season farming, and agricultural mechanization.

The economy has also faced some challenges. The construction industry, which contributes an average of 19.7% to GDP, has experienced a decline in growth levels since 2017/18. Addressing the challenges faced by the construction industry and exploring opportunities to revive its growth will be essential in the midterm development and investment plan.

Similarly, the manufacturing sector has shown an improving growth trajectory, though its overall GDP contribution remains low at 6.8%. Developing strategies to further boost the manufacturing sector's contribution, particularly in medium and large-scale industries, will be crucial for driving economic transformation.

The service sector has exhibited the highest average percentage share of GDP at 39.7%. This has been driven by strong performance in wholesale and retail trade, and transportation and communications services. Capitalizing on the growth potential of the service sector, particularly in these key sub-sectors, will be an important focus area for the midterm development and investment plan. Investments in infrastructure, technology, and skills development will be critical to support the continued growth and transformation of the economy. Overall, the MDIP should build on the economy's strengths, address the emerging challenges, and invest in strategic areas to maintain the resilience and momentum of the Ethiopian economy.

##### **FISCAL PERFORMANCE**

**Improved Tax Revenue Collection:** Despite a low tax-to-GDP ratio, the government's capacity to collect tax revenue has increased significantly over the past five years, with an average annual growth of 20.7%. While tax revenue remains the largest share of general government revenue, its share of GDP has declined. This improved performance is attributed to fiscal policy and tax administration reforms.

**Reduced Public Debt Stock:** Ethiopia's total public debt-to-GDP ratio has declined from 58.6% in 2017/18 to 38.1% in 2022/23, driven by strict reform initiatives, limits on new commercial loans, and a prudent fiscal stance. The external public debt-to-GDP ratio has also decreased, reflecting the government's efforts to diversify financing sources, negotiate favourable terms, and prioritise concessional borrowing.

**Subsidy Reforms and Wheat Production Expansion:** The government has phased out inefficient subsidies, redirecting resources to more targeted social safety net programs. The phasing out of wheat imports subsidies, coupled with a substantial expansion in domestic wheat production, demonstrates the government's strategic interventions to reduce reliance on imports and enhance self-sufficiency. **Fuel Sector Reforms and Improved Financial Discipline:** The transition from credit-based to cash-based fuel sales has enhanced financial stability and accountability

within the fuel sector. The Fuel Stabilization Fund Account has experienced a significant turnaround, with improved credit receivables performance and a reduction in accumulated debt.

**Diversified Government Financing:** The composition of government financing instruments has shifted, with a reduction in reliance on short-term Treasury Bills and an increase in the issuance of longer-term Treasury Bonds. This strategic move aims to mitigate rollover risks and enhance overall debt sustainability.

**Improved State-Owned Enterprises' Performance:** The pre-tax and interest profits of state-owned enterprises (SOEs) have grown more than five-fold, and the establishment of the Ethiopian Investment Holdings and the Liability and Asset Management Corporation have contributed to their improved financial health and competitiveness.

The positive trends in tax revenue collection, debt management, subsidy reforms, and SOE performance provide a strong foundation for the MDIP. The government should continue to build on these successes by further streamlining fiscal policies, enhancing public financial management, and fostering a more efficient and productive economy.

Strategies to sustain the expansion of domestic revenue and diversify government financing sources should be prioritised. Additionally, the government should maintain its focus on improving the overall competitiveness and financial stability of the SOEs to ensure their effective contribution to the country's development objectives.

##### **MONETARY AND FINANCE SECTOR PERFORMANCE**

**Banking Sector Reforms and Growth:** The government has undertaken initiatives to enhance banking regulations, introduce Islamic banking, and implement a legal framework for movable property collateral. This has facilitated significant growth, with total deposits reaching Birr 2.2 trillion and total loan disbursements reaching Birr 1.96 trillion by EFY 2022/23. Private sector access to finance has also improved, with its credit allocation share increasing from 41.5% to 62% over the same period. The banking sector reforms, and growth provide a strong foundation for the MDIP, enabling increased private sector participation and access to finance.

**Improved Investment Climate and Ease of Doing Business:** Revisions to the Commercial Code and the implementation of digital services have reduced the

cost and time of starting and conducting business. Trade clearance duration has been cut from 44 to 13 days, and digital services for business registration, licensing, and tax filing have been introduced. The enhanced investment climate and ease of doing business create a more favourable environment for domestic and foreign investments, supporting the MDIP.

**Financial Inclusion and Digital Financial Services:** The number of bank branches has more than doubled, and digital financial services, such as Tele birr and Sharia-compliant offerings, have been introduced, fostering financial inclusion. Tele birr has rapidly gained traction, reaching 40.3 million users and processing over ETB 1.6 trillion in transactions. The expansion of financial services, particularly digital solutions, enhances access to financial resources and empowers individuals and businesses, aligning with the MDIP's goals.

**Pension Fund Reforms and Asset Management:** The government has prioritized enhancing pension funds and asset management to improve efficiency and maximize investment returns. Public and private pension fund financial assets have increased significantly, with improved returns on investment. The reforms in pension fund management and asset allocation provide additional sources of long-term capital that can be leveraged for the MDIP, supporting broader economic growth and stability.

**Capital Market Development:** The government has enacted the Capital Market Proclamation to establish a robust and inclusive financial ecosystem, facilitating the mobilization of long-term capital and the introduction of innovative financial instruments. The Ethiopian Capital Market Authority (ECMA) has been established to regulate and supervise capital market activities, ensuring fairness, integrity, and efficiency. The development of the capital market creates additional avenues for investment and financing, contributing to the diversification and expansion of the financial system, which is crucial for the MDIP.

##### **EXTERNAL SECTOR PERFORMANCE**

Ethiopia's external sector performance has shown significant improvements over the past five years, laying a strong foundation for the MDIP. During the EFY 2017/2018 to 2022/23 period, the country's goods exports have crossed the US\$3 billion mark for the first time, with an average annual growth rate of 5.9%. The export composition continues to be

dominated by the agricultural sector, which accounts for an average of 75.3% of total exports, followed by manufacturing (13.4%), minerals (8.6%), and other sectors (2.8%). Alongside the growth in merchandise exports, services exports have also registered remarkable progress, with an average annual growth rate of 11.5%. This has led to a significant increase in total exports, from US\$7.1 billion in EFY 2017/18 to US\$10.7 billion in EFY 2022/23, at an average annual growth rate of 8.9%.

Resilience in attracting and flowing of FDI. Ethiopia has demonstrated resilience in attracting foreign direct investment, with the average annual growth rate of net FDI inflows at 2.4% during the same period. The country has attracted close to US\$3.3 billion in FDI annually since EFY 2017/2018, surpassing a staggering FDI stock of over US\$35 billion by 2022, cementing its position as one of Africa's foremost destinations for FDI.

Remittance flows has been surging. The country has experienced a steady increase in remittance inflows, with an average annual growth rate of 3.3% during the EFY 2017/2018 to 2022/23 period, reaching an average of US\$6.3 billion annually. These positive trends in the external sector provide a strong foundation for the MDIP, enabling increased foreign exchange earnings, investment, and financial resources to support the plan's goals of sustainable economic growth, infrastructure development, and social welfare improvements.

#### 4.1.2. STRATEGIC OBJECTIVES AND PILLARS OF HGER 2.0

HGER 2.0 is crucial for the following four strategic goals and objectives – (1) to establish a modern and sound macroeconomic policy framework that supports and ensures stability, resilience, and sustainability; (2) to transform investment and trade environment to boost competitiveness through a favourable environment and opportunity that promotes and enhances innovation and entrepreneurship, (3) to expand productive capacity and productivity growth by increasing investment and unlocking economic growth potentials, and (4) to improve public sector capability that enhances the government's capacity to ensure quality and efficient service delivery.

Establishing a modern and sound macroeconomic policy framework: The successful implementation of the HGER 2.0 is expected to ensure price and external stability by maintaining low and stable inflation, promoting export and net FDI inflows,

maintaining stable forex inflows and exchange rates, and achieving sustainable fiscal balance and debt management. Modern and sound monetary and fiscal policies are vital to creating a stable macroeconomic environment that supports boosting trade and investment, sustainable growth, and job creation. A modern and sound macroeconomic policy framework also enables Ethiopia to ease its dependence on and vulnerabilities to external factors to foster resilient and sustainable economic growth. The essence of easing vulnerabilities and building resilience is promoting domestic self-sufficiency. By diversifying its economic base to expand domestic production and economic opportunities, Ethiopia can reduce its susceptibility to external reliance on food and raw materials. Building self-sustaining economies fosters long-term growth, enhances the resilience of the country, and contributes to a more equitable and stable regional and global economic landscape.

Transforming investment and trade environment to boost competitiveness, innovation, and entrepreneurship: The successful implementation of HGER 2.0 is expected to promote competition in the market by creating a favourable environment and opportunity for enterprises and businesses to thrive. Increased competition through favourable environment and opportunity enhances efficiency, entrepreneurship, and innovation, leading to economic outcomes such as lower and stable prices, increased production and better-quality goods and services in the market. Enhancing productive capacity and productivity growth by increasing investment and unlocking growth potentials. Ethiopia has untapped potential to boost domestic productivity gains and create wealth from across the diverse sectors of the economy, including agriculture, manufacturing, tourism, mining, and creative sectors such as the ICT and the broader digital industries. Nevertheless, the country faces challenges in accessing adequate capital for investment and growth, weak infrastructure, low skills, and inadequate distribution networks constraining businesses from operating efficiently, and inadequately skilled labour that limits productivity, innovation, and entrepreneurship to unlock potential.

The successful implementation of HGER 2.0 is expected to enhance the domestic productive capacity and ensure productivity growth by addressing macroeconomic and structural constraints, such as inefficient financial and goods markets, low investment in key infrastructure and services, and inadequate human capital and low skills. Such reforms are expected to promote

and attract domestic and foreign investment, foster innovation and entrepreneurship, and boost productivity and competitiveness. This allows the creation of job and employment opportunities by increasing investment and economic opportunities across all sectors of the economy through enterprise and private sector development while easing barriers to starting businesses and start-ups, increasing labour market flexibility, and promoting skills and entrepreneurship development.

Moreover, the expected outcome of the reform through productivity growth is to improve living standards and inclusive social protection. HGER 2.0 is expected to raise standards of living and create new opportunities for all citizens, regardless of their socio-economic backgrounds. The reforms are expected to contribute to reducing poverty and vulnerabilities by promoting inclusive and sustainable economic growth, employment creation, and sustainable development that increases income and better living standards for citizens.

Improving public sector capability and efficient public service delivery: The successful implementation of HGER 2.0 is expected to improve public sector capability through a comprehensive public sector

reform program to ensure efficient service delivery, enhance the government's capacity to manage resources and development projects and respond to the needs of citizens. A motivated, skilful, and accountable public sector is also fundamental for attracting investments, fostering innovation, and creating an environment conducive to social and economic progress. Enhancing public sector capability is a cornerstone of good governance and vital for building resilient, responsive, and inclusive societies.

HGER 2.0 is built on four pillars - (1) macroeconomic reforms, (2) investment and trade sector reforms, (2) productive sector reforms, and (4) public sector reforms. These HGER 2.0 key pillars are subdivided into programmatic reform areas (sub-pillars), with clear expected strategic results (outputs, outcomes, and impacts) to be achieved under each sub-pillar, augmenting the strategic goals and objectives of HGER 2.0. Each expected strategic result under the programmatic reform area is accompanied by strategic and priority focus areas to be implemented to achieve the results. This would allow for the identified priority reform activities and projects under programmatic reform areas and sub-components to be integrated into the MDIP. HGER 2.0 theory of change and linking with MDIP:

Figure 19. HGER 2.0 Pillars and Programmatic Reform Areas

PILLAR I - MACROECONOMIC REFORMS	PILLAR II - INVESTMENT AND TRADE REFORMS
<ul style="list-style-type: none"> <li>(1) <b>Fiscal Policy and Public Finance Reforms</b></li> <li>(2) <b>Monetary Policy and Financial Sector Reforms</b></li> <li>(3) <b>Economic Statistics and National Accounts</b></li> </ul>	<ul style="list-style-type: none"> <li>(1) <b>Domestic Market Development and Reforms</b></li> <li>(2) <b>Export Promotion and Facilitation Reforms</b></li> <li>(3) <b>Customs and Logistics Sector Reforms</b></li> <li>(4) <b>FDI Promotion and Facilitation Reforms</b></li> <li>(5) <b>MSME Reforms</b></li> <li>(6) <b>Skills Development and Labor Market Reforms</b></li> </ul>
PILLAR III – PRODUCTIVE SECTOR REFORMS	PILLAR IV - PUBLIC SECTOR REFORMS
<ul style="list-style-type: none"> <li>(1) <b>Agricultural Sector Reforms</b></li> <li>(2) <b>Manufacturing Sector Reforms</b></li> <li>(3) <b>Mineral Sector Reforms</b></li> <li>(4) <b>Construction Industry Reforms</b></li> <li>(5) <b>Tourism Sector Reforms</b></li> <li>(6) <b>Digital Sector Reforms</b></li> </ul>	<ul style="list-style-type: none"> <li>(1) <b>Government Administration and Structure Reforms</b></li> <li>(2) <b>Government Service Delivery Reforms</b></li> <li>(3) <b>Pragmatic Leadership and Capacity-Building Reforms</b></li> <li>(4) <b>Civil Service Digitalisation Reforms</b></li> </ul>

The Ethiopian economy has several structural challenges, and HGER 2.0 aims to transform the economy by unlocking the challenges via a pragmatic and well-sequenced reform process. The major programmatic reform areas are further subdivided into strategic and priority intervention areas with clear and specific priority activities and projects to be implemented. These priority activities and projects will be part of the development programs designed under the MDIP. The expected specific results of the reform intervention activities and projects are to be stated in terms of processes, outputs, outcomes, and impacts (as aligned with the HGER 2.0 strategic objectives and sector-specific strategic goals, key result areas, and key performance indicators as clearly outlined in the MDIP, with specific and measurable targets).

## **MACROECONOMIC REFORMS**

Establishing a modern and sound macroeconomic policy framework is a key strategic goal and objective of the HGER 2.0. The government recognises that one of the key requirements for stable, resilient, inclusive, and sustained growth is the realisation of macroeconomic balance and stability through a sound macroeconomic policy framework. In this regard, establishing a modern and sound macroeconomic framework aims to support sustainable growth, a stable financial system, low inflation, and a stable external economy over time. The macroeconomic reforms are designed to promote macroeconomic balance and stability by fostering macroeconomic reforms in fiscal policy, monetary policy, financial policies, public investment management, state-owned enterprises and other frameworks that can sustainably promote investment and entrepreneurship, domestic productive gains, job creation, sustainable growth, and price and external stability.

A sustainable macroeconomic balance and stability will be restored through – (1) expanding tax revenue mobilisation, (2) making government spending and subsidy more efficient, (3) making public investment and state-owned enterprises more efficient, (4) improving the country's debt-carrying capacity and debt sustainability, (5) modernising monetary policy framework and its governance system, (6) expanding domestic saving mobilisations and access to finance for investment, and (7) improving balance of payments accounts and efficient utilisation of forex.

Establishing a modern and sound macroeconomic framework will be ensured through effective synergy

and harmony of reforms in the following three programmatic areas, including –

**Fiscal Policy and Public Finance Reforms:** Fiscal policy and public finance reforms – including tax revenue mobilisations, government spending and subsidy, public investment and state-owned enterprises, and government borrowing and debt sustainability – are undertaken with an eye on stability, resilience, and long-term sustainability. A sound fiscal framework and management ensures that budget deficits are manageable, public debts are sustainable, and public resources are allocated efficiently to enhance investment, entrepreneurship, and economic growth over time. A sound fiscal framework and management create a stable economic environment that supports targeted and critical public investment in infrastructure projects, human capital development, and pro-poor social protections.

The fiscal policy and public finance reforms aim to expand tax revenue mobilization through legal and policy changes, as well as modernizing tax and customs systems. The reforms also focus on making government spending and subsidies more efficient and targeted, including reforming expenditure management and subsidy programs. Additionally, the reforms seek to improve public investment and state-owned enterprise efficiency, reduce public debt burden, and improve fiscal sustainability. Finally, the reforms aim to strengthen government finance statistics and fiscal analysis. The overarching goals are to create a sustainable resource base for public investment, achieve fiscal balance, and support recovery and reconstruction efforts.

**Monetary Policy and Financial Sector Reforms:** Stability, resilience, and sustainability are also integral to monetary policy and financial sector reforms. Well-designed and successfully implemented monetary and financial policies create an environment conducive to investment and growth, export growth, job creation, and price and external stability. Monetary policy and financial sector reforms are essential tools to navigate the complexities of the Ethiopian economy's challenges, ensure price and exchange rate stability, and build resilience to shocks and uncertainties while supporting sustainable growth through a sound financial and capital market system. At the core of the long-term policy mission and goal of maintaining price and external stability while ensuring a resilient, sustainable, and inclusive domestic financial system is the establishment of a modern MPF that augments exemplary governance systems and practices with sound accountability and transparency, with pragmatic policy and operational

strategy, and with credible external communications and engagement.

**The monetary policy and financial sector reforms in Ethiopia aim to achieve three strategic results:** (1) ensuring macro-financial stability, (2) modernizing and strengthening the governance system and transparency, and (3) enhancing the operational excellence of the National Bank of Ethiopia (NBE). Ensuring macro-financial stability is crucial to safeguard the overall health and resilience of the economy, involving the maintenance of key macroeconomic indicators, fostering investor confidence, and promoting financial inclusion, deepening, and the operationalization of Ethiopia's capital market. Modernizing and strengthening the governance and transparency of the NBE involves establishing a robust institutional accountability and transparency system, implementing a modern communication strategy, and ensuring strong internal audit and risk management functions. To enhance the operational excellence of the NBE, the reforms seek to transform its human resource and talent management, improve internal processes and digitalization, strengthen planning and performance management systems, and reestablish the Ethiopian Institute of Financial Studies as a centre of excellence for the financial sector.

**Strengthening Economic Statistics and National Accounts:** A modern and sound macroeconomic policy framework promotes strengthening economic statistics and national accounts. High-quality economic statistics and national accounts that are accurate, relevant, and comprehensive, encompassing data such as national account statistics, price and inflation statistics, and employment and poverty statistics, offer a clear understanding of economic trends and policy impacts. For monetary policy, these statistics offer insights into the economy's overall health, helping the government formulate effective monetary and financial policies to achieve objectives like price and external stability. In fiscal policy, robust and updated economic accounts support governments in designing efficient budgetary measures, ensuring fiscal policy discipline and sustainability while supporting sustainable growth. Hence, strengthening economic statistics and national accounts enhances the effectiveness of macroeconomic policy tools.

The Ethiopian government has developed a comprehensive national statistical development program to bolster the production of high-quality economic statistics and national accounts. The program aims to strengthen the system of national

accounts by improving real sector, government finance, monetary and financial, and balance of payments statistics. Specific strategic priorities include: modernizing legal and institutional frameworks for official statistics; strengthening the system of national and regional accounts to comprehensively measure and analyze economic activity; updating and integrating government finance, monetary, and external sector statistics; and enhancing statistical data production capabilities through surveys, censuses, and administrative data. These efforts are intended to support evidence-based policymaking, foster economic stability and sustainable growth, and provide a more informed understanding of Ethiopia's domestic and external economic dynamics.

Modern and sound macroeconomic management promotes the synergy between monetary and fiscal policies. HGER 2.0 macroeconomic reforms aim to establish a sound macroeconomic framework that supports harmony and synergy between fiscal and monetary policies that reinforce each other's impact and contribute to overall economic stability, resilience, and sustainability. The government will ensure a cohesive, sequenced, and balanced approach to policy reform actions and interventions, promoting a synergistic approach and response to ensure macroeconomic stability. Such synergy is crucial for managing inflation, fostering job creation, promoting export and investment, and creating a conducive environment for sustained economic growth over the long term. Moreover, for the macroeconomic reforms to be most effective, they will be coordinated as part of a broader agenda of economic and structural change through investment and trade reforms, improving real-sectoral productivity gains, and improving public sector capability and service delivery.

Price and external stability, resilience, and sustained growth are collective strategic objectives and outcomes of HGER 2.0 through positive synergy between fiscal policy and public finance reforms, monetary policy and financial sector reforms, and supply-side economic and structural reforms to support production, trade, and investment. The sources of Ethiopia's price and external instability are fundamentally three in nature – (1) external economic shocks and uncertainty, (2) unsustainable fiscal balance, and (3) low investment, trade, and unlocked productive capacity. Underpinned by a modernised monetary policy framework and stable, inclusive, and deep financial sector reform, the NBE's strategic actions aim to foster economic stability, support investment, support international

trade, and maintain a sustainable external position for the country. The results of the monetary policy and financial sector reforms would meaningfully contribute to overall economic stability, resilience, and sustainability when fiscal policy and key supply-side reforms are well-

## INVESTMENT AND TRADE SECTOR REFORMS

Investment and trade sector reforms are a key strategic goal of HGER 2.0, aimed at fostering a more dynamic and vibrant investment and trade landscape. This involves comprehensive reforms to institutional and regulatory frameworks, infrastructure and logistics, and trade and investment policies, with the objective of creating a conducive environment for businesses to thrive, leading to stability, resilience, and sustainable growth. The expected results of these reforms include ensuring a competitive domestic market, improving export competitiveness, attracting quality foreign direct investment, enhancing MSME productivity, and developing a skilled workforce. These reforms will be implemented through programmatic areas such as domestic market development and reforms to promote competition, property rights, and entrepreneurship; export promotion and facilitation; customs and logistics sector reforms; foreign direct investment promotion and facilitation; MSME sector reforms; and skills development and labor market reforms. Through these comprehensive reforms, the government aims to transform the investment and trade environment, driving stability, resilience, and sustainable economic growth.

## PRODUCTIVE SECTOR REFORMS

The HGER 2.0 prioritizes strengthening productive capability and productivity growth. Limited progress in these areas stems from macroeconomic imbalances and trade barriers. HGER 2.0 proposes reforms to address these issues and boost productivity in key sectors like agriculture, manufacturing, and tourism.

Increased productivity is expected to improve domestic stability by generating income, lowering prices, and fostering domestic resource mobilization. It will also enhance Ethiopia's external competitiveness by promoting exports and attracting foreign direct investment.

The MDIP outlines specific reforms for each sector. In agriculture, the focus is on reducing

rain dependence, mechanization, and private sector participation. Manufacturing reforms aim to improve capacity utilization and address input supply issues. The mineral sector reforms target streamlining regulations and attracting investment. Construction reforms aim to modernize practices and reduce reliance on imported materials. Tourism reforms focus on developing destinations, improving infrastructure, and attracting tourists. Finally, digital sector reforms aim to leverage technology for growth by promoting e-commerce and digital skills.

The success of these reforms' hinges on effective implementation. Collaboration between public and private sectors is crucial, particularly in agriculture. Addressing structural bottlenecks and fostering a conducive environment for investment are essential across all sectors. By effectively implementing these reforms, the MDIP can unlock Ethiopia's productive potential and achieve its development goals.

## PUBLIC SECTOR REFORMS

The HGER 2.0 prioritizes improving public sector capability to achieve better governance, economic growth, and efficient service delivery. This translates to streamlined bureaucracy, stronger institutions, transparency and accountability, policy alignment, a favorable business environment, social protection, and innovation and technology.

Streamlining bureaucracy involves reducing red tape and simplifying procedures. Building capacity through training and development strengthens institutions. Combating corruption and promoting ethical practices enhances transparency and accountability. Aligning policies with development goals and fiscal sustainability is crucial. Creating an environment conducive to investment and entrepreneurship fosters a favourable business environment. Delivering services fairly and equitably ensures social protection. Modernizing government functions through technology adoption promotes innovation and technology.

Effective public sector reforms are crucial for the success of the MDIP's governance sector policy areas. Improved service delivery, enhanced by streamlined processes and efficient services, boosts citizen satisfaction and trust in government. Transparent communication about reforms builds trust and encourages public participation in the MDIP process. A transparent and efficient public sector attracts investment and fosters economic growth, aligning with the MDIP's goals.

Overall, strengthening public sector capability through the HGER 2.0 reforms is essential for effective MDIP implementation, improved governance, and a more conducive business environment.

## 4.2. HARMONIZING MDIP WITH ETHIOPIA'S TRANSITION TO BUILDING AND CONSOLIDATING PEACE

Unresolved Internal Issues as Drivers of Instability: The Ethiopian government recognizes that the country's complex challenges are rooted in unresolved internal issues. Longstanding grievances, such as ethnic tensions, regional disparities, and governance failures, have not been adequately addressed, creating an environment of uncertainty and frustration that fuels social divisions and instability. This unresolved internal strife is a significant contributor to the ongoing tensions and conflicts within the country.

The Influential Role of External Players: Exacerbating the domestic dynamics is the influential role of external players. The involvement of powerful external actors, who pursue their own strategic interests or ideological agendas, has further complicated the conflict landscape in Ethiopia. Their interference undermines efforts towards stability and national unity, as their actions and interests often run counter to the country's need for cohesion and sustainable development.

The Impact of Population Movements and Social Media: Moreover, the "regional influx" of people and the impact of social media have emerged as crucial factors destabilizing Ethiopia. The movement of populations across regional borders strains resources, security, and social cohesion. Concurrently, the rapid spread of information and narratives through social media platforms has the potential to inflame tensions, amplify grievances, and deepen societal divides, further destabilizing the country.

The Challenges Faced by Ethiopia's Young Population: Underlying these challenges is the burden faced by Ethiopia's "young population" as they grapple with significant "stress" and "shock." With a large proportion of youth, Ethiopia's demographic profile presents both opportunities and risks. Without adequate economic opportunities, social inclusion, and mechanisms to address the aspirations and frustrations of the younger generation, this demographic factor can become a destabilizing force, contributing to unrest and conflict.

The Government's Commitment to a Comprehensive Approach: To address these multifaceted drivers of instability and conflict, the Ethiopian government is committed to a comprehensive, nuanced, and collaborative approach. This will involve tackling the root causes of the country's internal issues, fostering constructive engagement with external actors, and implementing strategies to harness the dividends of Ethiopia's youthful population while mitigating the risks. By addressing these complex challenges, the government aims to pave the way for sustainable peace, stability, and development in Ethiopia.

The Risk of Falling into a 'Fragility Trap': In addition to the complex drivers of instability and conflict, the Ethiopian government is cognizant of the grave risk of the country falling into a 'fragility trap.' This self-reinforcing cycle of recurring conflicts and crises threatens to perpetuate a receding development horizon, where the pursuit of sustainable progress is undermined by the constant need to respond to emergencies. Structural dependence on humanitarian assistance, coupled with a 'short-termist' and reactive approach to partnerships, further compounds the challenge, as development efforts are often sidelined in favour of immediate conflict response.

Addressing the Fragility Trap: Unless decisive action is taken to break this vicious cycle, Ethiopia risks becoming trapped in a state of fragility, where the country's immense potential for growth and prosperity remains elusive. The government is committed to adopting a comprehensive strategy that addresses the root causes of instability, fosters long-term, collaborative partnerships, and prioritizes sustainable development alongside immediate conflict resolution. By breaking free from the fragility trap, Ethiopia can harness the full potential of its people and resources to achieve lasting peace, stability, and equitable progress for all its citizens.

Multifaceted Challenges Threatening Peace and Security: In addition to the risk of falling into a 'fragility trap,' Ethiopia faces a multitude of pressing challenges that threaten the country's peace and security. Chief among these is the issue of youth unemployment, which, coupled with the impacts of climate change-induced disasters, creates a potent cocktail of despair and instability. The surge of elite-led zero-sum populism, accompanied by an untamed clash of narratives and social media-driven polarization and extremism, further exacerbates the situation, eroding social cohesion and resilience.

Addressing Systemic Issues of Instability: Compounding these challenges are the ethnically

or politically motivated violations of civil rights, the weakening of the rule of law, and the pervasive influence of corruption. These systemic issues undermine the government's ability to foster an environment conducive to lasting peace and sustainable development. Addressing these complex and interconnected challenges will require a comprehensive, multi-faceted approach that tackles the root causes of instability, strengthens institutions, and empowers citizens to be active participants in shaping a more just, equitable, and secure future for Ethiopia.

**Establishing a Comprehensive System and Institutional Framework for Sustainable Peace:** The government is committed to establishing a Comprehensive System and Institutional Framework for Sustainable Peace in Ethiopia. The Government of Ethiopia recognizes that sustainable peace and development are intrinsically linked, and that building a robust system and strong institutions for peacebuilding is a critical priority. This comprehensive strategy outlines the key pillars and concrete measures the government is undertaking to create an enabling environment for lasting peace and stability, which will in turn lay the foundation for Ethiopia's next phase of inclusive development planning.

The government's National Peace Policy Framework outlines the key pillars that will underpin the efforts to ensure holistic and sustainable peace throughout Ethiopia. At the core is the commitment to secure and promote positive peace, fostering social harmony, justice, and mutual understanding. Crucial to this is strengthening social capital for national consensus-building and embracing diversity. The policy emphasizes excellent implementation of federalism, ensuring the unique needs of all regions and communities are addressed, and upholding the rule of law is essential for stability and equitable access to justice.

Underpinning this framework is the pursuit of inclusive and sustainable human development. By addressing root causes of conflict and investing in Ethiopians' well-being, the government aims to create conditions for lasting peace, prosperity, and progress. The National Peace Policy Framework serves as a crucial foundation for Ethiopia's next development planning, as the government aims to align its strategies with sustainable peace to unlock the full potential of Ethiopia's diverse population.

The Strategic Alignment with the MDIP underscores the government's comprehensive approach to peace and development challenges. By viewing peace through the lens of economic and social progress, the

government has aligned its strategies with national development objectives. This alignment is evident in several key areas, such as the government's recognition of peace as crucial for sound economic development, the strengthening of government capability in resolving conflicts and enhancing social cohesion, and the deployment of a peace-development nexus approach and effective data collection.

Sustainable peace and inclusive development are inextricably linked. By aligning its peacebuilding and economic reform agendas, the government is poised to create conditions for long-term stability, prosperity, and the realization of development aspirations. The government's Strategic Alignment with the MDIP is further reinforced by the comprehensive intervention areas outlined, demonstrating the government's multifaceted approach to building sustainable peace and inclusive development.

**Strengthening the Policy and Legal Foundations for Peace:** At the core of Ethiopia's peace-building efforts is a well-defined Policy on Peace, which serves as the guiding framework for conflict resolution, reconciliation, and the promotion of a culture of peace. This policy is complemented by the mainstreaming of peace initiatives across relevant laws, policies, and decision-making processes, ensuring a whole-of-government approach to peacebuilding.

**Reforming Key Institutions for Effective Peacebuilding:** To enhance the effectiveness and accountability of institutions integral to peacebuilding, the government has undertaken a series of targeted reforms and capacity-building measures. This includes: establishing the Ethiopian Human Rights Commission to monitor and protect human rights; reforming the National Election Board of Ethiopia to ensure free and fair electoral processes; creating the Ethiopian National Dialogue Commission to facilitate national reconciliation; and empowering the National Rehabilitation Commission to address the needs of conflict-affected communities.

**Adopting a Transitional Justice Approach:** Recognizing the importance of addressing the legacies of past conflicts, the government has adopted a transitional justice approach grounded in the principles of truth, justice, and reconciliation. This includes mechanisms for accountability and reparations, as well as a nationwide dialogue to build a shared national consensus on the path forward.

**The Government's Commitment to Lasting Peace and Security:** Through these strategic interventions,

the Government of Ethiopia is demonstrating its steadfast commitment to creating an environment of lasting peace and security. By strengthening the policy and legal foundations, reforming key institutions, and addressing past conflicts, the country is laying the groundwork for a more stable, just, and prosperous future. This comprehensive approach to peacebuilding will be a crucial enabler for Ethiopia's next phase of inclusive development planning and the realization of the nation's aspirations for sustainable progress.

Recognizing the critical need for lasting peace and stability, the government has spearheaded a multifaceted approach to peacebuilding and conflict resolution: The Comprehensive and Sustainable Peacebuilding Project reflects the government's commitment to addressing root causes of conflict and instability, complemented by the Early Warning and Rapid Response Project, enhancing the country's ability to anticipate and respond to emerging threats. The Youth Volunteerism for Peace and National Unity Program empowers youth to be agents of peace and social cohesion, while the effort to transform conflict areas into peaceful and flourishing development hubs underscores the government's holistic vision.

**National Dialogue strengthens human capital and social cohesion:** The National Dialogue led by the Ethiopian National Dialogue Commission serves as a crucial platform for inclusive discussions and consensus-building, aligning with the government's emphasis on enhancing social cohesion and strengthening the social capital necessary for sustainable peace and development. The Transitional Justice process reflects the government's commitment to addressing past grievances and ensuring accountability, essential for healing societal divides and paving the way for lasting reconciliation.

**DDR is highly relevant to ensure sustainable peace and inclusive growth:** The DDR and National Rehabilitation program, led by the National Rehabilitation Commission, aims to support the reintegration and rehabilitation of affected individuals, further contributing to the creation of an environment conducive to sustainable peace and inclusive growth. The establishment of the Ethiopian National Dialogue Commission (ENDC) in 2021 reflects the government's strategic commitment to fostering inclusive national consensus and resolving differences through broad-based public dialogue, aligning with the overarching objectives outlined in the Strategic Alignment with the 3-year National Development Plan and Home-Grown Economic Reform Agenda. Transitional Justice can address complex past and redress past injustice.

The Ethiopian government has recognized the critical need to implement a comprehensive transitional justice mechanism to address the country's complex past. Transitional justice is regarded as one of the most effective means for societies transitioning from conflict to democratic consolidation.

Transitional justice is highly relevant to broader development objective both as an end in itself and as a means for ensuring justice: Ethiopia's efforts to institute a comprehensive transitional justice mechanism are highly relevant to the country's broader development aspirations and the goals outlined in the MDIP. The MDIP emphasizes the need for peace, stability, and good governance as key enablers of sustainable economic growth and social progress.

Effective implementation of transitional justice can significantly contribute to the realization of Ethiopia's development objectives. By addressing past atrocities, promoting reconciliation, and strengthening the rule of law, transitional justice can help create the necessary conditions for long-term peace and stability. The MDIP recognizes that sustained peace and stability are critical for attracting foreign direct investment, fostering domestic entrepreneurship, and developing key economic sectors. Transitional justice can play a pivotal role in restoring public trust in governance institutions, which is essential for creating an enabling environment for private sector growth and investment.

Furthermore, the MDIP emphasizes the importance of inclusive and equitable development. Transitional justice, with its focus on redressing historical injustices and promoting social cohesion, can help ensure that the benefits of development are shared more broadly across Ethiopian society. Ethiopia's aspiration to become a beacon of African prosperity by 2030 and a climate-resilient green economy is predicated on the country's ability to maintain political stability and social harmony. Transitional justice can contribute to these goals by addressing the root causes of past conflicts, preventing the recurrence of violence, and fostering a culture of respect for human rights and the rule of law.

Transitional justice has implications for improved service delivery and governance strengthening. The MDIP's emphasis on strengthening governance institutions and improving public service delivery can be bolstered by the implementation of transitional justice. By enhancing the credibility and legitimacy of the justice system, transitional justice can help rebuild public confidence in state institutions and improve their capacity to deliver essential services.

to citizens. In the context of the MDIP, transitional justice can also contribute to the realization of specific development targets, such as improving access to justice, reducing inequality, and promoting social inclusion. By addressing historical grievances and fostering reconciliation, transitional justice can pave the way for more equitable and inclusive development outcomes.

Comprehensive transitional justice framework is a means aligning peace, justice, and sustainable progress with MDIP. The Ethiopian government's commitment to implementing a comprehensive transitional justice framework is a critical step in aligning the country's development aspirations with the principles of peace, justice, and sustainable progress. By addressing the legacies of the past, transitional justice can help create the necessary conditions for the successful implementation of the MDIP and the realization of Ethiopia's long-term development goals. The government's approach to transitional justice reflects its commitment to addressing the unaddressed and unprocessed legacies of the past. This multifaceted process aims to develop a comprehensive and integrated transitional justice policy that can shape the future and help the country move forward.

A key component of this effort is the establishment of the Transitional Justice Working Group of Experts (TJWGE) in 2022. This working group has been mandated to craft the transitional justice policy and carry out national consultations, ensuring that the unique needs and perspectives of all segments of the Ethiopian society are taken into account.

The government showed concrete willingness to engage in a transparent and coordinated manner: The transitional justice process also includes important milestones, such as the joint investigation team (JIT) involving the EHRC/OHCHR, as well as the cessation of hostilities agreement (COHA) with the TPLF. These initiatives demonstrate the government's willingness to engage in a transparent and coordinated manner, paving the way for the operationalization of transitional justice and the achievement of lasting peace and reconciliation.

Targeted approach to address the root cause: By aligning the transitional justice process with the broader peace-building efforts, the government is adopting a comprehensive and integrated approach to address the root causes of conflict and instability. This holistic strategy holds the promise of fostering national unity, social cohesion, and the realization of Ethiopia's development aspirations.

The transitional justice process addresses complex legacies: The transitional justice process is designed to achieve a comprehensive set of goals that address the complex legacies of the past and pave the way for a more just and reconciled future for Ethiopia. At the heart of this process is the pursuit of accountability, where efforts will be made to uncover the truth about past wrongs and ensure those responsible are held accountable.

Reparations of victims is a key component. Alongside this, the process aims to facilitate reconciliation between affected communities, enabling them to come together and heal the divisions of the past. Reparations will also be a key component, providing victims and their families with the means to rebuild their lives and find a measure of justice.

Broader institutional and legal framework have been recognized: The transitional justice process recognizes the need for broader institutional and legal reforms to address the systemic issues that contributed to past injustices. This holistic approach, encompassing truth-finding, accountability, reconciliation, reparations, and structural reforms, reflects the government's commitment to addressing the root causes of conflict and instability, and establishing a more equitable and inclusive society. By aligning these transitional justice objectives with the broader peace-building and national development efforts, the government is demonstrating a comprehensive strategy to transform Ethiopia and foster lasting peace, unity and prosperity for all its citizens.

Enabling Inclusive Development Planning: The establishment of this comprehensive system and institutional framework for peacebuilding will have far-reaching implications for Ethiopia's next phase of development planning. By addressing the root causes of conflict and instability, the government can now focus on designing and implementing development strategies that are truly sustainable and inclusive, targeting the needs of all citizens and communities. This will enable Ethiopia to harness its full potential for economic growth, social progress, and improved quality of life for all.

### 4.3. THE JUSTICE SECTOR TRANSFORMATION AGENDA: ENABLING ETHIOPIA'S MDIP ROADMAP

Comprehensive and Inclusive Judicial Reforms in Ethiopia. The Ethiopian government has undertaken significant reforms to improve the country's legal

and judicial system over the past several years. These reform efforts have been led by the Federal Attorney General (now the Ministry of Justice) and other key judicial bodies. The current approach to judicial reforms involves a 12-member Legal and Justice Advisory Council comprising experts from the private sector, government, and academia, enabling a more comprehensive and inclusive reform process. The focus of the legal reforms has been to repeal repressive laws, uphold human rights and democracy, modernize the justice sector, and promote shared prosperity through legal amendments and new legislation. Regional governments have created their own justice sector transformation plans and organizations to implement reforms at the subnational level, including the development of model laws for community justice services and cultural courts.

Strengthening Key Justice Institutions have been prioritized as key means for justice sector reform. The reforms have led to the establishment or amendment of key justice institutions such as the Human Rights Commission, Electoral Board, and Prisons, granting them more independence and autonomy. Several new or amended laws have also been enacted, including the Civil Society Organizations Proclamation, Commercial Law, and Arbitration Decree, expanding civil society's role in human rights and the legal recognition of religious institutions.

Comprehensive amendments and introduction of new laws and regulations. The ongoing judicial sector transformation in Ethiopia has involved a comprehensive review and amendment of various laws and regulations. The reform efforts have aimed to repeal oppressive laws, uphold human rights and democratic principles, modernize the justice system, and promote economic progress.

Judicial Reforms will create an enabling environment for the MDIP in Ethiopia. The judicial sector reforms have significant implications for the MDIP in Ethiopia. The strengthening of the rule of law, respect for human rights, and the modernization of commercial and investment-related laws have created a more conducive environment for sustainable economic development and private sector investment. The coordination of reforms across regional governments has also helped to harmonize the legal and regulatory landscape, facilitating the MDIP's implementation.

Strengthening Justice Institutions for the MDIP. Furthermore, the enhanced capacity and independence of justice institutions can improve their ability to support the MDIP's execution

and effectively monitor its progress. Overall, the comprehensive judicial reforms underscore the Ethiopian government's commitment to anchoring the country's development agenda in a robust and progressive legal framework.

## GETTING THE CONTEXT RIGHT AND IMPLICATIONS OF HGER II AND OTHER REFORMS MEASURES FOR MDIP

Ethiopia's structural issues and transitions, and its impact on the progress of HGER and sustainable growth and prosperity: A fuller understanding of Ethiopia's HGER reform progress requires an appreciation of structural factors that influence the pace and scale of reform and transformations over the medium- to long-term. The core insight is that the country is undergoing multiple structural transitions at the same time. How these transitions unfold can either expand the development frontier for the country in ways that were simply not possible before or limit this frontier. Either way, these transitions may make the task of economic reform, development planning and management more complex, volatile, and uncertain. There are at least six structural transitions that are worth noting in the context of the anchoring reform and achieving sustainable growth – complex economic structure and dynamics, macroeconomic structure and transition, demographic transition, social inclusion, and the wider political reform process transition.

On the other hand, multiple and overlapping shocks and uncertainties continue to challenge Ethiopia's progress. The multiple and overlapping shocks that happened during the implementation period of the HGER I and the TYDP include the impacts of the triple shocks – the Covid-19 pandemic, persistent domestic conflict and security situation, and external economic uncertainties. The COVID-19 pandemic in early 2020, followed by the northern Ethiopian war and the war in Ukraine, has had effects on the economy. These multiple and overlapping external and domestic shocks continue challenging the successful implementation of domestic reforms and development agendas. The shocks have become recurrent and the new normal; hence, preparedness and building resilience through reforms and flexibly adjusting priorities are vital. For this reason, the government has formulated MDIP integrating HGER II by renewing its commitment to maximize the potential, consolidating peace, and enhancing the resilience of the economy.

□ The economic and social cost of the shocks has been high. The shocks and related global trade disruptions and commodity price increases have put upward pressure on inflation, hence pressure on poverty and food security. Similarly, the global commodity price increment put upward pressure on the cost of imported raw materials and intermediate inputs that are utilised in the manufacturing and construction industries. The conflict in Northern Ethiopia has significantly impacted basic service delivery, such as schooling and health. The government has been acting through various means, such as budgetary and public mobilisations, to raise resources aimed at supporting affected local communities. The government has launched a multi-year Reconstruction, Rehabilitation and Recovery Plan aimed at building back quickly and bettering the community in the short to medium term, and this will remain a key component of the MDIP. The government is committed to mitigating the likelihood of long-term dependence on humanitarian assistance and avoiding the risk of a return to conflict through the already initiated all-inclusive peace process under the coordination of the National Dialogue Commission (NDC).

□ The climate-related shocks continue to challenge Ethiopia. The recent climate-related shocks of drought in Somali and southern parts of Oromia have caused a significant loss of livestock assets, the community's main livelihood sources. Frequent weather events and climate change's long-term impacts undermine Ethiopia's development effort, especially in agriculture and pastoral livelihoods. These climate-related shocks of drought and flooding have been a recurring risk, and the government recognises that it requires a sustainable solution in terms of investment in the water sector to build a climate-resilient production system, and this will remain a key component of the MDIP.

□ The global economy has become fragmented and volatile, and external development finance flows to Ethiopia have been constrained. The country has, however, benefited from the Debt Service Suspension Initiative of the G20, and implementation of the Common Framework is

still in progress. Implementing the HGER program to manage external debt sustainably has eased the pressure on the overall level of external public debt, and the observed export growth performance is easing the external debt distress risk. On the positive end, Ethiopia's foreign policy engagement has shown a significant improvement and is expected to reward Ethiopia in terms of attracting investment, finance, and technology.

□ Inadequate human and institutional capabilities continue to limit Ethiopia's progress towards sustainable growth and prosperity. Implementation capacity gaps have become a challenge in different government institutions that are involved in the implementation, coordination, and service delivery of development plans, including the implementation of the HGER II. Capacity challenges occur in the design of results-based performance management system, database management, monitoring, evaluation, and reporting system for up-to-date information on implementation status.

The bottom line is transformative actions and reform are needed to build resilience: despite the structural challenges and multiple shocks that Ethiopia faced over the past few years, the need to continue pressing on with the inclusive reform and sustainable development agendas and delivering sustainable economic growth and shared prosperity, social inclusion and peaceful society, and climate-smart systems cannot be overemphasised. The government is politically committed to consolidating steps toward inclusive peacebuilding, offering hope to affected populations, and reducing the risk of a return to conflict. The impacts of the crises and challenges mentioned above are a temporary rather than permanent loss of momentum in Ethiopia's progress toward delivering sustainable economic growth and shared prosperity. Ethiopia will continue to envision creating a peaceful and inclusive society to propel the country to become a beacon of sustainable growth, peace, and prosperity. This will remain Ethiopia's priority and determination to continue with the domestic reform processes and implement solid policies for shared prosperity for all citizens.

# CHAPTER 5

## SUSTAINABLE MACROECONOMIC MANAGEMENT AND GROWTH

Ensuring sustainable macroeconomic management is essential for laying the foundation for sustainable economic growth and prosperity. A stable macroeconomic environment, marked by low inflation, prudent fiscal policies, manageable public debt, and a stable monetary and financial framework, provides the necessary conditions for attracting investments, fostering business confidence, and promoting long-term growth. The government is committed to creating a macroeconomic environment conducive to private sector growth, job creation, and enhanced productivity growth by mitigating economic shocks and uncertainties. Such stability enhances the economy's resilience in the face of external shocks, allowing for more effective and sound domestic policy responses.

The second phase of homegrown economic reform (HGER II) and medium-term development and investment plan (MDIP) emphasises the strategic relevance of ensuring a stable, resilient, and sustainable macroeconomy (HGER II Pillar 1) that creates the opportunity and conducive environment for sustained growth, job creation, low inflation, and improved living standards. Reforms and solutions to promote sustainable, resilient, and inclusive economic growth through expanding the productive capacity of all sectors (Pillar 3) cannot be based exclusively on sector-specific policy efforts but require a comprehensive set of well-coordinated reform measures and actions at the national and macroeconomic levels, including transforming the investment and trade environment (Pillar 2) and improving the state capability (Pillar 4).

Since one of the key pillars of the HGER II is the strategic goal and objective of ensuing macroeconomic stability in supporting sustainable, resilient, and inclusive economic growth (i.e., growth-oriented stable macroeconomic framework), the MDIP focuses on how to achieve sustainable macroeconomic balance and stability through the most appropriate combinations and prioritisation of essential macroeconomic policy reforms and actions.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains thirteen (13) strategic goals and forty three (43) core strategic functions and activities relevant to the policy area to ensure sustainable macroeconomic management and economic growth, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage

of MDIP with all the macroeconomic result matrices and quantitative targets is presented separately in the appendix. These macroeconomic level strategic goals and their associated core strategic activities and key performance indicators (KPIs) are associated with the Ministry of Finance, the Ministry of Revenue, the National Bank of Ethiopia, and the Ministry of Planning and Development. The accountable government organisations under each ministry are mandated with the core strategic functions as appropriate to their policy mission and mandate. Based on the national harmonised planning and reporting system as explained in chapter two, the Ministry of Finance and the four (4) accountable or reporting government organisations under it are mandated with four (4) strategic goals and (11) core strategic functions and activities, clearly indicating expected key result areas. Coordinated roles and functions with the Ethiopian Investment Holding (EIH) will support the strategic goal of enhancing the efficiency of public enterprises as stipulated in HGER II and MDIP.

The Ministry of Revenue and the Ethiopian Customs Commission will spearhead three (3) strategic goals and fifteen (15) strategic core functions and activities. The activities will also involve coordination with the Ministry of Finance. On the other hand, the customs facilitation and related activities will include collaboration with the Ministry of Trade and Regional Integration, the Ministry of Transport and Logistics, and the Ethiopian Investment Commission for the HGER II strategic goal and pillar of transforming investment and trade environment through customs and logistics reforms. To ensure the modernisation of the monetary policy framework, the stability of domestic prices and the external economy, and the

deepening of domestic financial sector development, four (4) strategic goals and fifteen (15) core strategic functions and activities will be implemented by the National Bank of Ethiopia. The financial deepening activities will involve coordination with the Ethiopian Capital Market Authority, Social Security Service Agency, Ethio Telecom, Commercial Bank of Ethiopia, and Ethiopian Development Bank as part of the domestic financial sector development.

The Ministry of Planning and Development and its accountable government organisations, including the Ethiopian Statistics Authority, Policy Studies Institute, and Environmental Protection Authority, will spearhead the following Five (5) strategic goals and Twenty-three (23) strategic core functions and activities. The development planning and public investment activities will involve coordination with the Ministry of Finance as part of the public investment management (PIM) reform under the HGER II.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring sustainable macroeconomic management and economic growth amount to Birr 306.5 billion over the medium-term. The federal government's budget is Birr 201.3 billion. The budget from PPAs which will be jointly implemented by the Federal Government and Development partners is birr 85.6 billion. The investment supports attaining twelve (12) strategic goals.

Strategic Goals	Investment Target (Million, Birr)
Promoting institutional capability, efficiency in resource utilization and service delivery	88,508
Ensuring effective fiscal policy	109
Strengthening the effectiveness of government financial management and regulation	4015
Improving external resource mobilisations through partnerships	67,904
Enhancing the efficiency of public enterprises	40
Ensuring sustainable government revenue mobilisation	60,045
Improving tax and customs system excellence	22,020
Ensuring macro-financial stability	35.1
Enhancing financial sector deepening and modernisation	
Improving operational excellence and governance system	14658
Enhancing the effectiveness of planning and public investment management	1,774
Enhancing the effectiveness of policy research and evaluation system	147
Strengthening statistics and system of national account	25,990

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 88.5. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening planning,

monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

Strategic Goals and Core Strategic Activities	Government Organisation
<b>Promoting institutional capability, efficiency in resource utilization and service delivery</b>	
Improving planning, monitoring and evaluation and statistical data management system	
Improving human resource development and management practices and effectiveness	
Improving the efficiency and effectiveness of financial and asset management	
Improving the efficiency and effectiveness of information, communication, and technology	
Improving partnership and public relations and communications practices and effectiveness	
Improving support and alignment with accountable public bodies	
Improving ethics and anti-corruption monitoring activities	
Improving women and social inclusivity and benefits	
Improving charitable activities and community services	

## All public bodies

The strategic goal of ensuring effective fiscal policy has a total investment target of Birr 92.7 million during the EFY 2023/24 – 2025/26. In the Ethiopian context, the government aims to achieve macroeconomic stability and sustainable economic growth and enhance domestic resilience by formulating and implementing sound fiscal policies. The expected results include maintaining prudent fiscal management, directing resources towards critical infrastructure and social services, creating job opportunities, mobilising revenues efficiently, and ensuring responsible public debt management. These measures collectively contribute to poverty reduction, improved living standards, and creating a robust economic foundation that can withstand external pressures, ultimately fostering sustained and equitable economic growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities. The strategic goal of strengthening the

effectiveness of government financial practices and regulation has a total investment target of Birr 4.2 billion. In the Ethiopian context, the strategic objective of strengthening the effectiveness of government financial management and regulation is to bolster government expenditure discipline, increase transparency, and optimise resource utilisation for sustainable, resilient, and inclusive development. By implementing robust financial management systems and enhancing regulatory frameworks, the government aims to ensure efficient allocation of public funds and improve accountability in government financial transactions. The expected results include establishing reliable budget utilisation mechanisms, enhanced value-for-money procurements, and responsible financial practices across government organisations. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of improving external resource mobilisation through partnerships has a total investment target of Birr 67.9 billion. The strategic objective of improving external resource mobilisation through partnerships is to secure external financial and technical support from international organisations, donors, development partners, and foreign investors through investment partnerships. The government aims to enhance its capacity to finance critical development projects and address pressing development challenges by fostering collaborative alliances, partnerships, and connectedness with the external economy. The expected results include an increased inflow of external resources, such as grants

Strategic Goals and Core Strategic Activities	Government Organisation
<b>Strengthening Effectiveness of Government Financial Management and Regulation</b>	
<b>Ensuring effective allocation and management of government budget</b>	Ministry of Finance
<b>Improving the digitalisation of government transactions and procurement</b>	Ministry of Finance Public Procurement and Property Authority
<b>Improving the efficiency of public procurement and property system</b>	Public Procurement and Property Authority Public Procurement Services
<b>Improving the quality of financial and audit reports</b>	Accounting and Auditing Board of Ethiopia

The strategic goal of enhancing the efficiency of public enterprises has a total investment target of Birr 25 million. As planned in the HGER II, the strategic objective of enhancing the efficiency of government-owned enterprises is to improve their operational effectiveness, financial sustainability, and contribution to sustainable growth. The government aims to streamline public enterprises, reduce

inefficiencies, and enhance their competitiveness by deepening SOE reforms and adopting best practices in governance and management. The expected results include increased productivity, improved service delivery, and financial viability. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring sustainable government revenue mobilisation has a total investment target of Birr 60 billion. One of the strategic objectives of HGER II is to ensure sustainable government revenue mobilisation to strengthen the government's capacity for domestic tax collection and reduce dependency on external sources. The government aims to boost domestic revenue by implementing tax administration and customs modernisation

and enhancing compliance and enforcement. The sustainable revenue mobilisation contributes to debt sustainability and enhances the country's financial self-sufficiency, fostering economic resilience and supporting the realisation of Ethiopia's development objectives. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of improving tax and customs systems excellence has a total investment target of Birr 22 billion. In the Ethiopian context, improving tax and customs system excellence aims to create a more efficient, transparent, and strong revenue collection system. This involves implementing reforms to enhance tax administration, streamline customs processes, and ensure compliance. The expected results include increased government tax revenue, reduced tax evasion, and improved trade facilitation. By modernising tax and customs systems,

the government aims to build public trust in the tax system and enhance Ethiopia's competitiveness in the global market, attract investment, stimulate economic growth, and fund essential public services, contributing to overall fiscal sustainability and the realisation of national development goals. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing the financial sector's deepening and modernisation has a total investment target of 27.04 billion. In the Ethiopian context, the strategic objective of enhancing the financial sector's deepening and modernisation is to create a more inclusive, efficient, and technologically advanced financial system. This involves implementing reforms that expand access to financial services, promote innovation, and strengthen the resilience of the banking and financial institutions. The expected results include increased financial inclusion, expanded access to credit for businesses and individuals, and the integration of modern technologies to

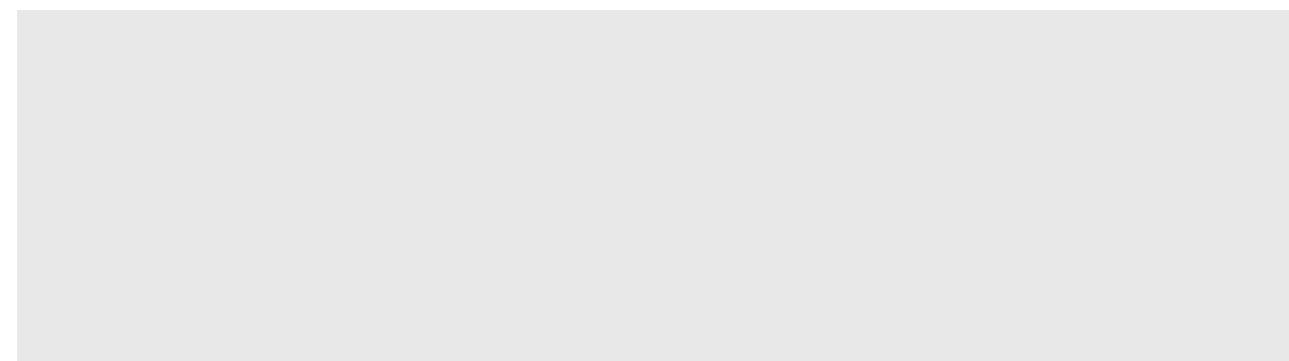
improve efficiency in financial transactions and services. The government aims to support economic growth, foster entrepreneurship, and enhance the economy's overall competitiveness by deepening and modernising the financial sector. This initiative also contributes to poverty reduction by creating opportunities for more population segments to participate in the formal financial system, ultimately promoting a more inclusive and dynamic economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring macro-financial stability has a total investment target of Birr 35.1 million. The strategic objective of ensuring monetary and financial stability is maintaining a stable, sound, and resilient financial system supporting sustainable, resilient, and inclusive economic growth. This involves implementing pragmatic and effective monetary policies, prudential regulations, and supervisory

measures to mitigate risks and maintain price and external stability. The expected results include a stable macroeconomic environment, low inflation, and a stable financial sector capable of supporting private-sector investment. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of improving the operational excellence and governance system of the NBE has a total investment target of Birr 14.7 billion. In the Ethiopian context, the strategic objective of improving NBE's operational excellence and governance systems is to enhance the effectiveness, transparency, and credibility of monetary policy and financial stability efforts. This involves implementing reforms to strengthen NBE transparency and

accountability, risk management practices, and operational efficiency. The expected results include more robust monetary policy frameworks, increased confidence in the financial system, and better management of macro-financial risks. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of enhancing the effectiveness of development planning and public investment management (PIM) has a total investment target of Birr 1.7 billion. The strategic objective is strengthening the coordination, efficiency, and impact of government development planning and investment for sustainable, resilient, and inclusive economic growth. This involves improving the planning, allocation, and execution of public investments to maximise their developmental outcomes. The expected results include more streamlined and transparent development plans, increased alignment

with national priorities, and enhanced public investment delivery. The government aims to achieve better infrastructure development, job creation, and poverty reduction by optimising PIM. Additionally, this initiative contributes to building a conducive environment for private sector participation, attracting investments, and fostering inclusive and resilient economic development across the country. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 5.1 Resource Allocations by Policy Area and Strategic Goals**

The strategic goal of enhancing the effectiveness of policy research and evaluation system has a total investment target of Birr 148 million. The strategic objective is to strengthen evidence-based policy formulation and improve the overall effectiveness of public policies. This involves building robust research capabilities and rigorously evaluating policy interventions. The expected results include more informed policy choices, increased transparency

in decision-making, and the ability to tailor interventions to address specific socio-economic challenges. By bolstering the policy research and evaluation system, the government aims to optimise the impact of public policies, promote efficient resource allocation, and foster sustainable development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening statistics and the national account system has a total investment target of Birr 25.9 billion. The strategic objective is to enhance economic data's accuracy, reliability, and comprehensiveness. This involves improving statistical infrastructure, data collection methodologies, and integrating international best practices. The expected results include more robust and timely economic indicators, comprehensive

national accounts, and a strengthened statistical system capable of providing accurate information for evidence-based policymaking. This initiative contributes to creating a foundation for effective development planning, monitoring progress, and facilitating a more transparent and accountable governance system. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

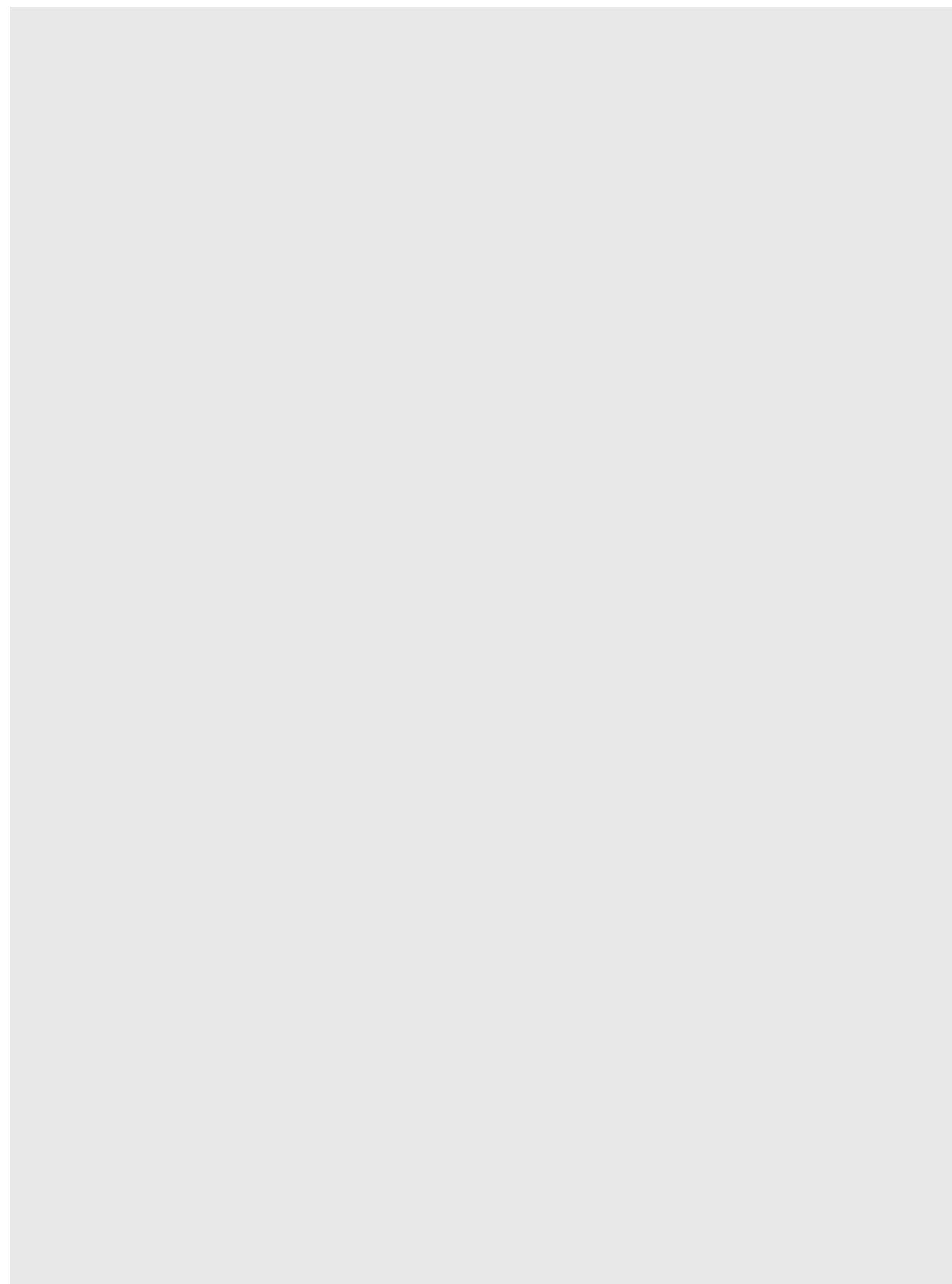
## **PROGRAMS AND INVESTMENT TARGET**

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs) to be implemented by various government organisations, which are mandated to administer and manage macroeconomic policy issues. This section presents the summary of PAPs as a comprehensive set of

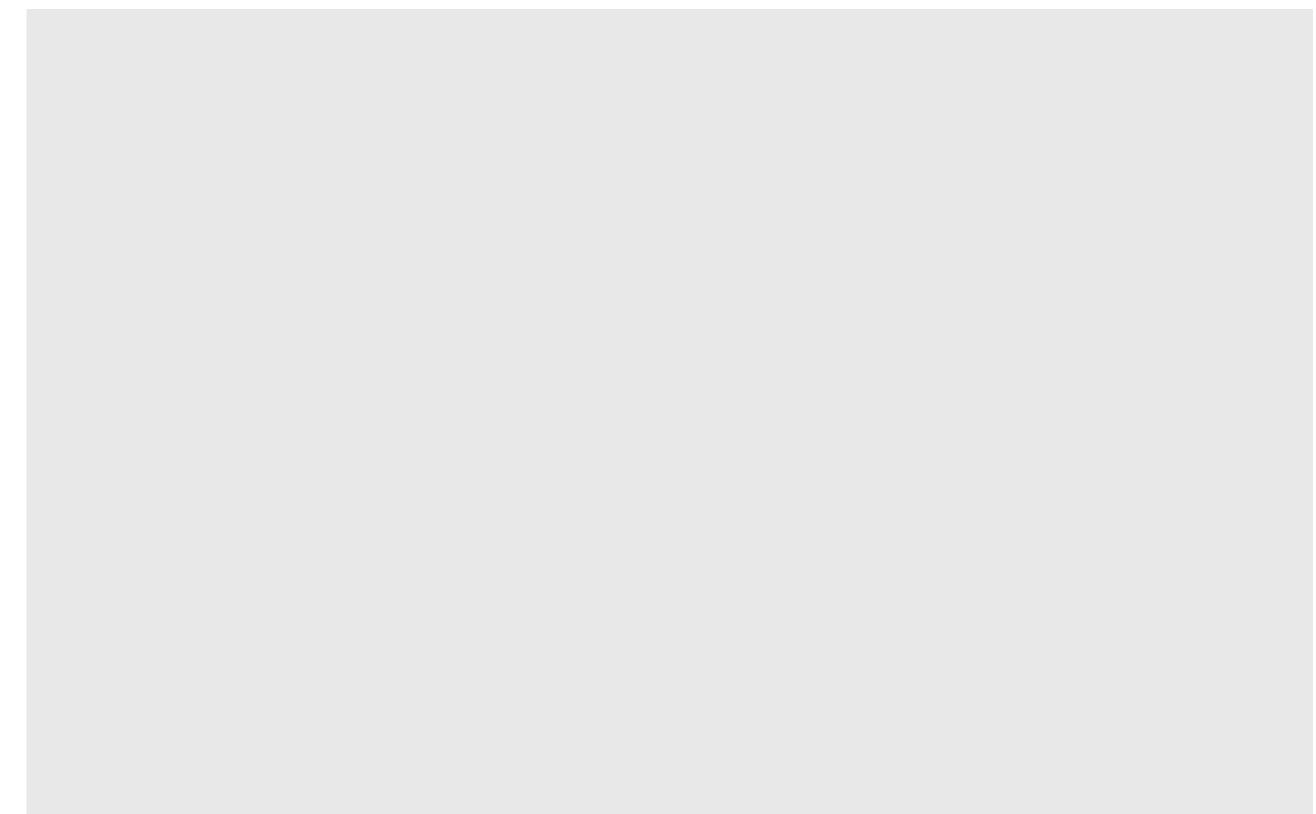
well-coordinated reform measures and actions. To achieve the strategic goals and results expected under the policy area of ensuring sustainable macroeconomic management and economic growth, the following forty-one (41) programs are designed for implementation under respective government organisations.

(No-Label-Found)

Table 5.2 MDIP Investment Targets by Program



The partnerships and resource mobilisation program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 67.9 billion (22.2 per cent), followed by the domestic tax mobilisation program with Birr 60 billion (19.6 per cent) and the statistical development program with Birr 25.99 billion (8.5 per cent).

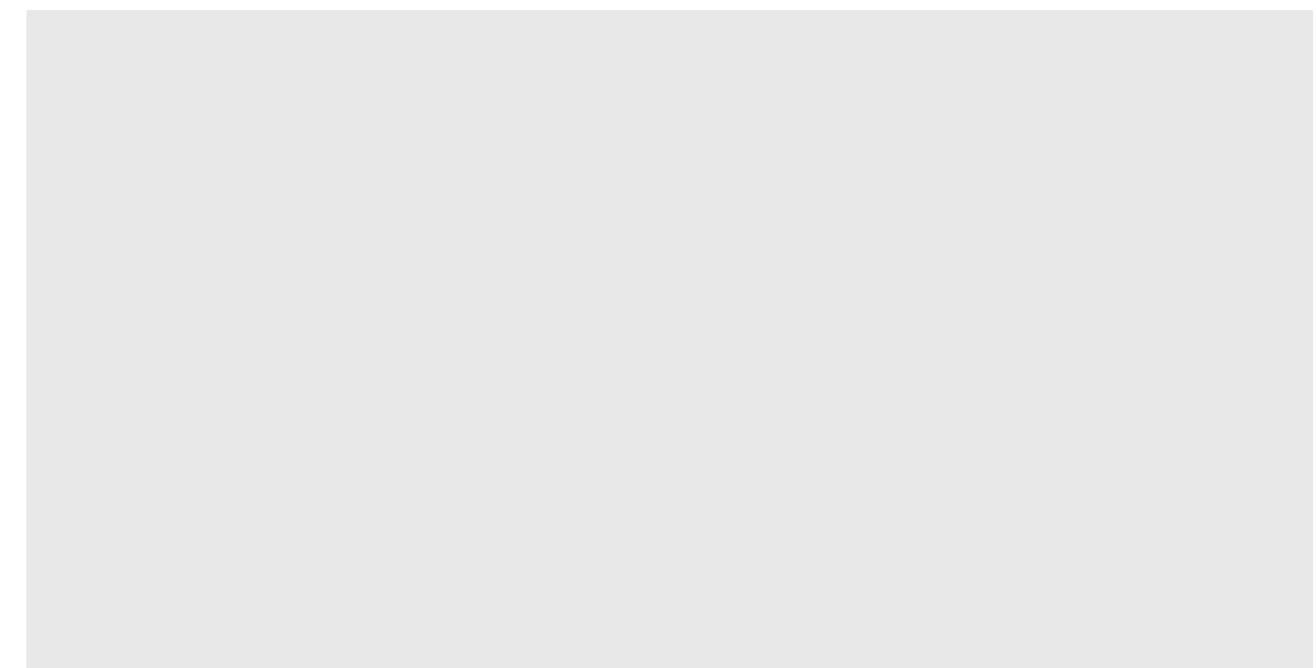


### Investment Targets by Implementing Government Organisation

The Ethiopian Customs Commission has the highest number of PPAs, with 102 (26.8 per cent), followed by the Ministry of Revenue, with 59 (15.7 per cent), and the Ministry of Planning and Development, with 56 (14.7 per cent).

The Ethiopian Customs Commission has the higher investment target with Birr 106.4 billion (34.7 per cent), followed by the Ministry of Finance with Birr 80.2 billion (26.2 per cent) and the Ministry of Revenue with Birr 53.9 billion (17.6 per cent).

Table 5.3 MDIP Investment Targets by Implementing Agency





Regarding the Financing Source, 232 PPAs (61.1 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 142 PPAs (37.3 per cent) will be carried out through a partnership between the government and development partners' direct financing, one percent of PPAs will be financed by the pension funds, and 0.52 percent by development partners.

**Table 5.4 MDIP Investment Targets by Financing Source**

The MDIP programs under this policy have significant national orientation and it will be implemented at the national and the policy area has spatial implication for all areas.

**Table 5.5 MDIP Investment Targets by Spatial Coverage**

# CHAPTER 6

## BOOSTING TRADE AND INVESTMENT COMPETITIVENESS

**B**oosting trade and investment competitiveness through an integrated and transformed trade and investment environment supports Ethiopia in achieving resilient, sustained, and inclusive economic growth by connecting the country with the regional and global economy, improving through domestic regulatory reforms and better infrastructure development, responding to emerging economic issues, and strengthening economic institutions. An integrated approach to trade and investment promotion and facilitation ultimately contributes to increased export performance, FDI inflows, job creation, technology transfer, and long-term economic stability.

By enhancing domestic trade modernisation and competitiveness, Ethiopia can capitalise on promoting and facilitating the export of goods and services on the African and global stage. This diversifies foreign exchange earning streams and stimulates domestic innovation and industrialisation. Additionally, connecting with the external economy through international trade opens avenues for foreign direct investment and technology transfer, contributing to improved productivity growth and economic opportunities. Furthermore, increased trade can create employment opportunities and reduce poverty, promoting inclusive growth. Strategic policies that foster external trade connectivity thus play a crucial role in positioning Ethiopia within the regional and global economy, unlocking its economic potential, and facilitating a pathway to shared prosperity. Domestic market modernisation and competitiveness are pivotal for catalysing increased participation in the external economy and boosting Ethiopia's export performance. Ethiopia can bolster business opportunities and raise domestic productivity growth by adopting policies focusing on improving market infrastructure, streamlining regulatory frameworks, and investing in modernisation. This, in turn, positions the Ethiopian private sector to compete effectively in the regional and global market by supplying high-quality products and services. Moreover, a modernised and competitive domestic trade environment attracts foreign investment where big businesses and small and medium entrepreneurs thrive. Strategic policy reforms and support advancing domestic trade competitiveness contribute to economic diversification and leverage Ethiopia's regional and global market strength, ultimately fostering sustainable economic growth and improving overall welfare.

The second phase of homegrown economic reform (HGER II) and medium-term development and investment plan (MDIP) emphasises the strategic imperative of transforming investment environment and trade environment. While creating a stable macroeconomic environment, the HGER II and MDIP aim to transform the investment and trade environment to boost domestic economic competitiveness and promote innovation and

entrepreneurship. Increased competition through favourable trade and investment environment and opportunity enhances efficiency, entrepreneurship, and innovation, leading to economic outcomes such as lower and stable prices, increased production and better-quality goods and services in the market. The MDIP integrating the HGER II supports the complementarity of creating a stable macroeconomic environment and transforming the investment and trade environment to enhance the domestic productive capacity and ensure productivity growth by addressing macroeconomic and structural trade and investment constraints, such as inefficient financial and goods markets, low investment in crucial infrastructure and services, and inadequate human capital and low skills. Supported by improved public sector capability and efficient government service delivery, this will boost investment and trade opportunities across the diverse, productive sectors of the economy, including agriculture, manufacturing, mining, tourism, and the digital economy.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system as explained in chapter two, the MDIP contains Nine (9) strategic goals and thirty-nine (39) core strategic functions and activities relevant to the policy area of boosting investment and trade and connecting Ethiopia to the external economy, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the trade and investment result matrices and targets is presented in the appendix. These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Trade and Regional Integration and the Ethiopian

Investment Commission. Coordinated roles and functions with the Ministry of Transport and Logistics and the Ethiopian Customs Commission will support HGER II's strategic objective of transforming trade and investment through customs and logistics sector reforms. On the other hand, as identified under the HGER II, the micro, small and medium (MSME) sector reforms and skills development and labour market reforms will involve effective collaboration with the Ministry of Labour and Skills. The Ministry of Trade and Regional Integration will spearhead five (5) strategic goals and Twenty (20) strategic core functions and activities. The activities will also involve coordination with the line ministries mandated to manage and administer core functions relating to productive sectors, mainly the Ministry of Agriculture, Ministry of Industry, and Ministry of Mines. The complementarity of HGER II's strategic objective to transform the trade and investment climate and enhance the domestic productive capacity and productivity growth hinges on effective coordination and collaboration.

To ensure integrated and effectively coordinated investment promotion and facilitation, the Ethiopian Investment Commission will lead the coordination and implementation of four (4) strategic goals and Fifteen (15) core strategic functions and activities.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

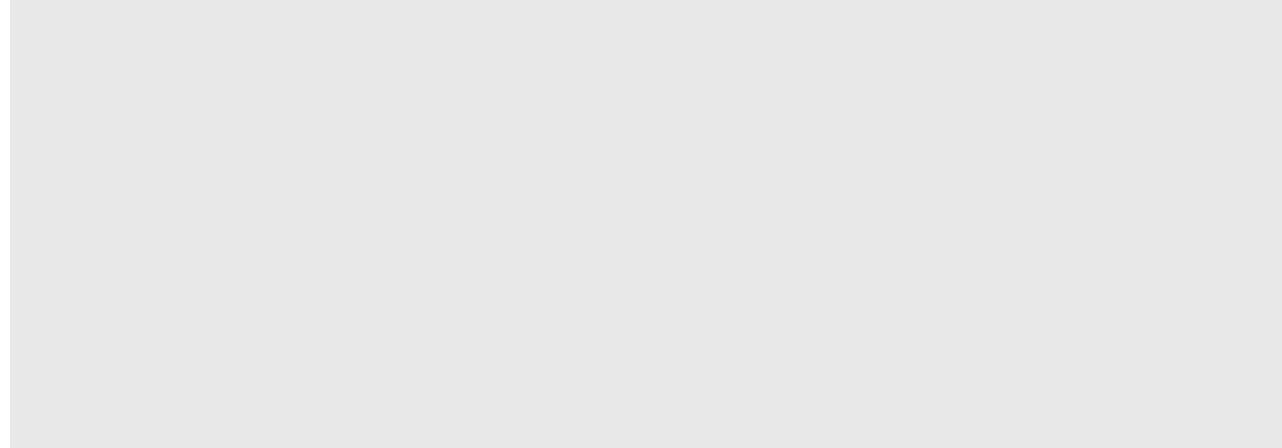
During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of boosting trade and investment competitiveness amount to Birr 20.06 billion. The federal budget is Birr 12.6 billion, and Birr 9 billion is from development partners. The investment supports attaining the following Nine (9) strategic goals

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 11.7 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

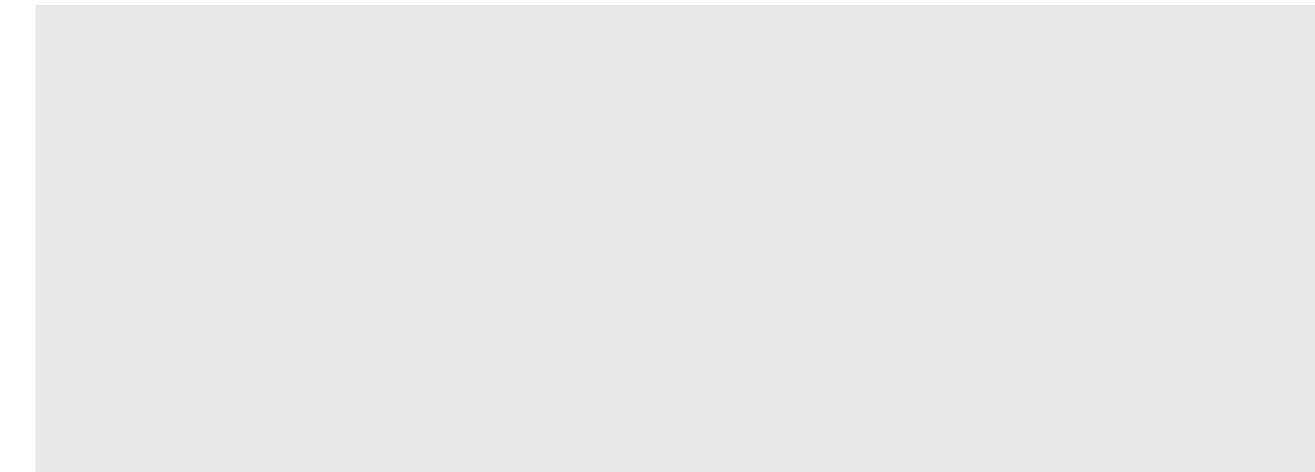
The strategic goal of ensuring a modern, efficient, and accessible domestic trade and consumer protection system has a total investment target of Birr 4.4 billion. The domestic trade sub-sector, reflected as wholesale and retail trade, contributes about 13.4 per cent of the gross domestic product (GDP at constant market prices). Ensuring a modern, efficient, and accessible domestic trade and consumer protection system is strategically relevant for the country's inclusive and sustainable economic growth and job opportunities. A streamlined domestic trade infrastructure fosters a competitive, vibrant, and efficient domestic trading system by reducing transaction costs, improving market efficiency, and attracting investments. Additionally, an effective

consumer protection framework instils confidence among buyers, stimulating increased consumption and promoting fair business practices. In the Ethiopian context, where smallholder agriculture and small businesses play crucial roles in the economy, a well-functioning domestic trade system ensures that producers can access markets efficiently, leading to improved living standards. Moreover, enhanced consumer protection contributes to social well-being by safeguarding citizens from fraudulent practices and substandard goods, fostering trust in the market. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

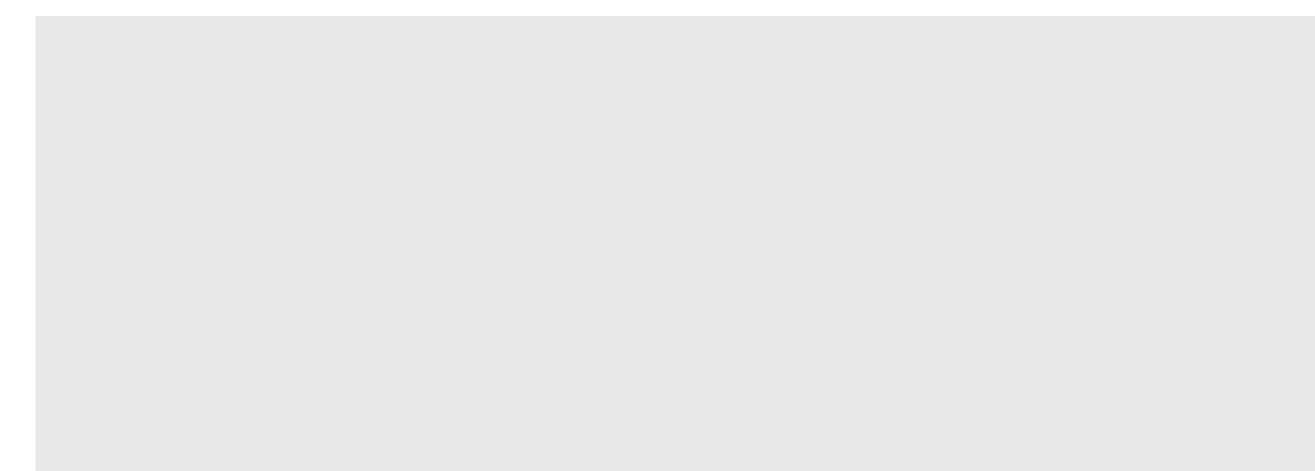


The strategic goal of strengthening export promotion and facilitation ecosystem has a total investment target of Birr 982 million. The total exports of goods and services as a share of the gross domestic product (GDP) were 6.6 per cent in EFY 2022/23. Strengthening Ethiopia's export promotion and facilitation system holds paramount strategic relevance for the nation's economic prosperity and global competitiveness. A well-developed export promotion ecosystem attracts foreign investment, encourages innovation, and enhances the country's international trade relations. This, in turn, leads to increased foreign exchange earnings. Furthermore,

an efficient export facilitation ecosystem simplifies trade processes, reduces bureaucratic hurdles, and enhances the overall ease of doing business, making Ethiopian products more attractive to international markets. Ultimately, the strategic outcome of Ethiopia's strengthened export promotion and facilitation ecosystem includes inclusive and sustainable economic growth, improved employment opportunities, and heightened global competitiveness for Ethiopia's products and services. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of strengthening regional and global trade agreements and integration has a total investment target of Birr 982 million. The strategic objective is to integrate Ethiopia into regional and global trading systems. Ethiopia's strengthened capacity and active participation in external trade agreements open doors to diversified and expanded export markets, attracting foreign investments, and facilitating the flow of goods and services. By enhancing regional and global integration, Ethiopia can reduce trade barriers, stimulate competition, and promote innovation, increasing productivity and



efficiency. Additionally, participation in trade blocs and agreements gives Ethiopia a strategic positioning in the regional and global economic landscape, enabling the country to negotiate favourable terms of trade. The expected strategic results encompass increased foreign exchange earnings, job creation, and the establishment of Ethiopia as a key player in regional and global trade networks, thereby ensuring long-term economic sustainability and prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring a modern and efficient national quality infrastructure (NQI) system has a total investment target of Birr 2.3 billion. This goal is strategically crucial for promoting manufacturing growth, enhancing competitiveness, and ensuring consumer safety in the Ethiopian context. A robust NQI system supports product standardisation, testing, and certification, fostering confidence in domestic and international markets. By adhering to international quality standards, Ethiopia can attract foreign investment, expand its export markets, and

strengthen its global trade position. The strategic results of a modernised NQI system include improved product quality, expanded market access, and heightened competitiveness for Ethiopian industries. This, in turn, drives economic development, creates job opportunities, and positions Ethiopia as a reliable player in the global marketplace, reinforcing its potential for sustained and inclusive growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring favourable/competitive investment promotion ecosystem has a total investment target of Birr 359 million. This strategic objective is to attract quality foreign direct investment (FDI) and diversify the country's industrial base. A competitive investment promotion ecosystem enhances Ethiopia's global competitiveness, positioning Ethiopia to attract more investors by

streamlining approval processes, reducing red tape, and promoting policy predictability. The expected strategic results encompass increased FDI inflows, diversified industries, increased export performance, job creation, and technology transfer. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of providing efficient and effective investment facilitation and aftercare service has a total investment target of Birr 177 million. Underpinned by the improved investment promotion ecosystem, the efficiency and effectiveness of investment facilitation and aftercare services are strategically crucial for the long-term success, retention, and expansion of FDI. Streamlined investment facilitation processes reduce bureaucratic complexities, ensuring a seamless

entry for investors and fostering a conducive business environment. Effective aftercare services further enhance investor confidence by addressing post-establishment challenges and facilitating the resolution of operational issues. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring an effective investment regulation ecosystem has a total investment target of Birr 56 million. A well-crafted regulatory framework provides clarity, transparency, and investor protection, thereby mitigating risks and creating a conducive business environment. An effective investment regulation ecosystem strengthens

Ethiopia's reputation as a reliable and competitive investment destination. Overall, it positions the country to harness the benefits of global capital flows, fostering a dynamic and resilient economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 6.1 Resource Allocations by Policy Area and Strategic Goals**

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of boosting trade and investment competitiveness, the following four (4) programs will be implemented:

The domestic market development and modernisation program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 4.4 billion (22.14 per cent), followed by an integrated national quality infrastructure development program with Birr 2.33 billion (11.62 per cent). The remaining investment targets are allocated to the integrated export promotion and facilitation program, with Birr 982 million (4.89 per cent), and the integrated investment promotion, facilitation, and aftercare service program, which has a budget of Birr 591 million (2.95 per cent).

Table 6.2 MDIP Investment Target by Program

## Investment Targets by Implementing Government Organisation

The Ethiopian Conformity Assessment Enterprise has the highest number of PPAs, with 21 PAPs (27.3 per cent), followed by the Ministry of Trade and Regional Integration, with 19 PAPs (24.7 per cent). The remaining implementing agencies have the following distribution of PAPs: Ethiopian Investment Commission with 10 PAPs (13.0 per cent), Petroleum and Energy Authority with 10 PAPs (13.0 per cent), Ethiopia Metrology Institute with 5 PAPs (6.5 per cent) and the National Bureau of Statistics with 3 PAPs (3.9 per cent).

cent), Ethiopian Accreditation Service with 5 PAPs (6.5 per cent), Ethiopian Standards Institute with 4 PAPs (5.2 per cent), and Ethiopia Commodity Exchange (ECX) with 3PAPs (3.9 per cent). On the other hand, the Ethiopian Investment Commission) has the higher investment target with Birr 6.5 billion (32.3 per cent), followed by the Ministry of Trade and Regional Integration with Birr 5.9 billion (29.4 per cent).



**Table 6.3 MDIP Investment Targets by Implementing Agency**

Implementing Agency	Number of PPA	Percentage
Ministry of Finance	54	70
Development partners	13	16.9
State-owned enterprise finance	10	13
Total	87	100

Regarding the Financing Source, 54 PPAs (70 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 13 PPAs (16.9 per cent) will be carried out through development partners' direct financing, and 10 PPAs (13 per cent) will be carried out by state-owned enterprise finance.

Regarding the Financing Source, 54 PPAs (70 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 13 PPAs (16.9 per cent) will be carried out through development partners' direct financing, and 10 PPAs (13 per cent) will be carried out by state-owned enterprise finance.

**Table 6.4 MDIP Investment Targets by Financing Source**

Financing Source	Number of PPA	Percentage
Federal budget	54	70
Development partners	13	16.9
State-owned enterprise finance	10	13
Total	87	100

Regarding the spatial coverage of the PPAs across the country, 52 of the PAPs (67.5 per cent) have nationwide coverage, two projects have interregional coverage, and the remaining 23 PAPs (29.9 per cent) have region-specific coverage.

**Table 6.5 MDIP Investment Targets by Spatial Coverage**

Spatial Coverage	Number of PPA	Percentage
Nationwide	52	67.5
Interregional	2	2.3
Region-specific	23	29.9
Total	87	100

# CHAPTER 7

## AGRICULTURAL PRODUCTION GROWTH FOR FOOD SELF-RELIANCE

**E**nhancing agricultural productivity growth in Ethiopia holds paramount strategic importance, and the sector continues to play a vital role in sustainable, inclusive, and resilient economic growth. Ethiopia's smallholder-dominated agriculture sector contributes about 32 per cent of the gross domestic product (GDP at constant market prices), and the sector addresses multifaceted challenges and contributes to broader socio-economic development. A thriving agriculture sector plays a key role in ensuring domestic food self-reliance, enhancing domestic agribusiness and agricultural food system, boosting agricultural export diversification, supporting job opportunities and poverty reduction in rural areas, economic opportunities in rural areas, and bolstering resilience against shocks and supporting overall economic stability.

A key essential of enhancing agricultural productivity growth lies in promoting and adopting modern technologies, promoting sustainable farming practices and methods, promoting climate-smart agriculture and resilient crop varieties, empowering smallholder farmers to specialise in market-oriented production, investing in rural infrastructure such as roads, irrigation systems, and storage facilities, improving agricultural market access, and supporting the development of agribusiness, value chains, and rural enterprises. Similarly, strengthening institutional frameworks, extension services, and farmer organisations enhances the overall capacity of the agricultural sector and supports sustainable rural development. Investment in research and development can also enhance agricultural knowledge and skills. Furthermore, agricultural productivity enhancement efforts aim to improve farmers' access to credit and financial services. Additionally, improved land use planning and tenure security can create an enabling environment for agricultural productivity growth.

An enabling environment is crucial for enhancing agricultural productivity growth in Ethiopia. The MDIP integrating the HGER II emphasises continued government support in promoting agricultural productivity growth. During the medium term, necessary and sufficient reforms are planned to expand agricultural productive capability, strengthen productivity growth, and enhance market linkages. Accompanied by creating a stable macroeconomic environment and transforming the investment and trade environment, the MDIP aims to support and enable private sector participation while addressing structural bottlenecks and market failures hampering the sector's growth. Some of the expected improvements and reform efforts include intensifying the dry season irrigation-led agricultural practices, expanding agricultural mechanisation, upgrading successful smallholder farmers, improving livestock development through the Lemat Tirufat initiatives, promoting horticultural development, enhancing institutional capability, and maximise the benefits of climate-smart agriculture.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains nine (9) strategic goals and forty-eight (48) core strategic functions and activities relevant to the policy area of enhancing agricultural productivity growth. The core strategic activities indicate strategic result areas with specific and clear key performance indicators (KPIs). The linkage of MDIP with all agriculture-related result matrices and quantitative targets is presented separately in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Agriculture and the Ministry of Irrigation and Lowland. Coordinated roles and functions with the Ministry of Industry, Ministry of Trade and Regional Integration, Ministry of Mines, Ministry of Labour and Skills, Ministry of Water and Energy, and the Ethiopian Investment Commission will support HGER II's strategic objective of transforming trade and investment as well as strengthening the productive capability of productive sectors and the linkage between the sectors. Moreover, land use policy, planning, and administration reforms require a coordinated role with all land-claimant sectoral government organisations and the Ministry of Planning and Development to streamline the rationalisation of land allocation for sustainable development.

The Ministry of Agriculture will lead the following Seven (7) strategic goals and Fifty (50) strategic core functions and activities. The activities will also involve coordination with the line ministries mandated to manage and administer core functions relating to

productive sectors, strengthening sectoral linkages in terms of input and output supply, mainly with the Ministry of Industry and the Ministry of Mines. The complementarity of HGER II's strategic objective to strengthen domestic productive capacity and productivity growth depends on effective coordination and collaboration between these ministries.

To promote the transformation of rainfed to irrigated agriculture through sustainable irrigation development and improve lowland-based irrigation practices and agricultural development, the Ministry of Irrigation and Lowland will lead the implementation of Four (4) strategic goals and twenty-one (21) core strategic functions and activities. The coordination and synergy with the Ministry of Agriculture will boost the efficiency of public investment in irrigation projects and the effectiveness of lowland area agricultural transformation. Similarly, coordination with the social sectors and infrastructure development government organisations will improve the coordination capacity of the Ministry of Irrigation and Lowland to improve access to basic services and infrastructure for lowland communities.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of enhancing agricultural productivity growth amount to Birr 226.08 billion. The federal government budget is Birr 172.75 billion, and Birr 52.44 billion comes from a partnership between the government and development partners. The investment supports attaining the following Eight (8) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 3.5 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of promoting market-oriented crop and horticultural production and productivity growth has a total investment target of Birr 45.8 billion. The crop sub-sector contributes about 21 per cent of the gross domestic product (GDP at constant market prices). Promoting market-oriented crop and horticultural production and productivity growth is expected to yield a range of strategic results that can positively impact agricultural systems, rural economies, and overall economic growth. Some strategic results expected include - increased income for farmers and improvement in

the welfare of smallholder farmers; increased export earnings, contributing to foreign exchange reserves and enhancing overall economic stability; improved access to domestic and international markets; increased employment opportunities in various stages of the value chain, adoption of modern technologies and improved farming practices; increased productivity and overall competitiveness; reduced dependency on traditional crops and fostering a more resilient and dynamic agricultural sector. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of promoting market-oriented livestock and fish production has a total investment target of Birr 14.1 billion. The livestock sub-sector contributes about 8 per cent of the gross domestic product (GDP at constant market prices). Like the previous strategic goal, promoting market-oriented livestock and fish production can yield strategic results such as increased income for farmers, improved food self-reliance, enhanced

rural livelihoods and welfare improvement, and the creation of employment opportunities. Additionally, it can stimulate economic growth in the agriculture sector, foster sustainable farming practices, and contribute to meeting the rising demand for animal protein products in the market. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

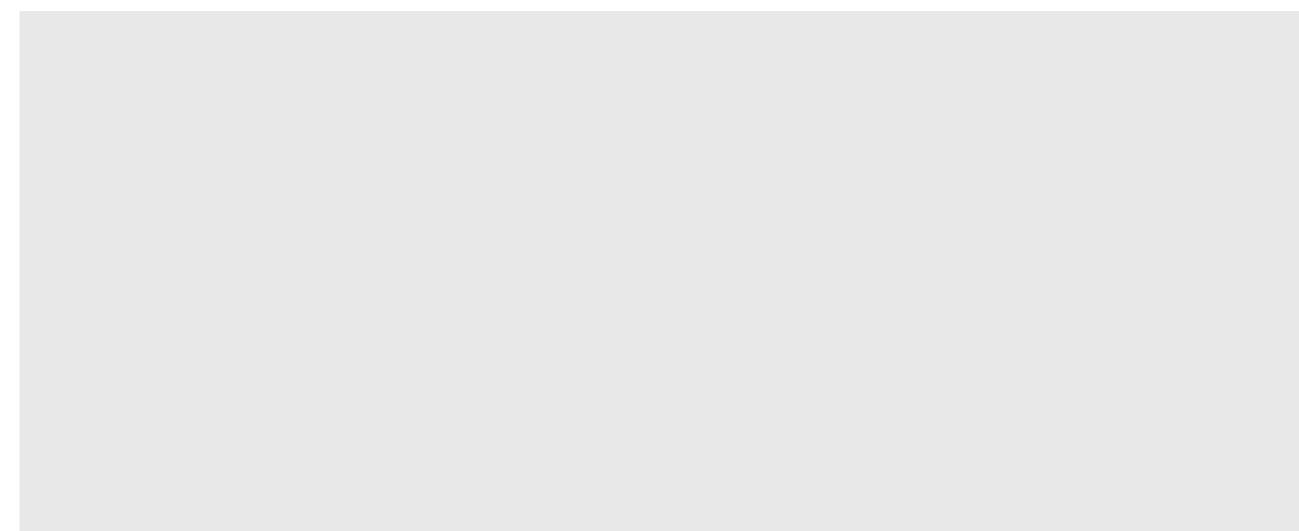
The strategic goal of promoting sustainable natural resource utilizations and climate-smart agricultural practices has a total investment target of Birr 40.3 billion. The forestry sub-sector contributes about 2.7 per cent of the gross domestic product (GDP at constant market prices). The strategic objective of promoting sustainable natural resource utilizations and climate-smart agricultural practices is to foster resilient, climate-smart and environmental-friendly agricultural systems. This involves implementing policies and practices that enhance natural resource utilisation efficiency, mitigate climate change impacts, and ensure the long-term viability of agriculture. The expected results include increased agricultural

productivity, improved livelihoods for farmers, and strengthened resilience against climate-related challenges. By integrating climate-smart practices, such as precision farming, agroforestry, and water management, the government aim to achieve sustainable food production, reduce greenhouse gas emissions, and enhance the adaptive capacity of agricultural systems. This strategic approach safeguards the environment and resilient growth, aligning with global sustainability goals. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of promoting private agricultural investment and modern marketing systems has a total investment target of Birr 9.1 billion. The strategic objectives of promoting private-led agricultural investment and modern marketing systems are to stimulate economic growth, enhance food self-reliance, enhance domestic agribusiness and food systems, and improve the overall efficiency of the agricultural sector. This involves creating an enabling environment for private agricultural investment, fostering innovation, and strengthening market linkages. The expected results include increased agricultural productivity, job creation, export promotion, and farmer income generation. By attracting private investment, the government aim to modernise farming practices, adopt advanced technologies, and develop robust value chains. Additionally, improved marketing systems can facilitate better access to markets, both domestically and internationally, leading to increased profitability for farmers and agribusinesses. This approach transforms agriculture into a dynamic and competitive sector, contributing to sustainable and inclusive growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

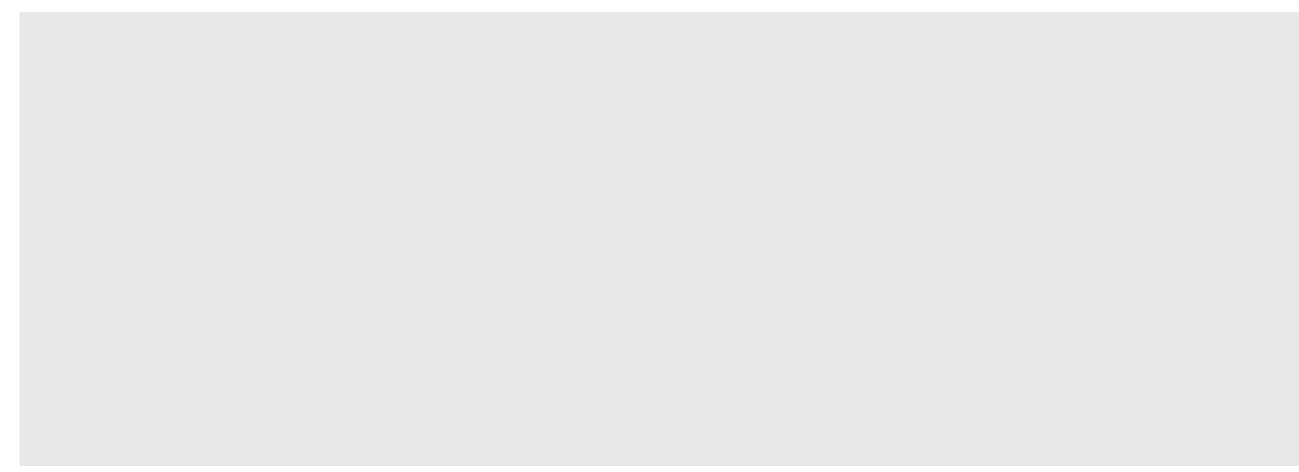
The strategic goal of strengthening domestic agricultural regulatory capacity has a total investment target of Birr 4.2 billion. Strengthening agricultural regulatory capacity helps to create a regulatory environment that fosters sustainable, safe, efficient and good agricultural practices. This involves enhancing the capacity of the Ethiopian Agricultural Authority to formulate and enforce policies, standards and regulations governing various aspects of the agricultural sector including inputs, outputs, technology and services. The expected results improve food safety, increase compliances with quality standards and promoting environmentally sustainable agricultural practices. By strengthening regulatory capacity, the government aims to

safeguard consumer health, enhances domestic and international trade and assists in attracting investments in the Agricultural sector. Additionally, effective regulation can contribute to the prevention of the spread of pests and diseases, ensure fair market practices, and promote responsible use of inputs such as improved plant seeds and varieties, pesticides, fertilizers, animal drugs and commercial feed. This strategic approach supports the overall development of resilient and competitive agricultural sector while addressing public health and environmental concerns via aligning with global best practices in agriculture. This strategy results are achieved through effective execution of the following core strategic activities.



The strategic goal of expanding irrigation development has a total investment target of Birr 104.5 billion. The strategic objectives of expanding irrigation development in Ethiopia aim to enhance food self-reliance, increase agricultural productivity, and build resilience to climate variability. This involves systematically expanding irrigation infrastructure to provide consistent and reliable water supply for market-oriented crop cultivation and livestock development. The expected results include increased agricultural yields, year-round

agricultural production, and reduced vulnerability to climate-related risks like droughts. By expanding irrigation, the government aim to stabilise and diversify food production, mitigating the impact of changing weather patterns on crop yields. The strategic expansion of irrigation aligns with broader goals of achieving sustainable water management, improving livelihoods, and fostering economic growth across the agricultural sector. These strategic results are achieved through the effective execution of the following core strategic activities.



The strategic goal of enhancing lowland and pastoral community transformation and access to infrastructure has a total investment target of Birr 5.5 billion. Enhancing lowland and pastoral community transformation helps to strategically promote sustainable development, improve livelihoods, and foster resilience among communities engaged in lowland agriculture and pastoralism. This involves implementing policies and initiatives that address the specific needs of these communities, including infrastructure development such as roads, water

supply, and veterinary services. The expected results include improved market access, enhanced agricultural productivity, and increased resilience to climate-related challenges. By transforming lowland and pastoral communities, the government aim to boost food self-reliance and create opportunities for local economic growth. This approach aligns with sustainable development goals, promoting inclusive growth and improved quality of life for lowland and pastoral communities in Ethiopia. These strategic results are achieved through the effective execution of the following core strategic activities.

**Table 7.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
Policy Area A	Strategic Goal 1	100.0
Policy Area A	Strategic Goal 2	80.0
Policy Area B	Strategic Goal 1	70.0
Policy Area B	Strategic Goal 2	60.0
Policy Area C	Strategic Goal 1	50.0
Policy Area C	Strategic Goal 2	40.0
Policy Area D	Strategic Goal 1	30.0
Policy Area D	Strategic Goal 2	20.0

## **PROGRAMS AND INVESTMENT TARGET**

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of enhancing agricultural productivity growth, the following four (7) national programs will be implemented:

Program	Investment Target (Birr)	Percentage
Irrigation Development Program	104.4	46.2
Crop and Horticulture Development Program	45.8	20.3
Natural Resource Development Program	40.4	17.8

Program	Investment Target (Birr)	Percentage
Irrigation Development Program	104.4	46.2
Crop and Horticulture Development Program	45.8	20.3
Natural Resource Development Program	40.4	17.8

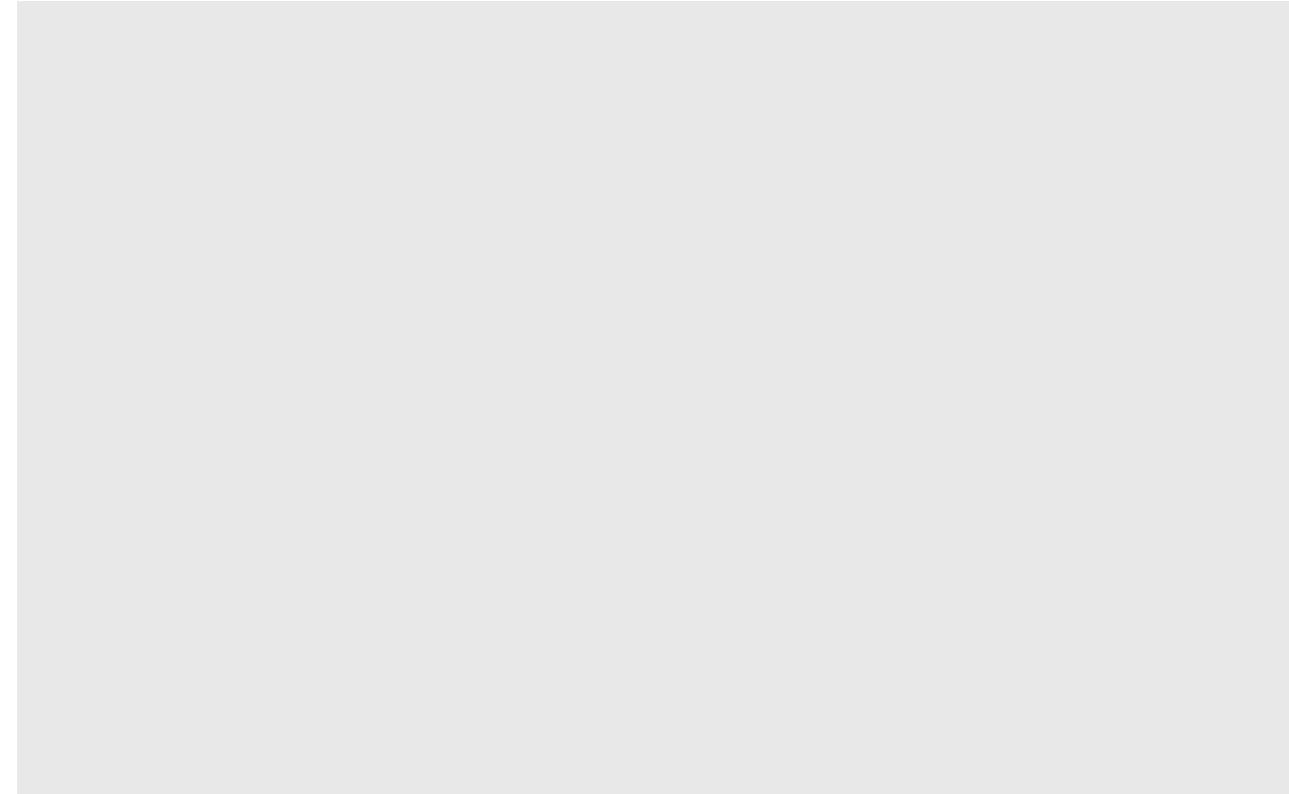
**Table 7.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Percentage
Irrigation Development Program	104.4	46.2
Crop and Horticulture Development Program	45.8	20.3
Natural Resource Development Program	40.4	17.8

### Investment Targets by Implementing Government Organisation

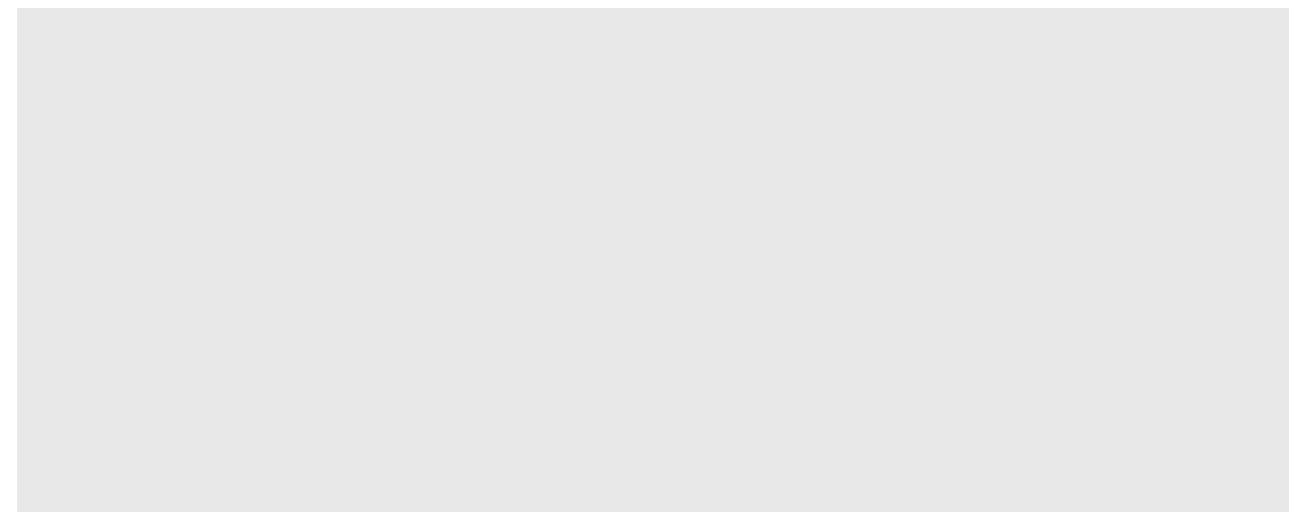
The Ministry of Agriculture has the highest number of PPAs, with 265 PAPs (48.8 per cent), followed by the Ministry of Irrigation and Lowland with 96 PAPs (18.1 per cent), Ethiopian Biodiversity Institute with 36 PAPs (6.8 per cent) and Ethiopian Institute of Agriculture Research with 29 PAPs (5.5 per cent).

**Table 7.3 MDIP Investment Targets by Implementing Organs**



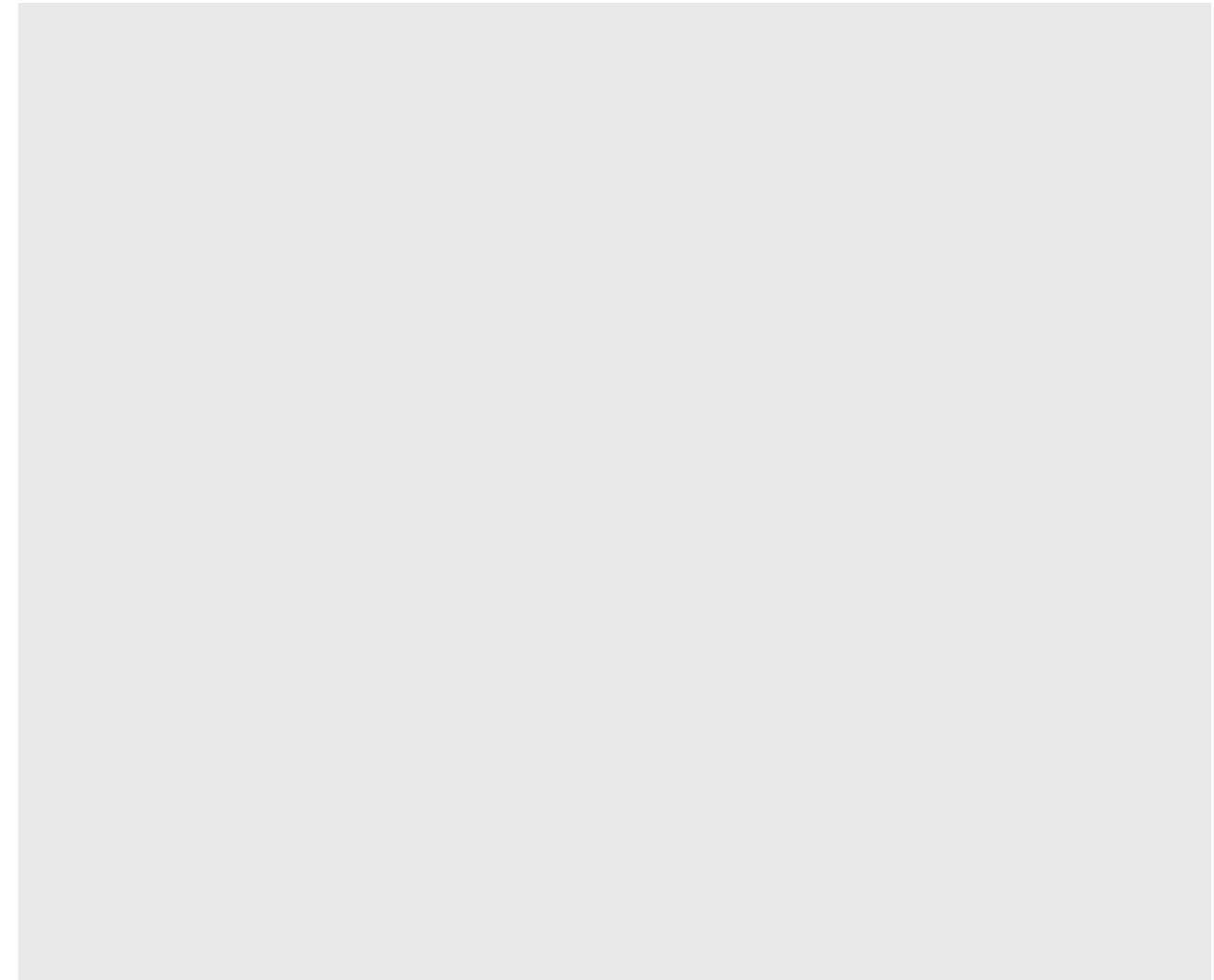
Regarding the Financing Source , 422 PPAs (79.9 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 106 PPAs (13.7 per cent) will be carried out through partnerships between the government and development partners.

**Table 7.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs across the country, 231 PAPs (43.5 per cent) have interregional coverage, while 199 projects have nationwide coverage (37.5 per cent), and 101 PAPs (19 per cent) have region-specific coverage.

**Table 7.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 8

## MANUFACTURING GROWTH AND COMPETITIVENESS

Improving manufacturing industry capacity utilisation and growth is crucial in supporting the country's long-term development objectives, such as enhancing domestic manufacturing industry transformation, economic diversification, boosting export performance, and sustained and inclusive economic growth. Ethiopia's manufacturing industry contributes about 6.8 per cent of the gross domestic product (GDP at constant market prices), where large and medium-scale manufacturing contributes about 4.9 per cent, and the small-scale and cottage industries contribute about 1.9 per cent.

Improving manufacturing industry capacity utilisation and growth promotes the country's competitiveness in regional and global markets, attracting FDI, fostering technological progress, and boosting foreign exchange export earnings for the country. By building a strong manufacturing base, Ethiopia can enhance its position in the global value chains and increase its share of value-added activities, contributing to Ethiopia's trade balance and enhancing its overall economic resilience and stability.

A thriving manufacturing industry also creates employment opportunities, particularly in urban areas, which helps reduce unemployment and poverty. Moreover, the manufacturing sector provides opportunities for skill and entrepreneurship development and technological advancements. Foreign direct investments in this sector facilitate the transfer of knowledge, skills, and advanced technologies, which can contribute to the modernisation and upskilling of the Ethiopian workforce.

Furthermore, a robust manufacturing industry reduces the country's dependence on imports by producing manufacturing goods and industrial inputs domestically. This promotes import substitution and reduces the trade deficit, strengthening Ethiopia's economic self-sufficiency. The growth of the manufacturing sector also stimulates the development of related industries and sectors, such as infrastructure and logistics, creating a multiplier effect on the economy.

In the Ethiopian context, where the manufacturing capacity utilisation and its competitiveness are limited and low, a key policy reform essential to improving capacity utilisation and growth requires a multi-faceted strategic approach. An enabling environment is crucial for the manufacturing industry's competitiveness and productivity growth. The MDIP integrating the HGER II emphasises continued government support in promoting manufacturing industry capacity utilisation, competitiveness, and growth. One of the key causes of constrained capacity utilisation and limited efficiency of the manufacturing supply chain is the limited infrastructure and input supply, and hence, there is a need for substantial investment in infrastructure, including energy, transportation connectivity, and logistics.

Underpinned by the transformed trade and investment competitiveness under the HGER II, streamlining investment regulations, reduced business and administrative bureaucracy, and supportive policies will remain essential to attract both domestic and foreign investments. Furthermore, investing in education, skills and entrepreneurship development programs ensures a qualified and adaptable workforce and manufacturing enterprises. Collaborative efforts with other government organisations, private sectors, and development partners will also remain crucial to promote technology transfer, innovation, and research and development in the manufacturing industry. Another dimension of sectoral coordination and synergy is reflected in the strengthening of Ethiopia's strategic regional and global trade agreements and integration initiatives, which provide an opportunity for the domestic manufacturing industry in terms of expanded market access and economies of scale.

The ongoing 'Ethiopia Tamirt' campaign will be institutionalised during the MDIP period of EFY 2023/24 – 2025/26 to strengthen the national industry extension services to overcome structural challenges, streamline government support at the federal and regional level, maximise investment benefits, and support private sector development.

## **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the

MDIP contains five (5) strategic goals and twenty (20) core strategic functions and activities relevant to the policy area of improving manufacturing industry capacity utilisation and growth. The core strategic activities indicate strategic result areas with specific and clear key performance indicators (KPIs).

The Ministry of Industry and the two (2) accountable or reporting government organisations under it are mandated with all four (4) strategic goals and twenty (20) strategic core functions and activities. These strategic goals, core strategic activities, and KPIs under this policy area are primarily associated with the Ministry of Industry and its accountable government organisations. Coordinated roles and functions with the Ministry of Agriculture, Ministry of Mines, Ministry of Trade and Regional Integration, Ministry of Labour and Skills, Ministry of Transport and Logistics, Ethiopian Customs Commission, and the Ethiopian Investment Commission will support HGER II's strategic objective of transforming trade and investment as well as strengthening the sectoral productive capability and the linkage between the sectors.

## **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of manufacturing industry capacity utilisation and growth amount to Birr 68.8 billion. The budget from the federal government is Birr 46.6 billion, and Birr 22.13 billion from state-owned enterprises. The investment supports attaining five (5) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 9.1 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of improving manufacturing industry input supply and production capacity utilisation has a total investment target of Birr 29.7 billion. In the Ethiopian context, enhancing manufacturing industry input supply and production capacity utilisation requires a comprehensive policy reform framework. On the one hand, investments in infrastructure, such as transportation and energy, are essential to ensure a reliable and efficient supply chain for raw materials. Implementing policies that support research and development, innovation, and technology adoption will enhance manufacturing industry production capabilities and

competitiveness. Furthermore, fostering a skilled workforce through targeted training programs and educational initiatives is critical for leveraging advanced manufacturing techniques. A supportive domestic financial environment is crucial to attract investments and spur manufacturing industry growth. This strategic initiative is expected to result in heightened industrial output, increased export performance, job creation, increased GDP contribution, and technological advancement. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

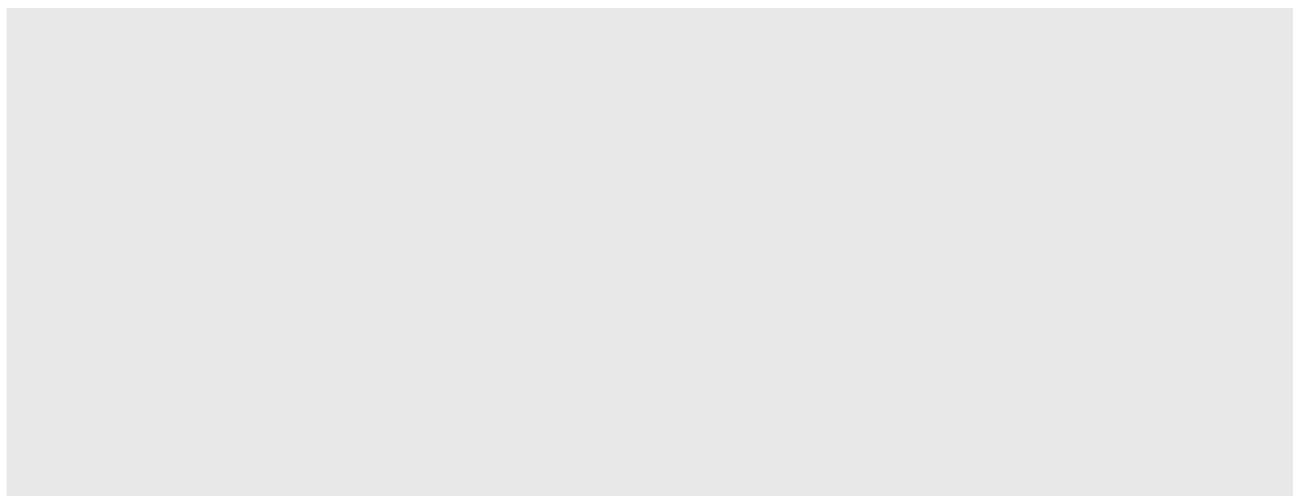
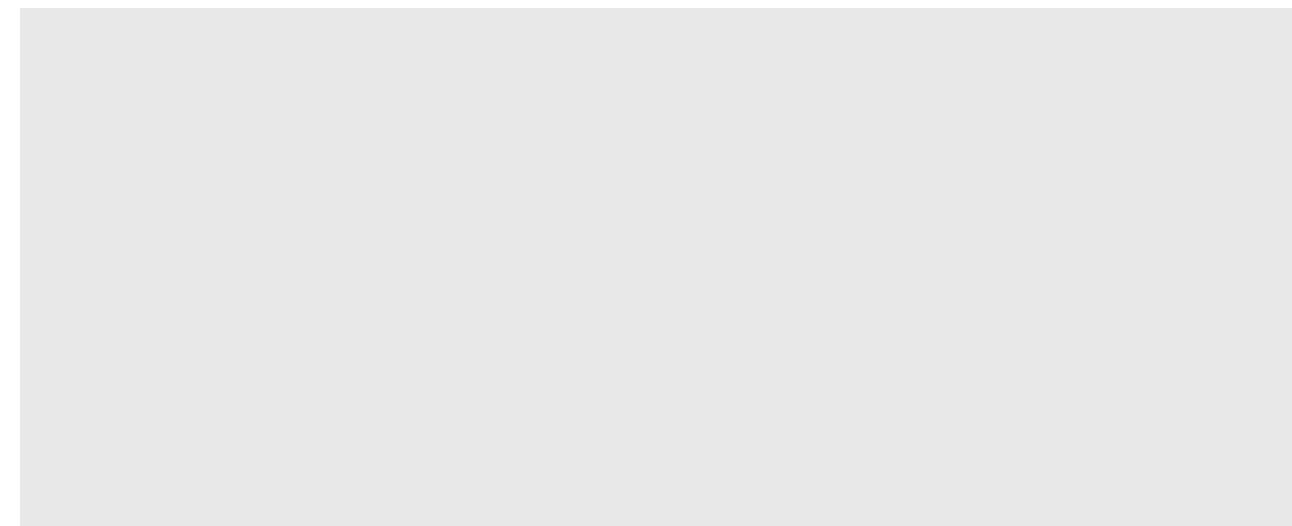
The strategic goal of promoting manufacturing industry export promotion and import substitution has a total investment target of Birr 1.8 billion. Promoting manufacturing industry export promotion and import substitution is strategically significant for economic resilience and sustainable growth. By encouraging exports, Ethiopia can diversify its revenue sources, reduce trade deficits, and elevate its global economic standing. Simultaneously, fostering import substitution helps to strengthen domestic

industries, create employment opportunities, and diminish dependence on foreign goods. The strategic relevance lies in balancing international competitiveness and self-sufficiency, contributing to economic stability. Expected strategic results encompass increased foreign exchange earnings, a more robust industrial base, and improved trade balances. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



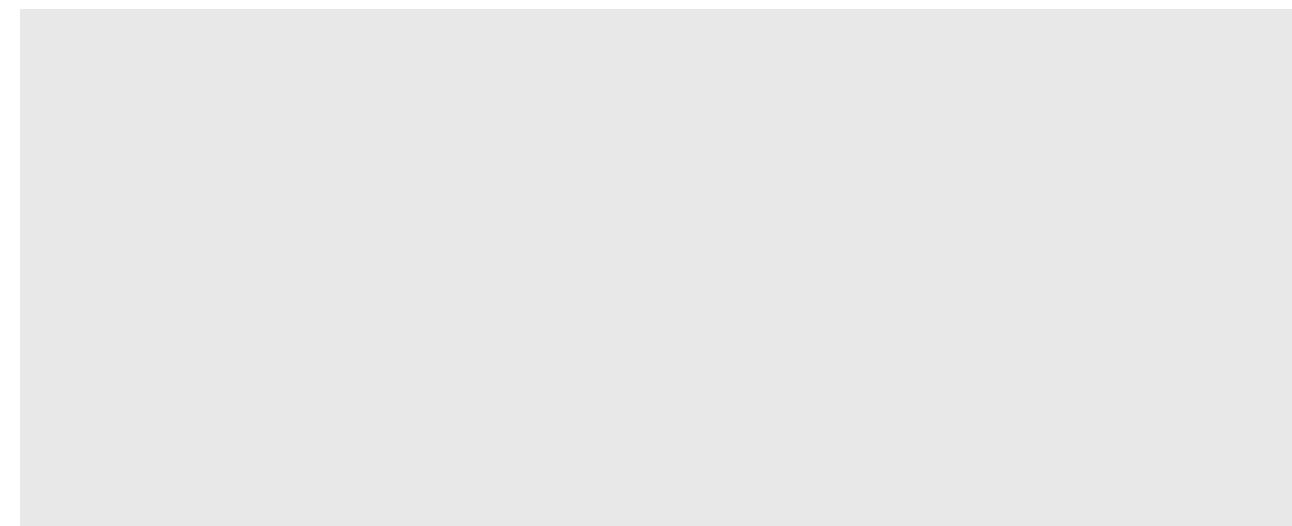
The strategic goal of enhancing manufacturing research and development (R&D) has a total investment target of Birr 1.9 billion. The strategic importance of investing in manufacturing industry R&D lies in creating an ecosystem that encourages collaboration between academia, industry, and government, leading to the development of homegrown solutions and increased intellectual capital. By investing in manufacturing industry R&D, Ethiopia can drive technological advancements,

improve product quality, and enhance production processes, positioning itself as a hub for cutting-edge industries. Expected strategic results include a more dynamic and resilient manufacturing sector, the emergence of high-value industries, and the attraction of foreign direct investment drawn to a technologically sophisticated environment. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of promoting manufacturing industry investment and employment opportunities has a total investment target of Birr 26.2 billion. The strategic importance of promoting manufacturing industry investment and employment opportunities lies in creating a conducive environment for both local and foreign investments, encouraging technology transfer, and fostering innovation. The expected strategic results include creating a significant number

of employment opportunities, particularly for the burgeoning youth population, and establishing a robust industrial base. This approach enhances the overall resilience and sustainability of the Ethiopian economy, establishing it as a dynamic hub for manufacturing and a driver of long-term prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



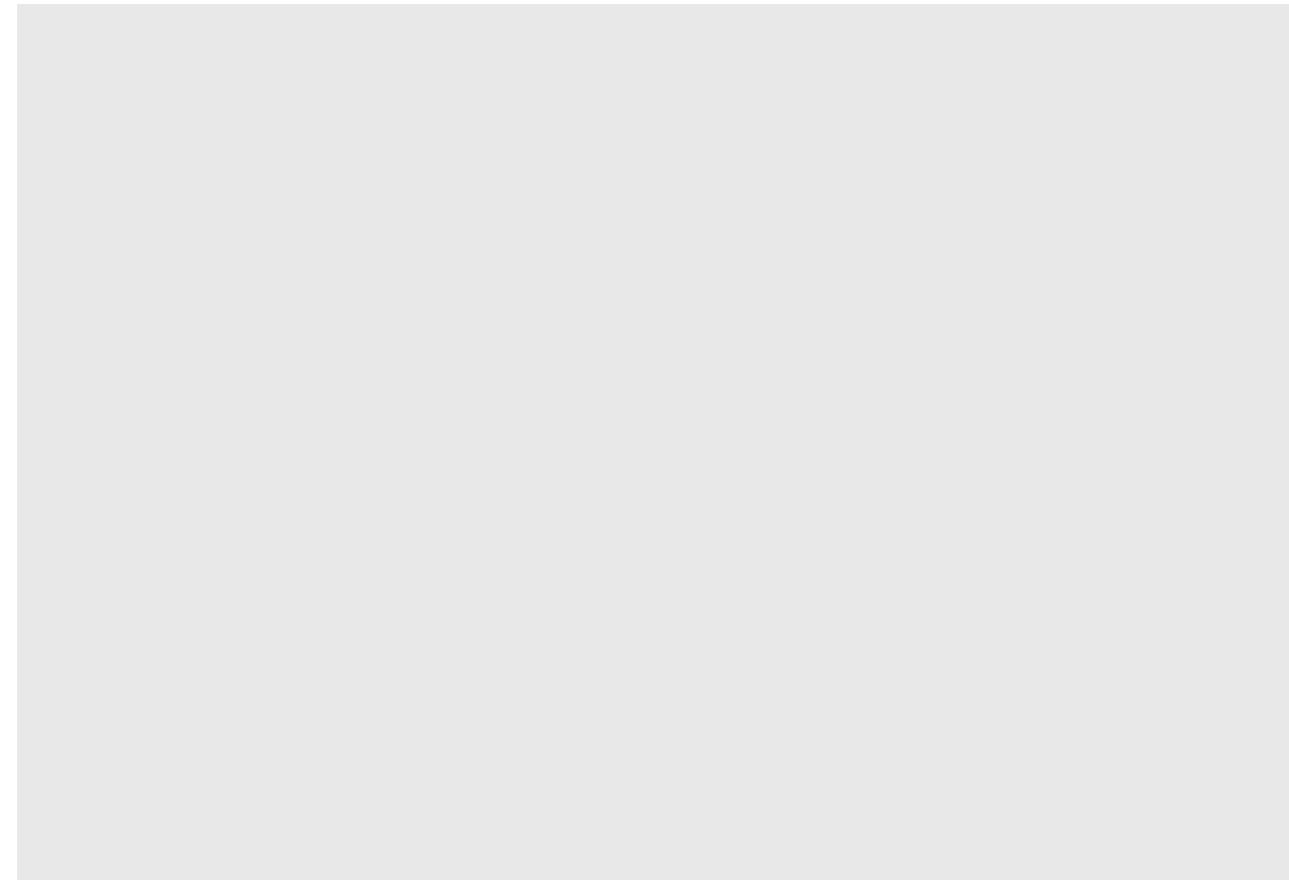
**Table 8.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
1	1.1	1.8
1	1.2	1.9
2	2.1	26.2
3	3.1	30.0
3	3.2	30.0
3	3.3	30.0
3	3.4	30.0
3	3.5	30.0
3	3.6	30.0
3	3.7	30.0
3	3.8	30.0
3	3.9	30.0
3	3.10	30.0
3	3.11	30.0
3	3.12	30.0
3	3.13	30.0
3	3.14	30.0
3	3.15	30.0
3	3.16	30.0
3	3.17	30.0
3	3.18	30.0
3	3.19	30.0
3	3.20	30.0
3	3.21	30.0
3	3.22	30.0
3	3.23	30.0
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3	3.25	30.0
3	3.26	30.0
3	3.27	30.0
3	3.28	30.0
3	3.29	30.0
3	3.30	30.0
3	3.31	30.0
3	3.32	30.0
3	3.33	30.0
3	3.34	30.0
3	3.35	30.0
3	3.36	30.0
3	3.37	30.0
3	3.38	30.0
3	3.39	30.0
3	3.40	30.0
3	3.41	30.0
3	3.42	30.0
3	3.43	30.0
3	3.44	30.0
3	3.45	30.0
3	3.46	30.0
3	3.47	30.0
3	3.48	30.0
3	3.49	30.0
3	3.50	30.0
3	3.51	30.0
3	3.52	30.0
3	3.53	30.0
3	3.54	30.0
3	3.55	30.0
3	3.56	30.0
3	3.57	30.0
3	3.58	30.0
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3	3.60	30.0
3	3.61	30.0
3	3.62	30.0
3	3.63	30.0
3	3.64	30.0
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3	3.67	30.0
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3	3.72	30.0
3	3.73	30.0
3	3.74	30.0
3	3.75	30.0
3	3.76	30.0
3	3.77	30.0
3	3.78	30.0
3	3.79	30.0
3	3.80	30.0
3	3.81	30.0
3	3.82	30.0
3	3.83	30.0
3	3.84	30.0
3	3.85	30.0
3	3.86	30.0
3	3.87	30.0
3	3.88	30.0
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3	3.112	30.0
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3	3.185	30.0
3	3.186	30.0
3	3.187	30.0
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3	3.190	30.0
3	3.191	30.0
3	3.192	30.0
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3	3.222	30.0
3	3.223	30.0
3	3.224	30.0
3	3.225	30.0
3	3.226	30.0
3	3.227	30.0

## PROGRAMS AND INVESTMENT TARGET

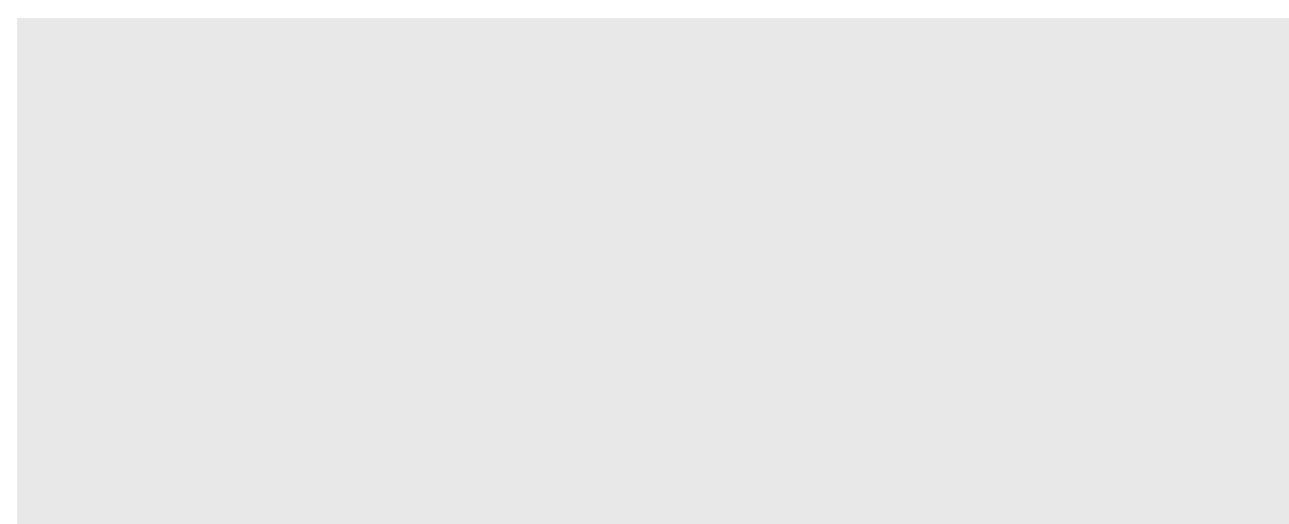
The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic

goals and results expected under the policy area of improving manufacturing industry capacity utilisation and growth, the following five (5) programs will be implemented:cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 106 PPAs (13.7 per cent) will be carried out through partnerships between the government and development partners.



The manufacturing infrastructure and input support program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 29.7 billion (43.3 per cent), followed by the Manufacturing Investment and Employment program with Birr 24.04 billion (34.9 per cent).

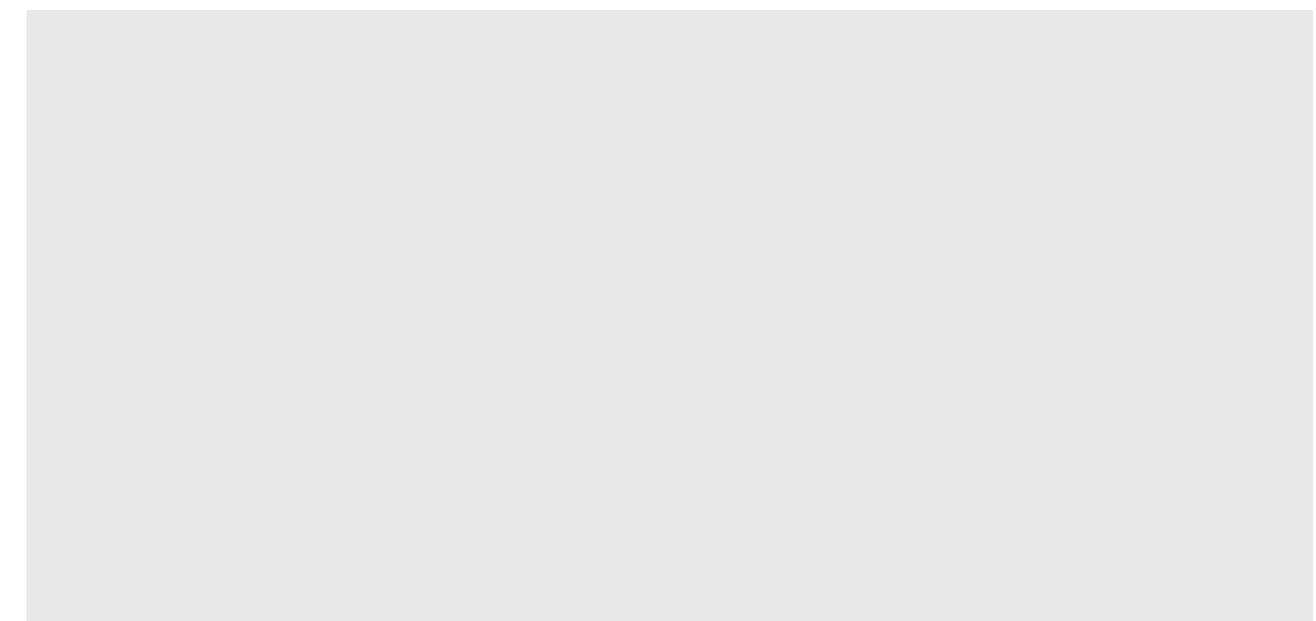
**Table 8.2 MDIP Investment Target by Program**



## Investment Targets by Implementing Government Organisation

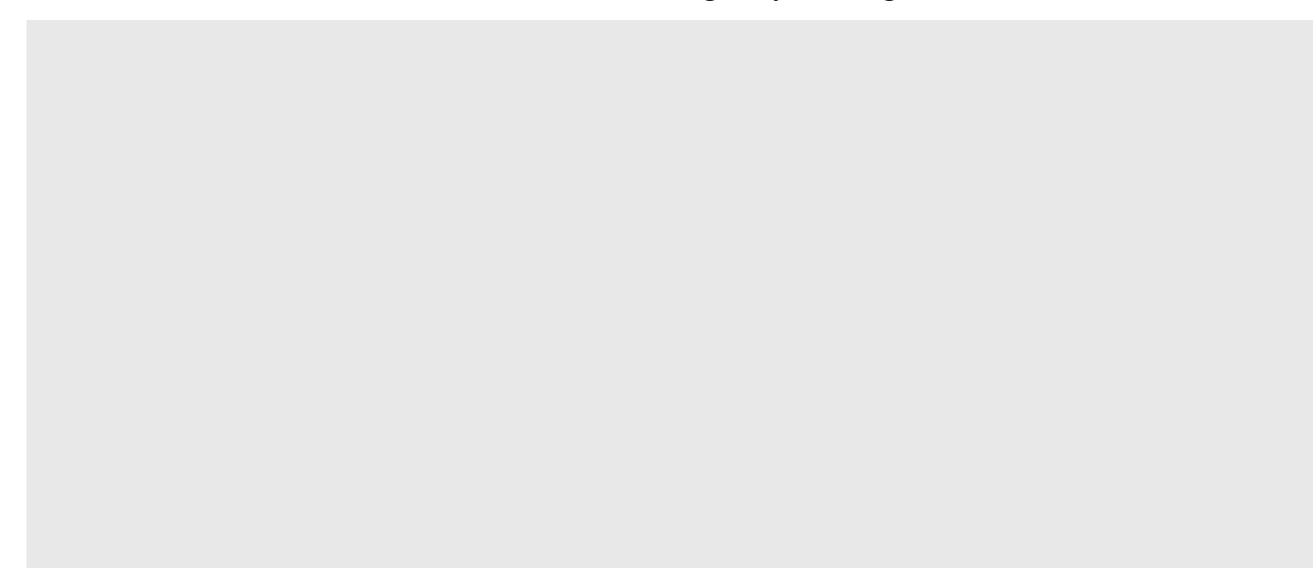
The PPAs that are jointly implemented by the Ministry of Industry, Manufacturing Industry Development Institute and Ethiopian Enterprises Development have the highest share with thirty-38 PAPs (24.2 per cent), followed by the Manufacturing Industry Development Institute with 27 PAPs (17.2 per cent). On the other hand, the Ministry of Industry has the higher investment target with Birr 19.95 billion (29 per cent), followed by programs which are jointly implemented by the Ministry of Industry, Manufacturing Industry Development Institute, and Ethiopian Enterprises Development with Birr 19.3 billion (28.1 per cent).

**Table 8.3 MDIP Investment Targets by Implementing Organs**



Regarding the Financing Source , 127 PPAs (79.9 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 32 PPAs (13.7 per cent) will be carried out through state-owned financing from their won equity and borrowing.

**Table 8.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs across the country, 142 of PAPs (89.3 per cent) have nationwide coverage, while 17 projects have interregional coverage (10.7 per cent) have region-specific coverage.



**Table 8.5 MDIP Investment Targets by Spatial Coverage**

# CHAPTER 9

## MINERAL RESOURCES FOR GROWTH AND TRANSFORMATION

**M**ineral resources can be vital in supporting Ethiopia's economic growth, transformation, and prosperity. The mineral sector, with its vast untapped resources, has the potential to generate significant revenue, attract FDI, create employment opportunities, and stimulate economic growth and industry transformation. Despite abundant mineral resource endowments, Ethiopia's mining industry contributes less than one per cent of the gross domestic product (GDP) in its current state. The sector had only received active policy attention very recently.

Ethiopia can harness its mineral wealth to diversify its economy, reduce dependency on conventional sectors, and generate sustainable income streams. This, in turn, contributes to the Ethiopian government's objective of achieving sustainable, resilient, and inclusive economic growth, reducing poverty, and improving living standards for its citizens. Furthermore, the development of the mining industry can also lead to the establishment of ancillary industries and infrastructure, such as transportation networks and power generation, which support economic activities in other sectors and contribute to the overall socio-economic progress of the country.

Promoting capacity building within the mining industry is pivotal to enhancing the industry's productivity and sustainability. Ensuring strict environmental regulations and promoting responsible mining practices will address the sustainability issue in the sector to mitigate the negative impacts of mining activities on ecosystems and local communities. By establishing a transparent regulatory framework for the mining sector, the country can attract potential investors to increase FDI inflows. Additionally, by streamlining better investment incentives can facilitate the entry of new players into the mining industry and foster its growth.

The MDIP integrating the HGER II emphasises mining sector reform as one of the key sources of strengthening domestic productive capacity and productivity growth. Recognising the potential of the mineral sector to play a significant role in Ethiopia's industrial transformation and export promotions, the government is committed to improving the business environment through targeted support at the national and sub-national levels. The government's reform interventions will focus on improving the investment environment, ensuring transparency and governance, fostering local community engagement, improving infrastructure and capacity building, enhancing security and law enforcement, and establishing effective FDI investment promotions and facilitations. Through these efforts, Ethiopia aims to create an enabling environment for the mineral sector, attract investments, and realise the sector's contribution to export and economic transformation.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains six (6) strategic goals and twenty (20) core strategic functions and activities relevant to the policy area of harnessing mineral resources for growth and transformation. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the mining result matrices and targets is presented in the appendix.

The Ministry of Mines and its two accountable government organs will spearhead six (6) strategic goals and twenty (20) strategic core functions and activities. The activities will also involve coordination with the line ministries mandated to manage and administer core functions relating to productive sectors, mainly the Ministry of Agriculture, Ministry of Industry, and the Ministry of Trade and Regional

Integration, as well as with enablers sectors such as the Ministry of Labour and Skills, Ministry of Transport and Logistics, Ethiopian Customs Commission, and the Ethiopian Investment Commission will support HGER II's strategic objective of transforming trade and investment as well as strengthening the sectoral productive capability and the linkage between the sectors.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of improving mining industry capacity utilisation and growth amount to Birr 17,548 billion from Federal government. The budget from the federal government is Birr 12.6 billion, and Birr 1.8 billion from development partners. The investment supports attaining four (4) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 1.5 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of enhancing the geological data coverage, quality and accessibility has a total investment target of Birr 11.6 billion. A comprehensive geological data and information provides crucial insights into the country's mineral potential, supporting informed decision-making for exploration and extraction activities. This strategic initiative not only attracts domestic and international investors but also promotes responsible and efficient

resource management. The expected strategic results include increased investments in the mining sectors, export promotion and import substitution, job creation, and a more sustainable and responsible utilisation of Ethiopia's geological resources, contributing significantly to the country's economic growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening local community engagement in mineral sector development has a total investment target of Birr 183 million. Strengthening local community engagement in mineral sector development in the Ethiopian context is strategically imperative for fostering social inclusivity, mitigating conflicts, and ensuring sustainable and responsible mineral resource management. This strategic approach reduces the

risk of social unrest and promotes inclusive and sustainable mining practices. Expected strategic results include improved social harmony, increased support for mining projects, and the establishment of a positive feedback loop wherein local communities become active participants in and beneficiaries of the mineral sector development. These strategic results are achieved through the effective execution of the following core strategic functions.

The strategic goal of promoting mineral export promotion and import substitution has a total investment target of Birr 4.3 billion. In the Ethiopian context, promoting mineral export promotion and import substitution is strategically relevant for economic diversification, foreign exchange earnings, and reducing dependency on imported goods. By encouraging the export of minerals, Ethiopia can capitalise on its rich mineral resources to generate foreign revenue, enhance trade balances, and

boost economic growth. Simultaneously, fostering import substitution in industries that rely on mineral inputs contributes to domestic value addition and job creation and reduces the reliance on external markets. The expected strategic results encompass increased foreign exchange earnings, a more robust industrial base, and improved trade balances, fostering economic stability and self-reliance. These strategic results are achieved through the effective execution of the following core strategic functions.

**Table 9.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
Policy Area 1	Strategic Goal 1.1	100
Policy Area 1	Strategic Goal 1.2	150
Policy Area 2	Strategic Goal 2.1	200
Policy Area 2	Strategic Goal 2.2	250
Policy Area 3	Strategic Goal 3.1	300
Policy Area 3	Strategic Goal 3.2	350
Policy Area 4	Strategic Goal 4.1	400
Policy Area 4	Strategic Goal 4.2	450
Policy Area 5	Strategic Goal 5.1	500
Policy Area 5	Strategic Goal 5.2	550
Policy Area 6	Strategic Goal 6.1	600
Policy Area 6	Strategic Goal 6.2	650
Policy Area 7	Strategic Goal 7.1	700
Policy Area 7	Strategic Goal 7.2	750
Policy Area 8	Strategic Goal 8.1	800
Policy Area 8	Strategic Goal 8.2	850
Policy Area 9	Strategic Goal 9.1	900
Policy Area 9	Strategic Goal 9.2	950
Policy Area 10	Strategic Goal 10.1	1000
Policy Area 10	Strategic Goal 10.2	1050

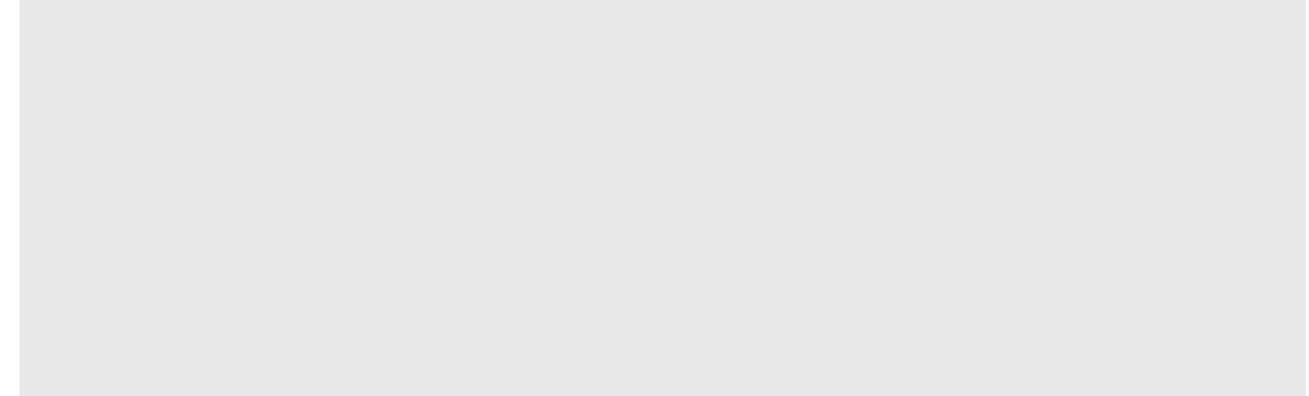
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of Improving the capacity utilization and growth of the mining industry, the following five (5) programs will be implemented:

### Investment Targets by Implementing Government Organisation

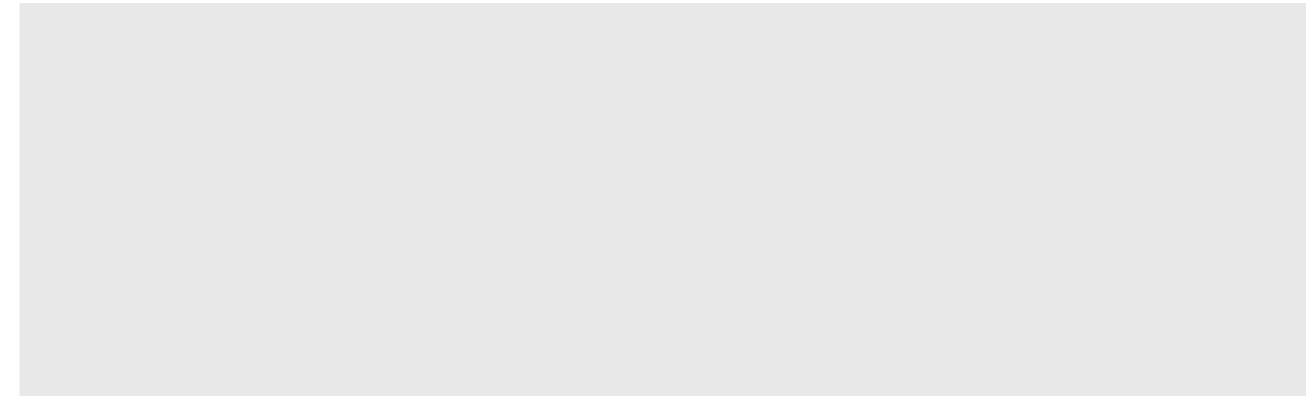
Ethiopian Geological Institute has the greatest number of PPAs with 16 PAPs (37.2 per cent), followed by the Ministry of Mines with 15 PAPs (34.9 per cent). The Mineral Industry Development Institute, with 12 PAPs (27.9 per cent), will implement the remaining PAPs. The Ethiopian Geological Institute has the higher investment target, with Birr 11.9 billion (67.7 per cent), followed by the Ministry of Mines, with Birr 4.2 billion (23.9 per cent).

**Table 9.3 MDIP Investment Targets by Implementing Agency**



Regarding the Financing Source , 43 PPAs will be implemented through the federal budget (treasury, grant and borrowing).

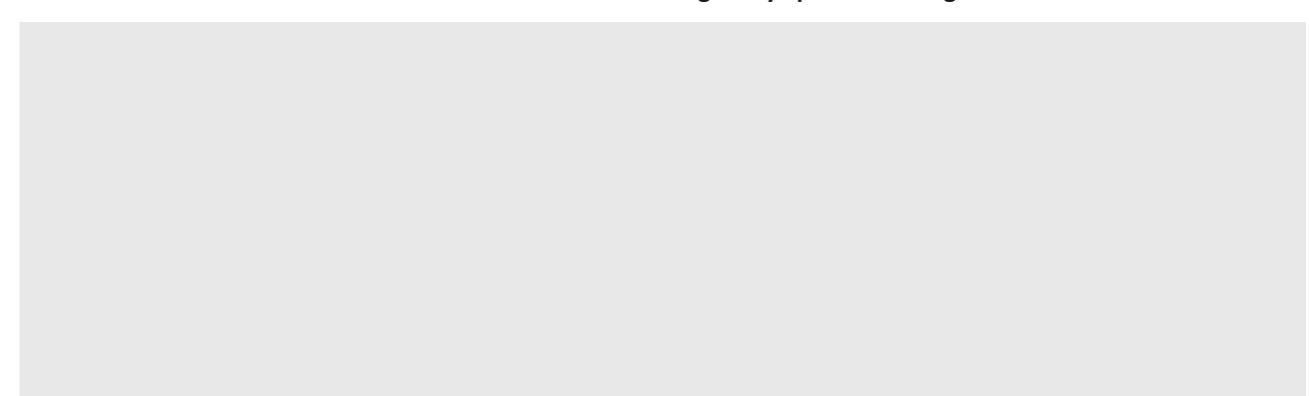
**Table 9.4 MDIP Investment Targets by Financing Source**



The geoscience and mineral exploration program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 11.6 billion (65.9 per cent), followed by the mineral industry research and development program with Birr 983 million (5.6 per cent).

Regarding the spatial coverage of the PPAs across the country, 20 of the PAPs (46.5 per cent) have nationwide coverage, while 22 projects have interregional coverage (51.2 per cent), and one project has region-specific coverage.

**Table 9.2 MDIP Investment Target by Program**



**Table 9.5 MDIP Investment Targets by Spatial Coverage**

# CHAPTER 10

## EXPANDING TOURISM ECONOMY

**E**xpanding economic opportunities in the tourism sector in the Ethiopian context is not only a strategic imperative but a transformative force for the country's sustained and inclusive growth. Ethiopia's diverse landscapes, historical sites, and cultural richness offer immense potential to attract global tourists. Ethiopia can stimulate economic growth and job creation by investing in tourism infrastructure, promoting sustainable practices, and leveraging its unique heritage and ecology. The strategic importance lies in diversifying the economy, reducing reliance on traditional sectors, and showcasing Ethiopia as a prominent player in the global tourism market. Tourism expansion also encourages community involvement, fostering local entrepreneurship and creating a more resilient and inclusive economy for its citizens.

The MDIP strategic outcomes in the tourism sector, including diversifying destinations and tourist products, strengthening financial capabilities and investments, and job creation, foreign earnings through international marketing, improving service delivery, and conserving wildlife and heritage, will yield significant economic outcomes. These outcomes encompass increased foreign exchange earnings, job creation, increased GDP contribution, and improved tourism infrastructure. These achievements will enhance destination competitiveness and promote long-term economic growth and sustainability.

The MDIP integrating the HGER II necessitates a multifaceted policy approach and a conducive environment to expand economic opportunities in the tourism sector. First and foremost, the government is committed to prioritising the development of tourism-related infrastructure and attractions, transportation, and accommodations to enhance accessibility. Creating an enabling environment through streamlined processes and investor-friendly policies will attract private sector investments. Moreover, implementing targeted marketing and promotional campaigns, both domestically and internationally, will boost the country's visibility as a tourist destination. Collaborative efforts between public and private stakeholders, alongside community engagement initiatives, are critical to ensure inclusive growth, local empowerment, and the preservation of the ecology and cultural heritage. Overall, a holistic policy framework and a supportive environment will be instrumental in unlocking the full potential of Ethiopia's tourism sector for inclusive and sustainable growth.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains six (6) strategic goals and thirty (30) core strategic functions and activities relevant to the policy area of expanding economic opportunities in the tourism sector. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the manufacturing sector result matrices and targets is presented in the appendix.

The Ministry of Tourism and its two accountable government organs will spearhead six (6) strategic goals and thirty (30) strategic core functions and

activities. The activities will also involve coordination with the line ministries mandated to manage and administer core functions relating to tourism, mainly the Ethiopian Investment Commission and the Ministry of Labour and Skills.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of expanding economic opportunities in the tourism sector amount to Birr 27.762 billion. The investment requirement is assumed to be covered by the federal government treasury. The investment supports attaining five (5) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 1.8 billion during the EFY 2023/24 – 2025/26. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

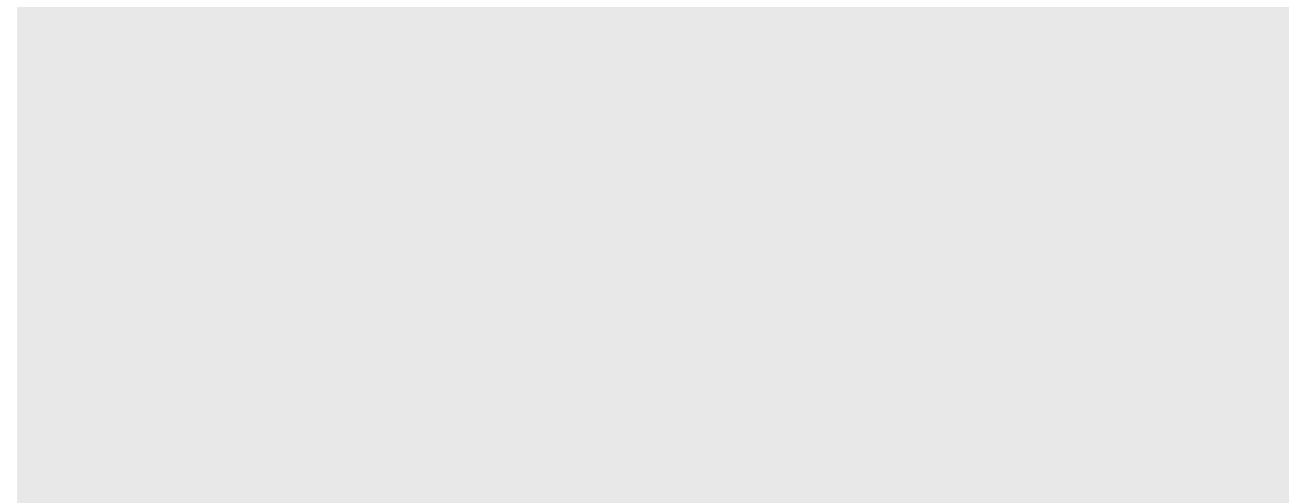
The strategic goal of diversifying tourism potentials and destinations through investment has a total investment target of Birr 12.3 billion. Ethiopia can attract a more diverse range of visitors by strategically investing in a broad array of tourist attractions, including historical sites, cultural festivals, wildlife reserves, and natural landscapes. The strategic importance lies in boosting tourism revenue, attracting foreign investments, and fostering economic growth. The expected strategic results include increased tourist arrivals, extended length of stays, and a more resilient tourism

sector. Moreover, diversified tourism offerings can spur investment in various regions, stimulating local economies, creating job opportunities, and contributing to a more equitable distribution of economic benefits across the country. Ultimately, the strategic diversification approach enhances Ethiopia's global appeal, supporting sustainable tourism growth and positioning the country as a dynamic and comprehensive destination on the international stage. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

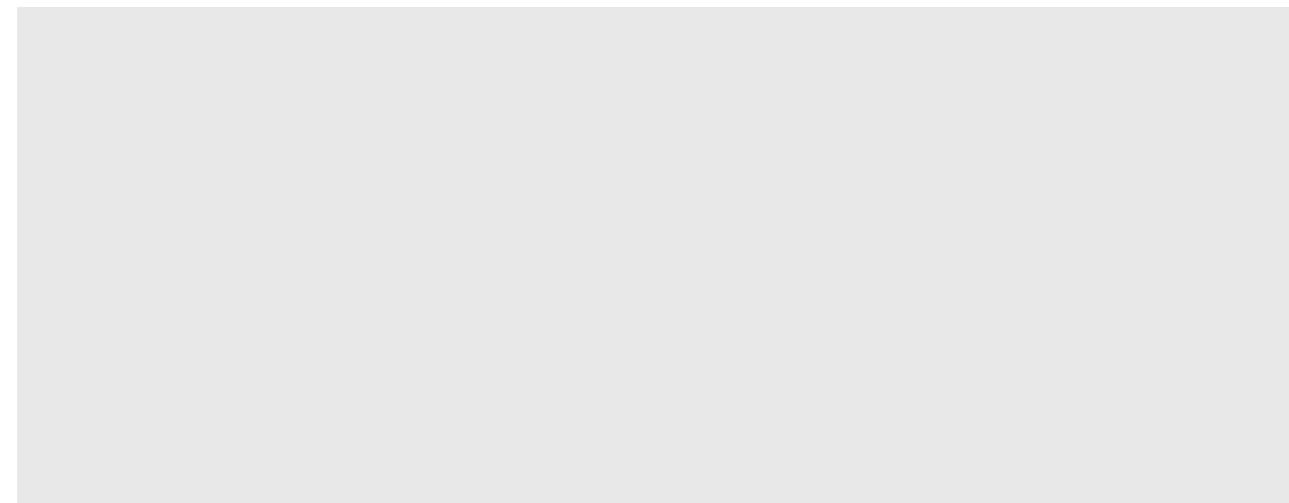
The strategic goal of strengthening international tourism marketing and promotion operations has a total investment target of Birr 530 million. Strengthening international tourism marketing and promotion operations and efforts enhances visibility, attracts a broader spectrum of international travellers, and establishes a positive perception of Ethiopia's diverse cultural, historical, and natural attractions. By effectively communicating Ethiopia's unique offerings through targeted campaigns, partnerships, and digital platforms, the country can

increase tourist arrivals, extend the length of stays, and diversify the tourism market. The expected strategic results encompass a thriving tourism sector, job creation, heightened international recognition, and the establishment of Ethiopia as a sought-after destination, contributing significantly to the nation's economic development and global standing. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

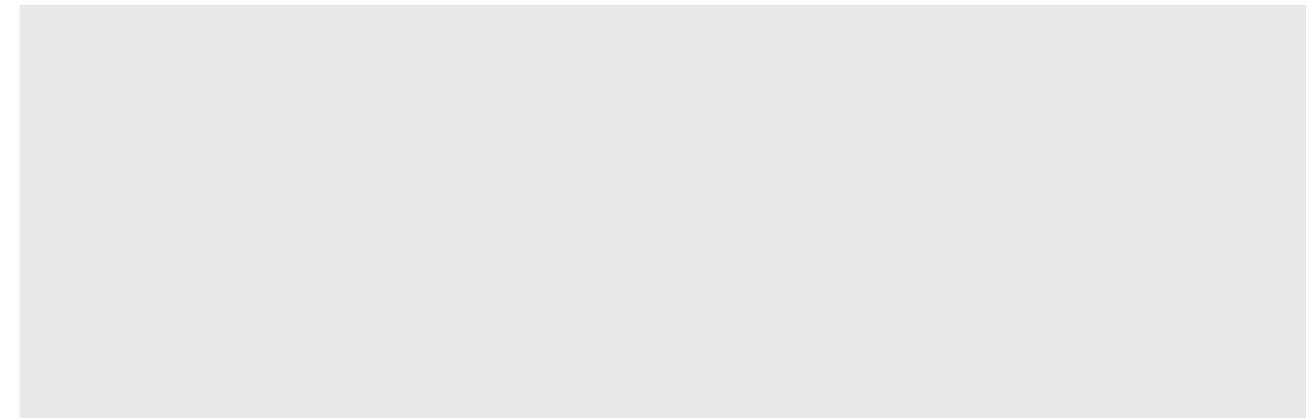
The strategic goal of improving the tourism sector's service delivery and excellence has a total investment target of Birr 403 million. Improving the tourism sector's service delivery and excellence is strategically relevant for enhancing visitor satisfaction, fostering repeat tourism, and elevating the country's overall tourism competitiveness. This strategic focus promotes a favourable tourism reputation and encourages positive word-of-mouth marketing, attracting more visitors. The expected strategic results include increased tourist loyalty, favourable online reviews, and a strengthened tourism industry.



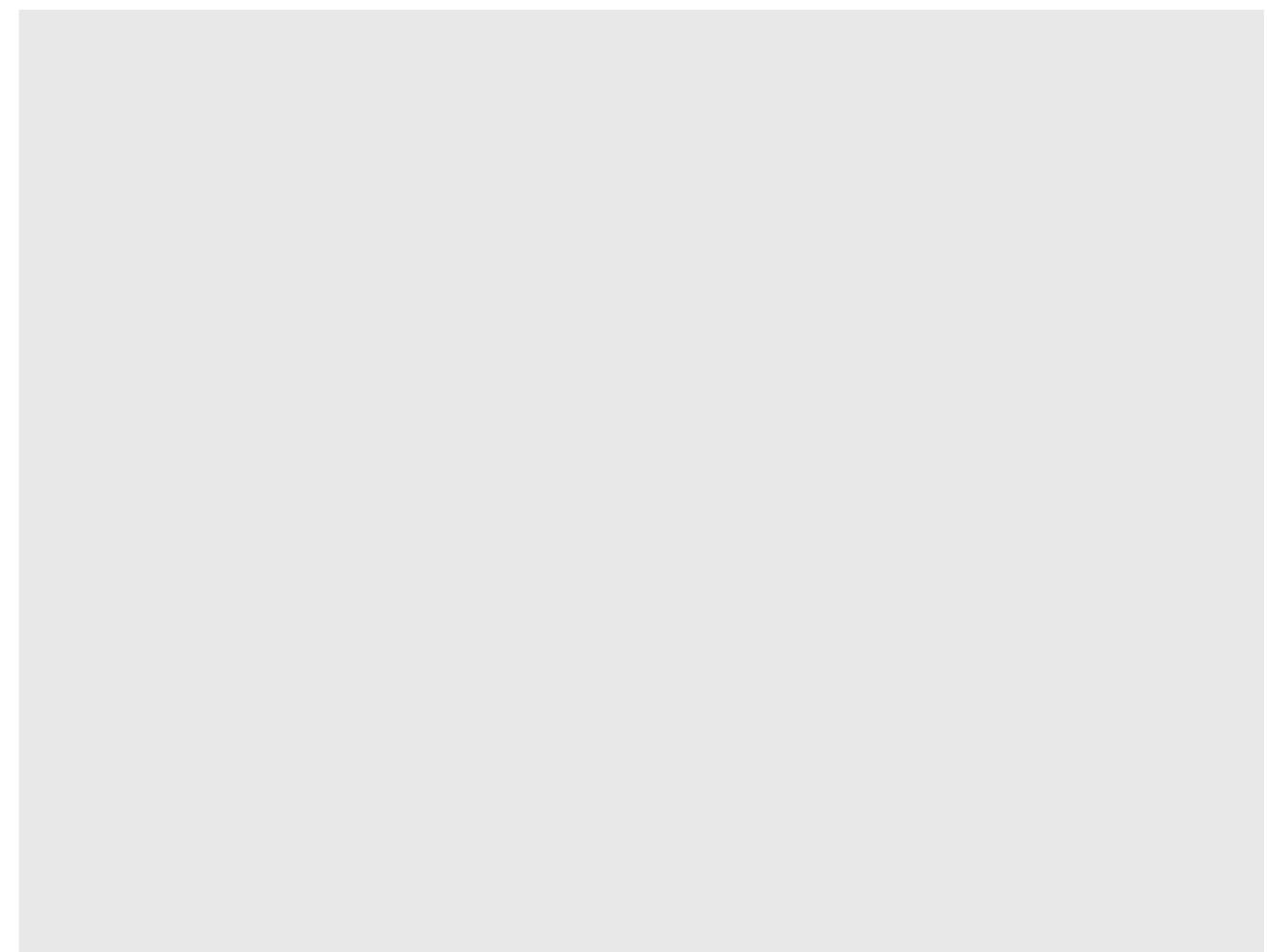
The strategic goal of promoting the conservation of wildlife has a total investment target of Birr 6.4 billion. By safeguarding the diverse ecosystems and unique wildlife habitats, Ethiopia can attract nature-loving tourists and position itself as a leading eco-tourism destination. This strategic emphasis not only contributes to the preservation of endangered species but also enhances the overall appeal of the country as a destination of ecological significance. The expected strategic results include increased



The strategic goal of promoting heritage conservation and development has a total investment target of Birr 6.2 billion. By safeguarding historical sites, monuments, and traditional practices, Ethiopia can showcase its unique heritage to both domestic and international visitors. This strategic focus strengthens cultural identity and positions Ethiopia as a leading cultural tourism destination. Heritage tourism can drive investments in infrastructure and local businesses, contributing to job creation



**Table 10.1 Resource Allocations by Policy Area and Strategic Goals**



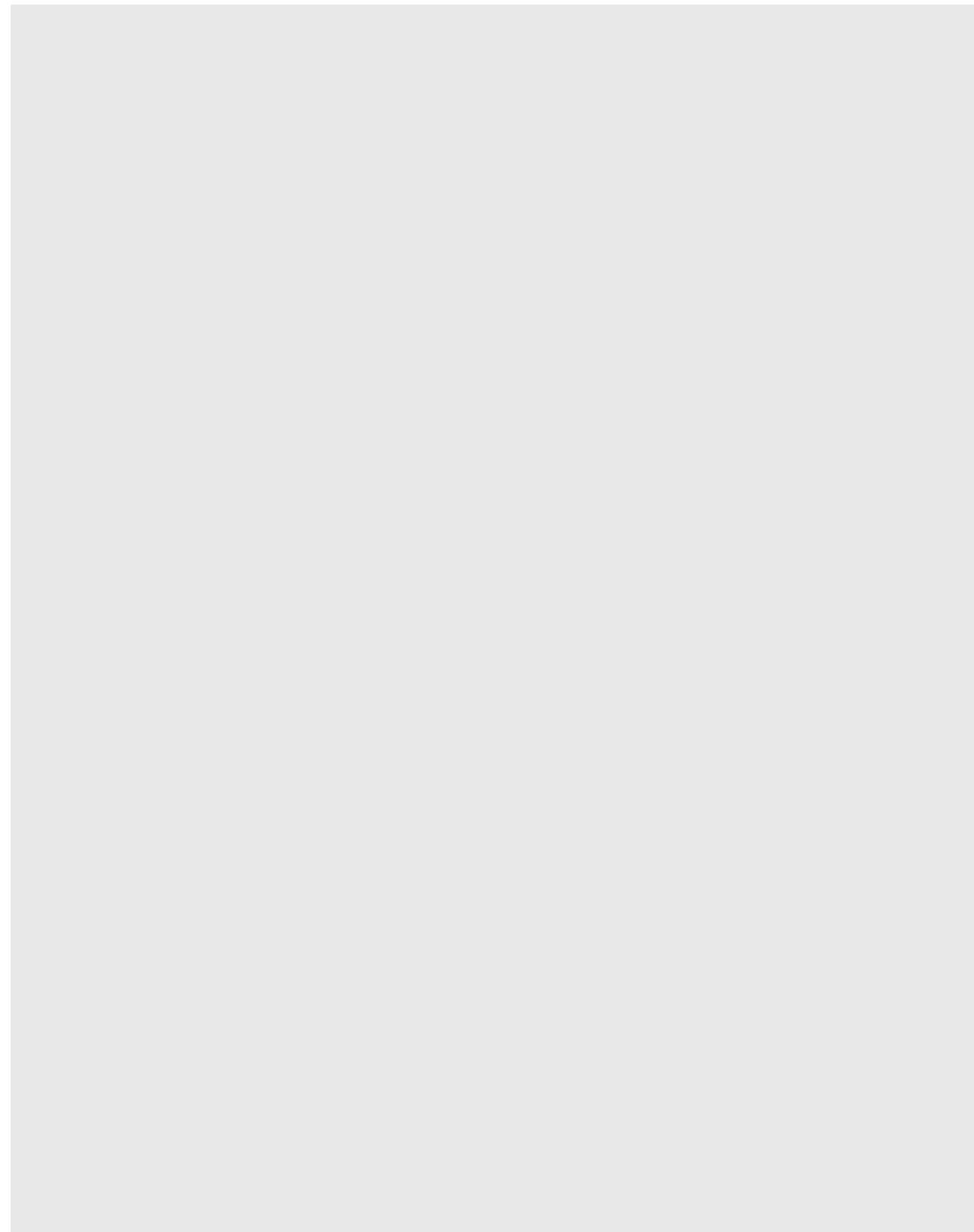
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II

monitoring framework. To achieve the strategic goals and results expected under the policy area of improving manufacturing industry capacity utilisation and growth, the following six (6) programs will be implemented.

During the MDIP period of EFY 2023/24 – 2025/26, the Tourism Destination and Infrastructure Development program has the highest investment targets with a total of Birr 12.3 billion (44.2 per cent), followed by the Wildlife Conservation and Protection program with Birr 6.4 billion (23.1 per cent), and Heritage Conservation and Development program with Birr 6.2 billion (22.5 per cent).

**Table 10.2 MDIP Investment Target by Program**

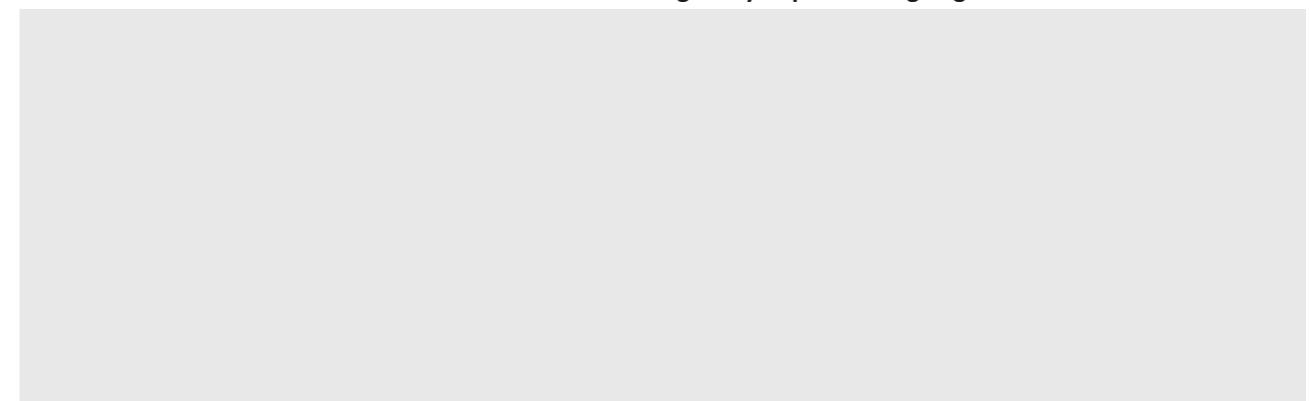


## Investment Targets by Implementing Government Organisation

The Ethiopia Wildlife Conservation Authority has the highest share with 27 PAPs (37.5 per cent), followed by the Ministry of Tourism with 26 PAPs (36.1 per cent), and the Ethiopia Heritage Authority will implement the remaining with 19 PAPs (26.4 per cent),

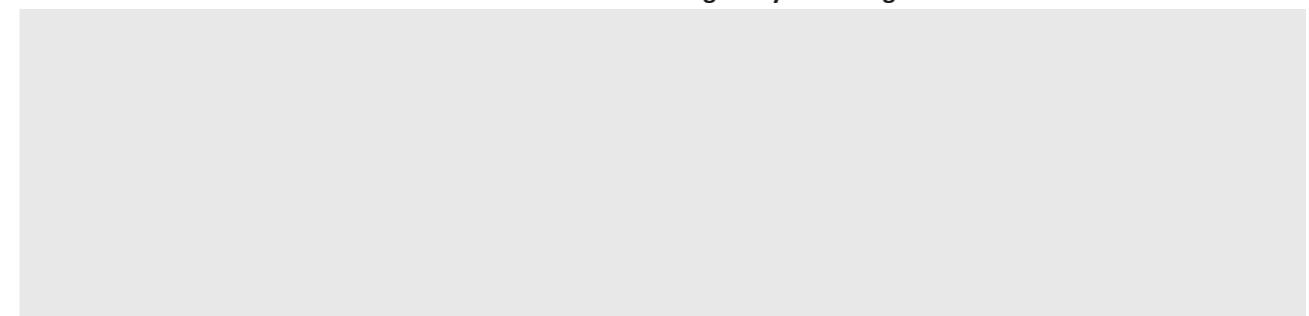
Ministry of Tourism and PMO has the higher investment target with Birr 11.2 billion (40.4 per cent), followed by the Ethiopian Wildlife Conservation Auth with Birr 7.3 billion (26.6 per cent). The Ethiopian Cultural Heritage Institute with Birr 6.4 billion (23.2 per cent) and Ministry of Tourism has a target of Birr 2.3 billion (9.7 per cent).

**Table 10.3 MDIP Investment Targets by Implementing Organs**



Regarding the Financing Source , 78 PPAs will be implemented through the federal budget (treasury, grant and borrowing).

**Table 10.4 MDIP Investment Targets by Financing Source**





Regarding the spatial coverage of the PPAs across the country, 48 of PAPs (61.5 per cent) have nationwide coverage, while Eighteen PAPs have region-specific coverage (23.0 per cent) and 12 have region- Interregional coverage (15.4 per cent).

**Table 10.5 PIP Investment Targets by Spatial Coverage**

# CHAPTER 11

## HARNESSING DIGITALIZATION AND INNOVATION TECHNOLOGY FOR GROWTH AND PROSPERITY

Digital technology presents a catalytic and transformative opportunity to address multi-faceted challenges and propel the country towards long-term sustainable, resilient, and inclusive economic growth and development. The strategic adoption of technology can bridge infrastructural and connectivity gaps, enhance sectoral productivity and competitiveness, and expand access to education and healthcare. Leveraging digital innovations like mobile banking and e-commerce can empower local businesses and entrepreneurs, fostering economic sustainability, resilience, and inclusivity. Moreover, technological transformation can improve governance and government service delivery, reduce corruption, and enhance transparency. By embracing a tech-driven approach, Ethiopia aspires to position itself at the forefront of the digital economy, attracting investments, fostering innovation and entrepreneurship, and ultimately driving shared prosperity for its citizens.

The government recognises the strategic importance of innovation and technology and treats the industry beyond an 'enabling sector'. It is the core of the fourth industrial revolution, advanced manufacturing technology. Together with other productive sectors of the economy, it is considered one of the main sources of industrialisation and economic growth. On the one hand, adopting innovative technologies and digital solutions streamline processes, improve efficiency, and reduce transaction costs, thus fostering a transformed trade and investment environment. On the other hand, producing high-value advanced manufacturing goods and services enhances productivity growth, expands the export base, and improves trade balances. The availability of advanced technologies, skilled labour, and a supportive innovation ecosystem attracts FDI inflows. These investments contribute to job creation, fostering economic diversification and sustainable development.

The TYDP emphasises fostering technology industries, supporting research and development, enhancing collaborations, and building human resource capacity. This policy area aligns with the Digital Ethiopia 2025 strategy, which integrates digital transformation into the broader development agenda. By prioritising digital innovation, Ethiopia aims to drive economic growth, improve service delivery, and achieve sustainable development goals. The MDIP integrating the HGER II supports strengthening the enabling environment to boost innovation and digital business, e-services, and e-commerce by creating a conducive support and regulatory environment that encourages innovation, promoting entrepreneurship and startup ecosystems, investing in research

and development, enhancing digital infrastructure and connectivity, and fostering partnerships with industry stakeholders and international players that support local innovation and technology actors. By prioritising these actions, the government aims to unlock the potential of the digital, innovation and technology sectors, driving economic diversification, job creation, and technological advancements that will propel Ethiopia towards a knowledge-based economy and sustainable development. These reforms are expected to result in increased digital business activities, improved access to e-services, expanded e-commerce opportunities, enhanced competitiveness in the global digital market, and ultimately contribute to sustainable, resilient, and inclusive economic growth, employment generation, and improved living standards for the Ethiopian population.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

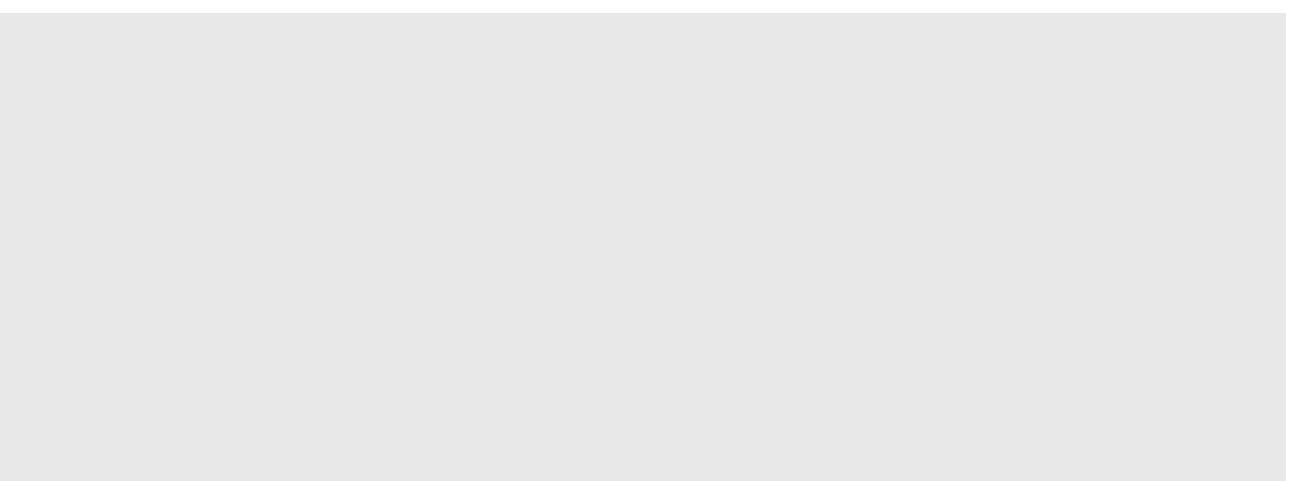
Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains five (5) strategic goals and twenty-eight (28) core strategic functions and activities relevant to the

policy area of harnessing innovation and technology for growth and prosperity, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the innovation and technology sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Innovation and Technology and other key technology sector-specific government executive organisations, including the Information Network Security Administration, Artificial Intelligence Institute, and the Ethiopian Communications Authority.

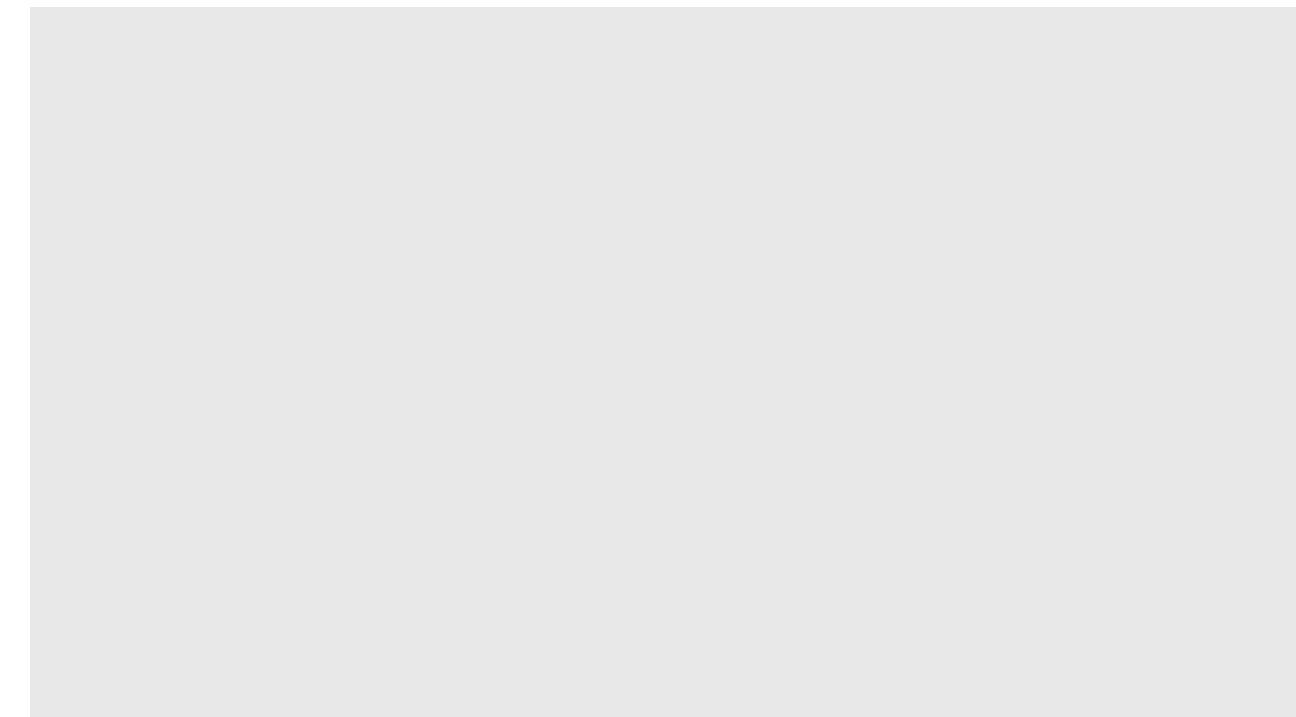
### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of harnessing digital technology for growth and prosperity amount to Birr 151,662 billion. The budget from the federal government is Birr 10.0 billion, 5.4 billion from development partners and 129.5 billion from state-owned enterprises. The investment supports attaining four (4) strategic goals.



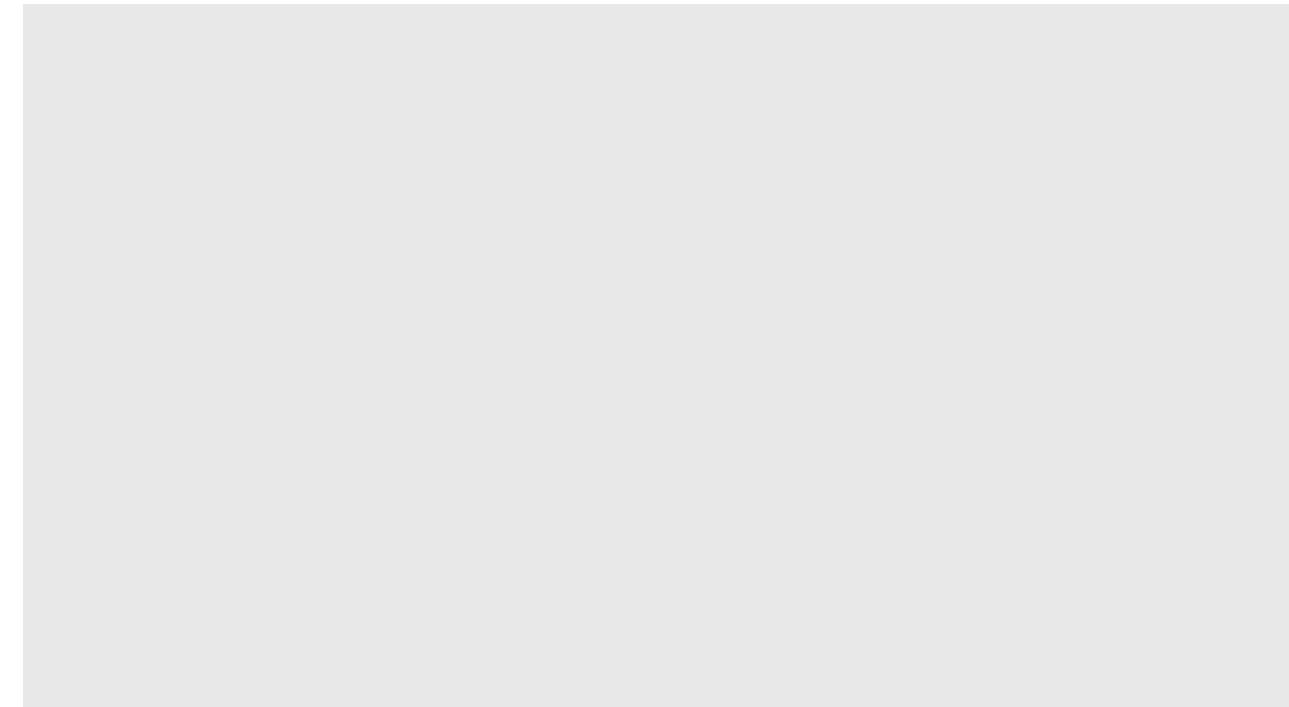
The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 5.1 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

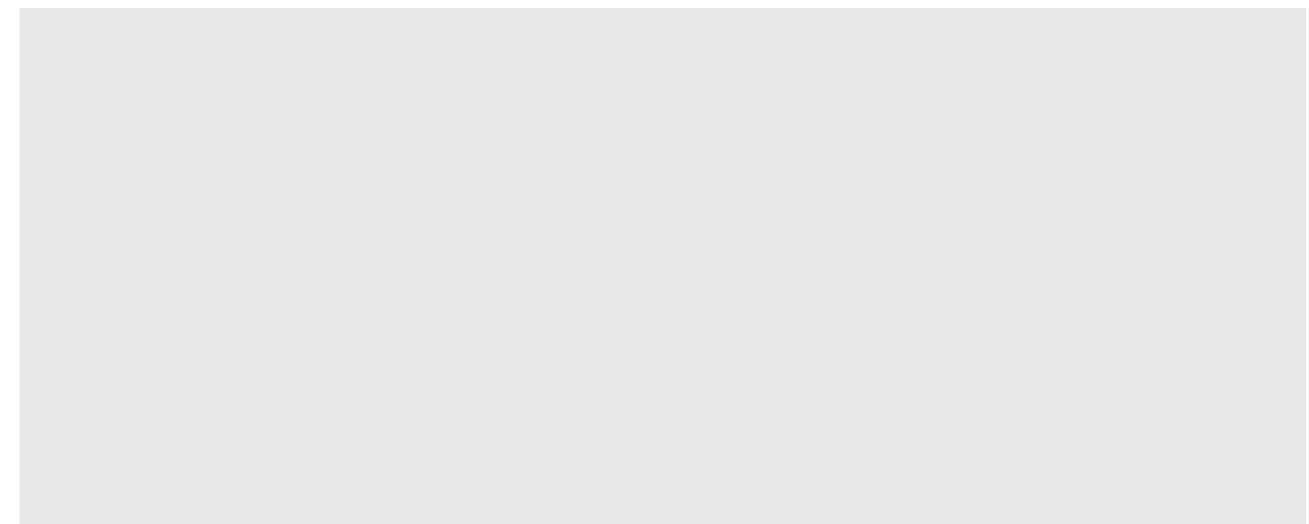


The strategic goal of harnessing digitalisation for government services and commercial systems has a total investment target of Birr 4 billion. The government can streamline government administrative processes and reduce bureaucratic inefficiencies by creating a conducive environment for adopting digital services. Digitalising government services can contribute to cost savings, optimise resource allocation, and lay the foundation for data-driven decision-making. Similarly, ensuring a supportive ecosystem for digital commerce can

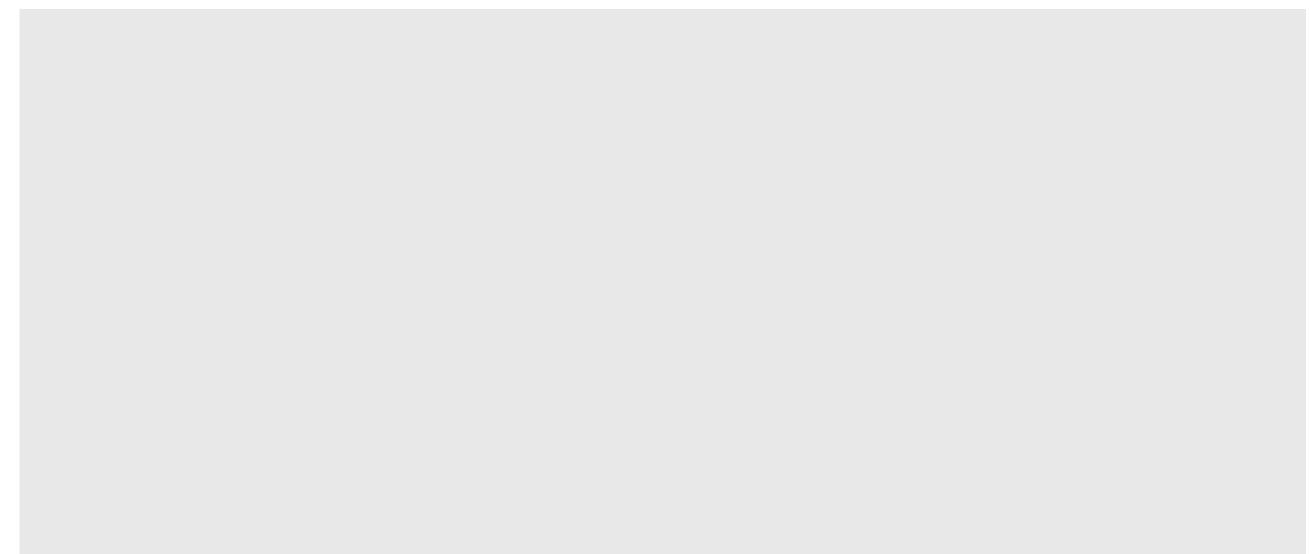
attract local and international investments, stimulate entrepreneurship, and drive the expansion of the country's digital economy. By leveraging technology, the strategic goal is to enhance the efficiency and reach of commercial activities, particularly for micro, small and medium enterprises (MSMEs). These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of enhancing national innovation capacity and technology transfer through R&D has a total investment target of Birr 2 billion. By investing in research and development, the government aims to foster a culture of innovation strategically, creating cutting-edge technologies, products, and solutions that address local challenges and meet international standards. Expected strategic results include the development of a knowledge-based economy, increased productivity across



The strategic goal of promoting high-tech industries has a total investment target of Birr 136 billion. Ethiopia can move up the value chain by investing in high-tech industries, diversify its economy, and reduce dependency on traditional industries. The strategic importance lies in harnessing innovation to enhance productivity, increase competitiveness, and attract FDI. Expected strategic results include the creation of high-skilled employment opportunities, the establishment of a robust technology ecosystem,



sectors, and the emergence of a vibrant startup ecosystem. Additionally, investing in R&D can lead to advancements in key areas such as agriculture, healthcare, and renewable energy, contributing to improved living standards and establishing Ethiopia as a leader in innovation within the African continent and beyond. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

and the development of globally competitive products and services. Moreover, this will foster a culture of continuous improvement and position Ethiopia as a regional hub for advanced technology industries, driving long-term economic prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening the regulatory ecosystem has a total investment target of Birr 287 million. Strengthening the regulatory ecosystem for ICT, innovation, and technology in Ethiopia is strategically crucial for unlocking the catalytic and transformative potential of the digital economy. The government aims to strengthen a supportive regulatory framework that encourages entrepreneurship, facilitates market entry for tech-driven startups and enterprises, and ensures fair

competition. Expected strategic results include increased domestic investment and FDI in the sector, the emergence of a dynamic startup ecosystem, and high-skilled job creation. An effective regulatory ecosystem can also enhance digital inclusion and promote data privacy and information network security. These strategic results are achieved through the effective execution of the following core strategic regulatory functions and activities.

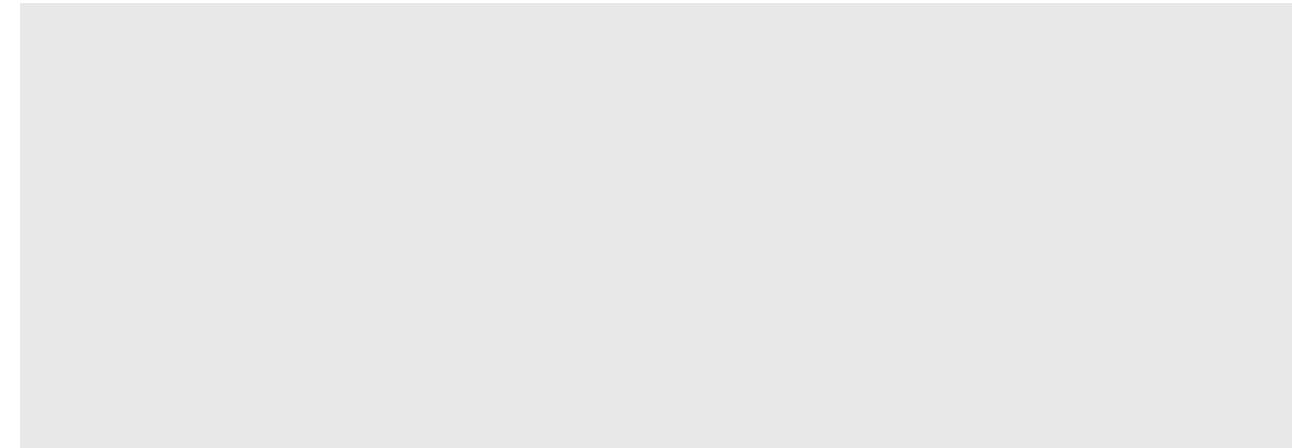
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of harnessing digital technology for growth and prosperity, the following five (5) programs will be implemented.

**Table 11.1 Resource Allocations by Policy Area and Strategic Goals**

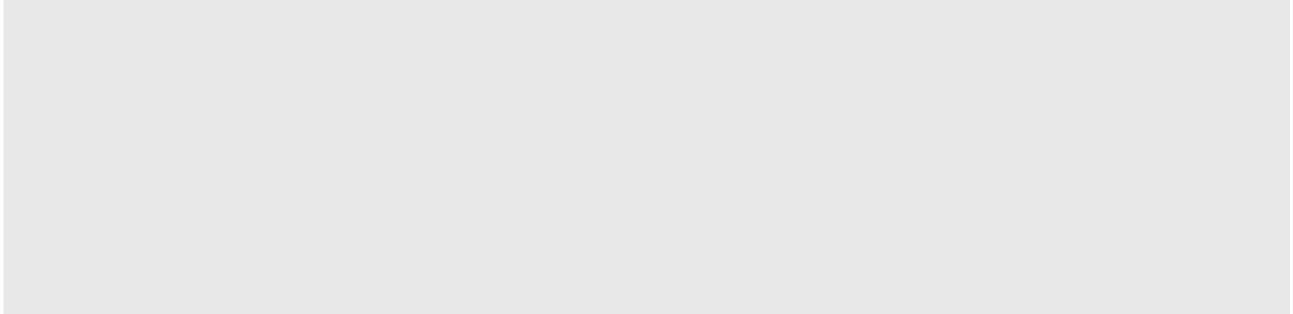
During the MDIP period of EFY 2023/24 – 2025/26, the digital infrastructure development program has the highest investment targets with a total of Birr 136.12 billion (93.9 per cent), followed by the digital economy and service digitalisation program with Birr 4.0 billion (2.8 per cent). The remaining investment targets are allocated to the STI research and development program, with Birr 2.04 billion (0.2 per cent).

**Table 11.2 MDIP Investment Target by Program**



Regarding the spatial coverage of the PPAs across the country, hundred fifty-eight (158) PAPs (99.6 per cent) have nationwide coverage, while one project has interregional coverage (0.6 per cent), and one project has region-specific coverage (0.6 per cent).

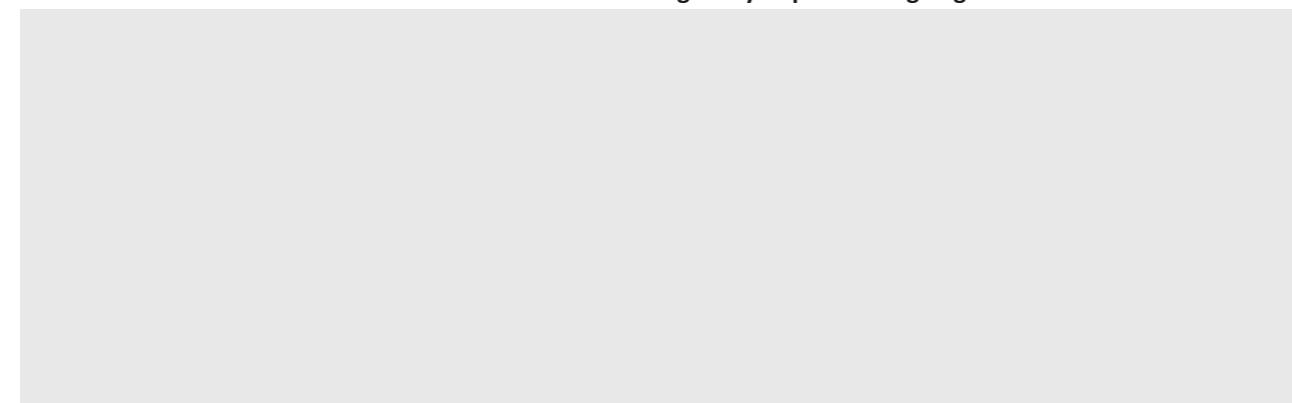
**Table 11.5 MDIP Investment Targets by Spatial Coverage**



### **Investment Targets by Implementing Government Organisation**

The Ministry of Innovation and Technology has the highest share with 49 PAPs (30.6 per cent), followed by the Artificial Intelligence Institute with 46 PAPs (28.1 per cent) and the Space Science and Geospatial Institute with 24 PAPs (15.0 per cent). Ethio Telecom has the higher investment target with Birr 129.52 billion (89.3 per cent), followed by the Ministry of Innovation and Technology with Birr 7.82 billion (5.4 per cent).

**Table 11.3 MDIP Investment Targets by Implementing Organs**



Regarding the Financing Source, one hundred thirty (130) PPAs will be implemented through the federal budget (treasury, grant and borrowing). The remaining twenty-nine (29) PPAs (18.1 per cent) will be carried out through partnerships between the government and development partners. A State-owned enterprise will implement one project.

**Table 11.4 MDIP Investment Targets by Financing Source**



## CHAPTER 12

### CONSTRUCTION INDUSTRY EFFICIENCY AND COMPETITIVENESS

Ethiopia's construction industry contributes about 21 per cent of the GDP at constant market prices, and this policy area remains essential for driving economic growth and job creation. Policy reforms and interventions, such as streamlining permitting processes, implementing advanced construction technologies, and promoting skill development, are expected to improve the overall efficiency of the construction sector. The expected result is a more competitive and dynamic industry that attracts domestic and foreign investments, accelerates project costliness and timelines, and delivers high-quality infrastructure. This strategic focus addresses the country's growing infrastructure needs and stimulates sustained, resilient, and inclusive growth associated with construction. Moreover, a competitive construction industry positions Ethiopia as an attractive destination for both domestic and foreign investors.

Improving construction industry efficiency can result in faster project completion times and reduced costs, which is crucial for Ethiopia's ambitious infrastructure development plans. Timely construction project delivery would enable the country to meet its infrastructure needs and support economic growth. Additionally, increased competitiveness in the construction industry can attract domestic and foreign investment. A competitive construction sector that offers quality services at competitive prices can encourage private sector participation and stimulate economic activity.

A thriving construction industry also creates employment opportunities, which helps reduce unemployment and improves living standards. Moreover, the industry provides opportunities for skill and entrepreneurship development. Attracted FDI in this sector facilitates the transfer of knowledge, skills, and entrepreneurship culture, which can contribute to modernising and upskilling the Ethiopian workforce in the construction industry. It also promotes adopting and transferring advanced technologies and best practices within the construction industry, ensuring long-term sustainability. These advancements and best practices include adopting energy-efficient and environmentally friendly designs, aligning with Ethiopia's commitment to sustainable development and climate change mitigation.

The MDIP integrating the HGER II necessitates a multifaceted policy approach and a conducive environment to enhance construction industry efficiency and competitiveness. Recognising the potential of the industry to play in Ethiopia's industrial transformation, job creation, and raw material import substitutions, the MDIP emphasises construction industry reform as one of the key sources of strengthening domestic productive capacity. During

the MDIP period from EFY 2023/24 to 2025/26, the priority will be to create an enabling environment by streamlining regulations, strengthening local content policy that promotes linkages with the domestic mining and manufacturing industries, promoting sustainable extraction and supply of construction raw materials, investing in skills development by aligning higher education and TVT differentiation with the industry needs. This will enhance the efficiency of construction project management practices, promoting public-private partnerships and providing access to finance and credit facilities, further enhancing the industry's competitiveness.

### **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains two (2) strategic goals and five (5) core strategic functions and activities relevant to the policy. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the construction sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Urban and

Infrastructure and its two accountable government organisations, including the Ethiopian Construction Authority and Construction Management Institute. Effective coordination and synergy among several government organisations enhance the effective implementation of initiatives and policies related to the construction industry in Ethiopia. More specifically, alignment with the Ministry of Mines and Ministry of Industry regarding the adoption of a local content policy that promotes linkages with the domestic mining and manufacturing industries and with the Ministry of Labour and Skills and Ministry of Education regarding an efficient investment in skills and technology development by aligning higher education and training differentiation with the construction industry needs.

### **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of enhancing construction industry efficiency and competitiveness amount to Birr 219.7 billion. The budget from the federal government is Birr 19.9 billion, and Birr 70.5 billion from development partners. The investment supports attaining two (2) strategic goals.

The government is also committed to modernising and advancing the development and regulation system of the construction industry. By implementing efficient and transparent regulatory frameworks, Ethiopia can streamline construction processes, reduce bureaucratic hurdles, and enhance overall industry governance. The expected results include an expedited project delivery timeline, improved construction standards, and increased investor confidence. This strategic initiative addresses the growing infrastructure demands and stimulates

economic growth, creating job opportunities and fostering innovation in the construction sector. A modernised regulatory system ensures accountability, promotes fair competition, and creates resilient and well-planned urban environments, aligning with Ethiopia's vision for sustainable, resilient, and inclusive development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

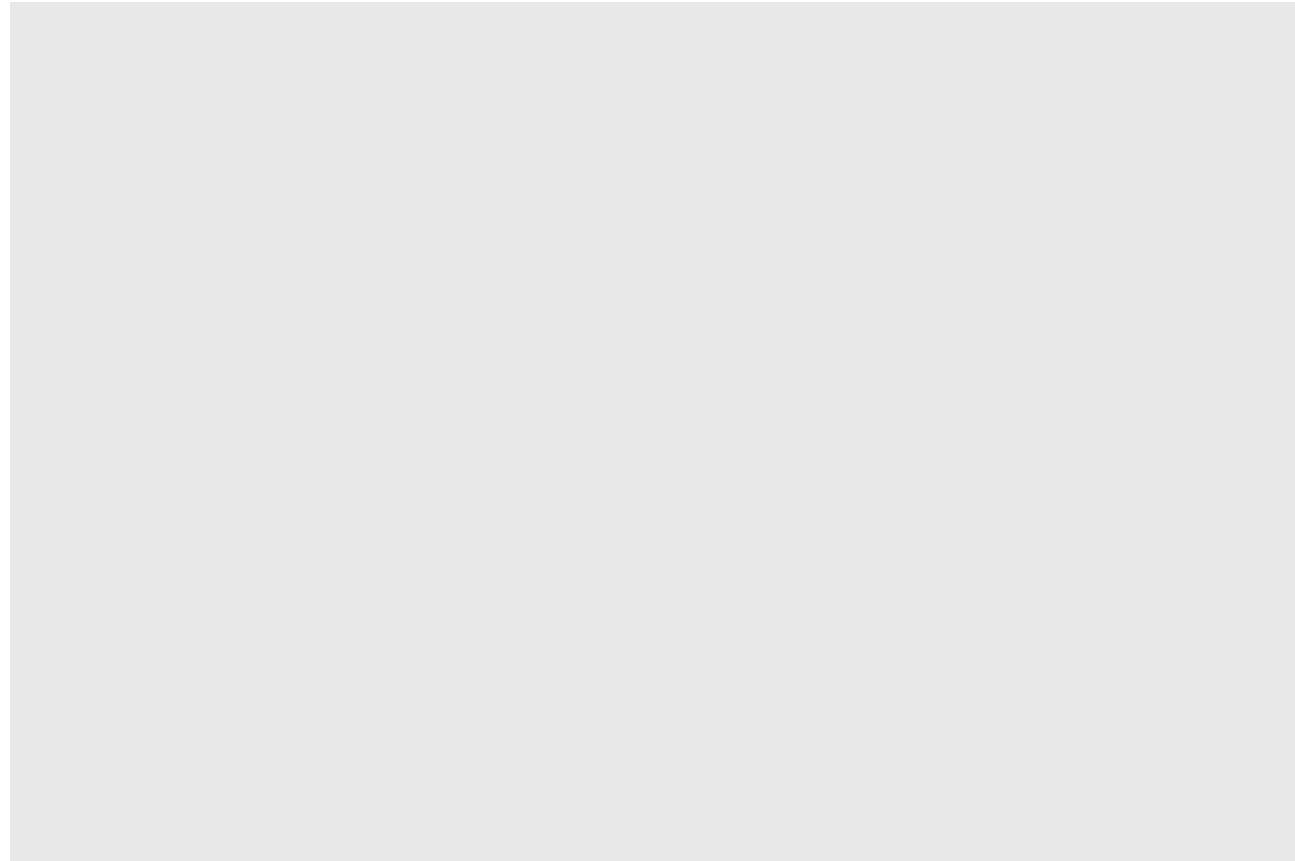
**Table 12.1 Resource Allocations by Policy Area and Strategic Goals**

A single, consolidated program with a total investment target of Birr 19.9 billion supports both strategic goals. The essence and relevance of enhancing the integration and coordination of national infrastructure projects lie in the government's best interest and ability to streamline, optimise, and harmonise diverse infrastructure projects and initiatives across the country. With the country undergoing rapid economic transformation and urbanisation, a well-coordinated and integrated approach infrastructure development approach ensures that various infrastructure projects, including transports and logistics, energy, and water projects, align seamlessly to optimise resources

and avoid duplication of efforts and resources. The expected results encompass improved project delivery timelines, enhanced infrastructure quality, increased cost-effectiveness, attracting domestic and foreign investments, increased growth and jobs, and increased competitiveness. Furthermore, streamlined infrastructure integration supports the development of a resilient, interconnected, and sustainable infrastructure network, essential for access to the market, trade flows, and overall economic growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

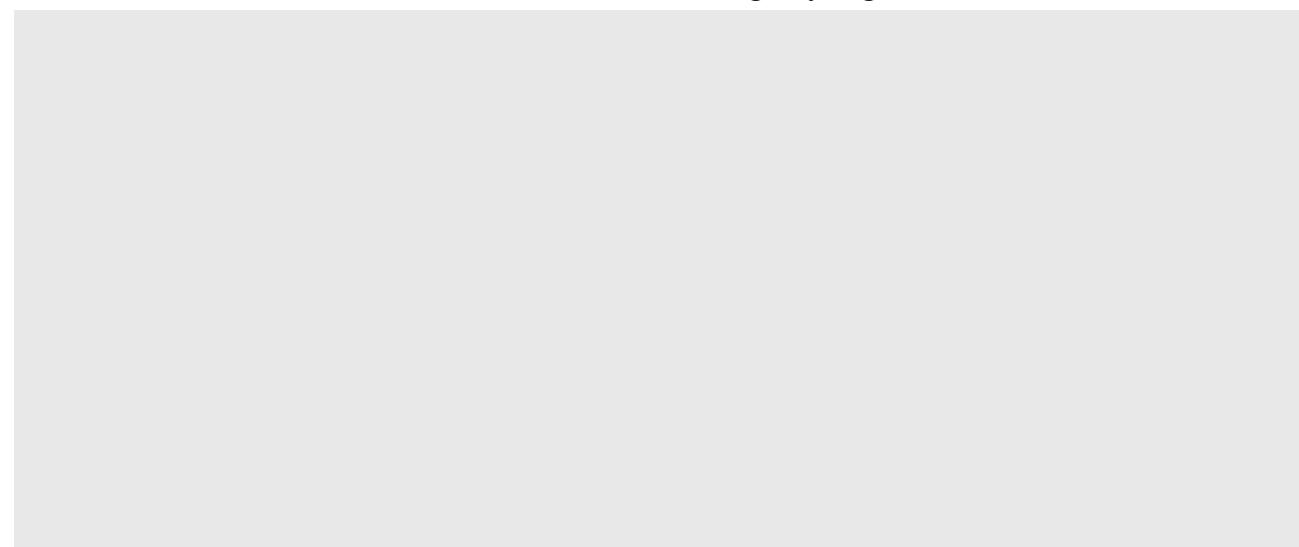
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during the MDIP period from EFY 2023/24 to 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area, the following three (3) consolidated programs will be implemented.



The federal government buildings development program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 16.4 billion (81.9 per cent), followed by the construction industry management and regulation program Birr 3.5 billion (17.6 per cent). The national infrastructure integration and coordination has the least investment targets of Birr 72 million (0.5%).

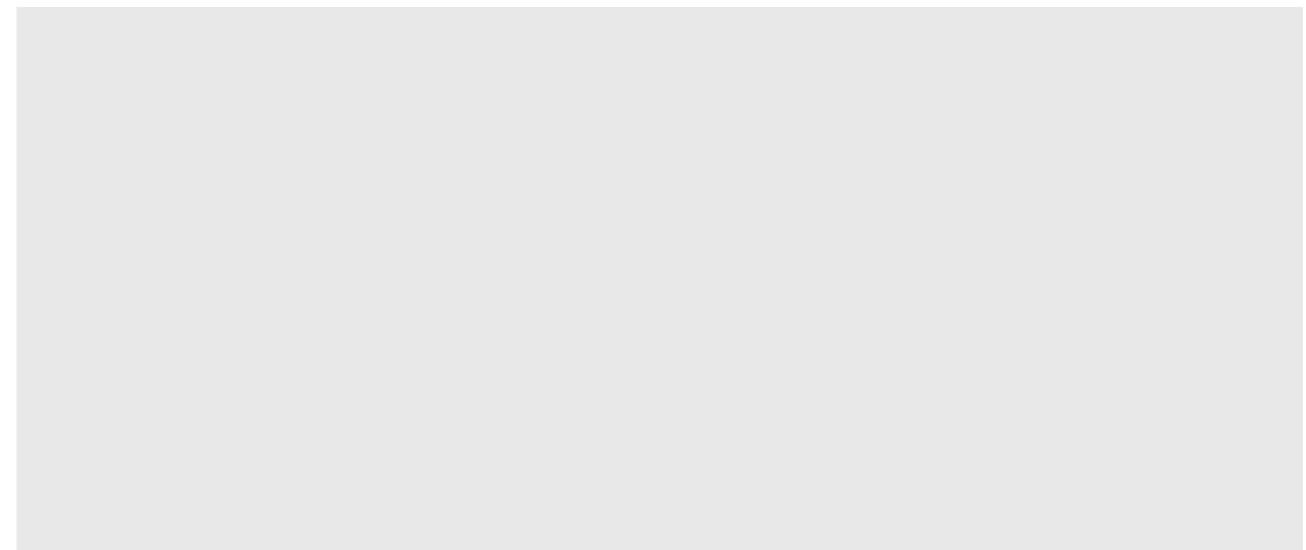
**Table 12.2 MDIP Investment Target by Program**



## Investment Targets by Implementing Government Organisation

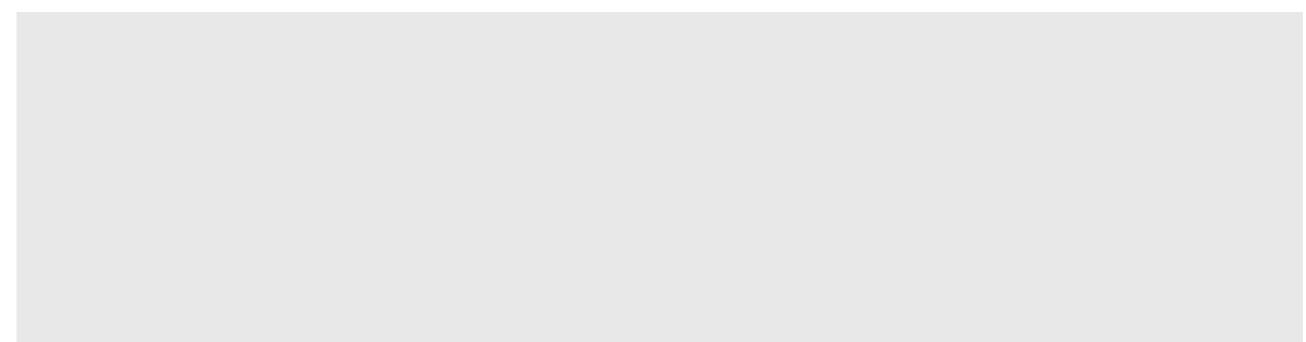
The Construction Management Institute has the highest number of PPAs, with 15 (42.9 per cent), followed by the Ministry of Urban and Infrastructure with 13 (37.1 per cent) and the Ethiopian Construction Authority with 7 (20 per cent). Similarly, the Ministry of Urban and Infrastructure has the higher investment target with Birr 16.7 billion (83.4 per cent), followed by the Ethiopian Construction Authority with Birr 2.04 billion (10.2 per cent), and the Ethiopian Construction Management, with a target of Birr 1.3 billion (6.4 per cent).

**Table 12.3 MDIP Investment Targets by Implementing Organs**



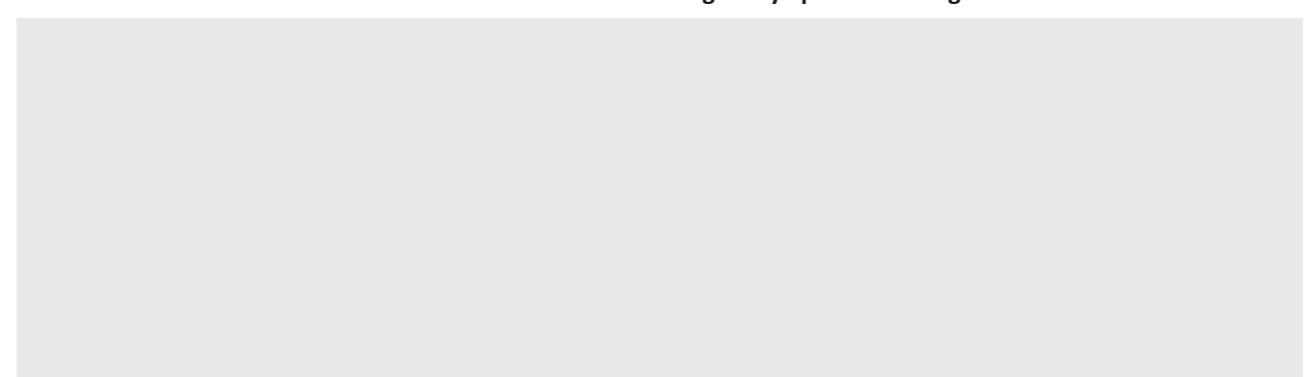
Regarding the Financing Source , 35 PPAs will be implemented through the federal budget (treasury, grant and borrowing).

**Table 12.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs across the country, 35 PAPs have nationwide coverage (100 per cent).

**Table 12.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 13

## RESILIENT AND SMART URBANISATION

Urbanisation is a global phenomenon that has the potential to shape and transform societies. As Ethiopia continues its development and economic growth journey, it becomes paramount to ensure safe, resilient, and smart urbanisation. Emphasising these aspects of urbanisation can play a pivotal role in contributing to Ethiopian development and economic objectives. By addressing the challenges associated with urban growth and harnessing its opportunities, the government aims to support sustainable and inclusive cities that serve as engines of growth, enhance the quality of life, and propel the nation towards its goals.

The government is committed to ensuring safe, resilient, and smart urbanisation to address rapid urban growth, enhance overall quality of life, and foster sustainable development. Strategic urban planning is critical to creating safe and resilient cities that can withstand natural disasters and other challenges. Implementing smart technologies, such as efficient transportation systems and digital infrastructure, enhances resource management and citizen services. This approach improves urban living conditions, attracts investments, and supports economic growth. Additionally, prioritising inclusivity in urban development ensures that the benefits of urbanisation are equitably distributed, contributing to social cohesion and reducing inequality. The strategic essentials lie in creating urban spaces that are not only safe and resilient but also technologically advanced, promoting a high quality of life and positioning Ethiopian cities as hubs of innovation and economic activity.

During the MDIP, several priorities and an enabling environment will be emphasised to support the future goal of ensuring safe, resilient, and smart urbanisation in Ethiopia. Key focus areas include urban governance reform, leveraging technology and digitisation for efficient urban services, developing well-connected urban corridors, addressing housing affordability, modernising the real estate market, enhancing social protection programs, promoting urban agriculture, reforming land access and use, and enforcing urban plans. By implementing these measures, Ethiopia aims to achieve sustainable urban development and improve the quality of life for urban residents, contributing to the country's socio-economic progress.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains four (4) strategic goals and nineteen (19) core strategic functions and activities relevant to the policy area of Ensuring Safe, Resilient, and Smart Urbanization in Ethiopia, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the energy sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Urban and Infrastructure.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 3.02 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

## TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring safe, resilient, and smart urbanisation amount to Birr 193.5 billion. The budget from the federal government is Birr 4.7 billion, and Birr 19.8 billion is from development partners. The budget from a partnership between the federal government and development partners is Birr 11.03 billion, from the foreign loans is Birr 75.0 billion, and from the federal and regional governments budget is Birr 83.0 billion. The investment supports attaining four (4) strategic goals.

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of enhancing urban governance, service delivery and institution building has a total investment target of Birr 17.4 billion. The government is committed to establishing a well-functioning urban governance system that ensures transparent decision-making, fosters community participation, and aligns policies with the needs of urban residents. Improved service delivery, including infrastructure, education, and healthcare, enhances the quality of life and contributes to social and economic urban development. Institution-building strengthens

the capacity of local and urban authorities to plan and manage urban growth and municipal services efficiently. The expected result is the creation of well-governed, responsive, and inclusive urban areas that meet the diverse needs of residents, ultimately fostering social cohesion, attracting investments, and positioning cities as centres of innovation and prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing urban housing development and marketing system has a total investment target of Birr 158.2 billion. Ethiopia's housing and renting industry contributes about 4.7 per cent of the gross domestic product (GDP at constant market prices), and investments in housing development are crucial to meet the increasing demand for affordable and sustainable living spaces. A well-functioning property valuation and marketing system is expected to ensure efficient allocation of housing resources, attract investments, and facilitate homeownership. This strategic focus

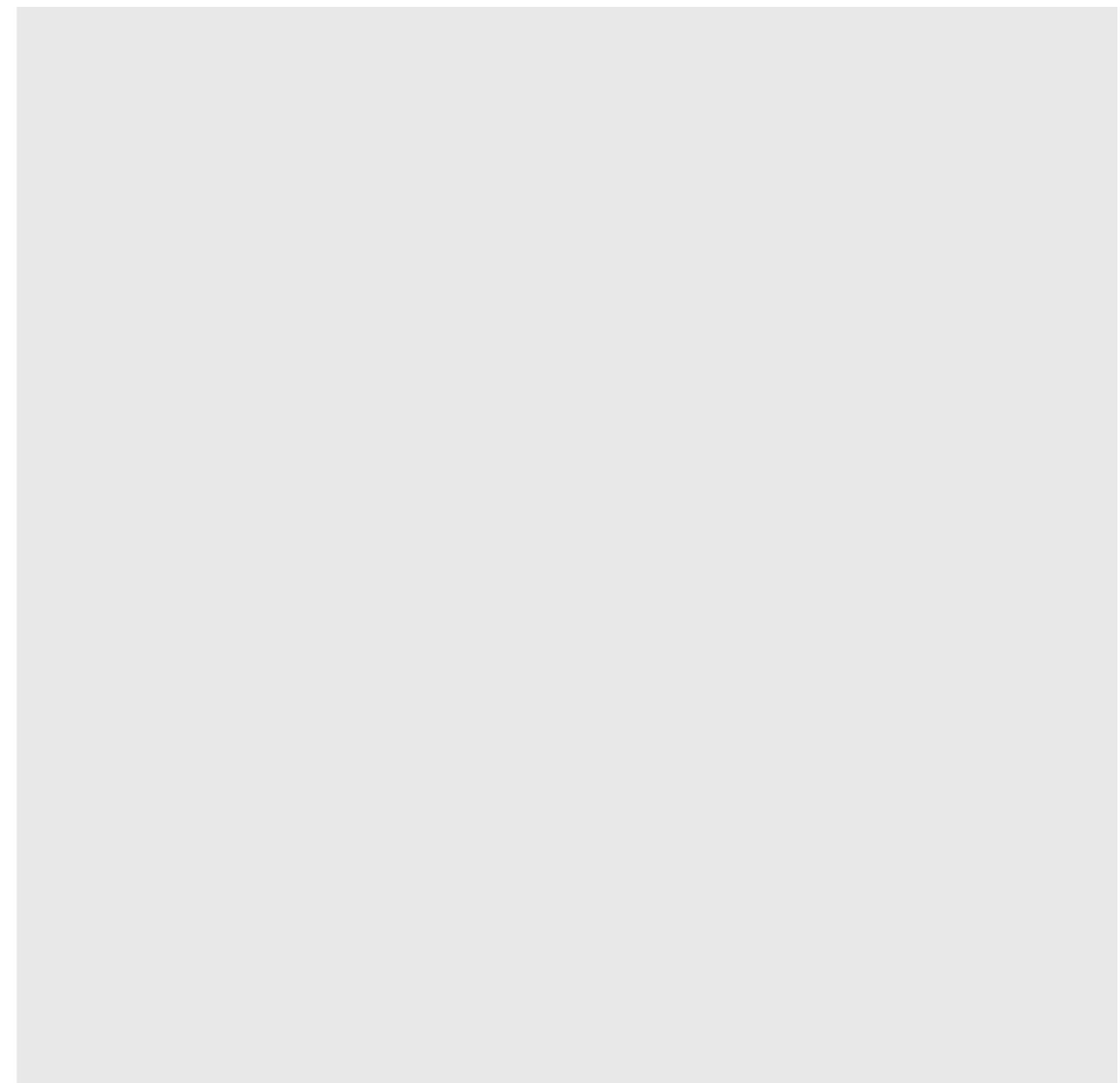
The strategic goal of enhancing urban infrastructure has a total investment target of Birr 14.9 billion. The strategic objective of enhancing the development and provision of quality urban infrastructure helps foster safe, resilient, and smart urbanisation, drive sustainable and inclusive economic growth, and improve living conditions. Strategic investments in modern and resilient urban infrastructure, including transportation, utilities, and public spaces, contribute to increased efficiency, connectivity, and attractiveness. The expected result is the creation of vibrant, liveable urban environments that

accommodate the needs of a growing population, attract businesses, and stimulate economic activities. Additionally, improved infrastructure enhances the quality of public services, fosters job creation, and addresses challenges associated with rapid urbanisation. This strategic focus aligns with national development goals, creating a foundation for resilient and well-planned urban spaces that enhance residents' overall quality of life and contribute to the country's prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 13.1 Resource Allocations by Policy Area and Strategic Goals**

## PROGRAMS AND INVESTMENT TARGET

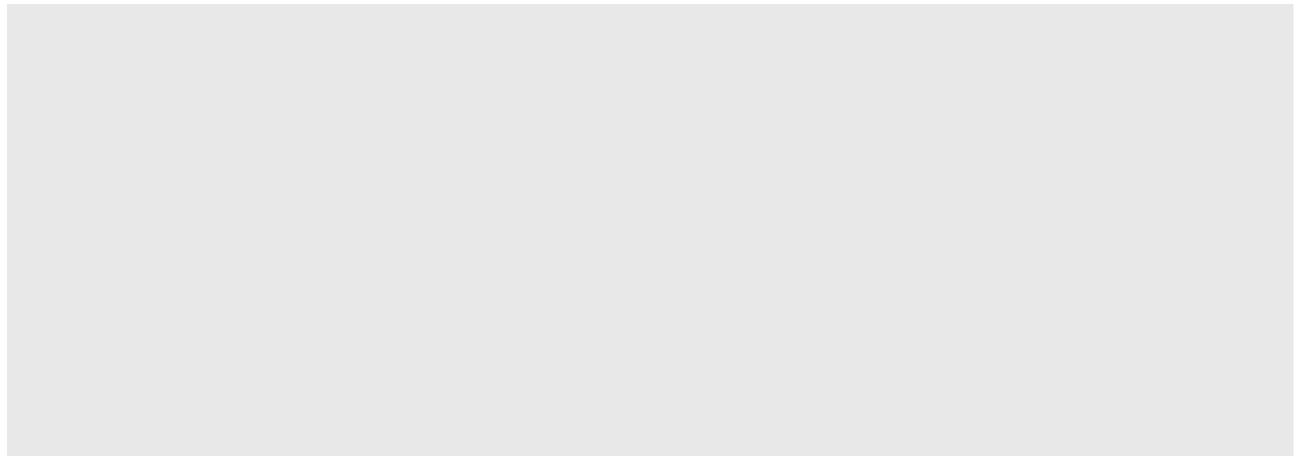
The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring safe, resilient, and smart urbanisation, the following five (5) programs will be implemented.



*The program focuses on providing infrastructure projects that contribute to urban communities' economic development, social well-being, and environmental sustainability. Its main objective is to ensure the provision of quality and standardised infrastructure. Additionally, the program emphasises green infrastructure, which involves the development of sustainable and environmentally friendly infrastructure systems, such as green spaces, renewable energy installations, and climate-resilient transportation and logistics systems.*

The housing development and property valuation program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 158.2 billion (81.8 per cent), followed by the urban infrastructure development program with Birr 14.9 billion (7.7 per cent). The remaining investment targets are allocated to the urban governance and service delivery program, with Birr 11.6 billion (6 per cent), and the urban planning and land management program, which has a budget of Birr 5.8 billion (3 per cent).

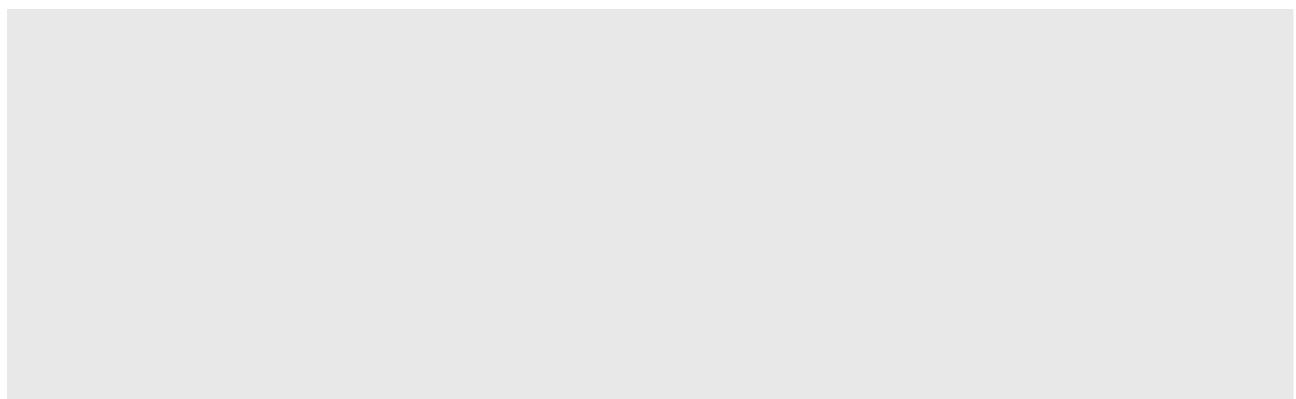
**Table 13.2 MDIP Investment Target by Program**



### **Investment Targets by Implementing Government Organisation**

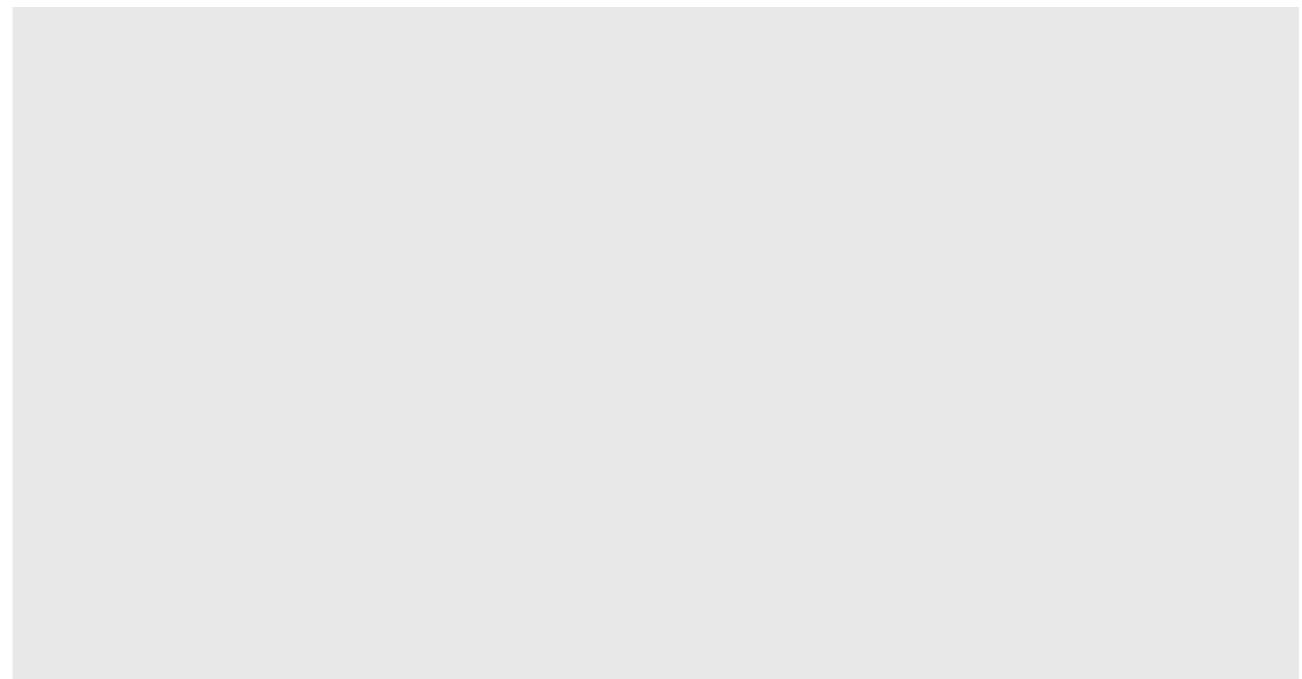
Under this policy area, the Ministry of Urban and Infrastructure will implement sixty-eight (68) PAPs with an investment target of Birr 193.5 billion

**Table 13.3 MDIP Investment Targets by Implementing Agency**



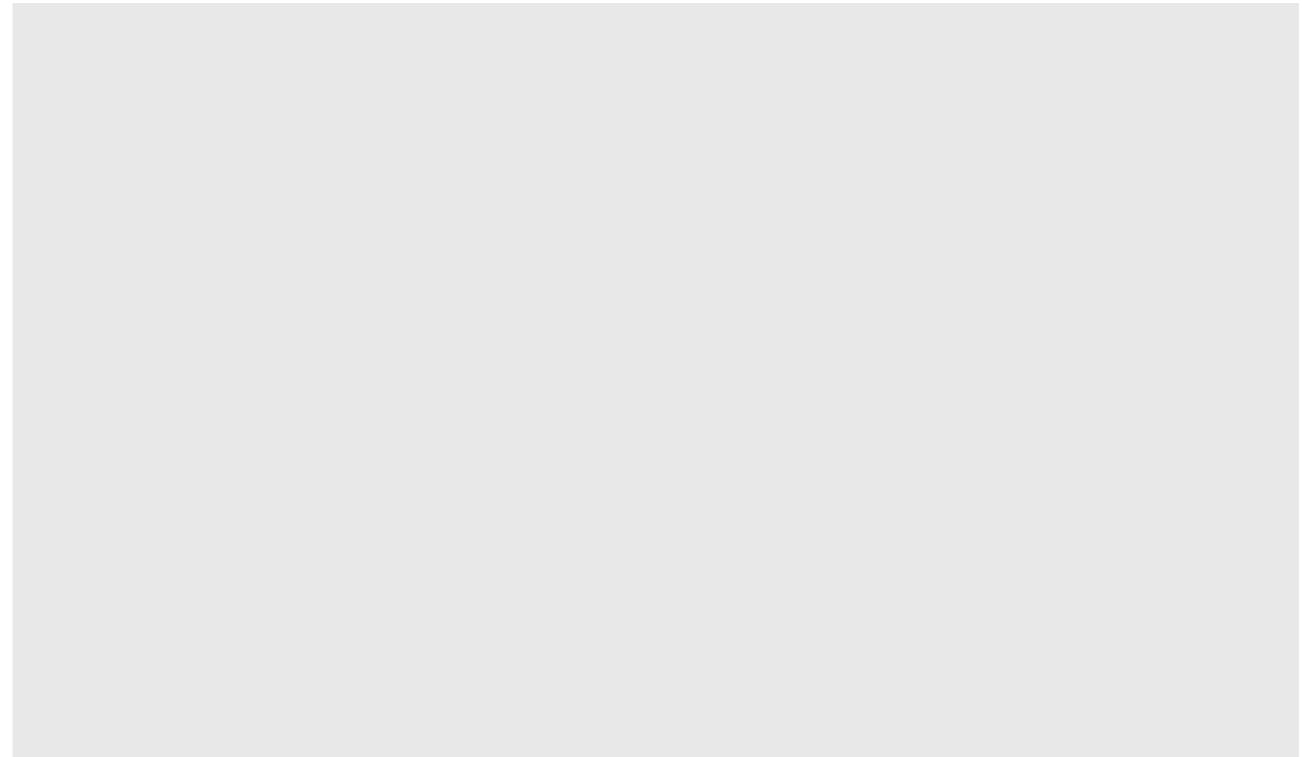
Regarding the Financing Source , fifty-five (55) PPAs (80.8 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The nine (9) PPAs (13.2 per cent) will be carried out by a partnership between the federal government and development partners, three (3) PPAs (4.4 per cent) will be carried out by the development partners, one (1) project by foreign loan and additional one interregional project by the partnership between the federal and regional government.

**Table 13.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs, fifty-eight (58) of PAPs (85.3 per cent) have nationwide coverage, while ten (10) PPAs have interregional coverage (15 per cent).

**Table 13.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 14

## SUSTAINABLE MANAGEMENT OF WATER AND SANITATION

**T**his policy area broadly addresses the three persistent, sustainable development challenges related to water resources: ensuring integrated and sustainable water resource management, clean drinking water access, and sanitation and hygiene. Ensuring sustainable water resource management, clean drinking water access, and sanitation and hygiene in the Ethiopian context holds fundamental policy relevance for fostering public health and well-being, environmental sustainability, and socioeconomic progress.

Ethiopia faces challenges related to limited drinking water supply, inadequate sanitation facilities, and waterborne diseases. Prioritising comprehensive and integrated water management policies addresses these issues, promoting the efficient utilisation of water resources and mitigating the impact of climate change on water availability. Providing widespread access to drinking water and improving sanitation and hygiene practices enhances public health and improves living standards. This policy aligns with broader national development goals as formulated in the ten-year development plan (TYDP), including achieving UN sustainable development goals and Africa Agenda 2063 by expanding and improving access to drinking water and sanitation facilities.

As its long-term development policy is inclined towards ensuring people- and planet-centred prosperity, the government is committed to ensuring everyone has access to sustainable water and sanitation services and achieving universal coverage by 2030. Besides investing in water infrastructure and facilities, the government continues to implement climate-smart initiatives to build domestic climate change adaptation capacity and resilience against the recurrent droughts exacerbating water scarcity in drought-affected areas of the country. Ethiopia also ensures sustainability and water resources' availability for future generations by protecting water sources and ecology, promoting sustainable watershed management, and implementing climate-resilient practices. These efforts align with the country's sustainable land use, biodiversity conservation, and climate change adaptation goals.

Investment in water infrastructure and management creates employment opportunities and stimulates economic growth. Construction of water supply systems, maintenance of water infrastructure, and implementation of water management projects generate jobs and foster economic activities in local communities across the country. This contributes to poverty reduction, income generation, and improved livelihoods.

During the MDIP period of the EFY 2022/23–2025/26, several priorities and an enabling environment will be emphasised to support better water resource utilisation and infrastructure development. The focus will be on enhancing water administration and utilisation practices by effectively implementing regulatory frameworks and monitoring mechanisms to promote responsible water utilisation and equitable distribution, optimising water use and ensuring equitable access to this vital resource. The government will prioritise investments in water infrastructure and services, allocating sufficient financial resources for construction, maintenance, and rehabilitation. These investments will expand access to clean water and sanitation facilities, improving the population's overall well-being.

Ethiopia will also seek enhanced support through partnerships with development partners in the water and sanitation sector, leveraging their expertise and resources. Reforms in water financing and governance will address bottlenecks in urban areas, improving funding mechanisms and service delivery. Ethiopia will also reform and rationalise water service providers to ensure reliable and sustainable water services. Regional cooperation and collaboration will be strengthened to promote equitable water use, foster knowledge sharing, and establish effective water allocation mechanisms. Through these efforts, Ethiopia aims to enhance water administration, utilisation, and infrastructure to meet increasing demands and ensure equitable access to clean water and sanitation facilities for all.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains three (3) strategic goals and fourteen (14) core strategic functions and activities relevant to the policy area of ensuring sustainable management of water and sanitation. The core strategic activities indicate key result areas with specific KPIs. The linkage of MDIP with all the water and sanitation result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Water and Energy and its accountable government organs. The effective attainment of the strategic goals and results requires well-coordinated roles and functions with other relevant line ministries, mainly with the Ministry of Agriculture, the Ministry of Irrigation and Lowlands, the Ministry of Health and the Ministry of Urban and Infrastructure.

## TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets in the policy area of ensuring sustainable water utilisation and access to clean drinking water amount to Birr 219.7 billion. The budget from the federal government is Birr 149.2 billion, and Birr 70.5 billion from development partners. The investment supports attaining three (3) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 2.4 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with

different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening planning, monitoring, and data systems; developing

human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures

collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of ensuring integrated water resource management and effective meteorological services has a total investment target of Birr 18.1 billion. The government is committed to ensuring integrated water resource management that enables the coordinated and sustainable utilisation of water resources, balancing the needs of agriculture, industry, and communities. Underpinned by effective meteorological services, this approach enhances the country's capacity to predict and respond to

weather variability and climate change. The strategic relevance lies in building a more resilient Ethiopia, where water resources are managed holistically, climate-related risks are minimised, and communities can thrive in the face of changing environmental conditions, contributing to long-term stability and prosperity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing access to drinking water and sanitation has a total investment target of Birr 199.2 billion. The government is committed to enhancing access to drinking water and sanitation, promoting community health, reducing the prevalence of waterborne illnesses, and enhancing overall well-being. The expected result is a healthier and more economically empowered population,

contributing to Ethiopia's broader development goals and fostering a sustainable future where communities thrive with improved living standards and reduced vulnerability to water-related health challenges. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 14.1 Resource Allocations by Policy Area and Strategic Goals**

*The water supply and sanitation development program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 188.9 billion (85.1 per cent), followed by the integrated water resource management program with Birr 18.1 billion (8.2 per cent, and meteorological and hydrological service program, with Birr 12.3 billion (5.6 per cent).*

## **PROGRAMS AND INVESTMENT TARGET**

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area ensuring sustainable management of water and sanitation, the following four (4) programs will be implemented.

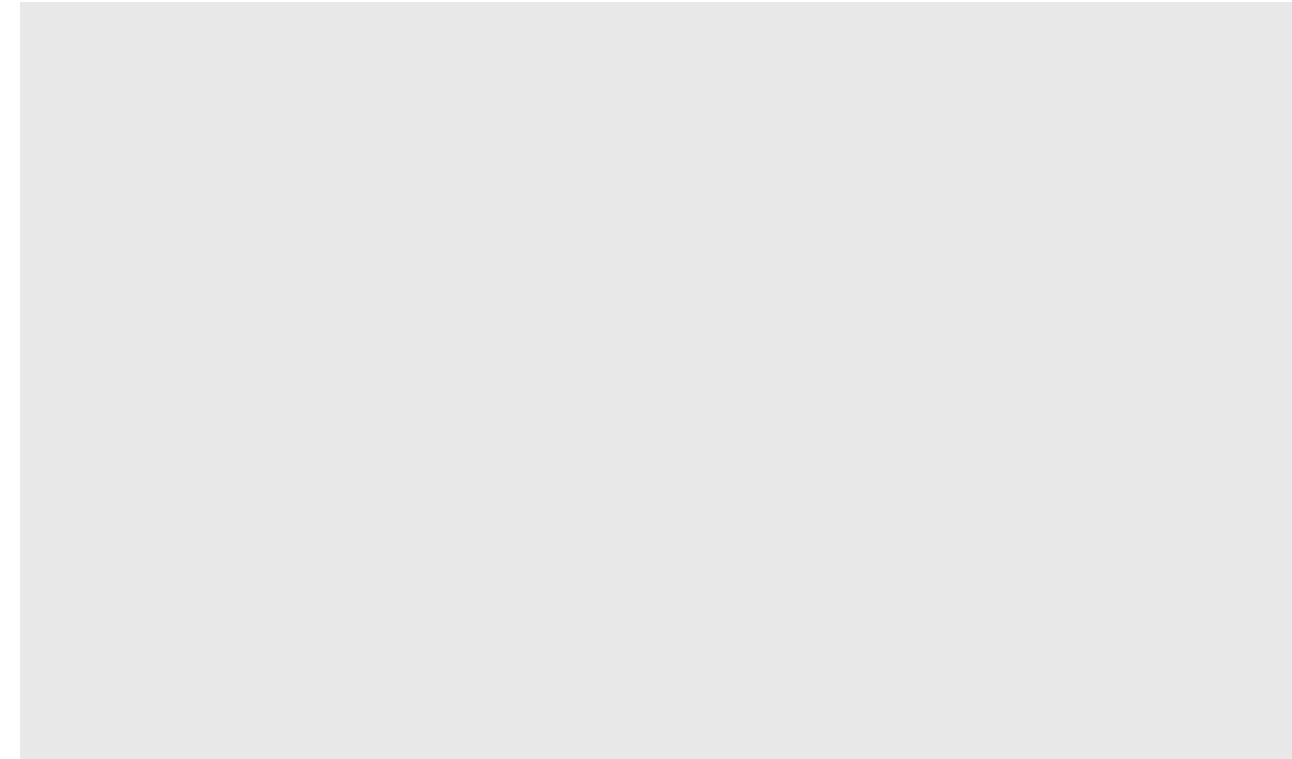
**Table 14.2 MDIP Investment Target by Program**

### Investment Targets by Implementing Government Organisation

The Ministry of Water and Energy has the highest share with seven hundred six (706) PAPs (90.5 per cent), followed by the Ethiopian Meteorological Institute with fifty-one (51) PAPs (6.5 per cent), and the Water Technology Institute with 23 PAPs (2.9 per cent).

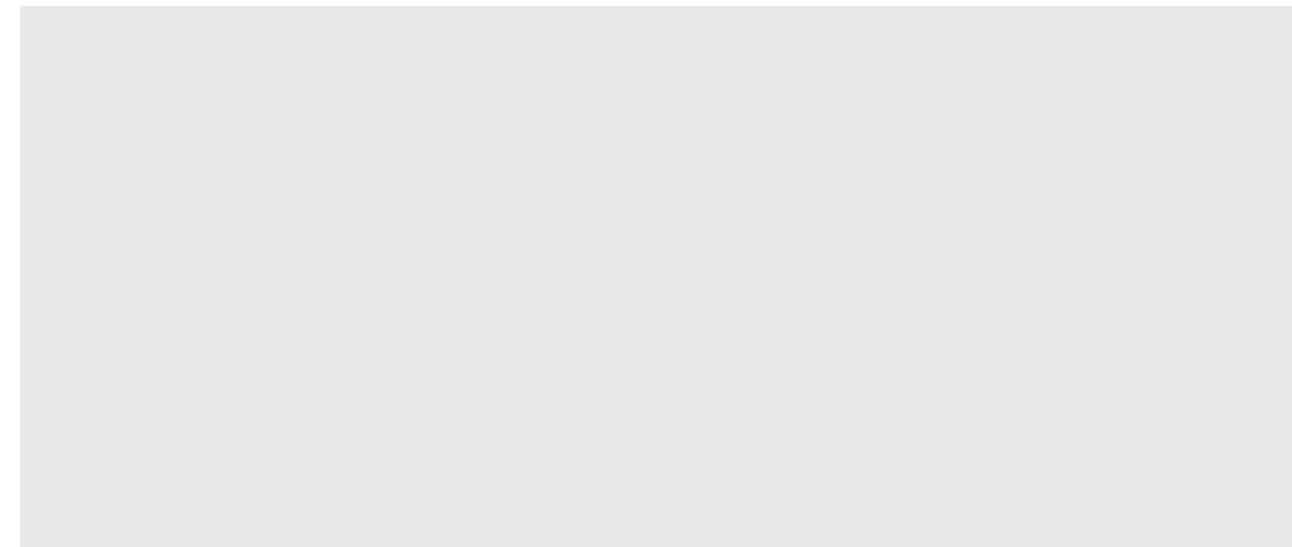
The Ministry of Water and Energy has the higher investment target of Birr 210.2 billion (95.7 per cent), followed by the Ethiopian Meteorological Institute with Birr 6.84 billion (3.1 per cent), and the Water Technology Institute, with an investment target of Birr 2.7 billion (1.2 per cent).

**Table 12.3 MDIP Investment Targets by Implementing Organs**



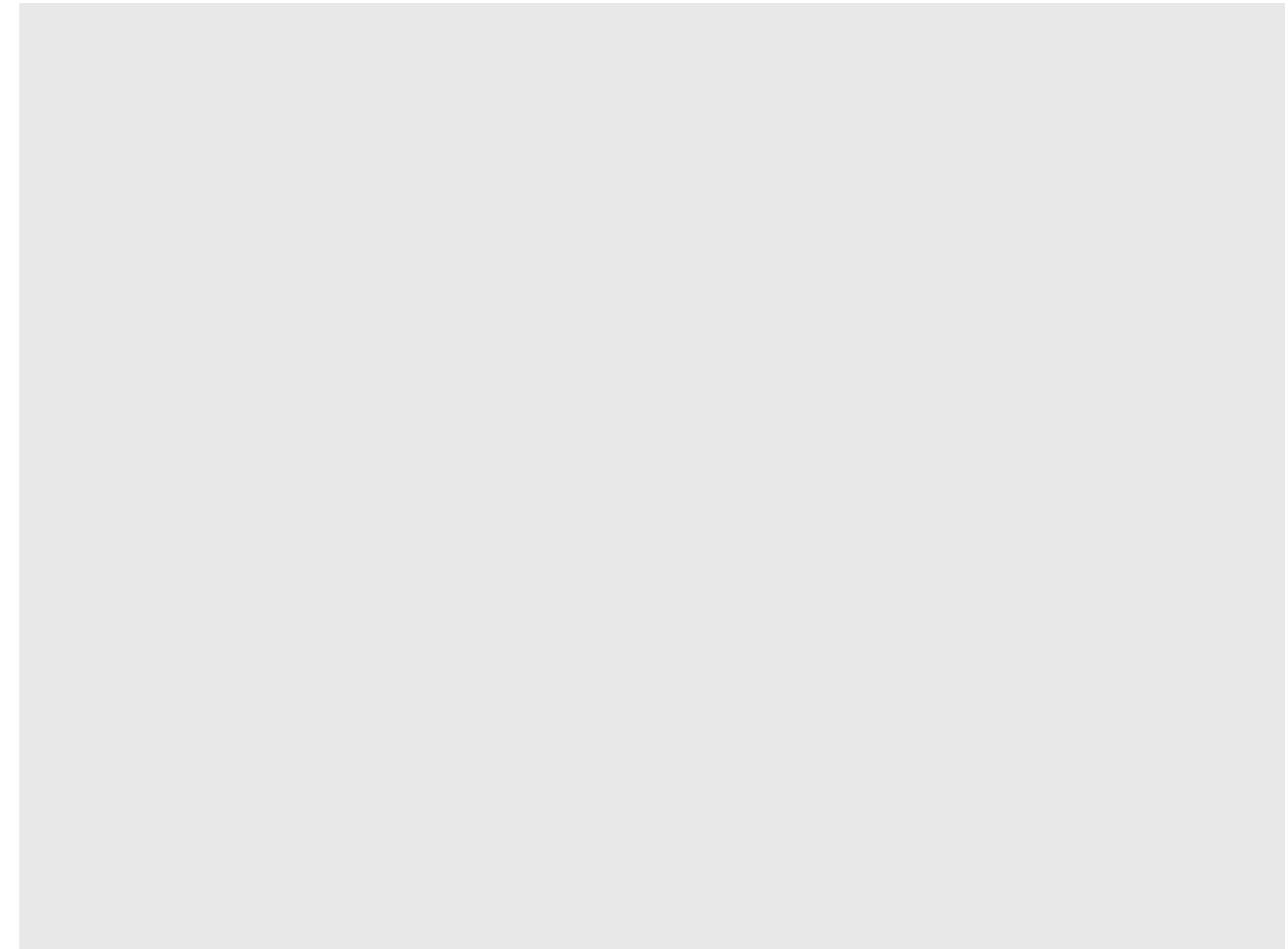
Regarding the Financing Source , four hundred sixty (460) PPAs(63.88 percent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining three hundred twenty (320) PPAs (36.1 per cent) will be carried out through development partners.

**Table 14.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs across the country, hundred fifty-five (155) PAPs (19.9 per cent) have nationwide coverage, while nineteen (19) projects have interregional coverage (2.4 per cent).

**Table 14.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 15

## DIVERSIFIED GREEN ENERGY

**T**he government is committed to ensuring affordable, reliable, and green energy in driving sustainable, resilient, and inclusive economic growth, reducing poverty, and mitigating the impacts of climate change. Ethiopia possesses abundant renewable energy resources, including hydropower, solar, geothermal, and wind energy, making the transition to green energy not only environmentally responsible but also economically viable. Investing in affordable and reliable energy infrastructure supports industrialisation, attracts foreign investment, and creates job opportunities, fostering green growth. Furthermore, by prioritising green energy sources and promoting energy efficiency measures, Ethiopia can contribute to global efforts to combat climate change, aligning with international sustainability goals. The strategic outcome is a resilient and thriving Ethiopian economy powered by clean energy that addresses energy poverty and serves as a model for sustainable development in the region.

During the MDIP period of the EFY 2022/23 – 2025/26, several priorities and an enabling environment will be emphasised to support the strategic goal of ensuring affordable, reliable, and green energy in Ethiopia. The government will recognise the importance of energy diversification and continue sector reform, expanding the future energy mix to include renewable sources like solar, wind, and geothermal alongside traditional hydropower. Ongoing reform efforts throughout the energy value chain will contribute to a future sustainable and resilient sector. Energy sector public-private partnerships (PPPs) will be actively pursued to mobilise additional future resources and drive the development of renewable energy projects. Collaboration with regional partners will aim to establish a future functional energy market and promote future energy trade.

By expanding renewable energy infrastructure, investing in decentralised energy systems, and promoting innovative energy solutions, Ethiopia can bring electricity to remote and underserved areas, empowering communities and fostering inclusive development. Off-grid solutions, such as future mini-grids and standalone solar systems, will address future energy poverty and enable future universal energy access. Equitable access to future affordable and reliable electricity services will be prioritised by fostering a competitive energy market and empowering future subnational governments. Administrative reform and future project optimisation will contribute to the effective execution of energy projects in the future. By creating a future enabling environment through these measures, Ethiopia aims to achieve its energy sector's future MDIP development targets, driving future sustainable and inclusive energy sector growth and future universal access to electricity for all citizens.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains one (1) strategic goal and seven (7) core strategic functions and activities relevant to the policy area of ensuring affordable, reliable, and green energy. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the energy sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Water and Energy. The effective attainment of the strategic goal and expected results require well-coordinated roles and functions with the state-owned enterprises of Ethiopian Electric Power and Ethiopian Electric Utility. The Ministry of Finance plays a vital role in providing

financial support and ensuring the availability of mobilising resources for energy sector development through strengthening partnerships. By coordinating with the Ministry of Water and Energy, the Ministry of Finance ensures that adequate financial resources are allocated to implement energy projects, including expanding renewable energy infrastructure and enhancing energy access.

## TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring sustainable water utilisation and access to clean drinking water amount to Birr 222.5 billion. The budget from the federal government is Birr 5.755 billion, and Birr 1.54 billion from development partners. The budget from state-owned enterprises is birr 215.2 billion. The investment supports attaining a single (1) strategic goal.

Table 15.1 Resource Allocations by Policy Area and Strategic Goals

The strategic goal of enhancing electricity generation capacity and its efficiency has a total investment target of Birr 222.5 billion. The MDIP strategic goal in the energy sector outlined above will play a significant role and is expected to realise a range of impactful outcomes. The sector aims to ensure universal access to reliable, affordable, and modern energy services. This includes expanding electricity and clean cooking solutions in rural and underserved areas, which will significantly impact rural development, poverty reduction, and overall living conditions. The focus on transitioning to renewable energy sources, such as solar, wind, hydro, and geothermal power, will mitigate climate change, reduce greenhouse gas emissions, and improve air quality while enhancing energy security and reducing dependence on imported fossil fuels. The focus on energy efficiency will reduce energy consumption, lower emissions,

and resource efficiency across sectors, resulting in significant energy savings and cost reductions. By providing reliable and affordable energy services, the energy sector will facilitate economic growth, enhance productivity, support the development of industries, businesses, and infrastructure, and foster sustainable consumption and production patterns, thereby contributing to sustainable development. Furthermore, the emphasis on universal access, including rural areas, will enable small and medium-sized enterprises to grow, support agricultural activities, facilitate value addition to products, and foster entrepreneurship and job creation in rural communities, contributing to their overall development and well-being. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring affordable, reliable, and green energy, the following one (1) program will be implemented.

The policy area has only one comprehensive program, which addresses the entire energy sector value chain. The integrated renewable energy development program has investment targets of Birr 80.4 billion for 2023/24 – 2025/26.

**Table 15.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Share (%)
Integrated Renewable Energy Development Program	80.4	100
Small Hydro Power Program	1.0	1.2
Wind Power Program	0.0	0.0
Geothermal Power Program	0.0	0.0
Hydro Power Program	0.0	0.0
Other Renewable Energy Program	0.0	0.0
Total	80.4	100

### **Investment Targets by Implementing Government Organisation**

The Ministry of Water and Energy has the highest share, with forty-five (45) PAPs (53 per cent), followed by Ethiopian Electric Power, with twenty-eight (28) PAPs (33 per cent), and Ethiopian Electric Utility, with 12 PAPs (14 per cent).

**15.3 MDIP Investment Targets by Implementing Organs**

Implementing Organs	Investment Target (Birr)	Share (%)
Ministry of Water and Energy	162.4	73
Ethiopian Electric Power	52.8	23
Ethiopian Electric Utility	7.3	3.3
Other	12	14
Total	229.5	100

Regarding the Financing Source , sixty nine(65 percent) PPAs will be implemented through the State-owned enterprises. federal budget (treasury, grant and borrowing) will carry out the remaining Thirty Five(35) (33 percent)and the other two PPAs through development partners.

**Table 15.4 MDIP Investment Targets by Financing Source**

Financing Source	Investment Target (Birr)	Share (%)
State-owned enterprises	162.4	73
Federal budget (treasury, grant and borrowing)	52.8	23
Development partners	7.3	3.3
Other	12	14
Total	229.5	100

Regarding the spatial coverage of the PPAs across the country, Fifty Five (55) PAPs (51.8 per cent) have nationwide coverage, while eleven projects have interregional coverage (19.8 per cent).

**Table 15.5 MDIP Investment Targets by Spatial Coverage**

Spatial Coverage	Investment Target (Birr)	Share (%)
Nationwide coverage	116.0	51.8
Interregional coverage	44.5	19.8
Regional coverage	68.0	30.4
Total	229.5	100

# CHAPTER 16

## INTEGRATED AND MODERNISED TRANSPORTATION AND LOGISTICS

**D**uring the MDIP period from EFY 2023/24 to 2025/26, ensuring the integrated and modernised transportation and logistics system in the Ethiopian context is highly relevant for facilitating the movement of goods and people, reducing transportation costs, and enhancing market accessibility for businesses. The policy area encompasses the achievement of efficiency, reliability, accessibility, affordability, and safety of transportation and logistics system. This is expected to improve trade and investment competitiveness and efficiency, thereby contributing to sustainable, resilient, and inclusive growth and job opportunities. Moreover, an integrated and modernised transportation and logistics infrastructure and services boosts domestic productivity and competitiveness and attracts investments. Moreover, by fostering infrastructure connectivity and integration across borders, the modernised transportation and logistics strengthens regional partnerships and connectivity, positioning the country as a key player in the regional trade and investment and laying the foundation for shared prosperity.

Another strategic importance is Ethiopia can improve connectivity between regions and ensure reliable, accessible, and affordable transportation and logistics services for local communities, and they will in turn have access to essential services, education, healthcare, and access to markets. This integration and connectivity reduce interregional and intraregional disparities within the country and promotes inclusivity, allowing all citizens to benefit from infrastructure and economic opportunities. Additionally, prioritising safe transport and logistics is crucial for protecting human lives and ensuring public well-being. Ethiopia faces significant challenges in road safety, with road traffic accidents leading to injuries and fatalities. The country can reduce accident rates and enhance safety on its road networks by implementing standardised safety measures, such as transport regulations, enforcement, and infrastructure improvements.

Modernisation of logistics and customs facilitation has been identified as key dimensions of policy reform and interventions planned in the HGER II strategic objective of transforming the trade and investment environment. Creating an enabling environment is crucial for successfully realising the transport and logistics sector's MDIP strategic goals and targets. This requires continued government commitment to invest in infrastructure, prioritising the construction and maintenance of roads, railways, ports, airports, and intermodal logistic facilities to boost domestic trading, export performance, and FDI inflows.

Several implementation strategies have been identified to successfully realise the transport and logistics sector strategic goals and targets during the MDIP. These include effective implementation of the national transport master plan, expansion of highways and toll roads through public-private partnerships, expanding transport infrastructure and logistics stations with the participation of the private and public sectors, incentivising the expansion of public transport services, formulating and implementing a non-motorized transport strategy, improving coordination within urban transport modes, improving the organisation and performance of transport operators, and several safety policies and regulation systems.

As a landlocked country, Ethiopia's reliance on neighbouring countries for access to regional and global trade underscores the strategic importance of pragmatic regional partnerships and cooperation efforts in achieving better and diversified access to the sea and developing trade routes. By collaborating with neighbouring countries, Ethiopia can address the common and collective transport and logistics challenges, share resources and investment, and collectively work towards unlocking the full potential of its geographical location, fostering regional integration, and shared economic growth and prosperity. The MDIP integrating the HGER II focuses on logistic sector reform, streamlining processes, reducing bureaucracy, and enhancing infrastructure to facilitate trade and connectivity with external markets and the economy. Engaging in regional cooperation allows Ethiopia to work with neighbouring countries to establish efficient transportation corridors and streamline customs and logistics processes. Enhanced access to well-developed ports and improved trade routes is expected to reduce transit costs, promoting economic efficiency and competitiveness. Fostering regional partnerships also contributes to political stability, creating an environment conducive to shared economic progress and prosperity with the neighbouring countries.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains four (4) strategic goals and thirty-one (31) core strategic functions and activities relevant to the policy area of ensuring efficient, integrated, and safe transport and logistics. The core strategic activities indicate strategic result areas with specific and clear key performance indicators (KPIs). The linkage of MDIP with all agriculture-related result matrices and quantitative targets is presented separately in the appendix. The Ministry of Transport and Logistics leads this policy's strategic goals, activities, and performance indicators. The effective attainment of the strategic goal and expected results require well-coordinated roles and functions with the state-owned enterprises involved in transportation and logistics infrastructure, operations, and services. The Ministry of Finance is vital in promoting resource mobilisations through effective PPP mechanisms.

## TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of enhancing agricultural productivity growth amount to Birr 736.6 billion. The federal government budget is Birr 237 billion, and Birr 142.8 billion comes from a partnership between the government and development partners. State-owned enterprises in the transport sector have investment targets of Birr 356.7 billion, and Birr 90 million will be financed through private-public partnerships (PPP). The investment supports attaining the following four (4) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 29.2 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of enhancing transport and logistic infrastructure integration and economic efficiency has a total investment target of Birr 567.7 billion. Despite impressive progress over the past years, further efforts are required to expand and diversify the transport infrastructure. This expansion is crucial to reduce travel time and operating costs, with significant implications for Ethiopia's limited transport network and infrastructure capacity. Addressing these challenges will reduce transaction costs, improve trade and investment facilitation, and enhance labour mobility. Improving transport and logistics infrastructures is expected to yield

various strategic outcomes, including improved market access and efficiency for domestic products, enhanced connectivity between regions, and greater accessibility to transportation services. The key results expected from this goal include improved public transport and freight transport infrastructure, integrated logistics and water transport infrastructures, improved air transport services, and cost-effective, integrated, and accessible road infrastructure. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring modern and technologically advanced transport and logistic services has a total investment target of Birr 129.0 billion. In the Ethiopian context, improving transport services and coordinating different modes of transportation and logistics services is essential to enhance the economy's competitiveness and reduce transaction and trade costs. Despite significant efforts in expanding transport infrastructures, ensuring modern and technologically advanced (i.e., efficient, reliable, accessible, affordable, and safe) transport and logistic services remains challenging

in Ethiopia. Like the first strategic goal of ensuring transport and logistic infrastructure integration and economic efficiency, achieving efficient, reliable, accessible, affordable, and safe transport and logistic services can yield strategic outcomes such as improved access to untapped economic geographies, enhanced trade and investment connectivity, and improved household welfare and overall economic growth. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing the regulatory ecosystem for the transport and logistics service providers has a total investment target of Birr 10.8 billion. The strategic objective of improving regulatory frameworks, enforcement mechanisms, and industry standards ensures the effective governance and oversight of transport and logistics operations. This involves implementing robust regulatory frameworks, enhancing inspection and enforcement capacities, and promoting industry best practices. The expected development results include improved service quality, enhanced operational efficiency, and increased safety and security in the

transport and logistics sector. Ethiopia can achieve sustainable economic growth, improved trade facilitation, and enhanced regional connectivity by improving transport and logistics services. Furthermore, it can stimulate investment inflows, foster job creation, and strengthen the economy's overall competitiveness. This strategic approach promotes fair competition, safeguards consumer rights, and contributes to the overall modernisation of Ethiopia's transport and logistics industry. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 16.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
Policy Area 1	Strategic Goal 1	129.0
Policy Area 1	Strategic Goal 2	10.8
Policy Area 2	Strategic Goal 1	129.0
Policy Area 2	Strategic Goal 2	10.8

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of enhancing agricultural productivity growth, the following six (6) consolidated programs will be implemented.

The transport and logistics infrastructure development program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 363.8 billion (49.4 per cent), followed by the road sector development program with Birr 203.9 billion (27.7 per cent).

**Table 16.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Percentage
Transport and Logistics Infrastructure Development Program	363.8	49.4
Road Sector Development Program	203.9	27.7
Other Programs	106.1	14.0
Total	713.8	100.0

#### **Investment Targets by Implementing Government Organisation**

The Ethiopian Roads Administration has the highest number of PPAs, with 360 PAPs (66.8 per cent), followed by the Ethiopia Shipping and Logistic Service Enterprise with 41 PAPs (7.6 per cent), Ministry of Transport and Logistics with 38 PAPs (7.1 per cent) and Ethiopia Civil Aviation Authority with 36 PAPs (6.7 per cent).

**Table 16.3 MDIP Investment Targets by Implementing Organs**

Implementing Organisation	Investment Target (Birr)	Percentage
Ethiopian Roads Administration	235.8	32.0
Ethiopia Shipping and Logistic Service Enterprise	90.2	12.3
Ethiopia Railway Corporation	72.7	9.9
Ethiopia Civil Aviation Authority	61.0	8.5
Ministry of Transport and Logistics	55.0	7.6
Other Implementing Organisations	106.1	14.0
Total	713.8	100.0

Regarding the Financing Source, 456 PPAs (84.6 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 52 PPAs (9.6 per cent) will be carried by state owned enterprises, 28 PPAs (5.2 per cent) will be carried out through partnerships between the government and development partners, and 3 PPAs will be carried out through PPP financing.

**Table 16.4 MDIP Investment Targets by Financing Source**

Financing Source	Investment Target (Birr)	Percentage
Federal Budget (Treasury, Grant and Borrowing)	605.0	84.6
State Owned Enterprises	35.0	9.6
Partnerships between Government and Development Partners	35.0	5.2
PPP Financing	10.8	1.5
Total	713.8	100.0

Regarding the spatial coverage of the PPAs across the country, 42 PAPs (7.9 per cent) have interregional coverage, while 119 projects have nationwide coverage (22.3 per cent), 363 PAP PAPs (68.1 per cent) have region-specific coverage, and 9 PAPs (1.7 per cent) will be implemented in special areas.

**Table 16.5 MDIP Investment Targets by Spatial Coverage**

Spatial Coverage	Investment Target (Birr)	Percentage
Interregional Coverage	10.8	7.9
Nationwide Coverage	160.0	22.3
Region-Specific Coverage	488.0	68.1
Special Areas	12.2	1.7
Total	713.8	100.0

# CHAPTER 17

## SKILLS DEVELOPMENT AND LABOUR MARKET COMPETITIVENESS

**D**uring the MDIP period from EFY 2023/24 to 2025/26, enhancing skills development and labour market competitiveness holds significant relevance for Ethiopia and plays a pivotal role in ensuring sustainable, resilient, and inclusive economic growth and development. Policy reform and interventions in skills development are imperative measures to bridge the prevailing skills gap and enhance the overall productivity of the workforce. By prioritising skills training and education, Ethiopia can equip its population with the requisite knowledge, skills, and expertise to meet the demands of a rapidly evolving labour market. Consequently, this strengthens individual employability, leading to decreased unemployment rates and fostering greater social and economic stability.

A skilled and competitive labour market is indispensable for attracting FDI and driving economic growth. Access to a skilled workforce enhances the likelihood of businesses investing in and establishing operations in Ethiopia. Such investments result in job creation, heightened productivity, and knowledge and technology transfer, all contributing to sustainable development. Moreover, the focus on labour market competitiveness ensures that Ethiopian workers can effectively compete on both domestic and international fronts. Emphasising continuous learning, upskilling, and reskilling enables the labour force to adapt to the evolving dynamics of the market. This adaptability facilitates individuals in seizing new employment opportunities, thereby fostering resilience and encouraging innovation.

During The MDIP, by focusing on skills development, Ethiopia aims to address this challenge by investing in technical and vocational training, entrepreneurship education, and upskilling initiatives. These efforts will enhance individuals' employability, promote job creation, and contribute to reducing unemployment rates. Additionally, by promoting entrepreneurship, Ethiopia has been striving to foster a culture of innovation and create an enabling environment for businesses to thrive.

The MDIP emphasises creating an enabling environment for successfully realising planned key development targets to enhance skills development and labour market competitiveness. Ethiopia recognises that matching job opportunities with skill development based on emerging labour market demands is a key aspect of this endeavour. By aligning training programs with the needs of the labour market, Ethiopia aims to improve employment prospects and generate decent jobs, particularly within the domestic productive sectors. MSME policy will be implemented, providing targeted support for the growth and development of small businesses.

This approach enhances entrepreneurship and job creation, contributing to building resilient infrastructure, promoting inclusive and sustainable industrialisation, and fostering innovation.

Additionally, Ethiopia's successful launch of the labour market information system is both an enabling factor and an opportunity to implement the MDIP effectively. Ethiopia will revolutionise the labour market landscape through this system, empowering job seekers and employers alike. Recognising the pivotal role of an efficient and transparent labour market in driving economic development, Ethiopia aims to facilitate seamless skill-job matching, advance inclusivity and sustainability, and enhance workforce employability. By actively engaging with employers, fostering partnerships, and creating a conducive environment for entrepreneurship and investment, Ethiopia is actively paving the path towards sustainable economic growth, job creation, and improved living standards for its people.

To enhance skills development and labour market competitiveness as part of the MDIP and the HGER II reform agenda, focus will be given to developing and promoting micro, small, and medium-sized enterprises (MSMEs) to establish a thriving domestic private sector that drives sustainable economic growth, job creation, and innovation. Steps will be taken to address internal and external challenges MSMEs face, including building managerial and technical capabilities, accessing finance and markets, and improving the business ecosystem. Reforms will include strengthening support and incubation systems, evaluating past business development services, improving the regulatory environment, and raising awareness of available services. The institutional capabilities of MSME support and regulatory agencies will be strengthened, and the cooperative system will be revised. Efforts will be made to support SMEs in accessing export markets, creating market linkages, and exploiting opportunities in e-commerce and capital markets.

These measures aim to create a favourable environment for job creation, skills development, and economic transformation in Ethiopia.

### **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains five (5) strategic goals and twenty-two (22) core strategic functions and activities relevant to the policy area of Enhancing skills development and labour market competitiveness, as shown below. The core strategic activities indicate strategic result areas with specific and clear key performance indicators. The linkage of MDIP with all agriculture-related result matrices and quantitative targets is presented separately in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Labour and Skills. The effective attainment of the strategic goal and expected results require well-coordinated roles and functions with the Ministry of Education and other productive sectors mapped under the HGER II pillars 2 and 3 is pertinent in terms of strategically transforming the trade and investment environment, specifically in terms of the skills and labour market improvement and MSMEs support targeted to strengthen productivity growth.

#### **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of enhancing skills development and labour market competitiveness amount to Birr 16.1 billion. The investment is targeted to be financed by the federal budget.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 1.8 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of ensuring the relevance and quality of skills and entrepreneurship development has a total investment target of Birr 12.6 billion. The country's economic growth and development rely on a skilled and productive workforce. By prioritising this goal, the government aims to address the skills gap, improve the employability of its citizens, and promote entrepreneurship as a driver

of innovation and economic growth. Ethiopia can enhance productivity, attract investment, and create employment opportunities by equipping individuals with the necessary knowledge and skills. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring integrated mobilisations and facilitations for job creation and strengthening MSMEs for decent and sustainable job creation has a combined investment target of Birr 1.5 billion. The strategic goal aims to provide citizens with increased

job opportunities through integrated one-stop services. This strategic goal will empower individuals through increased employment opportunities, leading to improved livelihoods, reduced poverty rates, and enhanced overall economic well-being for

the citizens. This involves enabling MSMEs to thrive, unleashing their full potential to create decent and sustainable employment opportunities across all

sectors. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring industrial peace and occupational safety has a total investment target of Birr 152 million. The government aims to establish an environment of harmonious industrial relations and prioritise the safety and well-being of workers. This involves implementing measures such as developing and enforcing workplace safety regulations, conducting regular inspections, and providing occupational health and safety training programs. The expected results include reduced workplace

accidents and injuries, improved employee well-being and morale, and enhanced productivity. This strategic approach prioritises workers' safety and welfare and contributes to sustainable development by aligning with global sustainability goals and ensuring the protection of the environment. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of enhancing agricultural productivity growth, the following four (4) national programs will be implemented.

**Table 17.1 Resource Allocations by Policy Area and Strategic Goals**

The training and entrepreneurship development program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 12.6 billion (78.3 per cent), followed by the job facilitation and MSME Support program with Birr 1.5 billion (11.5 per cent). The remaining investment is for the labour affairs support program, with Birr 151.6 million (0.9 per cent),

**Table 17.2 MDIP Investment Target by Program**



### Investment Targets by Implementing Government Organisation

The Ministry of Labour and Skills has the highest number of PPAs, 72 (86.7 per cent), followed by the Technical and Vocational Training Institute with 8 (9.6 per cent) and the Tourism Institute with 3 (3.6

per cent). The Ministry of Labour and Skills has the higher investment target with Birr 14.9 billion (92.8 per cent), followed by the Technical and Vocational Training Institute with Birr 630 million (3.9 per cent), and Tourism Institute, with a target of 536 million (2.0 per cent).

**Table 17.3 PIP Investment Targets by Implementing Organs**

Implementing Organisation	Number of PPAs	Investment Target (Birr)
Ministry of Labour and Skills	72	14,900,000,000
Technical and Vocational Training Institute	8	630,000,000
Tourism Institute	3	536,000,000
Total	83	15,066,000,000

Regarding the Financing Source ,83 PPAs (100 per cent) will be implemented through the federal budget (treasury, grant, and borrowing).

**Table 17.4 PIP Investment Targets by Financing Source**

Financing Source	Number of PPAs	Investment Target (Birr)
Federal Budget	83	15,066,000,000
Treasury	83	15,066,000,000
Grant	83	15,066,000,000
Borrowing	83	15,066,000,000
Total	83	15,066,000,000

Regarding the spatial coverage of the PPAs across the country, 47 PPAs have nationwide coverage (56.6 per cent), and 29 PAPs (35 per cent) have region-specific coverage, while 7 PAPs (8.4 per cent) will be implemented in TVET colleges.

**Table 17.5 PIP Investment Targets by Spatial Coverage**

Spatial Coverage	Number of PPAs	Investment Target (Birr)
Nationwide	47	13,800,000,000
Region-Specific	29	4,200,000,000
TVET Colleges	7	866,000,000
Total	83	15,066,000,000

# CHAPTER 18

## QUALITY EDUCATION

**E**nsuring quality education is paramount to fostering comprehensive development and sustainable progress. By prioritising quality education, Ethiopia can build a skilled and innovative workforce, laying the foundation for sustained, resilient, and inclusive economic growth. Ensuring universal access to education, particularly for marginalised social groups, will reduce inequalities and promote social cohesion. This commitment to quality education is key to unlocking the potential of Ethiopia's youth, empowering them with the knowledge and skills needed for active participation in the country's socio-economic progress.

In the Ethiopian context, ensuring inclusive and equitable quality education is vital. By embracing inclusivity, the education system can address barriers to education and promote equal opportunities for all learners, irrespective of socio-economic background. This approach not only contributes to the cultivation of a diverse and skilled workforce but also enhances social harmony and understanding. Moreover, equitable quality education serves as a catalyst for poverty reduction and sustainable economic growth, empowering individuals to participate meaningfully in the nation's development.

The key expected results of ensuring quality education policy area encompass increased enrolment rates, increased graduation and employability rates, improved educational infrastructure and facilities, enhanced teacher quality, enhanced education leadership and governance, and more equitable distribution of educational resources, all of which are pivotal in advancing Ethiopia towards a more prosperous and sustainable future.

An enabling environment is crucial for the successful realisation of ensuring quality education under the medium-term development and investment plan. During the MDIP, the new education policy will comprehensively be implemented to ensure improvements in the quality and accessibility of education services for the general population. Under this, enhancing the curriculum, instructional methods, teacher training, and governance capacity building will be expected to deliver improved quality education at all levels. Efforts will be made to improve infrastructure and facilities, particularly in remote and underserved areas. During the MDIP implementation period, public universities will prioritise the effective implementation of the differentiation policy, where universities will focus on developing educational programs that contribute to higher education outcomes and train quality human resources.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains eight (8) strategic goals and thirty seven (37) core strategic functions and activities relevant to the policy area of strengthening and ensuring quality education. The core strategic activities indicate strategic result areas with specific and clear key performance indicators. The linkage of MDIP with all agriculture-related result matrices and quantitative targets is presented separately in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Education. The effective attainment of the strategic goal and expected results require well-coordinated roles and functions with the public universities and regional governments. By strengthening

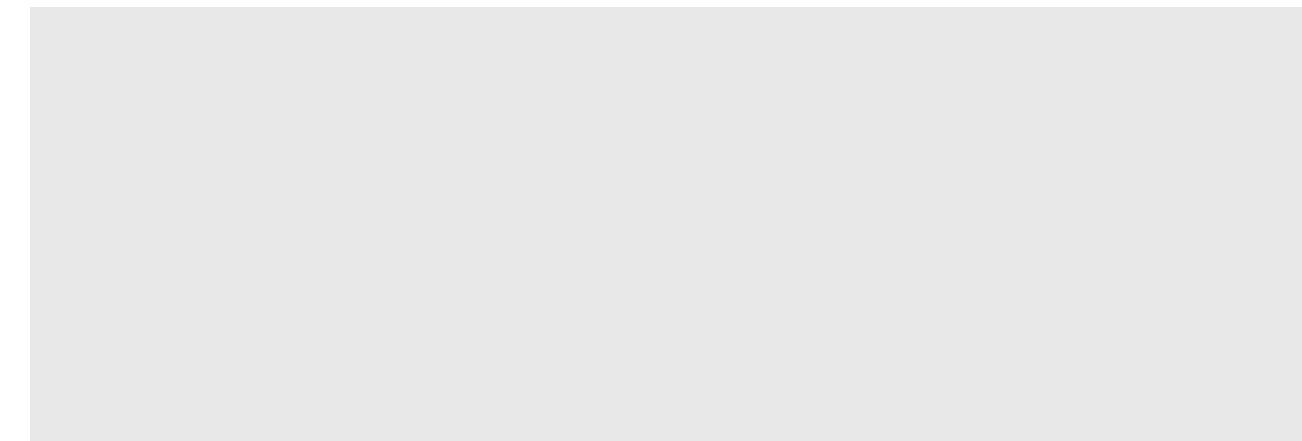
effective coordination and partnerships at all levels, the government seeks to ensure that educational programs are skill-oriented, relevant to the economy's needs, and contribute to the country's comprehensive development. Similarly, the collaboration between different ministries and sectors will enable a coordinated approach to address the challenges and tap into the potential of Ethiopia's human capital and research capabilities.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring quality education amount to Birr 451 billion. The federal government budget is Birr 385.9 billion, and Birr 66 billion is expected to come from an enhanced partnership between the government and development partners. The investment supports attaining the following eight (8) strategic goals.

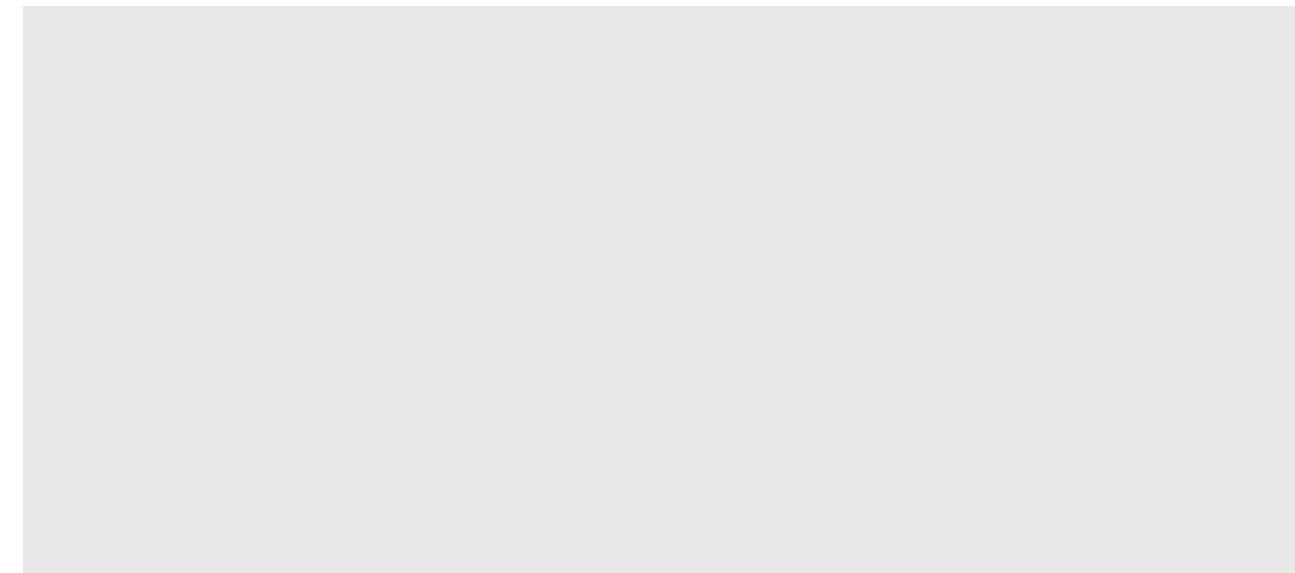
The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 110.7 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.



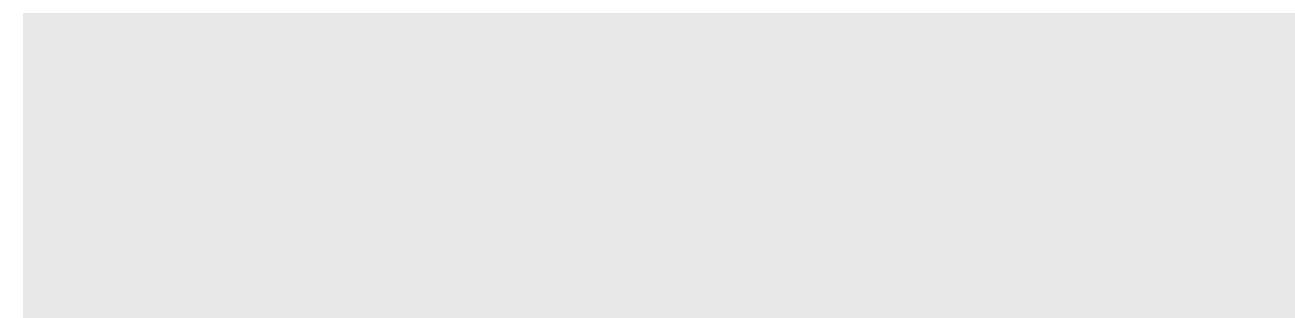
The first three strategic goals under the general and adult education system have a combined investment target of Birr 62.billion. They aim to improve the general education infrastructure and governance system, ensure its relevance and accessibility, and

ensure the access and equity of adult and non-formal education systems. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

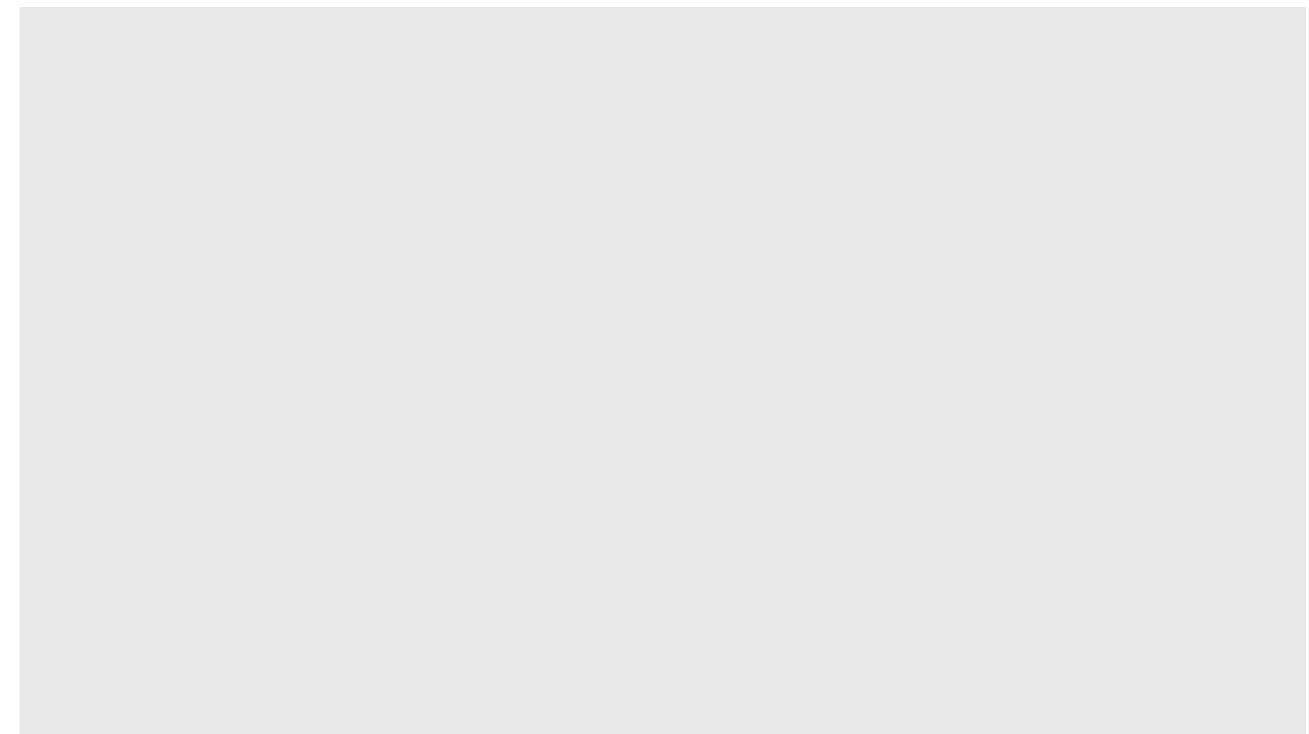


The strategic objective of modernising educational assessment and examination services has a total investment target of Birr 76.9 billion. This goal helps to strengthen formative assessments, online assessments, competency-based assessments, and performance-based assessments, allowing for a comprehensive evaluation of students' knowledge, skills, and abilities. This modernisation enables accurate measurement of learning, facilitates

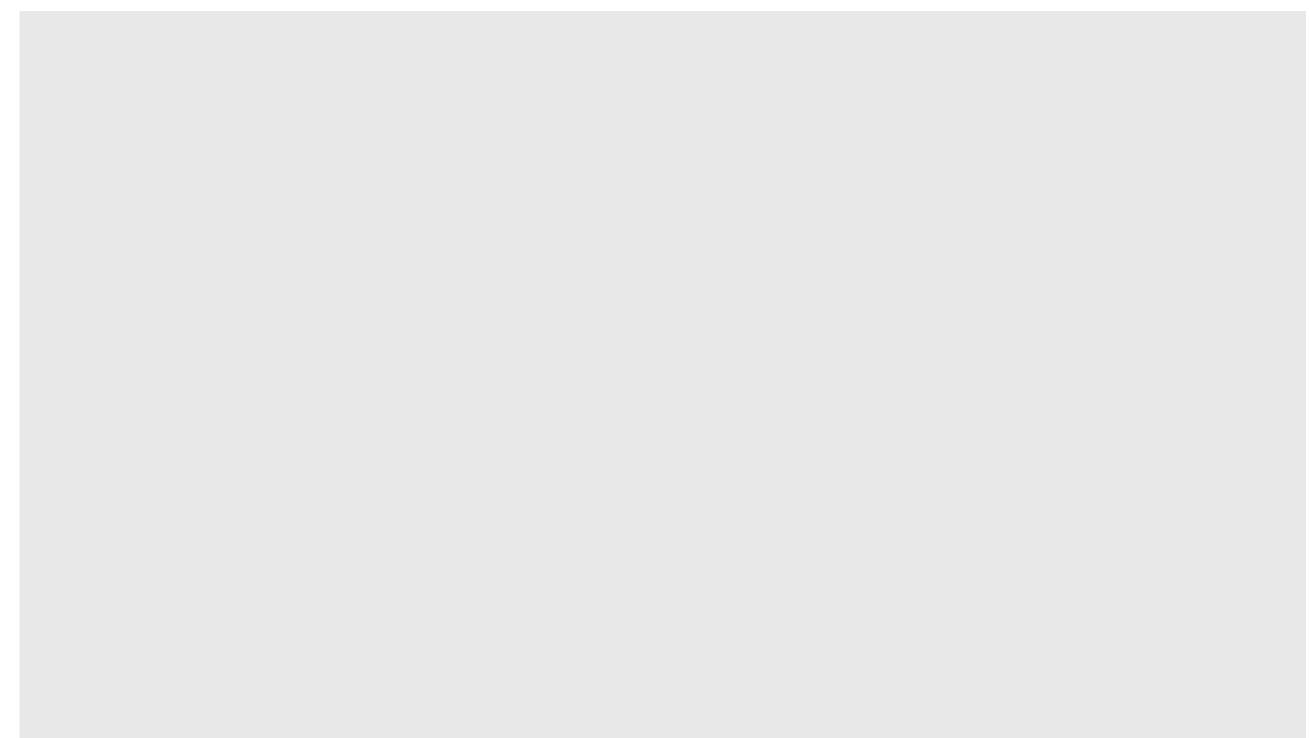
personalised instruction with timely feedback, promotes higher-order thinking skills, and enhances the efficiency and accessibility of examinations. By embracing these innovative practices, Ethiopia can foster improved student learning outcomes and prepare students for success in the 21st century. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The first three strategic goals under the higher education system have a combined investment target of Birr 202 billion. They aim to improve the higher education infrastructure and governance system, higher education relevance and research capability, and higher education technology transfer and community development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

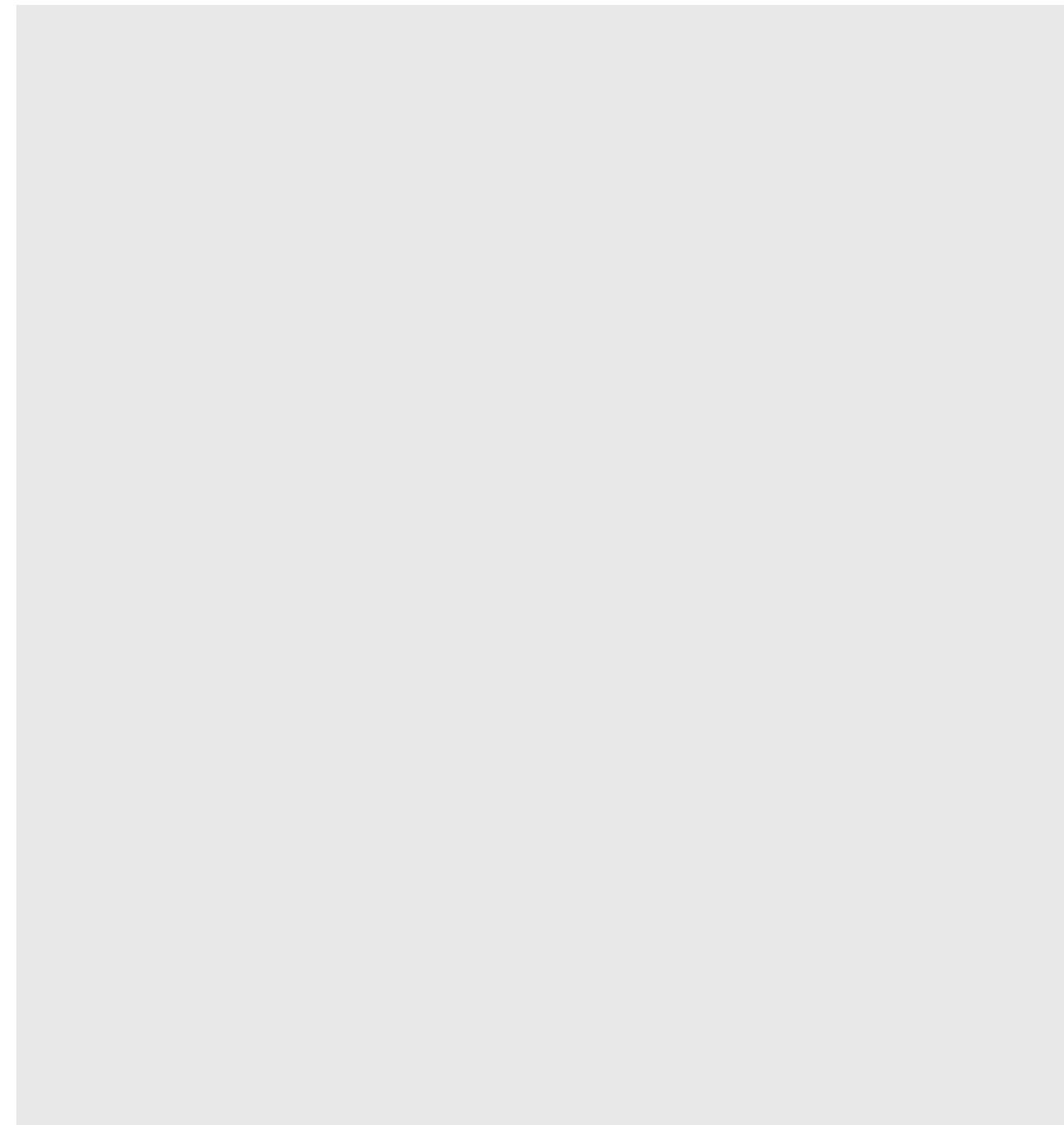


**Table 18.1 Resource Allocations by Policy Area and Strategic Goals**



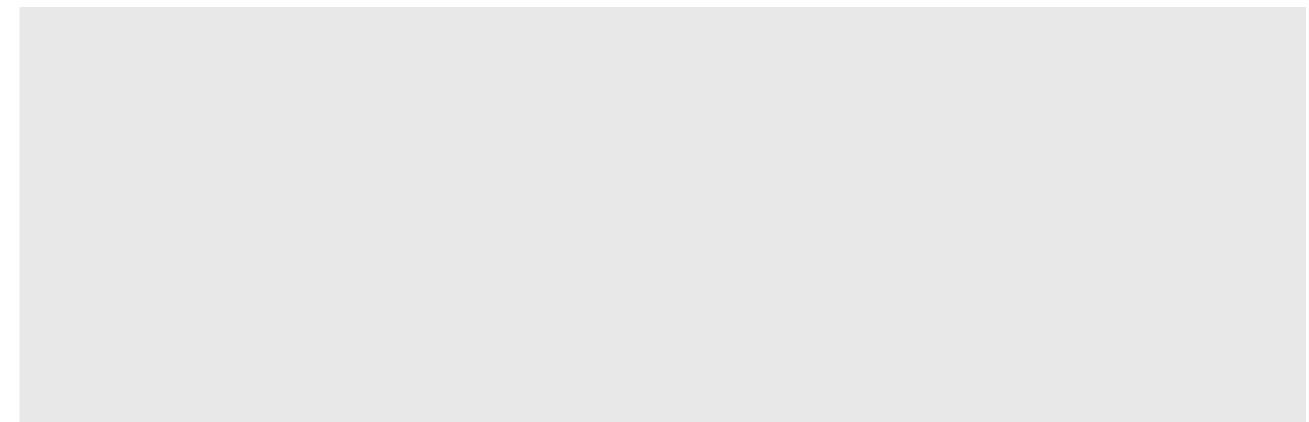
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring quality education, the following four (4) consolidated national programs will be implemented.



The higher education development program has the highest investment targets for 2023/24 – 2025/26 with a total of Birr 202.0 billion (44.7 per cent), followed by the education assessment and examinations service program with Birr 76.9 billion (17.0 per cent). The remaining investment targets are allocated to the general education development program, with Birr 61.8 billion (13.7 per cent), and the education and training regulation improvement program, with Birr 427 million (1.0 per cent). The combined administration and management program has a total allocated budget of Birr 110 billion (24.5 per cent).

Table 18.2 MDIP Investment Target by Program



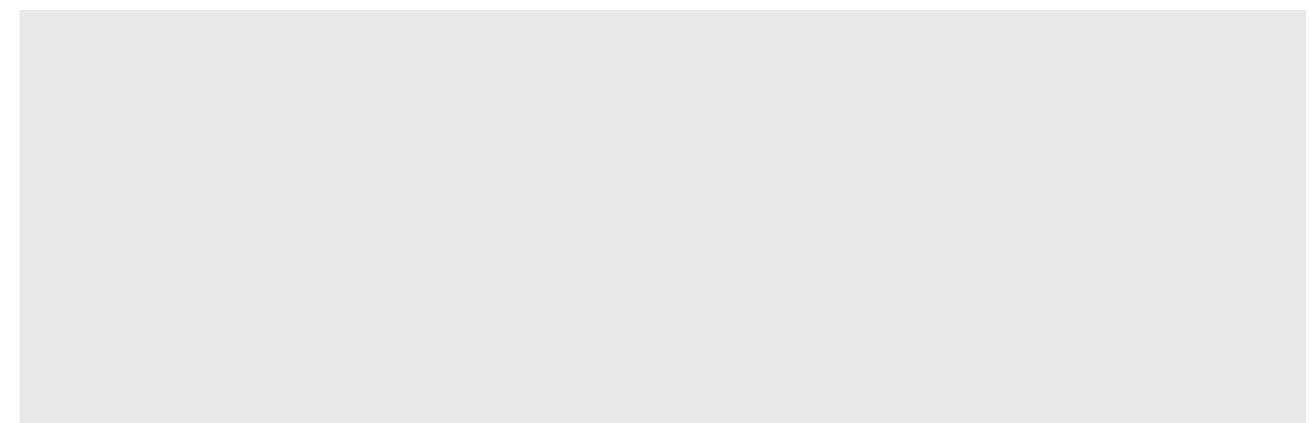
### Investment Targets by Implementing Government Organisation

The Ministry of Education has the highest number of PPAs, with 45 PAPs (58.4 per cent), followed by PPAs jointly executed by the Ministry of Education, Education and Training Authority, Educational Assessment and Examination Service with 11 PAPs (14.3 per cent), all public universities with 9 PAPs (11.7 per cent) Education and Training Authority with

6 PAPs (7.8 per cent), Educational Assessment and Examination Service with 5 PAPs (6.5 per cent).

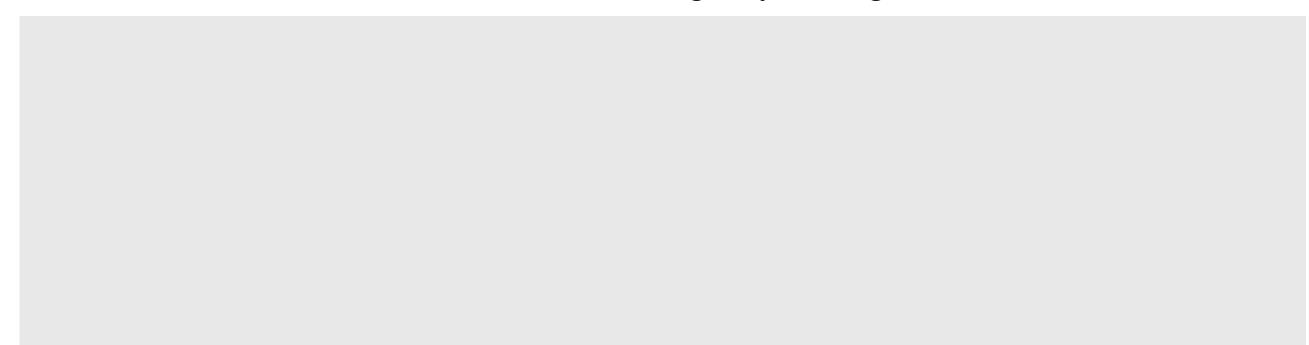
All public universities combined have the higher investment target of Birr 303.3 billion (67.1 per cent), followed by the Ministry of Education with Birr 111.2 billion (24.6 per cent), Educational Assessment and Examination Service, with an investment target of 32.7 billion (7.2 per cent), and Education and Training Authority with a target 427 million (0.1 per cent),

Table 18.3 PIP Investment Targets by Implementing Organs



Regarding the Financing Source , 62 PPAs (80.5 per cent) will be implemented through the federal budget (treasury, grant and borrowing). The remaining 15 PPAs (19.5 per cent) will be carried out through partnerships between the government and development partners.

Table 18.4 PIP Investment Targets by Financing Source





Regarding spatial coverage, 75 PPAs have nationwide coverage (97.4 per cent), one activity (1.3 per cent) has interregional coverage, and one activity (1.3 per cent) has region-specific coverage.

**Table 18.5 PIP Investment Targets by Spatial Coverage**

Spatial Coverage	Number of PPAs	Percentage
Nationwide	75	97.4
Interregional	1	1.3
Region-specific	1	1.3

# CHAPTER 19

## ACCESSIBLE AND INCLUSIVE HEALTHCARE SYSTEMS

Ensuring equitable and inclusive healthcare systems commitment contributes to building a healthier population, fostering increased productivity, and reducing the economic burden of preventable diseases. Ensuring inclusivity in healthcare services, regardless of socio-economic status, enhances social equity and promotes overall well-being. The key expected results include improved healthcare infrastructure, increased access to essential health services, decreased maternal and child mortality rates, and heightened community resilience against infectious diseases, ultimately advancing Ethiopia towards a healthier society.

Several priorities will need to be underscored to ensure equitable and inclusive healthcare systems that involve addressing a range of interconnected challenges to promote accessible and comprehensive health services for all citizens across the country. Key essentials include – strengthening mechanisms to ensure that healthcare services are accessible to all citizens; developing healthcare infrastructure and facilities at all levels, including hospitals, clinics, and primary healthcare centres; enhancing the capacity of healthcare professionals, including doctors, nurses, and health workers; ensuring healthcare services affordable and providing financial protection mechanisms such as deepening the voluntary prepayment community-based Health Insurance (CBHI); strengthening preventive healthcare measures, including vaccinations, health education, and disease prevention activities; deepening the maternal and child health initiatives; strengthening engaging international partnerships to leverage resource mobilisations; and promoting and facilitating domestic and private sector investment in medical and pharmaceutical industries.

Creating an enabling environment is crucial for successfully implementing initiatives to promote equitable and inclusive healthcare systems. This includes addressing health policy gaps, improving healthcare quality, building strong institutions, and fostering partnerships.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

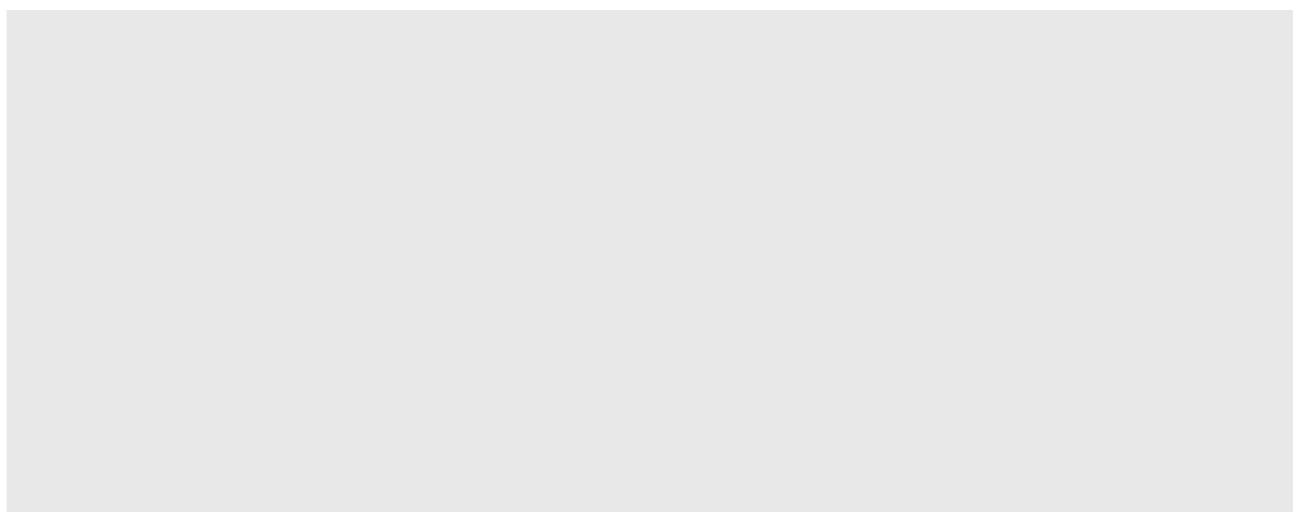
Based on the national harmonised ‘One Plan, One Report’ system, as explained in chapter two, the MDIP contains eight (8) strategic goals and thirty-one (31) core strategic functions and activities relevant to the policy area of promoting equitable and inclusive healthcare systems. The core strategic activities indicate strategic result areas with specific and clear key performance indicators. The linkage of MDIP with all health-related result matrices and quantitative targets is presented separately in the appendix.

The Ministry of Health is central to achieving the strategic goals and expected results outlined in this policy area. It collaborates with other line ministries responsible for core functions related to water, sanitation infrastructure, quality regulations, and provision of key services. Close coordination with the Ministry of Water and Energy is essential to ensure access to safe sanitation and hygiene infrastructure and clean water, which are crucial for improving

public health outcomes. Additionally, in promoting an effective food system and nutrition, the Ministry of Health coordinates activities with key ministries such as the Ministry of Agriculture and the Ministry of Industry, recognising the interconnected nature of these sectors in achieving positive health outcomes.

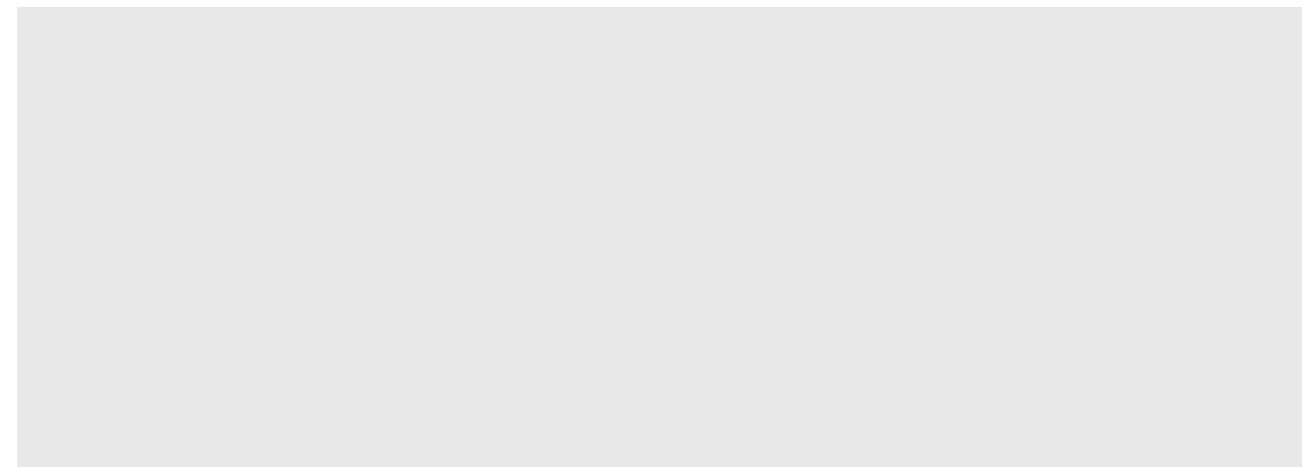
### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring equitable and inclusive healthcare amount to Birr 483.5 billion. The federal and regional government budget is Birr 207.7 billion, and the federal government will cover Birr 40.2 billion. Birr 121.2 billion comes from a partnership between the government and development partners, whereas Birr 141.6 billion is targeted to be mobilised through PPP financing, and Birr 12.9 billion comes from regional capital budget allocation. The investment supports attaining the following eight (8) strategic goals.



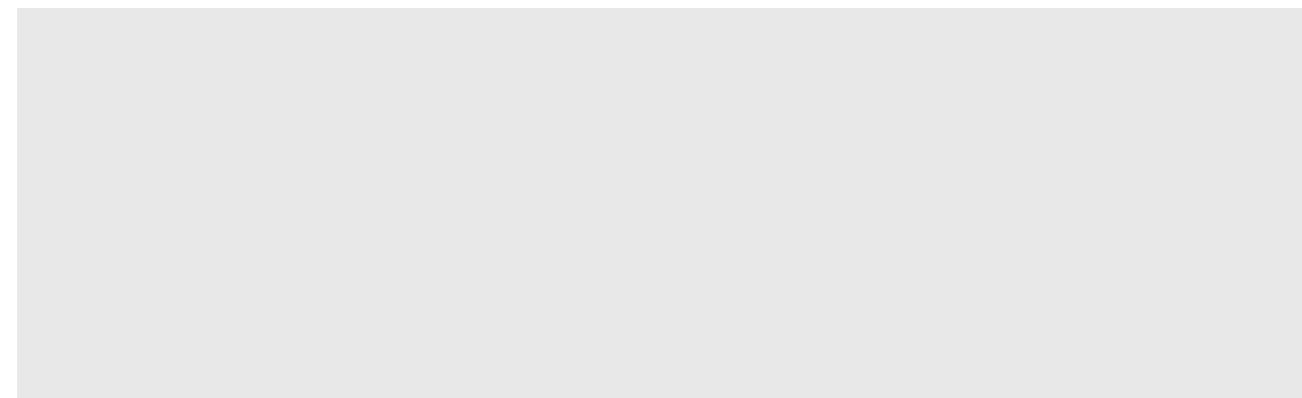
The strategic goal of enhancing maternal, child, adolescent, and youth healthcare services have a total investment target of Birr 37.3 billion. This goal is directed towards a range of strategic activities that are expected to yield significant positive impacts in areas such as family planning and reproductive health services, accessible maternal health, neonatal and child health, expanded immunisation coverage, adolescent and youth health, as well as reducing stunting and wasting. These strategic initiatives are

designed to improve the overall health and well-being of mothers, children, adolescents, and youth and address key health challenges these populations face, ultimately leading to enhanced health outcomes and improved quality of life. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



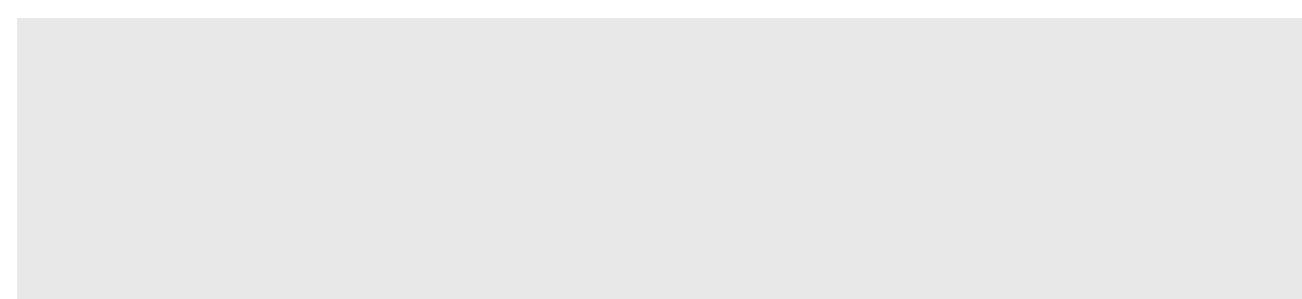
The strategic goal of enhancing the disease prevention and control system has a total investment target of Birr 52.6 billion. The primary focus is on improving disease prevention and control across various key areas, including HIV/AIDS, tuberculosis, leprosy, other lung diseases, malaria, non-communicable diseases, mental health, and neglected tropical diseases. These efforts are expected to yield a range

of strategic results, such as reduced incidence and prevalence of these diseases, improved access to prevention and treatment services, increased awareness and education on disease prevention, and strengthened healthcare systems to respond to disease outbreaks effectively. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

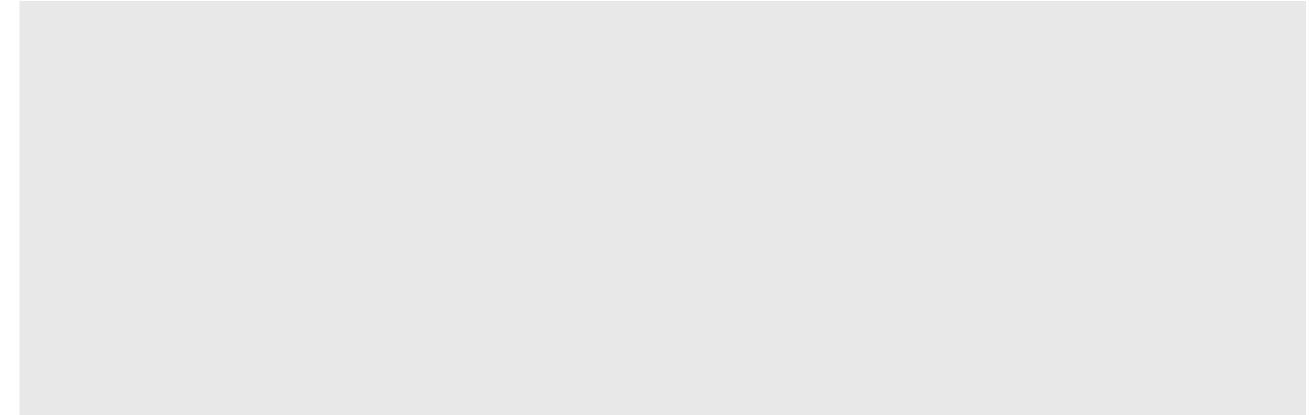


The strategic goal of promoting community engagement and primary healthcare has a total investment target of Birr 9.5 billion. The strategic objective of promoting community engagement and primary healthcare aims to enhance community participation and strengthen primary healthcare services. This involves empowering communities to actively participate in health decision-making processes, promoting water, sanitation, and hygiene practices, addressing environmental health concerns,

and strengthening the Health Extension Program and primary healthcare services. The expected results of these efforts include improved access to clean water, enhanced sanitation practices, better environmental health conditions, and the provision of comprehensive primary healthcare services. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

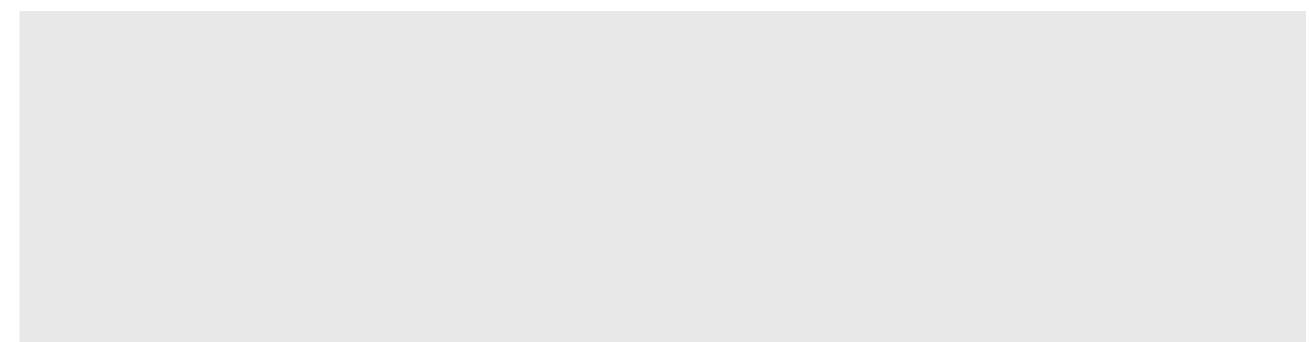


The strategic goal of enhancing access to quality medical health services has a total investment target of Birr 110.9 billion. The strategic objectives of enhancing access to quality medical health services aim to improve access to high-quality healthcare. This includes focusing on pre-facility, emergency, injury, critical care services, hospital and diagnostic services, and blood and tissue services. To achieve this, the government aims to create a robust healthcare infrastructure, ensure the availability and affordability of medical services, improve the quality of healthcare facilities, and strengthen the capacity of healthcare professionals. The expected results



The strategic goal of strengthening the public health emergency management and recovery system has a total investment target of Birr 4.0 billion. Strengthening public health emergency management and post-conflict recovery is essential for improving the overall response to health emergencies and supporting the recovery process in post-conflict settings. This involves enhancing preparedness, response, and recovery capacities through various measures, such as establishing effective surveillance systems, strengthening healthcare infrastructure, training healthcare workers, developing emergency response plans, and ensuring the availability of essential medical supplies and equipment. The expected results of these efforts include improved health emergency and disaster risk management, enhanced laboratory services for timely diagnosis and monitoring of infectious diseases, and effective

post-conflict recovery and rehabilitation of healthcare systems. By strengthening public health emergency management and post-conflict recovery, the government aims to protect the population from health emergencies, minimise the impact of disasters on public health, and facilitate the recovery and restoration of healthcare services in post-conflict areas. Additionally, strengthening public health emergency management and post-conflict recovery can build resilience, improve social cohesion, and promote stability in affected communities. It can also enhance the overall capacity of the healthcare system to respond to future emergencies and contribute to sustainable development and peacebuilding efforts. These strategic results are achieved through the effective execution of the following core strategic activities.



The strategic goal of enhancing health system capacity and regulation has a total investment target of Birr 133.1 billion. The strategic objectives of enhancing health system capacity and regulation aim to improve the overall capacity and regulatory framework of the health system through a comprehensive set of measures. This involves systematically strengthening various health system components, such as healthcare infrastructure, human resources for health, health information systems, and health financing mechanisms. It also includes implementing effective regulatory frameworks, quality assurance mechanisms, and governance structures to ensure the provision of safe, effective, and equitable healthcare services. The expected results of these efforts include improved healthcare infrastructure

and facilities, increased availability and distribution of skilled health professionals, enhanced health information systems for data-driven decision-making, and sustainable financing models to ensure equitable access to healthcare services. Additionally, by enhancing health system capacity and regulation, the government aims to improve the overall performance and efficiency of the healthcare system, enhance patient safety and satisfaction, and achieve better health outcomes for the population. The strategic objectives contribute to strengthening the health system's resilience, improving health system governance and accountability, and promoting health system sustainability. These strategic results are achieved through the effective execution of the following core strategic activities.

The strategic goal of enhancing pharmaceuticals and medical devices management and production has a total investment target of Birr 39.8 billion. This strategic goal aims to improve pharmaceuticals and medical devices' overall management and production. This involves implementing measures such as strengthening regulatory frameworks, enhancing quality assurance systems, promoting research and development, and fostering collaboration between relevant stakeholders in the healthcare sector. The expected results of these efforts include improved availability and utilisation of high-quality pharmaceuticals and medical devices, increased capability and capacity of domestic pharmaceutical and medical manufacturing industries, and enhanced utilisation of traditional medicine. The government

aims to ensure a steady supply of essential medicines and medical devices, improve the accessibility and affordability of healthcare products, and promote the development of a robust healthcare industry. Additionally, focusing on this strategic objective can reduce dependence on imports, boost local industries, create employment opportunities, and foster innovation in the healthcare sector. It also aligns with efforts to strengthen the resilience and self-sufficiency of the healthcare system, improve public health outcomes, and facilitate equitable access to safe and effective healthcare products for the population. These strategic results are achieved through the effective execution of the following core strategic activities.

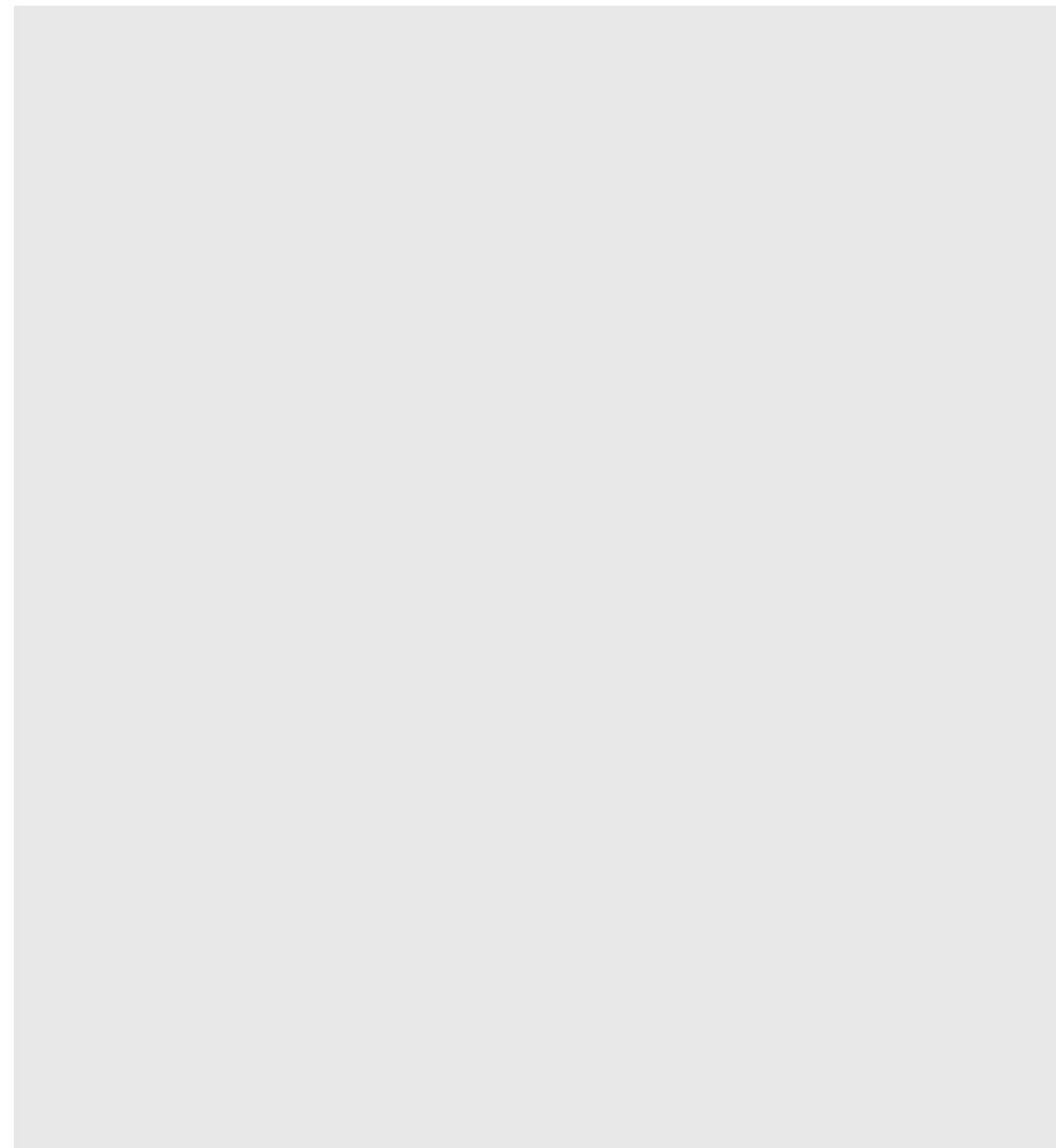
The strategic goal of improving health financing mobilisation and private sector engagement has a total investment target of Birr 65.8 billion. Improving health financing and private sector engagement aims to enhance health financing mechanisms and promote active participation of the private sector in the health sector. The key result areas expected from this goal are improved health sector revenue mobilization capacity, achievement of universal health insurance coverage, and increased private sector engagement in the sector. The expected results of these efforts include increased financial resources allocated to the health sector, improved efficiency in revenue collection, and a sustainable financing model that ensures adequate funding for healthcare services. Achieving universal health insurance coverage would enable the population to access essential healthcare services without

facing financial hardship. Expanding private sector engagement in the health sector can lead to increased investment, innovation, and efficiency in service delivery, ultimately improving the overall quality and accessibility of healthcare. By enhancing health financing and engaging the private sector, the government aims to ensure equitable access to quality healthcare services, reduce out-of-pocket expenses for individuals and families, increase the overall financial protection of the population, and improve health outcomes. Additionally, it can foster public-private partnerships, encourage private-sector investment in healthcare infrastructure and technology, and create opportunities for job creation and economic growth in the healthcare sector. These strategic results are achieved through the effective execution of the following core strategic activities.

**Table 19.1 Resource Allocations by Policy Area and Strategic Goals**

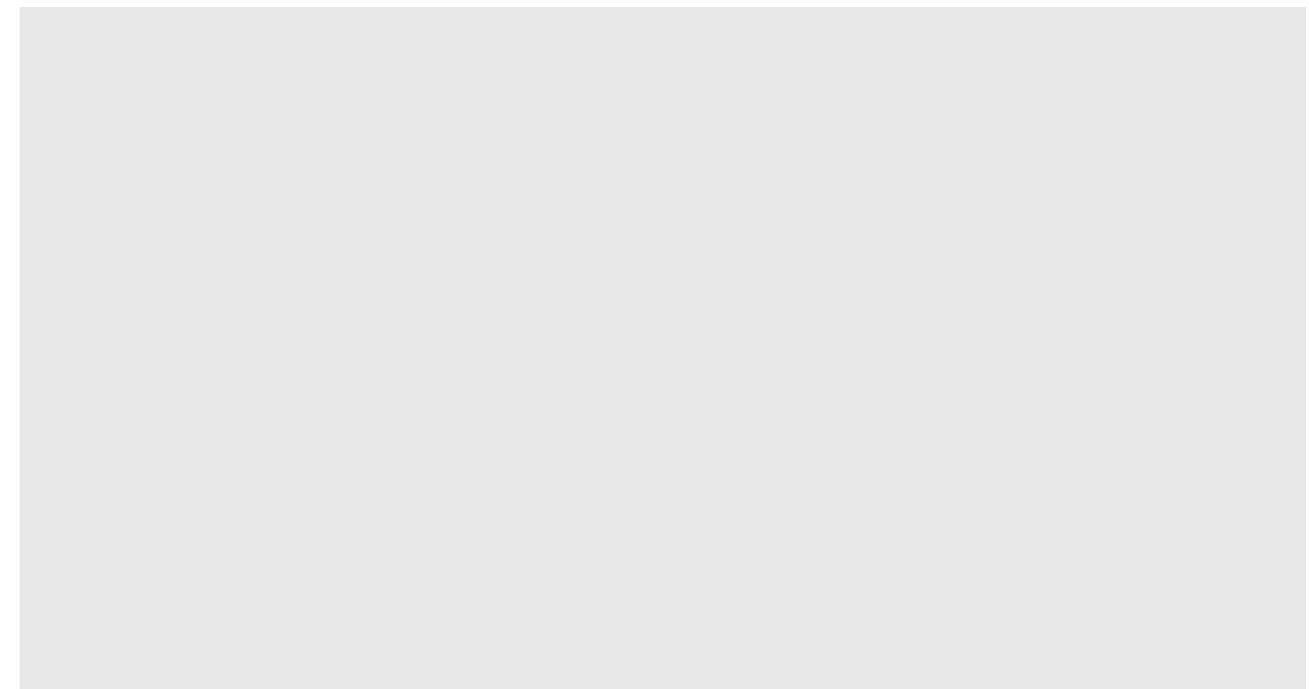
## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIP monitoring and evaluation framework. To achieve the strategic goals and results expected under the policy area of enhancing agricultural productivity growth, the following four (7) national programs will be implemented.



The health system capacity building and regulatory program has the highest investment targets for 2023/24 – 2025/26 with a total of birr 133.1 billion (27.5 per cent), followed by the quality medical health services access improvement program with birr 110.9 billion (22.9 per cent). The remaining investment targets are allocated to health financing and private engagement improvement, with birr 89.2 billion (18.5 per cent), disease prevention and control program with birr 52.6 billion (10.9 per cent), and pharmaceuticals and medical supplies program, with birr 39.8 billion (8.2 per cent).

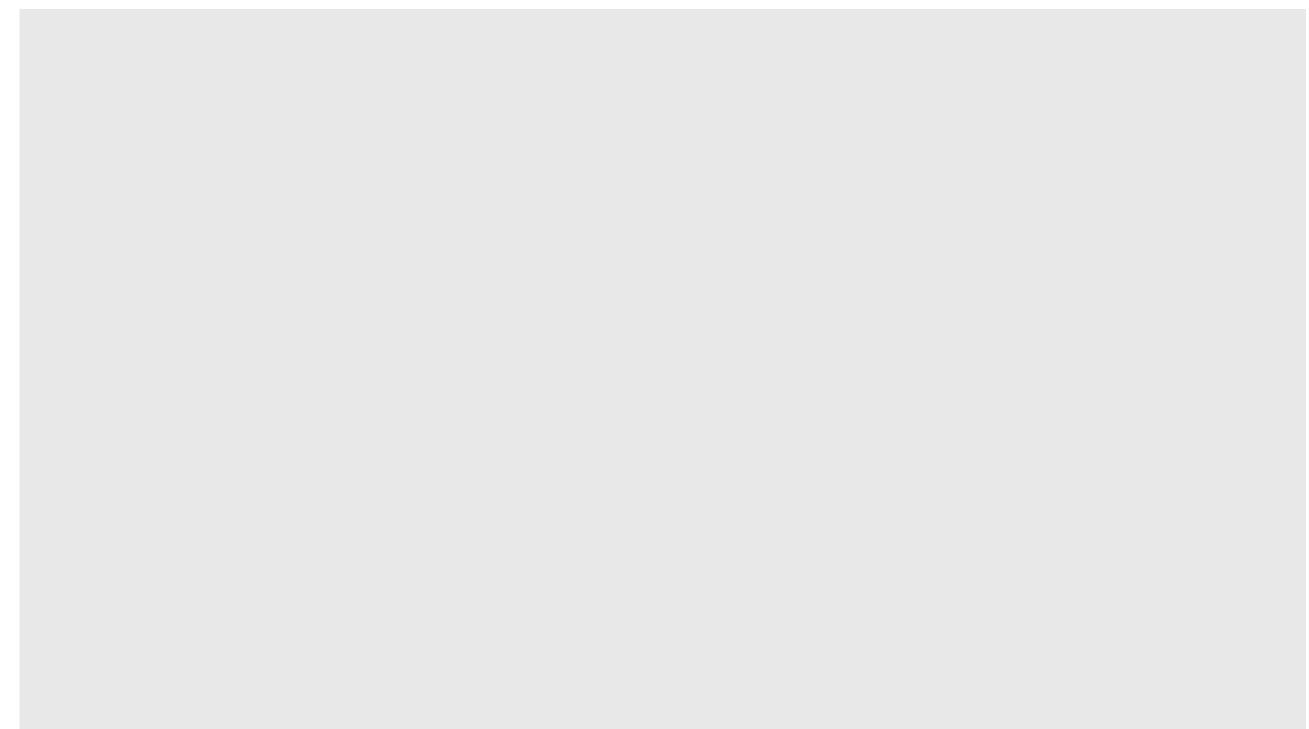
Table 19.2 MDIPIP Investment Target by Program



## Investment Targets by Implementing Government Organisation

The Ministry of Health has the highest number of PPAs, with 141 PAPs (42.5 per cent), followed by PPAs implemented by all health public bodies (stakeholders) with 77 PAPs (23.2 per cent), PPAs which will be jointly Ministry of Health and Partners with 28 PAPs (8.43 per cent) and Ethiopian Public Health Institute with 16 PAPs (4.82 per cent).

Table 19.3 MDIPIP Investment Targets by Implementing Organs



The Ministry of Health has the higher investment target with Birr 214 billion (44.31 per cent), followed by the Ministry of Health and Partners for jointly implemented PPAs with Birr 116.8 billion (24.17 per cent), All Health Sector Public Bodies, with an investment target of 111.6 billion (23.08 per cent) and NGO's, with a target of 7.9 billion (1.64 per cent).



Regarding the Financing Source, 295 PPAs (88.9 per cent) will be implemented through the federal and regional budget (treasury, grant and borrowing). The remaining 26 PPAs (7.8 per cent) will be carried out through partnerships between the government and development partners, through PPP financing 6 PPAs (1.8 per cent), and through regional capital budget 5 PPAs (1.5 per cent).

**Table 19.4 MDIPIP Investment Targets by financing source**

Regarding the spatial coverage of the PPAs across the country, 39 PAPs (11.7 per cent) have interregional coverage, while 263 PPAs have nationwide coverage (79.2 per cent), and 30 PAPs (9.0 per cent) have region-specific coverage.

**Table 19.5 MDIPIP Investment Targets by Spatial Coverage**

# CHAPTER 20

## SOCIAL PROTECTION AND EQUALITY

**P**romoting social protection and equality in Ethiopia is not merely a matter of ethical responsibility but a strategic imperative to embrace a pragmatic understanding of societal cohesion and inclusive economic growth. The country faces significant challenges such as inequality, high cost of living, poor access to basic services, and a high prevalence of vulnerable groups in the society. Social protection programs, including targeted productivity safety net, health care access, education access, and feeding the needy initiatives, play a pivotal role in addressing these issues. By investing in social protection, the government is committed to creating a more resilient and inclusive society, reducing the burden of the cost of living, and fostering a conducive environment for growth. Moreover, enhancing equality through policies that ensure equal opportunities and fair distribution of resources contributes to a more stable and prosperous Ethiopia.

Inequalities often exacerbate existing challenges, hindering progress in areas such as health, education, and economic empowerment. By prioritising social protection, the government is committed to creating a more level playing field, empowering marginalised communities, and breaking the cycle of poverty. This leads to improved social indicators and contributes to long-term economic stability by tapping into the talents and contributions of the entire population. In the twenty-first century, where inclusive growth is increasingly recognised as a key driver of success, the strategic essence of promoting social protection and equality positions Ethiopia to navigate the contemporary complexities and build a more equitable and prosperous future.

This policy area promotes a comprehensive approach that addresses essential areas through targeted policy reforms and government interventions. The MDIP integrating the HGER II is expected to raise living standards and create new and equal opportunities for all citizens, regardless of their socio-economic backgrounds. First and foremost, the government aims to ensure the efficiency and the targeted geographical coverage and reach of pro-poor basic services, social protection establishment and social safety nets to shield vulnerable populations from economic shocks and reduce poverty. Investing in accessible and quality healthcare and education systems is crucial to ensuring equal opportunities for all citizens. Policy reforms also focus on tackling discriminatory practices and promoting gender equality, as well as addressing structural barriers that hinder the economic participation of marginalised groups. Furthermore, fostering inclusive economic growth through job creation, skills development, and fair labour practices is essential for narrowing income gaps and promoting social mobility.

Raising awareness about social inclusion, protection, and equity will challenge discriminatory practices through public campaigns, community dialogues, and educational programs to foster social responsibility. Strengthening data collection and monitoring systems to track progress and evaluate the impact of social protection

programs is also critical. Furthermore, promoting social dialogue and the participation of stakeholders, including marginalised groups, is crucial for ensuring that social protection measures are responsive to the people's needs and aspirations. Overall, a holistic strategy encompassing these essentials and policy reform areas is vital to advancing social protection and equality in Ethiopia.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

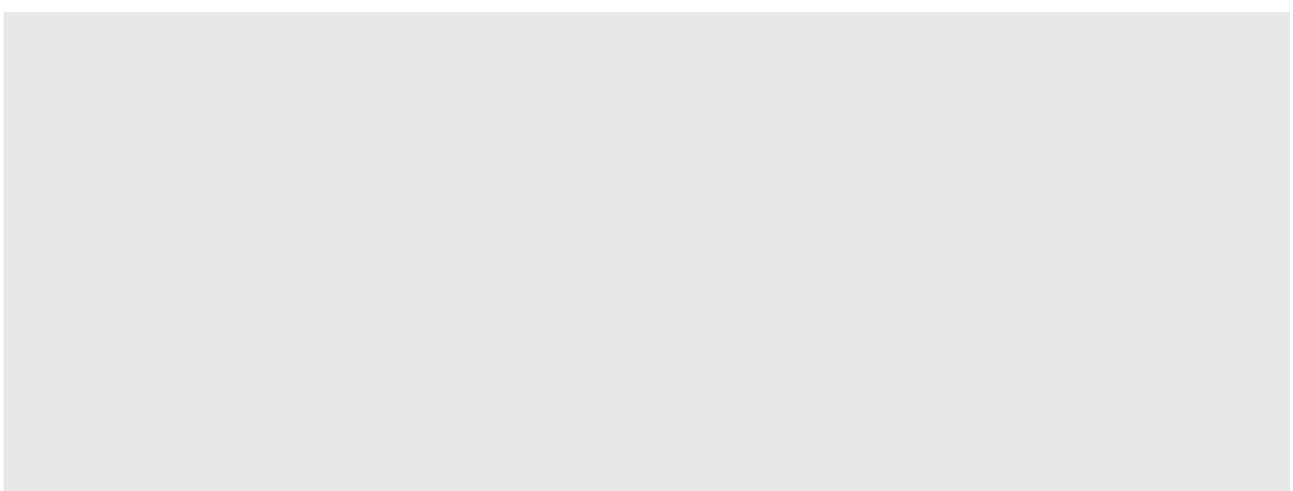
Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains eight (8) strategic goals and twenty-nine (29) core strategic functions and activities relevant to the policy area of promoting social protection and equality. The core strategic activities indicate strategic result areas with specific and clear key performance indicators. The linkage of MDIP with all social protection-related result matrices and quantitative targets is presented separately in the appendix.

The Ministry of Women and Social Affairs plays a central role in coordinating and facilitating the

achievement of strategic goals and results across diverse sectors. It collaborates with other line ministries responsible for core functions related to the provision of basic public services such as education and water, sanitation infrastructure, and law enforcement institutions to ensure legal protection of the most vulnerable part of the society as well as macro institution to ensure adequate social protection policy and systems including the financing of social protection activities as well as initiative aims at the ensuring inclusiveness and equity in service delivery, provision of justice as well as in the broader economic participation of marginalised groups in social, economic and political endeavour.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the medium-term period of the EFY 2023/24 to 2025/26, the total investment targets of the policy area of promoting social protection and equality amount to Birr 86.9 billion. The federal and Development Partners budget is Birr 3 billion; from this, the federal government will cover Birr 83.6 billion. Birr 136 million is expected to be mobilised from a partnership.



The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 2.5 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The strategic goal of ensuring women's rights, safety, participation, and benefit has a total investment target of Birr 69.4 billion. The government aims to create an environment of protection, empowerment, participation, and equal opportunities for women. Efforts will be made to protect women's rights and ensure universal security by addressing gender-based violence and discrimination. Increasing the participation and representation of women in

decision-making processes and leadership positions is prioritised. Measures will be taken to enhance women's economic and social participation, ensuring equitable benefits such as access to education, healthcare, employment, and financial resources. These efforts are expected to yield. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of safeguarding children's rights, well-being, engagement, and benefit has a total investment target of Birr 1.5 billion. The primary objective is to ensure that every child can grow up in a safe, supportive environment that nurtures their physical, emotional, and cognitive development. By prioritising children's rights and well-being, the government aims to break the cycle of poverty, improve educational outcomes, and build a foundation for sustainable development.

Expected results include reduced child mortality rates, improved access to quality education, and enhanced healthcare services. Overall, safeguarding children's rights in the Ethiopian context aligns with the broader vision of creating a nation where every child can reach their full potential, ultimately leading to a more prosperous and equitable future. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of fostering youth rights, safety, participation, and benefit has a total investment target of Birr 734 million. This strategic goal aims to empower and engage young people in shaping their future. Ethiopia seeks to empower the younger generation, fostering a sense of belonging and ownership that contributes to a more inclusive and harmonious society. Ensuring youth rights and universal security involves protecting their access to education, health services, and personality development. Prioritising increased

youth participation and representation in decision-making processes, civic and political engagement, and community development initiatives will amplify their voices and perspectives. Efforts will be made to promote entrepreneurship, skills development, employment opportunities, and social protection measures to enhance youth's economic and social benefits. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing and modernising social protection systems and services has a total investment target of Birr 11.9 billion. In the Ethiopian context, the strategic aim of enhancing and modernising social protection systems and services is to build a robust framework that addresses poverty, inequality, and vulnerability, thereby fostering sustainable, resilient, and inclusive economic growth and development. By improving the efficiency and effectiveness of social protection programs, the government aims to ensure a more targeted and impactful delivery of services to its citizens, particularly those in need. On the other hand, modernising social protection systems

also involves leveraging technology to streamline delivery mechanisms, improve data management, and ensure transparency. The expected results include reduced poverty rates, enhanced access to healthcare and education, and increased resilience to economic shocks among vulnerable populations. Ultimately, these efforts create a more resilient and equitable society in Ethiopia, where individuals and communities are better equipped to overcome challenges and thrive in a rapidly changing socio-economic landscape. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring inclusion and equality for disadvantaged and vulnerable groups has a total investment target of Birr 11.9 billion. Ensuring economic and social inclusion, participation, and benefit focuses on the crucial objective of ensuring economic and social inclusion, participation, and benefit for all individuals. This goal addresses various key areas, including the elderly, family organisations, and ensuring the inclusion of people with disabilities

(PWD). It can also promote the education and healthcare system's awareness and capacity to respond to future emergencies and contribute to sustainable development and peacebuilding efforts. These strategic results are achieved through the effective execution of the following core strategic activities.

**Table 20.1 Resource Allocations by Policy Area and Strategic Goals**

The strategic goal of strengthening government organs' mainstreaming and implementation capacity has a total investment target of Birr 11.9 billion. Ensuring effective mainstreaming and implementation capacity of government organs is strategically relevant in promoting social protection and inclusion by creating a comprehensive and coordinated approach to address the needs of vulnerable populations. When social protection policies and plans are mainstreamed across various government departments, such as health, education, and labour, it facilitates a more holistic and integrated response to the multifaceted challenges faced by marginalised communities. This coordination ensures that policies target immediate needs like productive safety net support and address

underlying factors contributing to vulnerability, such as healthcare access and educational opportunities. The expected results of effective mainstreaming and implementation capacity in the context of social protection and inclusion include more efficient and responsive delivery of services to marginalised and vulnerable populations, ensuring that the diverse needs of various groups are considered in policymaking and implementation. This, in turn, contributes to building a more equitable society where the most marginalised individuals and communities have access to essential services and opportunities for socio-economic advancement. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

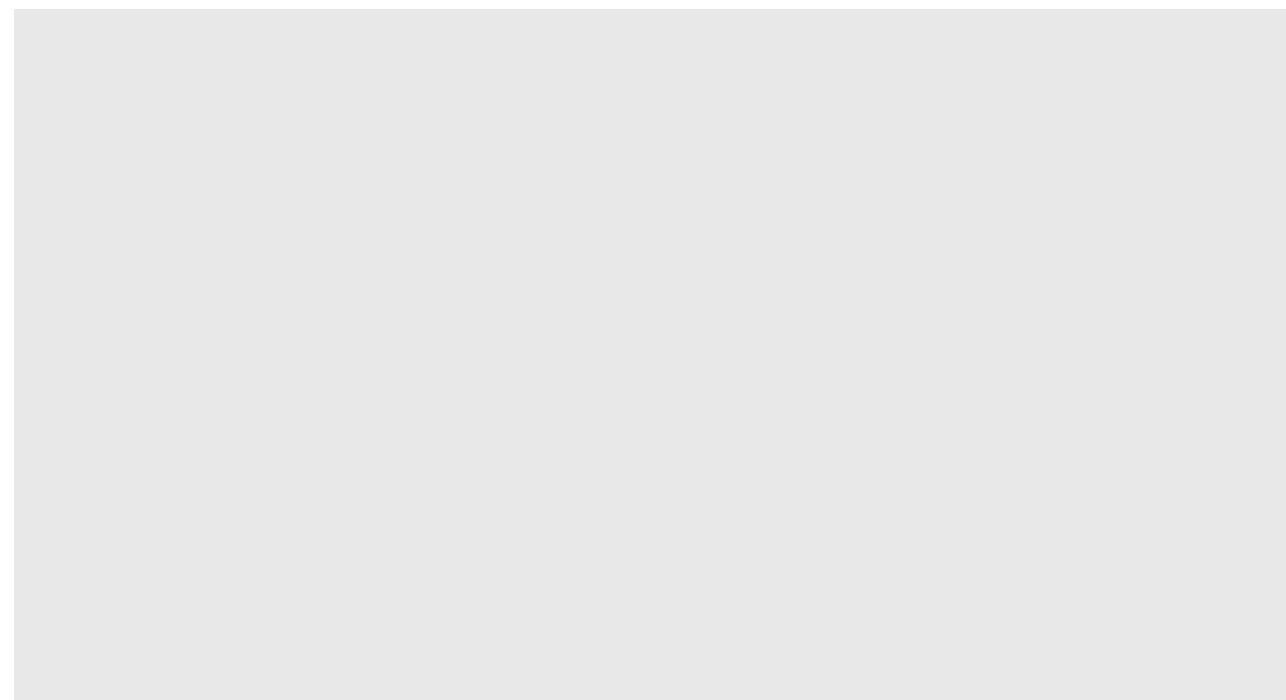
The strategic goal of enhancing service delivery and security protection to refugees and returnees has a total investment target of Birr 899 million. Enhancing service delivery and security protection to refugees aims to improve admission and recognition services, streamline registration and documentation processes, reduce security risks, promote durable solutions, and strengthen partnerships with donors. The goal is to provide refugees and asylum seekers

equitable access to streamlined procedures, accurate information, efficient case management, and opportunities for voluntary repatriation, local integration, and resettlement. This also involves preventing illegal human trafficking and supporting returnees. These strategic results are achieved through the effective execution of the following core strategic activities.

## **PROGRAMS AND INVESTMENT TARGET**

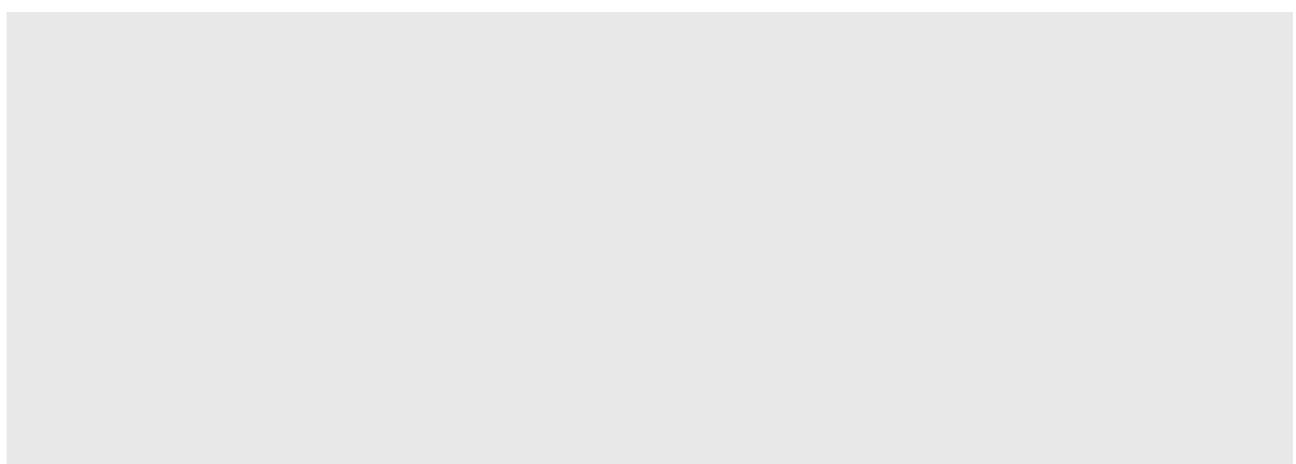
The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIP monitoring and evaluation framework. To achieve the strategic goals and results expected under the policy area of enhancing agricultural productivity growth, the following 5 (five) national programs will be implemented:

**Table 20.3 MDIP Investment Targets by Implementing Organs**



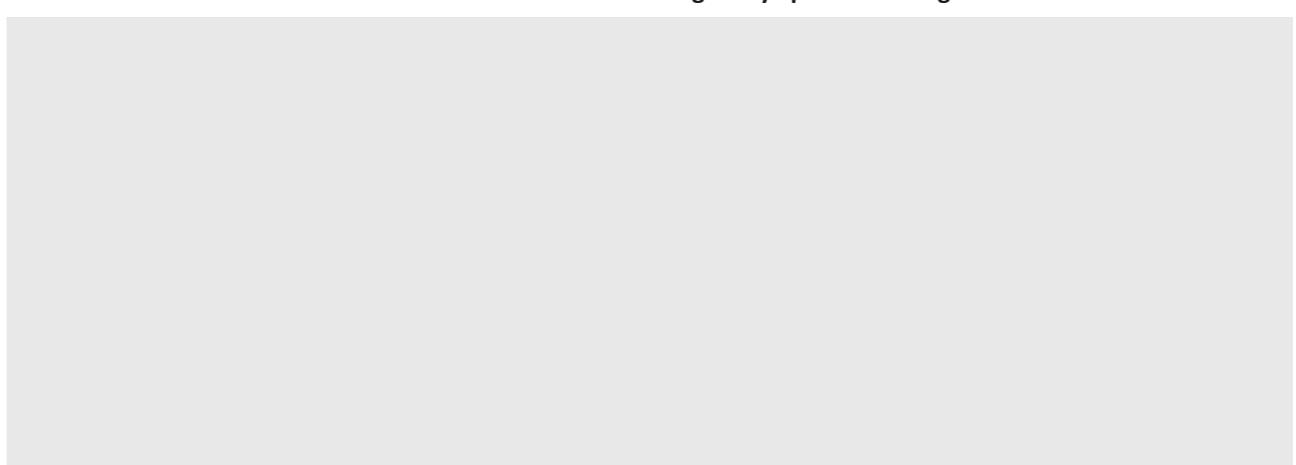
Regarding the Financing Source, 111 PPAs (74 per cent) will be implemented through the federal. The remaining 5 PPAs (3.3 per cent) will be carried out through development partners and 34 PPAs (22.4 per cent) by partnerships between government and partners.

**Table 20.4 MDIP Investment Targets by Financing Source**



Regarding the spatial coverage of the PPAs across the country, 146 PAPs (97.3 per cent) have interregional coverage, and 5 PAPs (3 per cent) have region-specific coverage.

**Table 20.5 MDIP Investment Targets by Spatial Coverage**



### **Investment Targets by Implementing Government Organisation**

The Ministry of Women and Social Affairs has the highest number of PPAs, with 116 (77.3 per cent), followed by the Refugees and Returnees Service, with 34 (22.7 per cent). Similarly, the Ministry of

Women and Social Affairs has a higher investment target of Birr 83.8 billion (96.4 per cent), and the Refugees and Returnees Service has a target of 3.1 billion (3.6 per cent).

# CHAPTER 21

## CULTURE, SPORT, AND CREATIVE ARTS

Promoting culture, sport, and creative arts in the Ethiopian context holds strategic policy relevance as it serves as a catalyst for comprehensive national development. This policy promotes preserving Ethiopia's diverse cultural heritage, fostering a sense of pride and identity. Additionally, investing in sports and creative arts creates opportunities for economic growth, job creation, and tourism. Cultural promotion enhances social cohesion and inclusivity, reinforcing the foundations of a harmonious society. Integrating these elements into national policies nurtures individual well-being and positions Ethiopia on the global stage, fostering international collaborations and exchanges. The government aims to leverage these sectors to drive socio-economic development, enhance soft power, and create a resilient and culturally enriched nation by recognising the multifaceted benefits of culture, sport, and creative arts.

While efforts to develop and promote multicultural resources, indigenous knowledge, social cohesion, and the creative industry have improved in recent years, there is still significant room for further advancement in fully utilising and capturing the potential of Ethiopia's cultural and creative sectors. The policy framework should prioritise cultural preservation, allocate resources for sports infrastructure, and offer incentives for the creative arts industry. A holistic approach that integrates culture, sport, and creative arts into national policies will contribute to social cohesion and spur economic growth, tourism, and global recognition of Ethiopia's cultural richness and creative talents.

The MDIP recognises the transformative power of culture, creativity, sports, and linguistic diversity in driving socioeconomic development. The government devises policy measures that help to preserve and celebrate diverse cultural traditions and foster a sense of national identity and pride. Similarly, investing in sports facilities and training programs and promoting physical activity are crucial for individual health and community well-being. Moreover, supporting creative arts involves creating platforms for artists, supporting skills development programs, and facilitating cultural exchange to nurture talent and innovation.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains five (5) strategic goals and twenty-three (29) core strategic functions and activities relevant to the policy area of promoting culture and creative economy in Ethiopia, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the Women and Social sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Culture and Sport.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of promoting culture, Language, sport, and creative arts amount to Birr 24.7 billion. The federal government will finance this source of investment target. The investment supports attaining (5) strategic goals.

The strategic goal of Developing and promoting multiculturalism, indigenous knowledge and building cohesive society has a total investment target of Birr 1.8 billion. The strategic goal is mainly aimed to insure the development and promotion of cultural potentials of the nations, nationalities and peoples of the country by enhancing diversity inclusiveness and public Participation. It is highly intended to maximize the role of culture as a deriving power of development. It is very essential program to build strong national identity and cohesive society through enhancing the socio-economic and political role of culture. Cultural heritages, values, Indigenous knowledge and other essential aspects of the culture

will be identified, documented and promoted at local, national and international levels to contribute a crucial role in realizing sustainable development. This strategic goal is expected to deliver key results, including increased cultural exchange, understanding, and appreciation among different cultural groups. Ultimately, the strategic goal is to build a resilient and united country that leverages its multicultural richness as a source of strength, leading to social harmony, economic progress, and a shared sense of national identity. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 1.7 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

Enhancing language Use accesses, Documentation and promotion of multilingualism has a total investment target of Birr 1.8 billion. The program is essentially aimed at guaranteeing the legitimate recognition of language rights of nations, nationalities and peoples of Ethiopia in course the creating of a democratic society wherein mutual respect, national harmony and unity prevailed among nations, nationalities and peoples of Ethiopia. This program focuses on strengthening national frameworks and principles in language planning, use, study, preservation, documentation, and establishing standards that transform qualities of the existing translations and interpreting industries into creative and competence based job creation opportunity at national levels in

accordance with a predefined program of action and timeframe of any other development sector in the country. The main objective of Archives, Library and Documentary Heritage Development program is to develop information enriched society. The program aim to increase the accumulation of knowledge to provide archives and library services to promote life long learning and practice as community engagement hub. This program preserve documentary heritage to the next generation. This program aimed to enhances the reading culture of the society through public mobilization and expansion of information resource centers. The program also aims to bring cultural change in the sector through training, research and development.

The strategic goal of enhancing the creative arts industry's cultural, social, and economic values has a total investment target of Birr 2.1 billion. The strategic goal of enhancing the cultural, social, and economic values of the creative arts industry in Ethiopia is to establish a thriving ecosystem that not only celebrates the nation's rich cultural heritage but also contributes significantly to social well-being and economic growth. This initiative seeks to provide a platform for artists, preserving and promoting Ethiopian traditions while fostering innovation and contemporary expressions. Expected results include a vibrant cultural landscape that strengthens

national identity, increased social engagement, and community cohesion. Economically, the creative arts industry can generate employment, stimulate tourism, and position Ethiopia globally as a hub for artistic expression. By strategically supporting and investing in the creative arts, the government aims to cultivate a dynamic sector that enriches the country's cultural fabric and drives socio-economic development, creating a sustainable and globally recognised creative ecosystem. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

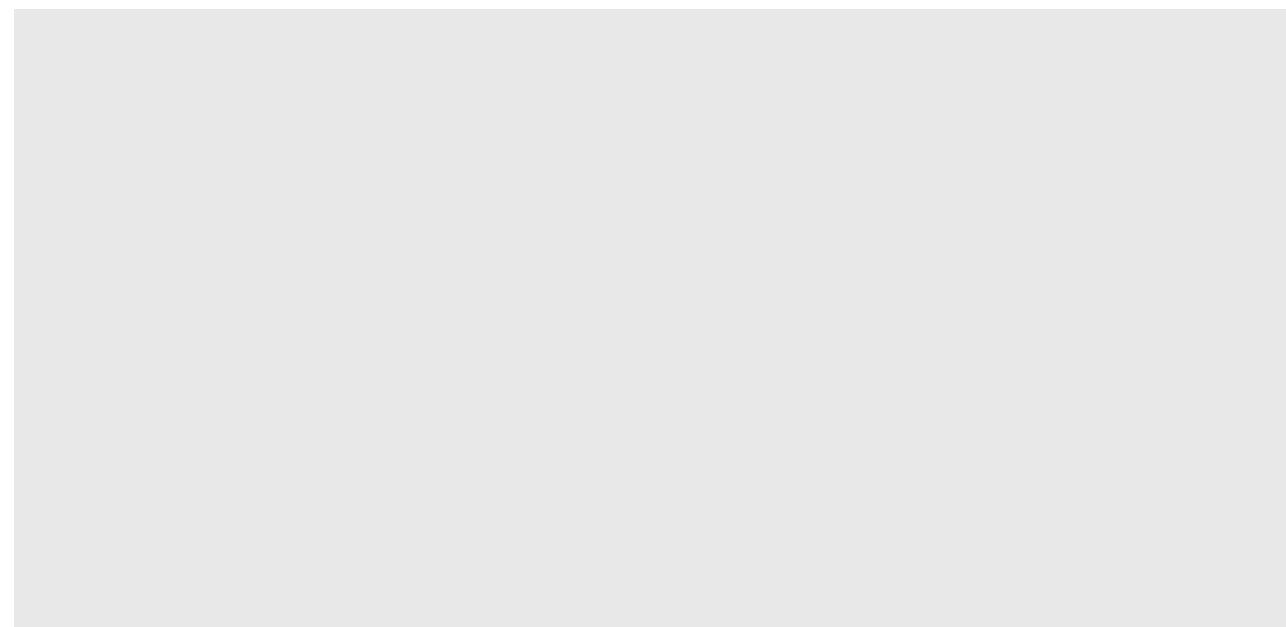
The strategic goal of enhancing sports' cultural, social, and economic values has a total investment target of Birr 17.9 billion. The strategic goal of enhancing the cultural, social, and economic values of sports in Ethiopia is to build a healthier, competent, and more cohesive society while unlocking economic opportunities in the sports sector. This strategic goal aims to promote sports as a sociocultural and economic phenomenon, fostering national pride, unity, and economic opportunities through various athletic pursuits. From a sociocultural perspective, the expected results include improved public health outcomes due to increased physical activity, strengthened social bonds through community

engagement in sports, and the development of sporting talent that can compete on the global stage. Economically, the sports industry can create jobs, attract investments, and boost tourism through events and sports-related activities. By strategically investing in sports, the government aims to leverage its rich athletic history and cultural enthusiasm for sports to enhance the overall well-being of its citizens, foster national unity, and drive economic growth through a thriving sports sector. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 21.1 Resource Allocations by Policy Area and Strategic Goals**

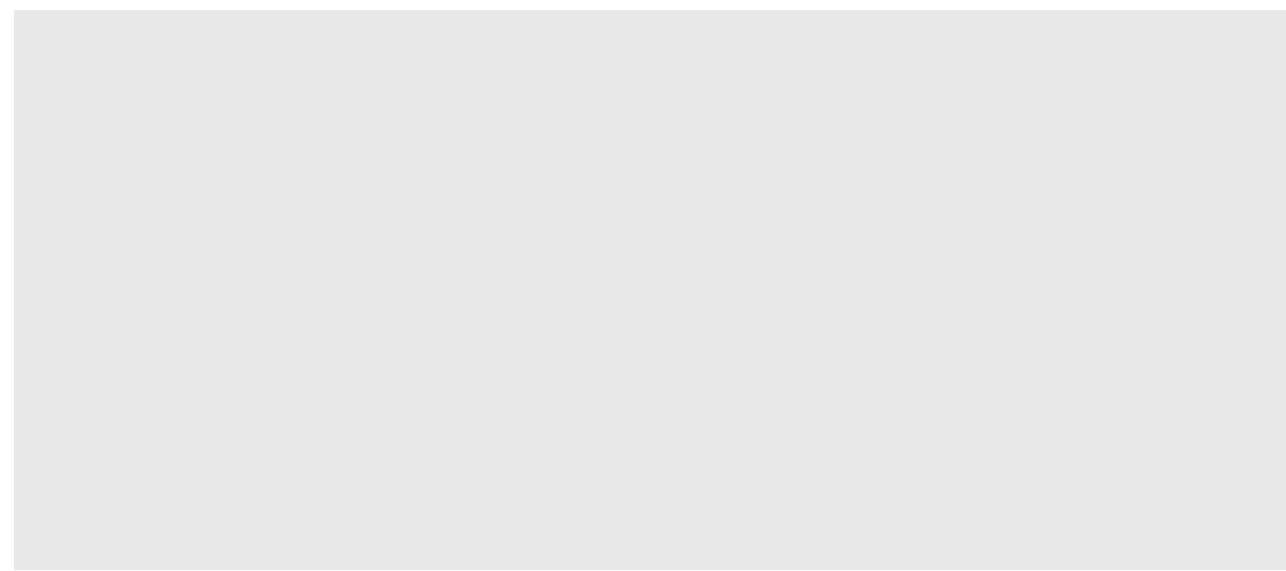
Policy Area	Strategic Goal	Resource Allocation (Birr)
1	1.1	100
1	1.2	200
2	2.1	300
2	2.2	400
3	3.1	500
3	3.2	600
4	4.1	700
4	4.2	800
5	5.1	900
5	5.2	1000
6	6.1	1100
6	6.2	1200
7	7.1	1300
7	7.2	1400
8	8.1	1500
8	8.2	1600
9	9.1	1700
9	9.2	1800
10	10.1	1900
10	10.2	2000
11	11.1	2100
11	11.2	2200
12	12.1	2300
12	12.2	2400
13	13.1	2500
13	13.2	2600
14	14.1	2700
14	14.2	2800
15	15.1	2900
15	15.2	3000
16	16.1	3100
16	16.2	3200
17	17.1	3300
17	17.2	3400
18	18.1	3500
18	18.2	3600
19	19.1	3700
19	19.2	3800
20	20.1	3900
20	20.2	4000
21	21.1	4100
21	21.2	4200
22	22.1	4300
22	22.2	4400
23	23.1	4500
23	23.2	4600
24	24.1	4700
24	24.2	4800
25	25.1	4900
25	25.2	5000
26	26.1	5100
26	26.2	5200
27	27.1	5300
27	27.2	5400
28	28.1	5500
28	28.2	5600
29	29.1	5700
29	29.2	5800
30	30.1	5900
30	30.2	6000
31	31.1	6100
31	31.2	6200
32	32.1	6300
32	32.2	6400
33	33.1	6500
33	33.2	6600
34	34.1	6700
34	34.2	6800
35	35.1	6900
35	35.2	7000
36	36.1	7100
36	36.2	7200
37	37.1	7300
37	37.2	7400
38	38.1	7500
38	38.2	7600
39	39.1	7700
39	39.2	7800
40	40.1	7900
40	40.2	8000
41	41.1	8100
41	41.2	8200
42	42.1	8300
42	42.2	8400
43	43.1	8500
43	43.2	8600
44	44.1	8700
44	44.2	8800
45	45.1	8900
45	45.2	9000
46	46.1	9100
46	46.2	9200
47	47.1	9300
47	47.2	9400
48	48.1	9500
48	48.2	9600
49	49.1	9700
49	49.2	9800
50	50.1	9900
50	50.2	10000
51	51.1	10100
51	51.2	10200
52	52.1	10300
52	52.2	10400
53	53.1	10500
53	53.2	10600
54	54.1	10700
54	54.2	10800
55	55.1	10900
55	55.2	11000
56	56.1	11100
56	56.2	11200
57	57.1	11300
57	57.2	11400
58	58.1	11500
58	58.2	11600
59	59.1	11700
59	59.2	11800
60	60.1	11900
60	60.2	12000
61	61.1	12100
61	61.2	12200
62	62.1	12300
62	62.2	12400
63	63.1	12500
63	63.2	12600
64	64.1	12700
64	64.2	12800
65	65.1	12900
65	65.2	13000
66	66.1	13100
66	66.2	13200
67	67.1	13300
67	67.2	13400
68	68.1	13500
68	68.2	13600
69	69.1	13700
69	69.2	13800
70	70.1	13900
70	70.2	14000
71	71.1	14100
71	71.2	14200
72	72.1	14300
72	72.2	14400
73	73.1	14500
73	73.2	14600
74	74.1	14700
74	74.2	14800
75	75.1	14900
75	75.2	15000
76	76.1	15100
76	76.2	15200
77	77.1	15300
77	77.2	15400
78	78.1	15500
78	78.2	15600
79	79.1	15700
79	79.2	15800
80	80.1	15900
80	80.2	16000
81	81.1	16100
81	81.2	16200
82	82.1	16300
82	82.2	16400
83	83.1	16500
83	83.2	16600
84	84.1	16700
84	84.2	16800
85	85.1	16900
85	85.2	17000
86	86.1	17100
86	86.2	17200
87	87.1	17300
87	87.2	17400
88	88.1	17500
88	88.2	17600
89	89.1	17700
89	89.2	17800
90	90.1	17900
90	90.2	18000
91	91.1	18100
91	91.2	18200
92	92.1	18300
92	92.2	18400
93	93.1	18500
93	93.2	18600
94	94.1	18700
94	94.2	18800
95	95.1	18900
95	95.2	19000
96	96.1	19100
96	96.2	19200
97	97.1	19300
97	97.2	19400
98	98.1	19500
98	98.2	19600
99	99.1	19700
99	99.2	19800
100	100.1	19900
100	100.2	20000

**Table 21.3 MDIP Investment Targets by Implementing Agency**



The sports development program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 17.5 billion (70.8 per cent), followed by the multicultural and language development program with Birr 2.5 billion (10.2 per cent). The remaining investment targets are allocated to the creative art industry development program, with Birr 2.08 billion (8.4 per cent), the public archives and library heritage development program, with Birr 499 million (2.02 per cent), and the Sports Anti-Doping Program, which has a budget of Birr 458 million (1.8 per cent).

**Table 21.2 MDIP Investment Target by Program**

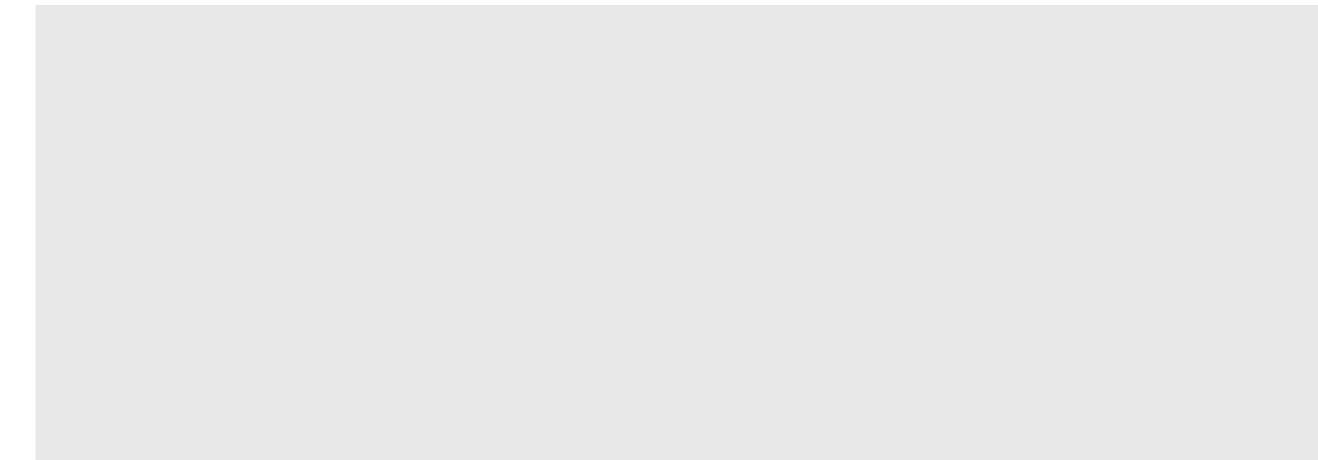


#### **Investment Targets by Implementing Government Organisation**

The Ministry of Culture and Sport has the highest share with 284 PAPs (83.3 per cent), followed by the Ethiopian Archives and Library Service with 30 PAPs (8.8 per cent). The remaining will be PAPs implemented by the Ethiopian National Theatre, with 14 PAPs (4.1 per cent) Ethiopian Anti-Doping Authority, with 6 PAPs (1.8 per cent), and Ethiopian Sports Academy with 7 PAPs (2.1 per cent).

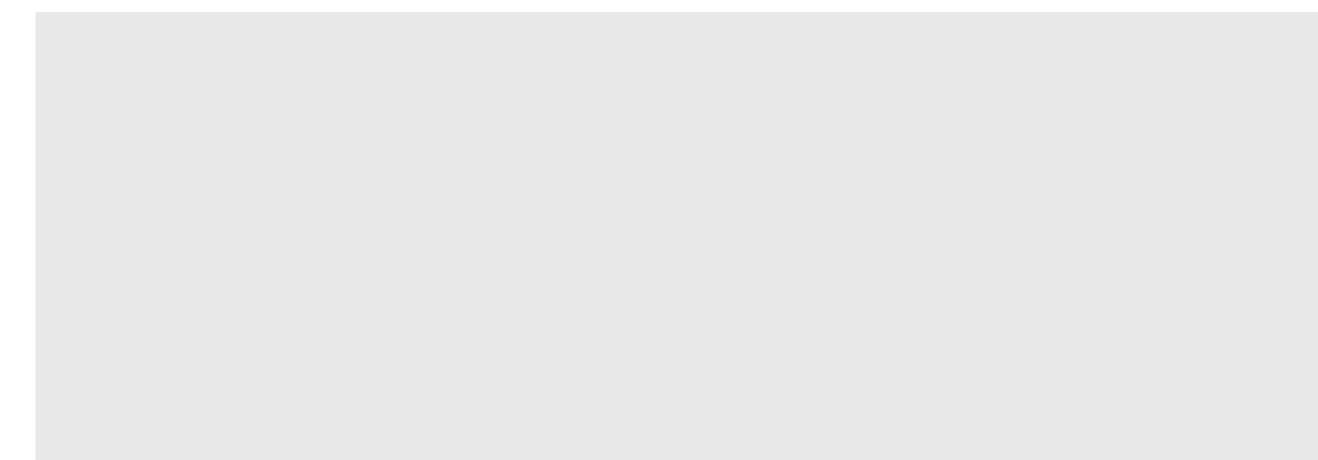
The Ministry of Culture and Sport has the higher investment target of Birr 21.6 billion (75.6 per cent), followed by PAPs implemented by Ethiopian Sports Academy has a target of Birr 1.9 billion (7.5 per cent), The remaining implementing agencies, PAPs implemented by Ethiopian National Theatre Birr 667 million (2.7 per cent), Ethiopian Archives and Library Service Birr 537 million (2.2 per cent), Ethiopian, and Anti-Doping Authority Birr 516 million (2.1 per cent).

**Table 21.4 MDIP Investment Targets by Financing Source**



Regarding the Financing Source , 295 PPAs (87.0 per cent) will be implemented through the federal recurrent and 46 PPAs (13 per cent) will be implemented by the federal capital budget.

**Table 21.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 22

## EFFECTIVE ADMINISTRATION OF JUSTICE AND HUMAN RIGHTS

**E**nsuring the rule of law and effective administration of justice is strategically relevant to the national prosperity vision crafted in the TYDP and aligns closely with the SDGs. The rule of law provides a foundation for a just and stable society, fostering an environment conducive to overall socio-economic development. By ensuring the rule of law, the government aims to enhance governance and create an atmosphere of predictability that stimulates active participation in socio-political and economic activities. Furthermore, effective administration of justice is critical for protecting human rights and building trust in institutions.

In the Ethiopian context, ensuring the rule of law and effective administration of justice face several fundamental challenges and gaps. Notable issues with the accessibility and affordability of legal services, particularly in rural areas, limit citizens' ability to seek justice. Law enforcement, prosecution, and judiciary also encounter challenges related to weak institutional capacity, including insufficient training and resources. On the other hand, corruption and malpractices within the legal system and law enforcement organs often undermine efforts to establish a fair and impartial rule of law. Political instability and governance issues further impede establishing a robust legal system. Bridging these gaps requires comprehensive reforms, including legal infrastructure development, capacity building, anti-corruption measures, and initiatives to enhance accessibility and inclusivity within the justice system.

Ensuring the rule of law and effective administration of justice necessitates a multifaceted approach, and the MDIP aims to integrate the planning of justice to create an enabling environment for the rule of law and effective administration of justice. The justice organs include organs of law enforcement, prosecutorial and legal support, the judiciary, prison administration, human rights protections, and civil society organisations. Effective collaboration and synergy, with an optimal and efficient check and balance protected among these justice organs, form the backbone of a modern and robust legal system. Law enforcement organs play a crucial role in investigating and presenting cases; prosecutors ensure a fair trial and presenting evidence, legal support services provide expertise in legal matters, and the judiciary delivers impartial judgments.

When these sectors work in synergy, information flows seamlessly, reducing delays in legal proceedings and improving the overall efficiency of the justice system. Coordination enhances the quality of investigations, strengthens the presentation of cases, and ensures that legal rights are protected throughout the process. Effective collaboration also helps maintain the integrity of the legal system, fostering public trust and upholding the principles of fairness and justice. In essence, the strategic importance lies in creating a cohesive and well-coordinated legal ecosystem that can effectively navigate the complexities of legal processes, contributing to the rule of law and the overall health of the justice system.

The MDIP prioritises creating an enabling environment for the rule of law and effective administration of justice. This involves measures and interventions such as legal and administrative reforms, digitalisation and infrastructure improvements, and capacity building. Collaboration among justice sector actors and implementing transitional justice measures will ensure accountability and address the root causes of injustice. Digitalisation, alternative justice systems, and business environment reforms will enhance service delivery, access to justice, and economic growth. Additionally, prison centre reforms will uphold human rights, promote rehabilitation, and reduce prison congestion. These efforts aim to achieve impactful changes in ensuring justice and contribute to sustainable development.

## **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains nine (9) strategic goals and forty-three (43) core strategic functions and activities relevant to the policy area of ensuring the rule of law and effective administration of justice, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the justice sector result matrices and targets is presented in the appendix. These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ministry of Justice, the Supreme Court, the Federal Police Commission, the Ethiopian Human Rights Commission, the Authority for the Civil Society Organisations, and the Federal Prisons Commission.

During the MDIP, these institutions collaborate extensively in the justice sector to ensure the effective provision of justice, law enforcement, and the promotion of the rule of law. The Ministry of Justice is pivotal in developing legal frameworks and policies, aligning them with human rights standards and ensuring effective implementation. The Supreme Court, as the highest independent judicial authority, is crucial for interpreting laws, upholding legal principles, and ensuring uniformity in legal decisions. The Federal Police Commission is responsible for law enforcement, working with the Ministry of Justice and the judiciary to investigate and prosecute cases. The Ethiopian Human Rights Commission contributes by monitoring human rights compliance and addressing violations, fostering accountability within the justice system.

The Authority for Civil Society Organisations promotes transparency, citizen engagement, and advocacy for legal reforms, reinforcing the participatory aspect of the justice system. The Federal Prisons Commission ensures that incarceration aligns with legal standards, emphasising rehabilitation and adherence to human rights principles. Effective coordination involves regular communication and engagement, information-sharing, and collaborative decision-making among these institutions. Such coordination ensures that the legal system operates cohesively, upholding the rule of law, protecting human rights, and providing citizens with fair and efficient access to justice. Additionally, a harmonised approach contributes to public trust in the justice system and strengthens Ethiopia's commitment to the principles of good governance and the protection of human liberties.

## **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

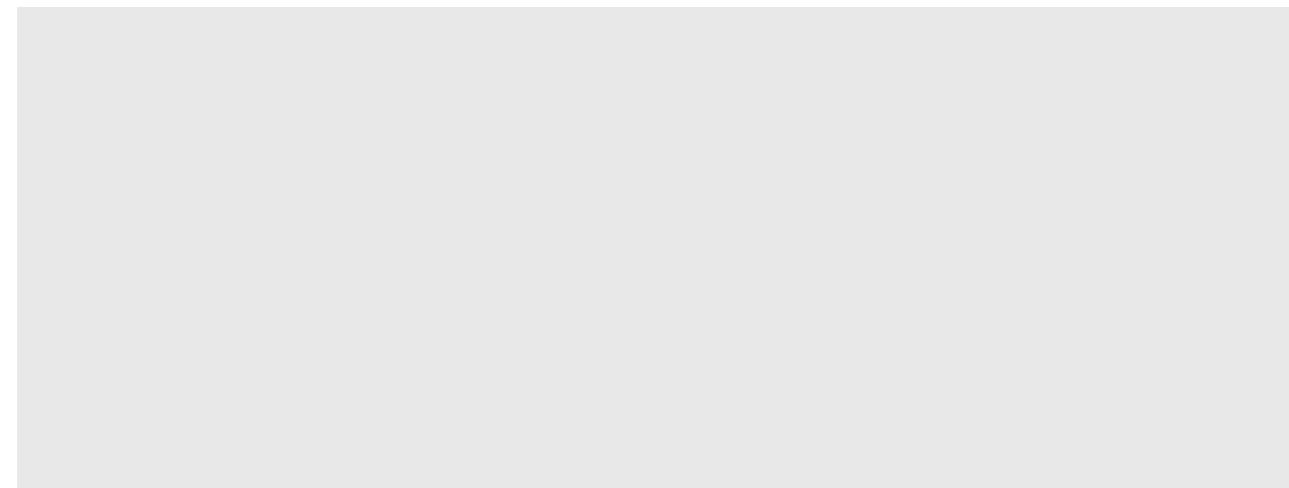
During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring the rule of law and effective administration of justice amount to Birr 127.2 billion. The federal government will finance this source of investment target. The investment supports attaining eight (8) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 37.1 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The three strategic goals, including improving the effectiveness of law and justice services, improving administrative justice and enforcement of federal laws, and expanding access to justice services, have a combined total investment target of Birr 861 million. The government is committed to enhancing the effectiveness of law and justice through legal and justice reform, heightened regulatory oversight and evaluation of legal practitioners, and safeguarding governmental and public civil interests. Law and justice reform will optimise the efficiency, equity, and accessibility of the legal framework, ensuring its alignment with evolving societal requirements.

Augmented licensing procedures for legal practitioners, coupled with robust administrative and monitoring mechanisms, will uphold professional standards, integrity, and accountability within the legal community. Additionally, protecting governmental and public civil interests ensures preserving the rights and welfare of individuals, organisations, and the state through effective legal mechanisms and dedicated advocacy. These strategic results are achieved through the effective execution of the following core strategic functions.

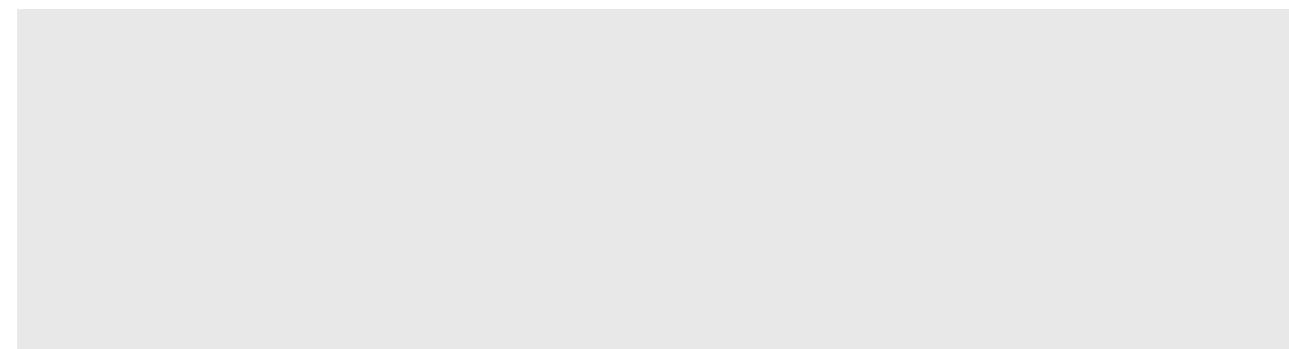


The strategic goal of improving administrative justice and enforcement of federal laws centres on enhancing efficiency, increasing the applicability of laws, improving monitoring of civil society organisations, and fostering international cooperation in law and justice. The focus is on creating streamlined processes, strengthening legal frameworks, establishing robust monitoring mechanisms, and fostering collaborative partnerships. The expected results are improved access to justice, enhanced legal

compliance, strengthened civil society oversight, and increased cooperation on global legal matters. These efforts aim to resolve administrative disputes fairly and efficiently, ensure legal certainty, protect civil rights and interests, and contribute to the overall outcomes in the justice sector and the economy. These strategic results are achieved through the effective execution of the following core strategic functions.

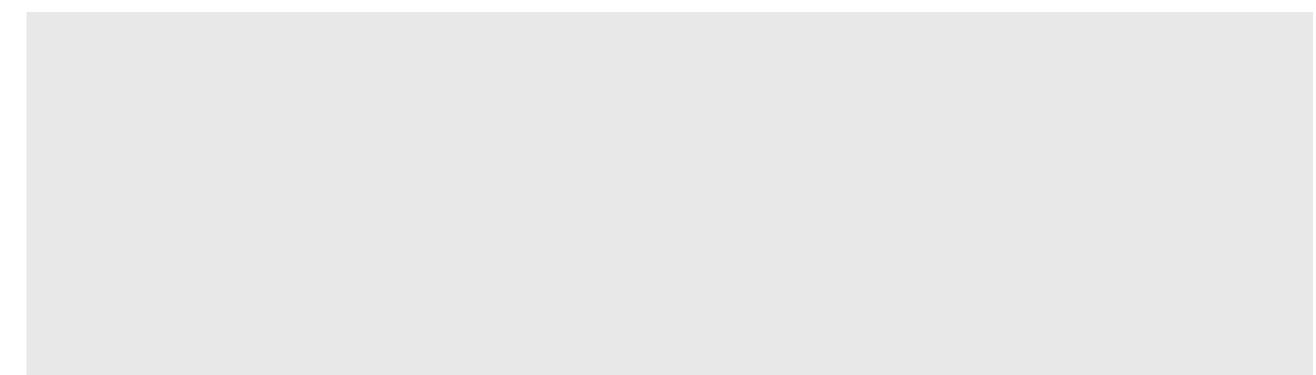
The strategic goal of enhancing access to justice services is to improve accessibility and expand community-based approaches. This involves enhancing infrastructure, strengthening legal aid, promoting alternative dispute resolution, and engaging communities. The expected results include increased access for vulnerable populations,

reduced backlogs, efficient dispute resolution, and enhanced community trust. The government aims to ensure equitable access, empower marginalised communities, and contribute to justice sector outcomes and the economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

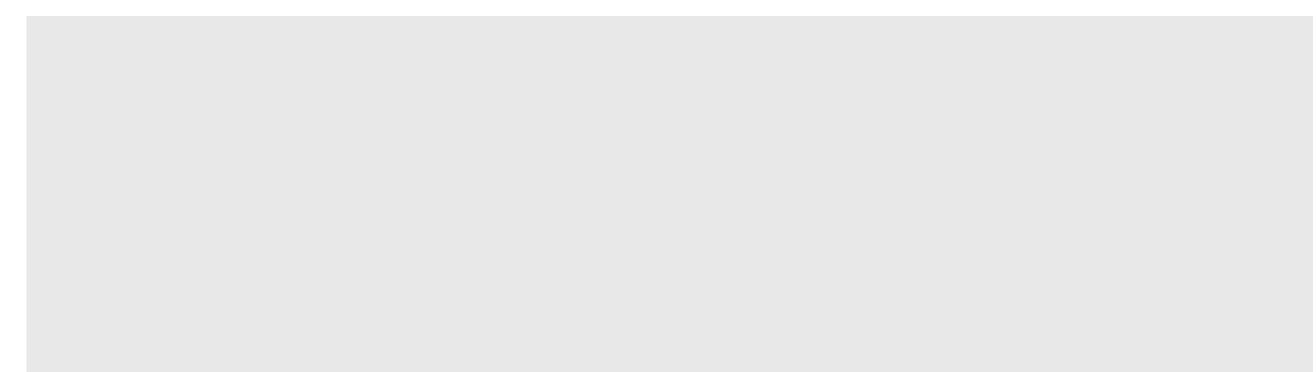


The strategic goal of enhancing criminal law implementation and prosecutorial services has a total investment target of Birr 2.98 billion. The focus of the strategic objective is to increase the efficiency of criminal justice services while improving asset recovery from unlawful practices and effectively delivering comprehensive legal protection for witnesses, informants, and victims. This involves streamlining processes, enhancing the effectiveness of asset forfeiture mechanisms, and implementing

The strategic goal of ensuring effective prison management has a total investment target of Birr 4.1 billion. The strategic objectives focus on improving the management of prisons and correctional centres for successful inmate rehabilitation, emphasising security, peace, safety, and justice services. Key areas include enhancing correction and rehabilitation services for inmates and ensuring effective delivery of basic inmate services. This involves implementing comprehensive programs, providing adequate staff training and resources, and establishing efficient



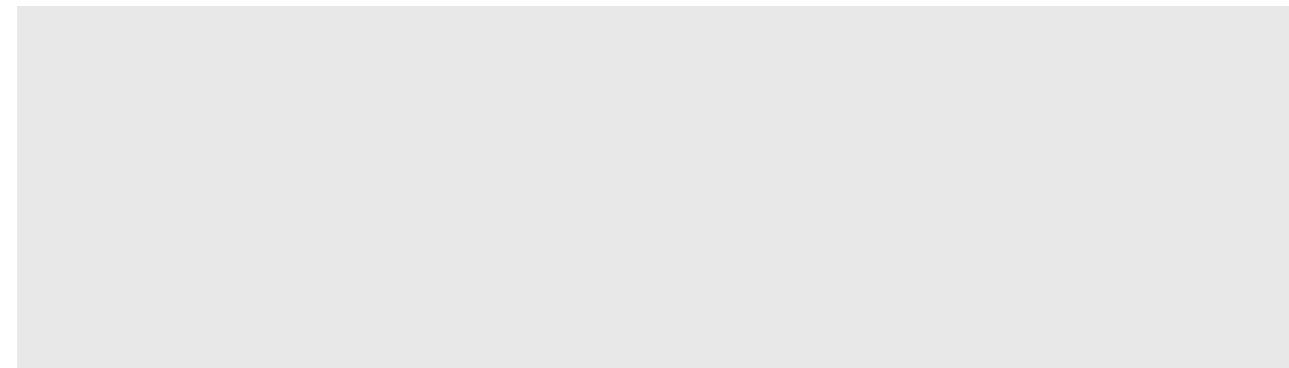
service delivery systems. The expected results include increased inmate rehabilitation, reduced recidivism rates, improved facility safety and security, and successful inmate reintegration. Through these efforts, the government aims to promote public safety, uphold human rights, and contribute to justice sector outcomes and the economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of ensuring comprehensive judicial excellence and public confidence has a total investment target of Birr 63.7 billion. The strategic objectives focus on enhancing judicial autonomy, transparency, and accountability, expediting judicial adjudication, enhancing judicial excellence, improving the use of digital technology for enhanced judicial service and accessibility, enhancing legal representation for the defence, implementing

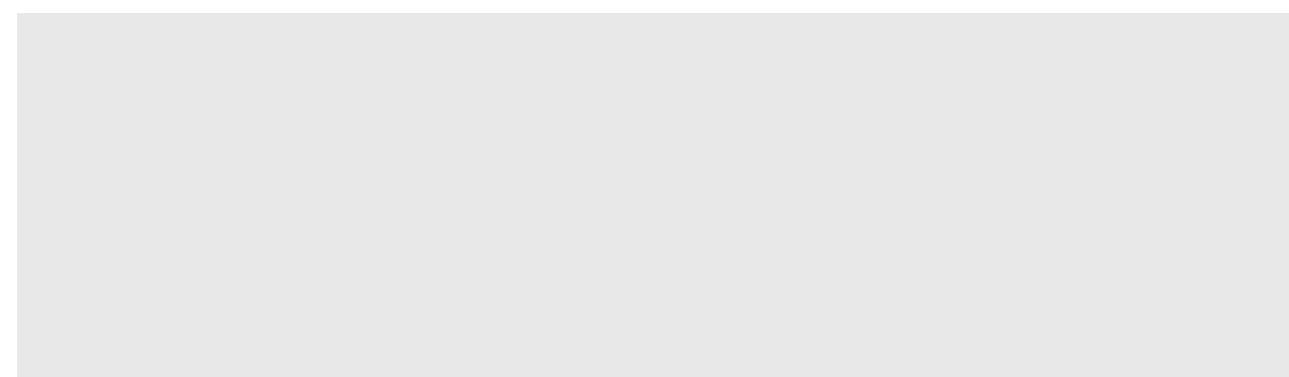
court-annexed mediation, improving accessibility of court services to communities with special needs, and enhancing court accessibility. The expected outcomes include increased independence and freedom for the judiciary, a more transparent and accountable judicial system, expedited resolution of cases, improved overall judicial performance, enhanced accessibility to judicial services through digital technology, improved legal representation for

the defence, effective court-annexed mediation processes, increased access to court services for communities with special needs, and improved physical accessibility to courts. These efforts aim to instil public confidence in the judiciary, ensure fair and efficient justice delivery, and contribute to the overall outcomes in the justice sector and the economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of promoting a human rights-based approach and protecting human rights has a total investment target of Birr 780 million. The strategic objectives of promoting a human rights-based approach and protecting human rights focus on various key areas. These include promoting a human rights culture and integrating human rights principles into laws, policies, and practices through enhanced education, enhancing human rights protection to ensure non-discrimination, equality, participation, accountability, and access to justice, and establishing effective mechanisms for monitoring, reporting, and remedying human rights violations. This involves creating supportive frameworks, implementing

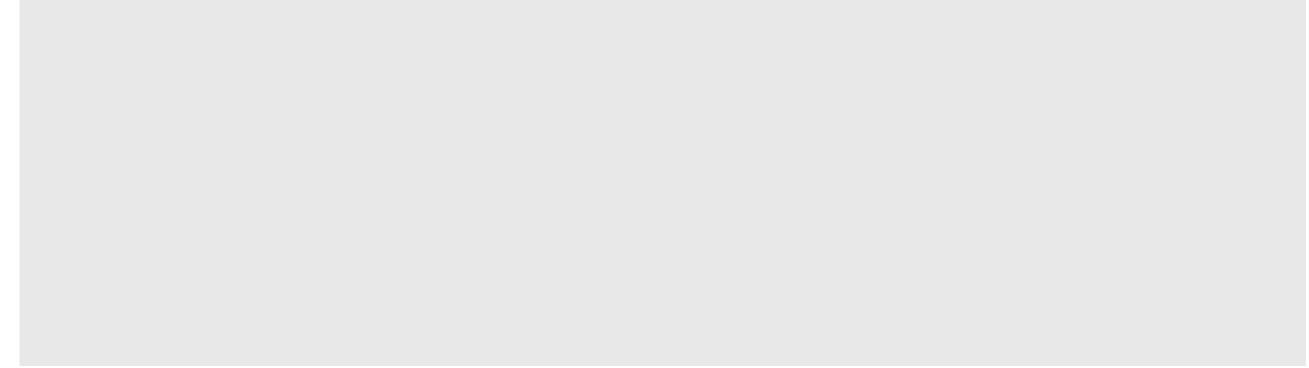
educational programs, strengthening legal and policy frameworks, and establishing robust monitoring and reporting mechanisms. The expected results include cultivating a human rights culture, improved protection of human rights, increased accountability for human rights violations, and enhanced access to justice for all individuals. By promoting a human rights-based approach and protecting human rights, the government aims to uphold fundamental rights, ensure equality and justice, and contribute to the overall outcomes in the justice sector and the economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of enhancing public safety and security through effective policing has a total investment target of Birr 18.1 billion. The strategic objectives of enhancing public safety and security through effective policing focus on improving various areas. Key result areas include ensuring crime prevention by improving investigative processes and fostering community engagement, preventing and reducing crime rates, bolstering law enforcement capabilities, enhancing police professionalism and capacity through continuous training and support

for well-being, and improving the accessibility of cutting-edge policing technologies. This involves creating effective crime prevention strategies, implementing community engagement programs, strengthening law enforcement agencies, providing ongoing training and support for police officers, and adopting advanced policing technologies. The expected results include decreased crime rates, increased community trust and collaboration, enhanced law enforcement effectiveness, improved professional standards among police officers, and

enhanced use of technology for efficient policing. By enhancing public safety and security through effective policing, the government aims to create a safer society, prevent and deter crime, and contribute to the overall outcomes in the justice sector and the economy. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



**Table 22.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
Human Rights	Promoting a human rights-based approach and protecting human rights	780 million
Public Safety and Security	Enhancing public safety and security through effective policing	18.1 billion
Justice Sector	Ensuring the rule of law and effective administration of justice	18.1 billion
Community Engagement	Strengthening community engagement and participation	1.5 billion
Investigation and Prosecution	Improving investigation and prosecution processes	1.5 billion
Law Enforcement	Bolstering law enforcement capabilities	1.5 billion
Professionalism and Capacity	Enhancing police professionalism and capacity	1.5 billion
Technology	Adopting advanced policing technologies	1.5 billion
Investigation and Prosecution	Improving investigation and prosecution processes	1.5 billion
Law Enforcement	Bolstering law enforcement capabilities	1.5 billion
Professionalism and Capacity	Enhancing police professionalism and capacity	1.5 billion
Technology	Adopting advanced policing technologies	1.5 billion

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIP monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring the rule of law and effective administration of justice, the following nine (9) programs will be implemented.

The Judiciary Reform program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 63.7 billion (50.1 per cent), followed by Administration and Management Program with birr 36.7 billion (28.9 percent), Crime prevention and investigation program, followed by the judiciary reform program with Birr 5.2 billion (14.2 per cent). The remaining investment targets are allocated to the prisons and correctional service program with Birr 4.1 billion (3.2 per cent), the public prosecution services program,

with Birr 2.98 billion (2.3 per cent); human rights education, monitoring and protection program, with Birr 780 million (0.6 per cent), documents authentication and registration service program, with Birr 658 million (0.1 per cent), the legal advisory and legislative drafting service program, with Birr 29 million (0.1 per cent), and justice and law reform and capacity building program, with Birr 28 million (0.1per cent)

**Table 22.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Share (%)
Judiciary Reform	63.7	50.1
Administration and Management	36.7	28.9
Crime Prevention and Investigation	5.2	14.2
Prisons and Correctional Service	4.1	3.2
Human Rights Education, Monitoring and Protection	2.98	2.3
Documents Authentication and Registration Service	0.658	0.1
Legal Advisory and Legislative Drafting Service	0.29	0.1
Justice and Law Reform and Capacity Building	0.28	0.1

### **Investment Targets by Implementing Government Organisation**

The Federal Police Commission has the highest share with 22 PAPs (25.6 per cent), followed by the Ministry of Justice with 18 PAPs (20.9 per cent), Federal courts with 10 PAPs (11.6 per cent), the Ethiopian Human Rights Commission with 9 PAPs (10.5 per cent), the Authority of Civil Society Organisations with 5 PAPs (6.7 per cent), and the Federal Supreme Court with 5 PAPs (5.8 per cent).

The Federal Police Commission has the higher investment target with Birr 40.5 billion (60.6 per cent), followed by the Ministry of Justice with Birr 12.8 billion (19.2 per cent), and the Federal Prisons Commission, with Birr 4.1 billion (6.1 per cent).



**Table 22.3 MDIP Investment Targets by Implementing Agency**

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Regarding the Financing Source , 45 PPAs (55 per cent) will be implemented through the federal recurrent, and 41 PPAs (45 per cent) will be implemented by the federal capital budget.

**Table 22.4 MDIP Investment Targets by Financing Source**

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Regarding the spatial coverage of the PPAs, 3 PAPs (3.4 per cent) have inter-regional coverage, while 73 PPAs (84 percent) have nationwide coverage, 58 PPAs (81.7 per cent), and 10 PPAs have specific region coverage (11.6 per cent).

**Table 22.5 MDIP Investment Targets by Spatial Coverage**

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# CHAPTER 23

## EFFECTIVE GOVERNMENT ADMINISTRATION AND PUBLIC SERVICES

**T**he medium-term development and investment plan (MDIP), integrating the second phase of the homegrown economic reforms (HGER II), emphasises the strategic relevance of ensuring effective government administration and public services under the pillar four public sector reforms. In the Ethiopian context, this policy area is strategically relevant for fostering good governance, sustainable growth and development, and citizen well-being. The essence of this policy lies in creating an efficient, accountable, and responsive public administration that can effectively implement policies and deliver services to meet the needs of society. By streamlining government processes and enhancing public service delivery, the policy aims to improve citizens' overall living standards, addressing issues such as healthcare, education, infrastructure, and social services.

Effective government administration is critical for achieving policy objectives and developmental goals, ensuring that resources are allocated and utilised efficiently and government interventions are targeted appropriately. It promotes transparency, reduces corruption, and strengthens the rule of law, contributing to a conducive environment for investment and economic growth. Additionally, by enhancing public services, the policy directly impacts citizens' trust in government institutions, fostering a positive relationship between the state and its people. This strategic relevance aligns with Ethiopia's vision for quality economic growth and creating a more inclusive and prosperous society.

Several challenges hinder the achievement of effective public service and administration in Ethiopia. One significant obstacle is the limited utilisation of technology and digital service provision, resulting in inefficiencies and delays. Additionally, the rapid expansion of the civil service without adequate investment in capacity building and infrastructure strains the system, leading to a shortage of skilled personnel and inefficient service delivery. The unattractive incentive packages and lack of coherent public administration policies further exacerbate the challenges. To overcome these hurdles, it is crucial to prioritise continued investment in capacity building and provide specialised training in technology adoption. Implementing a comprehensive digital transformation strategy is also essential. Additionally, improving incentive packages and establishing coherent public administration policies will play a vital role in enhancing public service and administration, ultimately supporting the attainment of sustainable development goals.

The successful implementation of the ensuring effective government administration and public services policy area within Ethiopia's MDIP can be facilitated by various enabling environments and opportunities. This includes the effective implementation of the public sector reforms, the introduction and implementation of a new public service and administration policy and legal framework, the expansion of government digitisation and e-services, strengthening the capacity of the Auditor General operations, the commitment to reducing corruption, investing in capacity building, and training programs for civil servants, collaboration with international partners, and fostering public-private partnerships. These factors will improve efficiency, effectiveness, transparency, and accountability in public service delivery, ultimately supporting achieving the desired outcomes.

### STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains seven (7) strategic goals and thirty-three (33) core strategic functions and activities relevant to the policy area of ensuring effective government administration and public services. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the peace and democracy sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Civil Service Commission, the Auditor General, and the Federal Ethics and Anti-corruption Commission. During the

MDIP, the Civil Service Commission, the Auditor General, and the Federal Ethics and Anti-Corruption Commission collaborate closely to ensure effective government administrations and public services. The Civil Service Commission is pivotal in ensuring a professional and skilled civil service, ensuring efficient recruitment and training. The Auditor General contributes to effective government administration by conducting audits that promote financial transparency and accountability, identifying areas for improvement. Simultaneously, the Federal Ethics and Anti-corruption Commission combats corruption within the public sector, fostering ethical behaviour and enforcing anti-corruption laws.

Collaboration with other relevant government organs, such as the Ministry of Planning and Development and the Ministry of Finance, is essential for effective government organisations and structure, strategic planning, budget allocation, and policy coherence, ensuring efficient resource management. Together, these government organs form a comprehensive governance framework, fostering a capable civil service, accountable financial practices, ethical conduct, and streamlined coordination, ultimately contributing to effective government administration and the delivery of quality public services.

### TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of building a peaceful and democratic society amount to Birr 129.8 billion. The federal government will finance birr 129.76 billion (99.8 per cent) and development partner with an investment target of 114 million (0.1 per cent). The investment supports attaining seven (7) strategic goals.

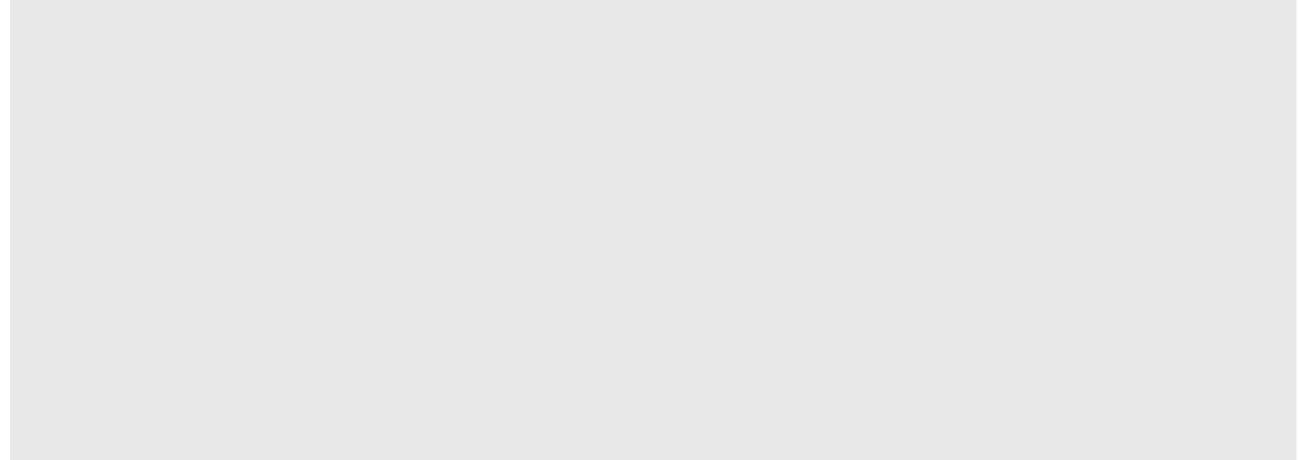
The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 2.5 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

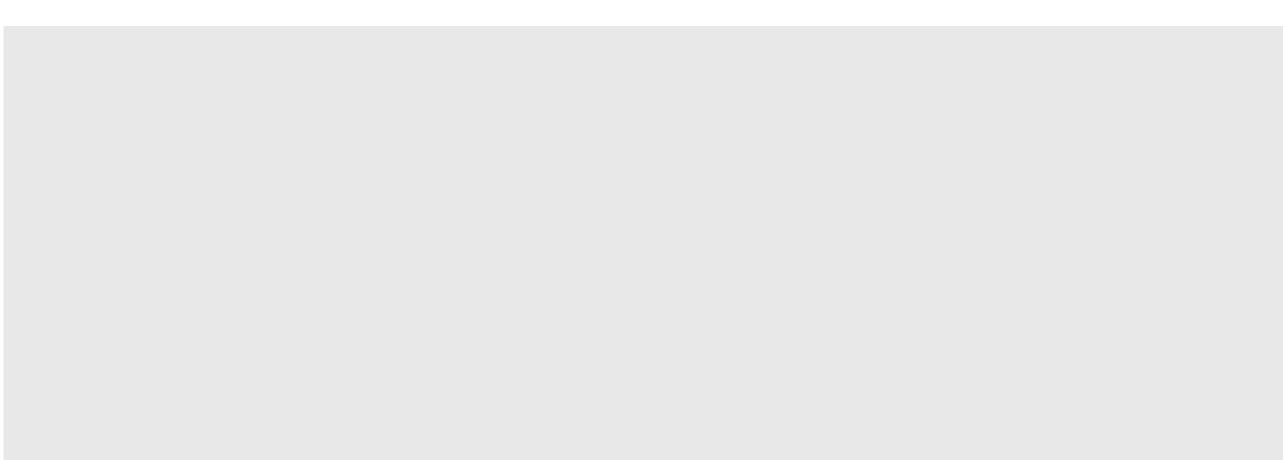
The first four strategic goals under the Civil Service Commission, including modernising government administration and structure, improving the government service delivery system, harnessing digital technology for effective civil service administration, and ensuring pragmatic civil service leadership and capacity-building, have a combined total investment target of Birr 126.7 billion.

The strategic objectives of modernising government administration and structure reforms focus on enhancing the efficiency and effectiveness of the public sector. Key areas of focus include creating streamlined bureaucratic processes. The expected results include improved governance, increased

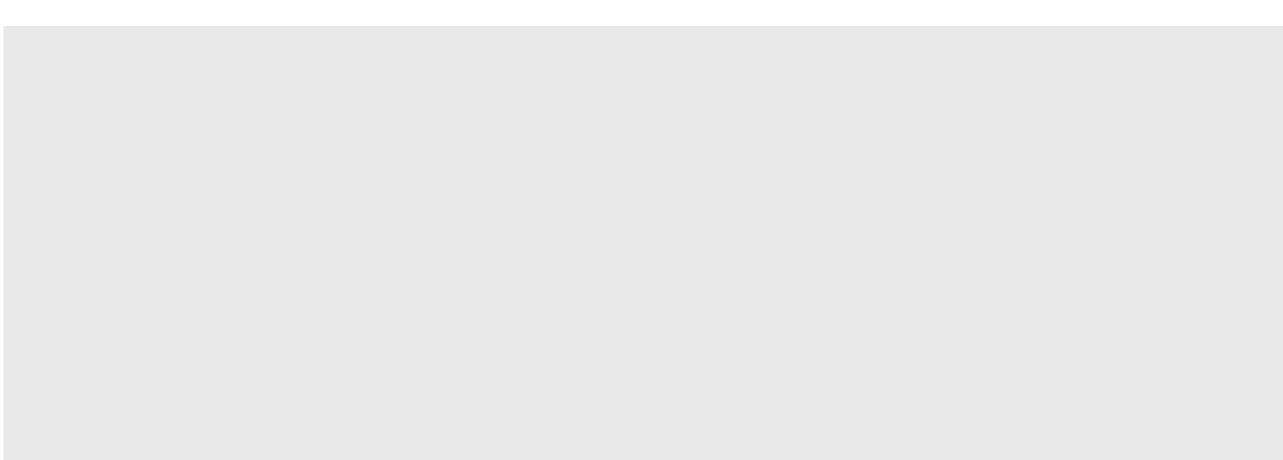
accountability and transparency, and a more efficient use of resources. Through modernising government administration and structure reforms, the government aims to build a free, independent, and strong public sector that can effectively serve the needs of the citizens. Additionally, the reforms aim to strengthen civil service diversity and inclusion, promote regional support, and implement a decentralised district management system. These efforts foster good governance, enhance accountability and transparency, and promote economic growth and development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



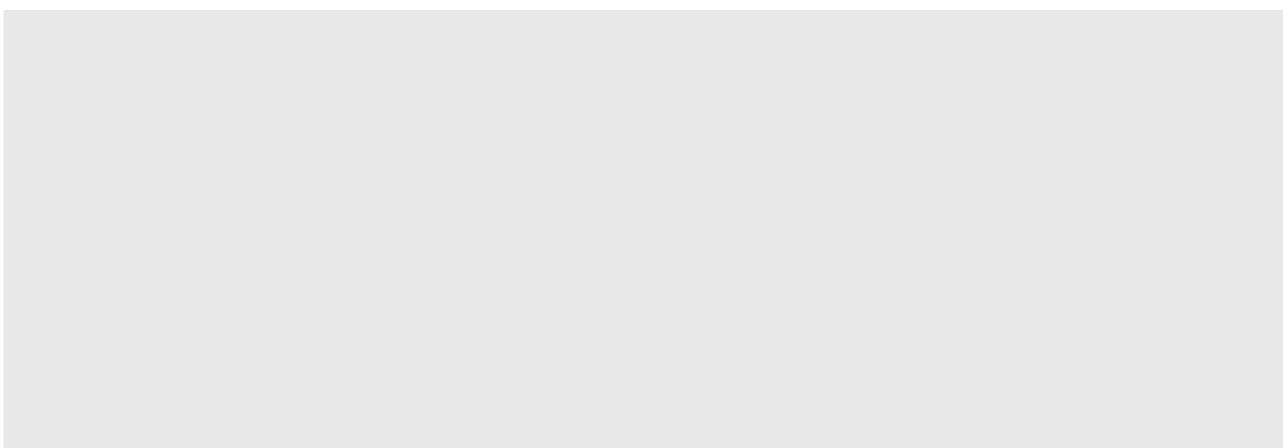
The strategic goal of improving the government service delivery system focuses on establishing an innovative, efficient, and accessible service delivery system. Key focus areas include creating market-friendly government service delivery, standardising service delivery processes, establishing a transparent system for handling service delivery complaints, and implementing service delivery satisfaction surveys and citizens' report cards. These reforms aim to improve government services' overall quality and efficiency, enhance citizen satisfaction, and promote transparency and accountability. By



The strategic goal of harnessing digital technology for effective civil service administration focuses on leveraging technology to enhance the efficiency and effectiveness of the civil service. Key areas include strengthening the integrated information management system, developing a centralised service provision system, establishing a robust network and data centre, and creating a comprehensive HR information database. The expected results include



implementing government service delivery reforms, the government aims to achieve good governance outcomes, enhance accountability and transparency, and contribute to the growth and development of the economy. Additionally, efforts are made to strengthen ergonomics and modernise the office environment to create a conducive and productive workspace for government employees. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



streamlined processes, improved service delivery, enhanced data management, and better decision-making. The government aims to drive innovation, improve governance, enhance accountability, and foster economic growth by building a digital civil service. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring pragmatic civil service leadership and capacity-building focuses on cultivating a skilled, motivated, and ethical civil service leadership and management that can effectively manage government policies and deliver quality public services. This strategic goal aims to develop robust leadership and management practices within the civil service, enhancing decision-making, efficiency, and accountability. The expected results include a competent and responsive civil service that aligns with national development

priorities, improved public service delivery, and heightened citizen satisfaction. This strategic approach seeks to empower civil servants with the skills and knowledge needed to address emerging challenges, foster innovation, and contribute to Ethiopia's overall socio-economic progress through targeted leadership training and capacity-building programs. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening the effectiveness of the national auditing system has a total investment target of Birr 557 million. The strategic goal of strengthening the effectiveness of the national auditing system focuses on establishing a transparent, accountable, and efficient financial oversight mechanism in government administration systems. This strategic goal aims to enhance the quality and scope of audits, ensuring that government resources are managed prudently and in accordance with established regulations. By reinforcing the

independence, technical capacity, and coordination of the national auditing system, the goal is to identify and rectify financial irregularities, inefficiencies, and areas for improvement across various sectors. Ultimately, this strategic objective seeks to bolster public trust, promote fiscal responsibility, and contribute to Ethiopia's overall effectiveness of governance and public service delivery. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening the effectiveness of anti-corruption systems has a total investment target of Birr 165 million. The strategic goal is to establish an effective anti-corruption system with strengthened ethics and public awareness. This involves enhancing ethics and anti-corruption education, strengthening ethics monitoring units, improving sector-specific corruption risk studies,

identifying vulnerabilities, exposing corrupt practices, and establishing a system of asset disclosure. The expected results include promoting good governance, accountability, and transparency, reducing illicit financing, and preventing misuse of public resources. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 23.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
Ensuring the Rule of Law and Effective Administration of Justice	Strengthening the Effectiveness of Anti-Corruption Systems	165
Ensuring the Rule of Law and Effective Administration of Justice	Strengthening the Effectiveness of the National Auditing System	557
Ensuring the Rule of Law and Effective Administration of Justice	Ensuring Pragmatic Civil Service Leadership and Capacity-Building	165
Ensuring the Rule of Law and Effective Administration of Justice	Ensuring the Rule of Law and Effective Administration of Justice	165

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIP monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring the rule of law and effective administration of justice, the following three (3) programs will be implemented.

### Investment Targets by Implementing Government Organisation

The Civil Service Commission has the highest share with 27 PAPs (67.5 per cent), followed by the Federal Ethics and Anticorruption Commission with 8 PAPs (20.0 per cent), and the Auditor General with 5 PAPs (12.5 per cent).

The Civil Service Commission has the highest investment target with Birr 128.3 billion (99.2 per cent), followed by the Auditor General with Birr 821 million (0.6 per cent), and the Federal Ethics and Anticorruption Commission, with Birr 221 million (0.2 per cent).

**Table 23.3 MDIP Investment Targets by Implementing Agency**

Implementing Agency	Number of PAPs	Investment Target (Birr)
Civil Service Commission	27	128.3
Auditor General	5	821
Federal Ethics and Anticorruption Commission	8	221
Other	1	165
Total	39	137.6

Regarding the Financing Source , 22 PPAs (55 per cent) will be implemented through the federal recurrent and 17 PPAs (35.2 per cent) will be implemented by the federal capital budget, and 1(2.5 per cent) will be implemented by the development partners.

**Table 23.4 MDIP Investment Targets by Financing Source**

Financing Source	Number of PPAs	Investment Target (Birr)
Federal Recurrent	22	126.7
Federal Capital Budget	17	557
Development Partners	1	165
Total	39	137.6

The public service reform has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 126.7 billion (97.5 per cent), followed by the Audit Service Program with Birr 557 million (0.4 per cent), with Birr 165 million (0.1 per cent).

**Table 23.2 MDIP Investment Target by Program**

Program	Number of PPAs	Investment Target (Birr)
Public Service Reform	22	126.7
Audit Service Program	1	557
Other	1	165
Total	39	137.6

Regarding the spatial coverage, all PPAs will be implemented nationwide.

**Table 23.5 MDIP Investment Targets by Spatial Coverage**

# CHAPTER 24

## PEACEFUL AND DEMOCRATIC SOCIETY

The strategic importance of building a peaceful and democratic society in the Ethiopian context lies at the core of fostering stability, inclusivity, and sustainable development. A peaceful and democratic society provides a foundation for social cohesion, ensuring that diverse communities coexist harmoniously. It enables citizens to engage in the democratic process, express their opinions freely, and participate in decision-making, contributing to a more inclusive governance system. This policy area is essential for addressing historical political differences, promoting reconciliation and justice, and preventing conflict, which are critical components of Ethiopia's socio-political landscape. Additionally, a democratic society encourages the protection of human rights, the rule of law, and transparent governance, fostering an environment conducive to economic growth and investment. Building a peaceful and democratic society is, therefore, not only a fundamental goal in itself but also a catalyst for achieving broader national objectives related to social well-being, sustained economic growth, and shared prosperity in Ethiopia.

Focusing on building a peaceful and democratic society during the MDIP is highly relevant for Ethiopia due to its potential to contribute to broader development and economic objectives, as well as advancements in the social sector. A peaceful and stable society is essential for attracting investments, fostering economic growth, and creating a conducive environment for thriving businesses. By promoting peace and stability, Ethiopia can attract domestic and foreign investments, which can spur economic activities, generate employment opportunities, and drive overall development.

A democratic society ensures good governance, transparency, and accountability. It enables citizens to participate actively in decision-making processes, promotes respect for human rights, and strengthens the rule of law. This fosters an environment of trust and inclusivity, which is crucial for sustainable development and social cohesion. Furthermore, a focus on building a peaceful and democratic society can positively impact the social sector. It can lead to the protection of human rights, including the rights of marginalised groups, and promote social justice. It provides avenues for citizen engagement and participation in social development programs, leading to more equitable and inclusive policies and outcomes.

Ethiopia faces certain challenges in achieving these goals. One of the major challenges is the protracted localised conflicts, which have hindered peacebuilding efforts and political stability. Additionally, ensuring democratic governance and the rule of law requires strengthening institutions, promoting transparency, and addressing corruption. Furthermore, socio-economic disparities and inequalities hinder achieving social cohesion and inclusive development. Despite these challenges, prioritising peacebuilding and democratic principles can help address these issues and pave the way for sustainable development, economic growth, and social progress in Ethiopia.

The MDIP prioritises establishing an enabling environment within the peace and democracy sector. This includes implementing measures to address the root causes of weak democracy and the lack of sustainable peace. Collaborative efforts among various stakeholders, including government institutions, civil society organisations, and communities, will promote dialogue, reconciliation, and inclusive decision-making processes. Implementing transitional justice measures addresses past grievances, promotes accountability, and fosters social healing. Embracing innovative approaches, such as digital technologies and alternative dispute resolution mechanisms, will enhance citizen engagement, access to justice, and democratic participation. These comprehensive efforts aim to bring about meaningful changes in ensuring peace and democracy, leading to a more inclusive, just, and prosperous Ethiopia.

To strengthen a peaceful and democratic society during the MDIP period, Ethiopia recognises the importance of creating an enabling environment that encompasses several key factors. The government's commitment to political reforms, including establishing institutions such as the Ethiopian Human Rights Commission and Election Board, catalyses progress. Effective national dialogue is prioritised to foster understanding, cooperation, and consensus among diverse groups, addressing divisions and promoting reconciliation. Active community participation is emphasised, focusing on community-led initiatives, resource allocation for conflict resolution, and addressing grievances.

Strengthening intergovernmental relations ensures cohesive governance and effective policy implementation. Citizen participation in decision-making processes and the empowerment of civil society organisations contribute to a sense of ownership, inclusivity, and accountability. Upholding democratic principles through parliamentary

scrutiny and independent institutions safeguards human rights and ensures free and fair elections. Media freedom promotes transparency and public accountability, while a professional defence force operating within the rule of law supports peace, stability, and development. By prioritising these enabling factors, Ethiopia aims to build a peaceful and democratic society during the MDIP period.

### **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains nine (9) strategic goals and four-five (45) core strategic functions and activities relevant to the policy area of building a peaceful and democratic society. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the peace and democracy sector result matrices and targets is presented in the appendix.

Building a peaceful and democratic society involves the coordinated efforts of various government organs, each with distinct roles to play in fostering stability, justice, and inclusive governance. The previous chapters regarding the policy areas of ensuring the rule of law and effective administration of justice, and effective public service and administration are also related to this policy area. We have seen in those chapters that the effective coordination and synergy between the legislative, judiciary, and executive branches of government is strategically relevant in achieving those strategic goals and results.

Similarly, the strategic goals, core strategic activities, and key performance indicators under the policy area of building a peaceful and democratic society are primarily associated with the government organs under the legislative, judiciary, and executive branches of government. Accordingly, the House of Peoples' Representatives and the House of Federation are crucial in shaping laws and policies that promote democracy, human rights, and social justice. Members of the House of Peoples' Representatives and the House of Federation are responsible for enacting legislation that protects citizens' rights, ensures fair representation, and establishes the legal framework for democratic governance. The National Electoral Board of Ethiopia are instrumental in organising and overseeing free and fair elections. They ensure that the electoral process is inclusive, transparent, and reflective of the will of the people, contributing

to the democratic legitimacy of the government. On the other hand, media and communication authorities such as Government Communication Services and the Ethiopia Media Authority play a role in safeguarding freedom of expression and ensuring access to diverse and unbiased information. Free and independent media is essential for informing the public, promoting transparency, and holding the government accountable.

The Ministry of Peace and the Ministry of Defence play complementary yet distinct roles in building a peaceful and democratic society. The Ministry of Peace primarily coordinates conflict prevention, peacebuilding, and reconciliation initiatives. It engages in dialogue, community engagement, and early intervention to mitigate tensions, fostering social cohesion and democratic governance. On the other hand, the Ministry of Defence contributes to peace and stability by ensuring the nation's security and protecting its citizens.

Another important milestone during the MDIP period is effectively implementing the inclusive national dialogue. The Ethiopian National Dialogue Commission is pivotal in building a peaceful and democratic society by facilitating inclusive and

transparent dialogues across diverse population segments. Focusing on fostering reconciliation, understanding, and trust, the Commission serves as a crucial mechanism for addressing historical grievances and promoting social cohesion. Engaging various stakeholders, including political parties, communities, and civil society, creates a platform for meaningful dialogue that can lead to consensus on critical national issues. The Commission's efforts not only promote democratic values but also contribute to building a culture of tolerance, understanding, and collaboration, laying the foundation for sustained peace and inclusive governance in Ethiopia.

### **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of building a peaceful and democratic society amount to Birr 53.7 billion. The federal government will finance the source of the investment target. The investment supports attaining seven (7) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 987 million during the EFY 2023/24 – 2025/26. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening planning,

monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The four strategic goals under the Ministry of Peace and the House of Federation, including the promotion of positive peacebuilding, strengthening multinational state-building, improving conflict management capacity, and reducing conflict vulnerability, and enhancing constitutionalism, the federal system and intergovernmental relations, have a combined total investment target of Birr 25.5 billion.

The strategic goal of promoting positive peacebuilding aims at building a peace culture and values, enhancing the participation of religious institutions in peacebuilding, building a peace culture and values, implementing an improved early warning and response system, and strengthening and utilising indigenous conflict resolution systems, and expanding national voluntary community service

to promote peace. The expected results include increased awareness of peace culture, improved cooperation among religious institutions, greater participation in community service initiatives, conflict prevention capabilities, increased utilisation of indigenous conflict resolution mechanisms, and promoting a culture of peace. By pursuing these objectives, the government aims to create a society that values peace, respects diversity, and actively works towards peaceful coexistence. Furthermore, these efforts contribute to democracy, peacebuilding outcomes, and economic development by fostering a culture of peace, engaging religious institutions, and expanding community service for peacebuilding. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening multinational state-building in the Ethiopian context is to foster inclusive and harmonious coexistence among diverse ethnic and cultural groups. The strategic goal aims to build a united and democratic Ethiopia that accommodates the aspirations and identities of its various regions. By strengthening multinational state-building, the objective is to address historical grievances, promote equitable political representation, and create a governance framework

that recognises and respects the cultural and linguistic diversity of the population. This strategic initiative seeks to establish a stable and resilient nation where citizens from different ethnic backgrounds actively participate in the democratic process, contributing to a shared vision of national unity, peace, and development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of improving conflict management capacity and reducing conflict vulnerability in the Ethiopian context is to build a resilient and stable country by enhancing the government's ability to prevent, manage, and resolve conflicts effectively. The strategic goal focuses on developing robust conflict resolution mechanisms and addressing the root causes of tensions. This initiative seeks to empower communities and local institutions with conflict prevention skills, promote social cohesion, and reduce vulnerabilities that may lead to disputes.

By strategically focusing on conflict management, the goal is to create an environment that mitigates the risk of violent conflicts, promotes sustainable peace, and ensures that Ethiopia's diverse population can coexist harmoniously within a framework of shared multinational identity and democratic values. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing constitutionalism, the federal system, and intergovernmental relations aims at improving identity, administrative boundaries, and conflict management; ensuring effective and fair constitutional interpretation and identity affairs; improving fiscal federalism and equitable regional development; strengthening intergovernmental relations and democracy-building; and promoting partnership and cooperation. By pursuing these objectives, the government aims to achieve outcomes such as enhanced conflict resolution, fair

representation, balanced regional development, democratic governance, and improved partnerships. These efforts contribute to consolidating democracy, fostering peacebuilding outcomes, and driving economic development, ultimately leading to stability, inclusivity, and socioeconomic progress. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring democratic, free, fair, and peaceful elections has a total investment target of Birr 12.3 billion. The strategic objectives of establishing a robust and inclusive electoral system that ensures democratic, fair, and peaceful elections encompass aims at improving the legal and institutional framework, ensuring transparency and participation, maintaining security and integrity, and conducting post-election evaluation and learning.

The expected results include an enhanced legal framework, increased transparency and participation, improved security measures, and valuable insights through evaluation. These objectives aim to uphold democratic principles, foster public trust, and contribute to democracy, peacebuilding outcomes, and economic development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing peoples' representation, effective legislation, and oversight system has a total investment target of Birr 738 million. The strategic goal aims to strengthen the democratic governance framework by ensuring that the voices and interests of the diverse population are genuinely represented in the decision-making process. This goal seeks to establish a system where citizens from different ethnic, cultural, and regional backgrounds are actively and fairly represented in shaping policies and legislation. It aspires to enhance

the capacity of the House of Peoples' Representatives to enact laws that address the needs and concerns of the people. Additionally, the strategic objective is to strengthen the oversight role of the House, ensuring accountability, transparency, and the efficient implementation of laws and policies. By fostering inclusive representation, promoting effective legislative processes, and reinforcing robust oversight mechanisms, this strategic goal contributes to developing a democratic and responsive governance system in Ethiopia.

The strategic goal of enhancing media regulation and government communication system has a total investment target of Birr 323 million. The strategic objectives of enhancing government information communication and media for peace and democracy encompass key result areas, including establishing media relations, monitoring, information management, and dissemination. The expected results include improved media-government relations, increased accessibility to

state information, and enhanced capacity for media and communication activities. By establishing a robust media and government communication system that ensures accountability and transparency and promotes democracy, the aim is to foster public trust and contribute to accountability, transparency, democracy, peacebuilding outcomes, and economic development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of enhancing national civil defence infrastructure has a total investment target of Birr 26.2 billion. The strategic objective is to expand civil defence infrastructure to ensure national defence easy mobility and effective service to the defence force. This encompasses key result areas such as housing facilities, training institutions, and improved infrastructure. The expected results include enhanced defence operations, improved mobility

and logistics support, upgraded housing facilities, and well-equipped training institutions. Expanding the civil defence infrastructure aims to ensure easy mobility and effective service, contributing to law enforcement, peacebuilding outcomes, and economic development. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

Ensuring the design and implementation of a victim centred and human rights compliant comprehensive transitional justice process which complements the national dialogue process. The strategic goal of ensuring the design and implementation of a victim-centered and human rights compliant comprehensive transitional justice process that

complements the national dialogue process refers to the establishment of a holistic framework that places the needs, experiences, and rights of victims at the forefront, while upholding international human rights standards. This approach aims to address the root causes of past abuses through a range of mechanisms, such as truth-seeking, accountability,



reparations, institutional reforms, and guarantees of non-recurrence. Crucially, this transitional justice process is designed to work in tandem with the broader national dialogue, fostering coherence and synergy between the two in order to achieve sustainable peace, reconciliation, and democratic transition.

**Table 24.1 Resource Allocations by Policy Area and Strategic Goals**

## PROGRAMS AND INVESTMENT TARGET

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the HGER II monitoring framework. To achieve the strategic goals and results expected under the policy area of ensuring the rule of law and effective administration of justice, the following seven (7) programs will be implemented.

The defence civil infrastructure development program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 26.2 billion (48.7 per cent), followed by the sustainable peacebuilding program with Birr 23.02 billion (42.9 per cent). The remaining investment targets are allocated to the inclusive national dialogue program, with Birr 2.1 billion (4.0 per cent), the democratic governance and legislative excellence, with Birr 738 million (1.4 per cent), the constitutionalism and diversity with Birr 353 million (0.7 per cent), and government communication and media support program, which has a budget of Birr 323million (0.6 per cent).

**Table 24.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Share (%)
Defence Civil Infrastructure Development Program	26,200,000,000	48.7
Sustainable Peacebuilding Program	23,020,000,000	42.9
Inclusive National Dialogue Program	2,100,000,000	4.0
Democratic Governance and Legislative Excellence	738,000,000	1.4
Constitutionalism and Diversity	353,000,000	0.7
Government Communication and Media Support Program	323,000,000	0.6
<b>Total</b>	<b>52,271,000,000</b>	<b>100.0</b>

### Investment Targets by Implementing Government Organisation

The Ministry of Defence has the highest share with 52 PAPs (48.1 per cent), followed by the Ministry of Peace with 22 PAPs (20.4 per cent). The remaining will be PAPs implemented by the House of Federation with 19 PAPs (17.6 per cent), the House of People Representatives with 5 PAPs (4.6 per cent), and the Ethiopian National Dialogue Commission with 6 PAPs (5.6 per cent), and the Government Communication Service with 4 PAPs (3.7 per cent).

The Ministry of Defence has the highest investment target with Birr 26.2 billion (48.7 per cent), followed by the Ministry of Peace with Birr 23.02 billion (42.9 per cent). The remaining implementing agencies are the House of Federation with Birr 587 million (1.1 per cent), the House of Peoples' Representatives has a target of Birr 1.0 million (1.9 per cent), the Ethiopian National Dialogue Commission with Birr3.0 billion (4.5 per cent), with Birr 2.3 billion (4.3 per cent), and the Government Communication Service with Birr 576 million (1.1 per cent).

**Table 24.3 MDIP Investment Targets by Implementing Organs**

Implementing Organ	Investment Target (Birr)	Share (%)
Ministry of Defence	26,200,000,000	48.7
Ministry of Peace	23,020,000,000	42.9
House of Federation	587,000,000	1.1
House of Peoples' Representatives	1,000,000	1.9
Ethiopian National Dialogue Commission	3,000,000,000	4.5
Government Communication Service	2,300,000,000	4.3
Other	576,000,000	1.1
<b>Total</b>	<b>52,271,000,000</b>	<b>100.0</b>

Regarding the Financing Source , 46 PPAs (64.8 per cent) will be implemented through the federal recurrent, and the federal capital budget will implement 25 PPAs (35.2 per cent).

**Table 24.4 MDIP Investment Targets by Financing Source**

Financing Source	Investment Target (Birr)	Share (%)
Federal Recurrent	34,000,000,000	64.8
Federal Capital Budget	18,271,000,000	35.2
<b>Total</b>	<b>52,271,000,000</b>	<b>100.0</b>

Regarding the spatial coverage of the PPAs, 3 PAPs (4.2 per cent) have inter-regional coverage, while 48 PPAs have national coverage, 58 PPAs (81.7 per cent), and 10 PPAs have specific region coverage (14.1 per cent).

**Table 24.5 MDIP Investment Targets by Spatial Coverage**

Spatial Coverage	Investment Target (Birr)	Share (%)
Inter-Regional	2,300,000,000	4.2
National	41,731,000,000	81.7
Specific Region	7,240,000,000	14.1
<b>Total</b>	<b>52,271,000,000</b>	<b>100.0</b>

# CHAPTER 25

## PROMOTING AND PROTECTING NATIONAL INTEREST THROUGH PRAGMATIC, DIVERSIFIED AND INCLUSIVE FOREIGN RELATIONS AND PARTNERSHIP

The strategic relevance of promoting pragmatic, diversified, and inclusive foreign relations and partnerships for national interest lies in fostering sustainable growth, regional stability, and shared prosperity while safeguarding Ethiopia's political integrity, sovereignty, and national interests. Ethiopia's foreign policy principles assure that the government is committed to ensuring domestic political integrity that supports building a peaceful and democratic society. This involves upholding democratic principles, respecting the rule of law, and serving the public interest with integrity and accountability. Ethiopia's foreign relations are also rooted in the fundamental principles of respect for sovereignty in international law that safeguard Ethiopia's ability to make decisions in its national interest, protect its citizens at home and abroad, and pursue its long-term development goals without undue influence from external actors. Furthermore, the government is committed to protecting Ethiopia's national interest, encompassing its citizens' collective goals, aspirations, and well-being. This includes economic prosperity, sustainable peace and security, territorial integrity, and promoting values and ideals that reflect the country's multicultural identity and development priorities.

By pragmatically engaging with foreign partners, Ethiopia can leverage external opportunities, resources, and technology to address critical development challenges, such as infrastructure development, domestic industrialisation, and human capital development. Pragmatic foreign partnerships also facilitate access to diversified regional and international markets, investment opportunities, and technical assistance, which is essential for economic growth and development. Furthermore, strategic collaboration with regional and

international partners strengthens Ethiopia's diplomatic relations. It enhances its geopolitical strategic partnerships, enabling the country to advocate for its interests on the global stage effectively while advancing mutual interests and addressing shared global challenges.

Promoting pragmatic, diversified, and inclusive foreign partnerships entails engaging with various international actors, including governments, multilateral organisations, non-governmental organisations, and the private sector. This involves identifying strategic areas of cooperation aligned with Ethiopia's development priorities, such as trade and investment, infrastructure, education, healthcare, and technology. Emphasising inclusivity ensures that partnerships engage all segments of Ethiopian society by leveraging its domestic soft power opportunities in diverse cultural heritage and festivals, traditional music and dance, athletics and sports, and historical significance. Additionally, diversifying partnerships reduces dependency on any single partner, enhancing Ethiopia's resilience to external shocks and maximising opportunities for sustainable growth.

It is crucial to ensure that foreign partnerships align with Ethiopia's development priorities, respect its sovereignty, and contribute to sustainable, inclusive growth, thereby maximising the benefits for the country and its people. The government is committed to pragmatically diversifying its foreign relations and partnerships while prioritising and strengthening robust relations, partnerships, and connectedness with the neighbouring countries. Building vibrant and robust foreign relations, partnerships, and connectedness with neighbouring countries lies in fostering regional stability, economic growth, and security cooperation while advancing mutual interests and addressing shared challenges. Enhancing ties with neighbouring countries promotes trade and investment opportunities, facilitates infrastructural development, and enhances connectivity, creating pathways for sustainable development and job creation. Moreover, robust diplomatic relations with neighbouring countries help harness the region's collective potential, promote peace and prosperity, and foster a conducive environment for shared progress and development.

To strengthen the foreign affairs sector, the government is committed to creating an enabling environment and various opportunities to contribute to effectively implementing the policy area of promoting pragmatic, diversified and inclusive foreign partnerships in Ethiopia. The government has

identified strategic directions, including formulating a grand strategy for sustainable peace and prosperity, establishing people-to-people forums, and strengthening institutional capacity. These measures aim to enhance Ethiopia's role in regional integration, promote comprehensive partnerships, and improve diplomatic systems.

The MDIP recognises and prioritises the country's historically advantageous position as a pioneer of Pan-Africanism, and its hosting of the African Union and other multilateral institutions provides a solid foundation for foreign engagement. Ethiopia's pivotal role in African diplomacy and its commitment to Pan-Africanism have earned it respect and admiration on the continent and beyond. Ethiopia's contributions to peacekeeping missions, regional stability efforts, and humanitarian assistance showcase its commitment to global peace and security. The MDIP integrating the HGER II also supports Ethiopia's economic potential, particularly in sectors such as agriculture, manufacturing, mining, tourism, the digital sector, renewable energy, and infrastructure, positioning it as an attractive partner for international investment and collaboration. During the implementation period of the MDIP, the government is also committed to leveraging Ethiopia's cultural, historical, and diplomatic assets to effectively wield soft power to strengthen its international relationships, promote its interests, and contribute to global peace, prosperity, and sustainable development.

### **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains six (6) strategic goals and thirty-one (31) core strategic functions and activities relevant to the policy area of Promoting pragmatic foreign alliances, partnerships, and contentedness. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the justice sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators in promoting pragmatic, diversified, and inclusive foreign relations involve effective collaboration and synergy between government organs under the leadership of the Ministry of Foreign Affairs. The Ministry of Foreign Affairs is responsible for formulating and implementing Ethiopia's foreign policy objectives. It

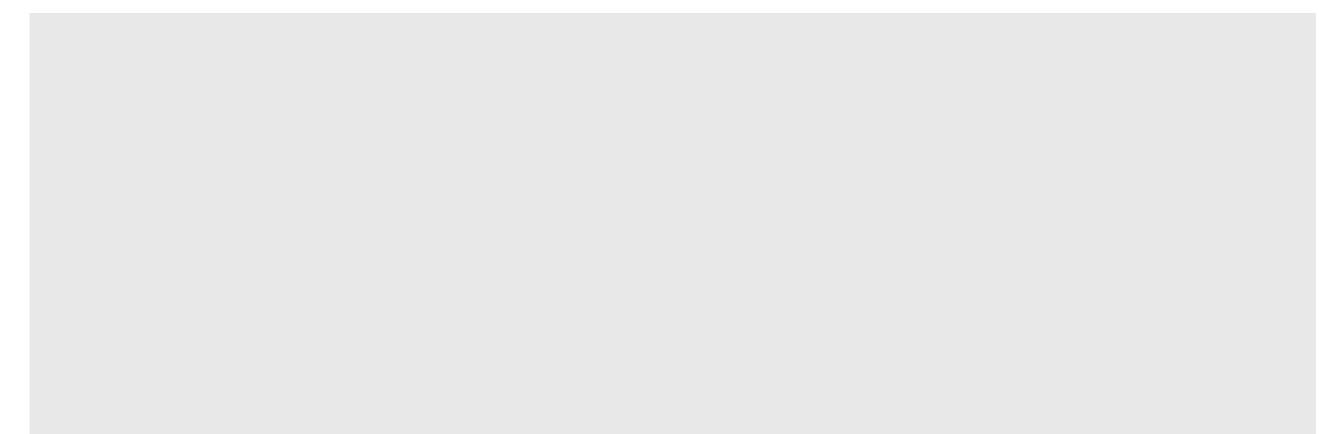
engages in diplomatic dialogue and negotiation with other countries and international organisations to promote Ethiopia's national interests and values.

The Ministry of Foreign Affairs plays a leading, coordinating role. It works closely with other government organs such as the Ministry of Trade and Regional Integration, the Ministry of Tourism, the Ethiopian Investment Commission, the Ministry of Planning and Development, the Ministry of Finance, the Ministry of Justice, the Ministry of Peace, and other relevant government organs to promote economic diplomacy and trade relations with other countries. It is only through effective synergistic efforts across these government organs under the effective coordination of the Ministry of Foreign Affairs and engaging in pragmatic, diversified, and

inclusive foreign relations that Ethiopia can enhance its foreign engagement, strengthen its external partnerships, and contribute to its economic growth and development agenda.

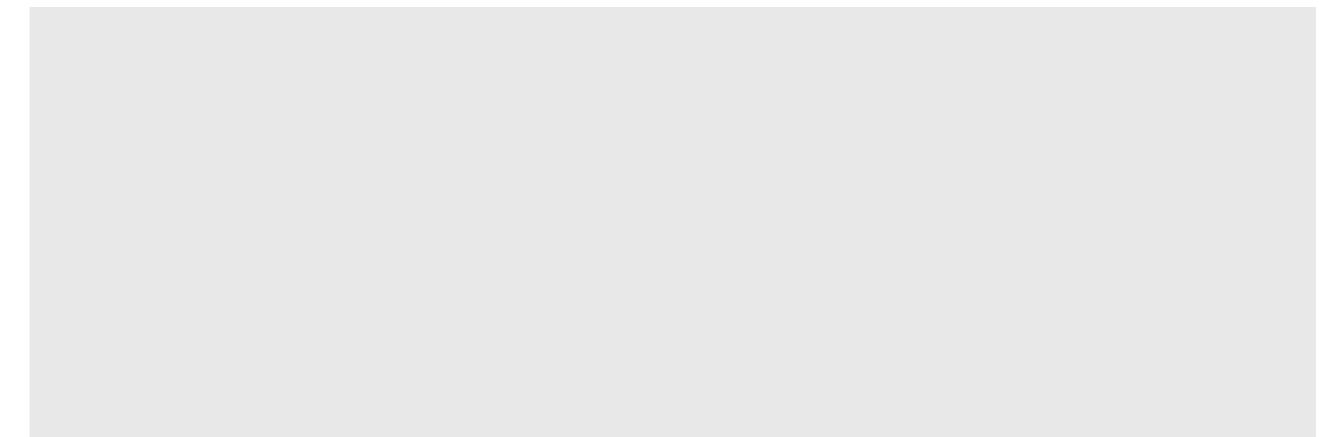
### **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring the rule of law and effective administration of justice amount to Birr 51.2 billion. The source of investment target for this policy area will be the federal government. The investment supports attaining six (6) strategic goals.



The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 33.6 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.



The two strategic goals under the Ministry of Foreign Affairs, including safeguarding national interests through robust diplomatic relations and strengthening economic diplomacy to harness external resources and technology, have a combined total investment target of Birr 3.6 billion.

The strategic goal of safeguarding national interests through robust diplomatic relations, focuses on promoting Ethiopia's national interest and prosperity on the global stage. By prioritising strong diplomatic ties with other countries, multilateral organisations, non-governmental organisations, and the private sector, the government aims to protect its integrity and sovereignty, advance its economic interests, and secure support for its development agenda. The

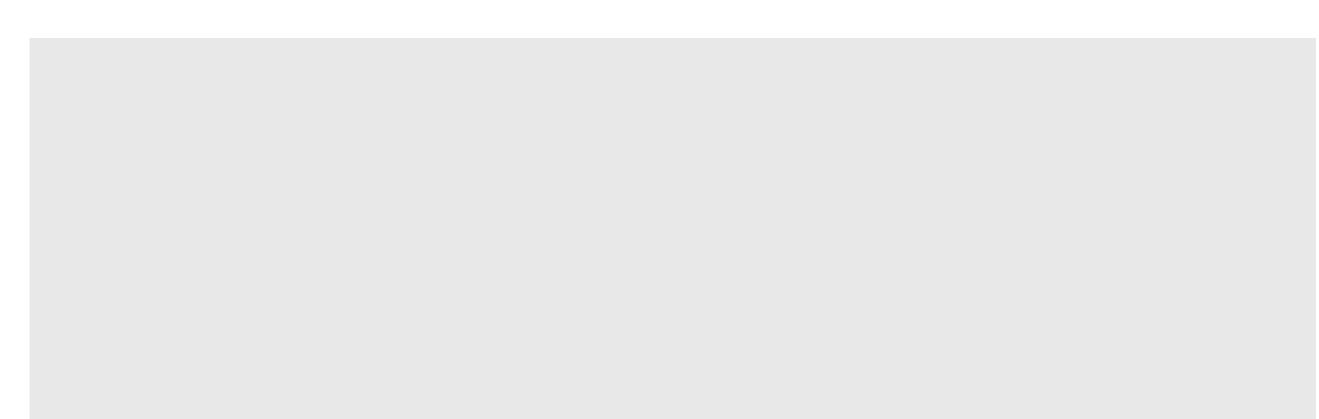
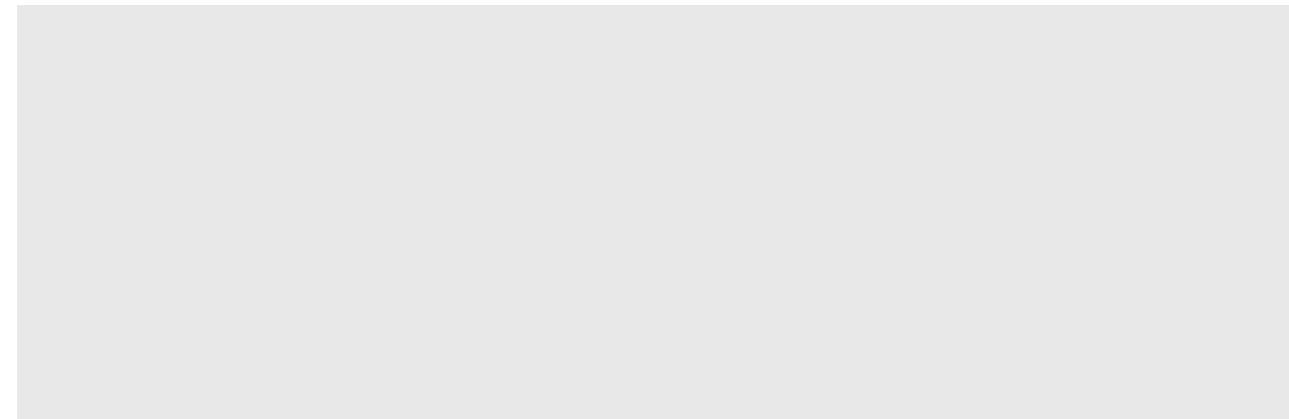
expected result is a network of pragmatic and strategic alliances and partnerships that enhance Ethiopia's influence and leverage in regional and international affairs, enabling it to effectively advocate for its national priorities, address global challenges, and contribute to shaping a more peaceful, prosperous, and equitable region and world. Through diplomatic engagement, Ethiopia seeks to safeguard its national interests while fostering mutually beneficial relationships that promote peace, stability, and sustainable development at home and abroad. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of strengthening economic diplomacy to harness external resources and technology helps to enhance the inflow of foreign resources, including foreign direct investment, export revenues, tourist arrivals, technology and knowledge transfer, and development finance, by strengthening foreign relations. Achievement of this goal relies on establishing and maintaining robust diplomatic ties with other countries, multilateral organisations, non-governmental organisations, and the private sector. These relationships facilitate partnerships, attract foreign investors, promote market access for export products, and market tourist destinations

to showcase Ethiopia's attractions. Additionally, robust foreign relations enable collaborations with international partners for technology transfer, the acquisition of development finance, and technical assistance. By fostering positive diplomatic engagements, the government aims to enhance the credibility and reputation of the country, promote political stability, strengthen regional and global cooperation, and create an environment conducive to economic growth and activities. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of fostering the inclusive engagement of the Ethiopian diaspora has a total investment target of Birr 889 million. The strategic objectives of fostering inclusive engagement of the diaspora are focused on ensuring the protection of citizens' rights abroad, promoting diaspora community development, and facilitating meaningful engagement and contribution from the diaspora. This involves establishing policies, programs, and initiatives to address the specific needs of citizens living abroad, fostering a sense of belonging among the diaspora community, and providing platforms for their active participation in the country's development. The goal is expected to improve

the protection of citizens' rights in the diaspora, enhance diaspora community development, and increase engagement and contributions from the diaspora. These efforts contribute to the well-being of citizens abroad and foster political stability, strengthen foreign relations through diaspora advocacy, and boost the economy through increased remittances, investment inflows, and knowledge transfer. Furthermore, the diaspora's access to development finance and technical assistance can support various sectors and contribute to overall national development efforts. These strategic results are achieved through the effective execution of the following core strategic functions and activities.



The strategic goal of enhancing visa, immigration, and citizenship services has a total investment target of Birr 5.0 billion. The strategic role of enhancing visa, immigration, and citizenship services for robust foreign relationships is multifaceted. Improving these services facilitates the smooth entry and stay of foreign visitors, investors, and professionals, thereby promoting economic and cultural exchanges. Streamlined visa processes and efficient immigration services create a favourable environment for international business, tourism, and educational exchanges, fostering stronger economic ties and promoting people-to-people connections between Ethiopia and other countries. By providing reliable and transparent citizenship services,

Ethiopia can attract skilled diaspora members who can contribute to the country's development through investments, knowledge transfer, and entrepreneurship. Efficient visa, immigration, and citizenship services demonstrate Ethiopia's commitment to international norms and standards, enhancing its reputation as a welcoming and open society. By enhancing these services, Ethiopia can strengthen its foreign relationships, improve its global competitiveness, and maximise the benefits of international cooperation and engagement. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 25.1 Resource Allocations by Policy Area and Strategic Goals**

## **PROGRAMS AND INVESTMENT TARGET**

The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIPI monitoring and evaluation framework. To achieve the strategic goals and results expected under the policy area of promoting pragmatic, diversified, and inclusive foreign relations, the following four (4) programs will be implemented.

The immigration and citizenship service program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 11.9 billion (23.3 per cent), followed by the diplomatic relations and functions program, with Birr 3.6 billion (7 per cent). The remaining investment targets are allocated to the Foreign Affairs Reform and Capacity Building Program, with Birr 1.2 billion (2.3 per cent), and the diaspora engagement program, which has a budget of Birr 889 million (1.7 per cent).

**Table 25.2 MDIP Investment Target by Program**

Program	Birr (Billion)	Percentage
Immigration and Citizenship Service	11.9	23.3
Diplomatic Relations and Functions	3.6	7
Foreign Affairs Reform and Capacity Building Program	1.2	2.3
Diaspora Engagement Program	0.889	1.7
Other Programs	1.2	2.3
<b>Total</b>	<b>50.7</b>	<b>100</b>

### Investment Targets by Implementing Government Organisation

The Ministry of Foreign Affairs has the highest share with 26 PAPs (44 per cent), followed by the Immigration and Citizenship Service with 22 PAPs (37.2 per cent). The remaining will be PAPs implemented by the Ethiopian Diaspora Service, with 8 PAPs (13.5 per cent), and the Foreign Affairs Institute, with 3 PAPs (5 per cent).

The Ministry of Foreign Affairs, with Birr 15.8 billion (30.8 per cent), followed by the Immigration and Citizenship Service, has the highest investment target with Birr 34.2 billion (66.8 per cent). The remaining implementing agencies are the Ethiopian Diaspora Service, with Birr 1.0 billion (1.9 per cent), and the Institute of Foreign Affairs, with Birr 199 billion (0.39 per cent).

**Table 25.3 MDIP Investment Targets by Implementing Agency**

Agency	Birr (Billion)	Percentage
Ministry of Foreign Affairs	15.8	30.8
Immigration and Citizenship Service	34.2	66.8
Ethiopian Diaspora Service	1.0	1.9
Institute of Foreign Affairs	0.199	0.39
<b>Total</b>	<b>50.7</b>	<b>100</b>

Regarding the Financing Source ,30 PPAs (62.5 per cent) will be implemented through the federal recurrent budget, and the federal capital budget will implement 18 PPAs (37.5 per cent).

**Table 25.4 MDIP Investment Targets by Financing Source**

Source	Birr (Billion)	Percentage
Federal Recurrent Budget	19.2	37.5
Federal Capital Budget	12.5	62.5

Regarding the spatial coverage of the PPAs, 20 PPAs (33.8 per cent) have national coverage, and 39 PAPs (66.1 per cent) will be implemented in various foreign affairs missions in foreign countries.

**Table 25.5 MDIP Investment Targets by Spatial Coverage**

Coverage	Birr (Billion)	Percentage
National Coverage	17.1	33.8
Foreign Missions	23.6	66.1

# CHAPTER 26

## GREEN GROWTH AND CLEAN ENVIRONMENT

Ethiopia's proactive approach to climate action, reforestation and afforestation efforts, renewable energy, green technology adoptions, and adaptation measures demonstrate its commitment to addressing climate change, protecting the environment, and promoting sustainable, resilient, and inclusive development. By prioritizing environmentally friendly green initiatives and practices, Ethiopia aims to mitigate the adverse effects of climate change, preserve natural resources, and improve the quality of life for its citizens. Ethiopia's exemplary nature-based solutions and green initiatives support economic growth and job creation and help reduce carbon emissions, enhance resilience to climate-related risks, and preserve biodiversity. Investments in green legacy initiatives, green technologies, and renewable energy sources are creating green jobs, stimulating economic growth, and reducing dependency on fossil fuels. A clean environment promotes public health by reducing air and water pollution, improving sanitation, and minimising exposure to hazardous substances.

During the MDIP, the priority of ensuring green growth and a clean environment is part of the government's continued commitment to nature-based solutions, driven by several key factors.

- Ethiopia is vulnerable to the adverse effects of climate change, such as droughts, floods, and desertification. The government is committed to mitigating these risks through nature-based solutions and green initiatives and building resilience to climate-related challenges, ensuring the long-term sustainability of its ecosystems.
- Pollution from industries, vehicle emissions, and improper waste disposal pose significant risks to public health in the country. Ensuring a clean environment reduces air and water pollution exposure, mitigating environmental health hazards.
- Ethiopia has steadfastly dedicated to sustainable development and environmental conservation, achieving remarkable progress in renewable energy generation through investments in hydropower, wind, and solar energy, and climate-smart agricultural practices, which are driving productivity growth and creating job opportunities.
- Ethiopia has embarked on large-scale reforestation and afforestation initiatives known as the Green Legacy Initiative, which enabled the planting of billions of trees across the country to combat deforestation, restore degraded landscapes, and eventually support the sequestering atmospheric carbon dioxide. These

efforts have garnered international attention and praise for their significant contributions to global reforestation and climate mitigation efforts.

- Ethiopia is a signatory to various international agreements and frameworks to address climate change and promote sustainable development, such as the Paris Agreement and the Sustainable Development Goals (SDGs). Ethiopia fulfils its obligations under these agreements by ensuring green growth and a clean environment and contributes to global efforts to combat climate change and environmental degradation.

Through ambitious climate action plans and policies, Ethiopia has strongly committed to climate change. The country has set ambitious targets for reducing greenhouse gas emissions, increasing renewable energy capacity, and implementing climate-resilient strategies in key sectors such as agriculture, forestry, and water resource management. Furthermore, Ethiopia has recently formulated and launched its long-term low-emissions and Climate resilient development strategy (LT- LEDS) that clearly focuses on reducing greenhouse gas emissions building resilient economy to the climate change shocks. It is aligned with global climate change goals and underscores Ethiopia's unwavering determination to combat climate change and foster sustainable development. The country's updated National Determined Contributions (NDCs) outline specific commitments to emission reduction, renewable energy expansion, and building climate resilience economy.

## **ETHIOPIA'S APPROACH TO GREEN LEGACY AND CLIMATE RESILIENCE**

The Green Legacy Initiative (GLI), which initially began with mass tree planting, reforestation, and afforestation campaigns, now promotes nature-based solutions across diverse sectors of the economy. Recognizing the multifaceted benefits of nature-based approaches, the initiative has expanded its scope to integrate nature-based solutions into various sectors, including agriculture, water management, energy, and urban development. Ethiopia's GLI has embraced nature-based solutions as a holistic approach to addressing environmental challenges, promoting sustainable development, and building resilience to climate change. Ethiopia fosters a more sustainable and resilient future for its citizens and ecosystems by integrating nature-based approaches into policy, planning, and implementation processes.

The GLI demonstrates how much Ethiopia recognizes the importance of integrated national nature-based solutions encompassing climate-smart food systems, agroforestry, forest sector development, greening and renewal of urban areas, and integrated water and soil resources management. The GLI is advanced as a locally designed and owned project, which contributes to job creation and increased opportunities, and longer-term benefits will include improvements in agricultural productivity, food self-reliance, water resources and biodiversity conservation, and global public benefit of contribution to GHG sequestration. The GLI provides one of the key mechanisms to achieve NDC to combat climate change.

Under the revitalised Climate-Resilient Green Economy (CRGE) framework, the new policy dimension emphasises the integration of climate change and development, enabling sectors to build capacity across various domains. This integrated approach recognises that climate change affects multiple sectors and requires coordinated efforts to address its impacts effectively. By mainstreaming climate change considerations into sectoral development planning, policies, and programs, sectors such as agriculture, forestry, water, energy, transportation, and urban can enhance their capacity to adapt to climate change and contribute to sustainable development goals.

Integrating climate and development remains an integral part of the TYDP and MDIP. In formulating the MDIP, mainstreaming green growth and a clean environment has been a central focus in each policy area's strategic goals and development programs. The climate adaptation and mitigation plan and programs are made to be integrated into the sectoral policy areas, strategic goals, and core strategic functions. For example, climate-smart agriculture PPAs are made to inform the wider agriculture policy area and investment decisions. Similarly, integrating climate change considerations into energy planning and investment decisions is expected to promote the intensive and extensive transition to clean and renewable energy sources.

This integrated approach fosters synergies between climate action and development goals at the sectoral level, maximising co-benefits and promoting holistic and effective responses to the climate crisis. The PPAs across the different sectors of the economy under each policy area identify different nature-based solutions in supporting the mitigation and adaptation goals and targets across the different sectors of the economy. For example, PPAs in agriculture focus on implementing sustainable

natural resource utilisation practices to improve soil health, enhance farm water utilisation, and increase agricultural productivity while building resilience to climate change impacts such as droughts and floods. In energy, the PPAs prioritise the development of renewable energy sources such as solar, wind, and hydroelectric power to reduce greenhouse gas emissions, enhance energy security, and promote sustainable energy access while minimising the environmental impacts associated with fossil fuel-based energy generation. By integrating climate change and development, sectors can enhance their capacity to address climate risks, seize opportunities for climate-resilient development, and contribute to building a sustainable and resilient future for all.

Strengthening institutional capacity and improving coordination mechanisms are essential for effectively integrating green growth and clean environment objectives into sectoral policymaking and development activities, ensuring adequate attention to climate vulnerability, and implementing sustainable solutions. A robust central coordinating body is necessary to facilitate the integration of green growth and a clean environment across all sectors. This body would ensure horizontal and vertical coordination and collaboration, facilitating timely and informed policymaking while promoting the integration and mainstreaming of green growth and environmental protection in all development endeavours.

The Ministry of Planning and Development's role is to effectively coordinate and lead synergy, coordination, and engagement across sectoral ministries to allow climate related PPAs to be grounded in robust and integrated multi-sectoral analysis. Moreover, the new approach of integrating climate and development will help to tackle the disconnects between climate and development policies and strategies, identify the highest-impact climate and development actions to reduce GHG emissions and boost resilience.

## **STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS**

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains two (2) strategic goal and nine (9) core strategic functions and activities relevant to the policy area of ensuring green growth and a clean environment, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all

the climate change coordination and environmental regulation- related result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under the policy area of ensuring green growth and a clean environment involve effective collaboration primarily between the Ministry of Planning and Development and the Environment Protection Authority. Effective coordination among all development actors is crucial to ensure green growth and a clean environment in Ethiopia. The Ministry of Planning and Development will lead in facilitating this coordination. They will work together to bring together public bodies across different levels of government, engage the private sector, and involve non-state actors.

The Ministry of Planning and Development will lead the effort by mainstreaming and incorporating green growth and environmental considerations into the sectoral development planning and programming. It will set strategic goals and establish priorities that align with environmental objectives. By formulating policies, programs, and action plans, the Ministry will promote sustainable practices and ensure that all sectoral initiatives contribute to a greener future. Monitoring and evaluation will be integral to assessing the progress and effectiveness of sectoral initiatives to achieve green growth and a clean environment. In collaboration with the Environmental Protection Authority, the Ministry will develop robust monitoring systems, track key indicators, and evaluate the impact of climate and environmental policies and programs. This will enable decision-makers to identify areas requiring adjustments or improvements, ensuring that desired outcomes are achieved.

Public investment management will be instrumental in directing financial resources towards priority sectoral green projects and initiatives through centralised coordination of planning and programming. In collaboration with relevant stakeholders, the Ministry will assess investment opportunities and ensure that priority should be given to projects that align with green growth and environmental objectives. This strategic investment decision-making process will channel public resources into sectors that promote sustainability and contribute to developing a green economy. It will also help identify bankable projects for domestic financing and access global climate finance.

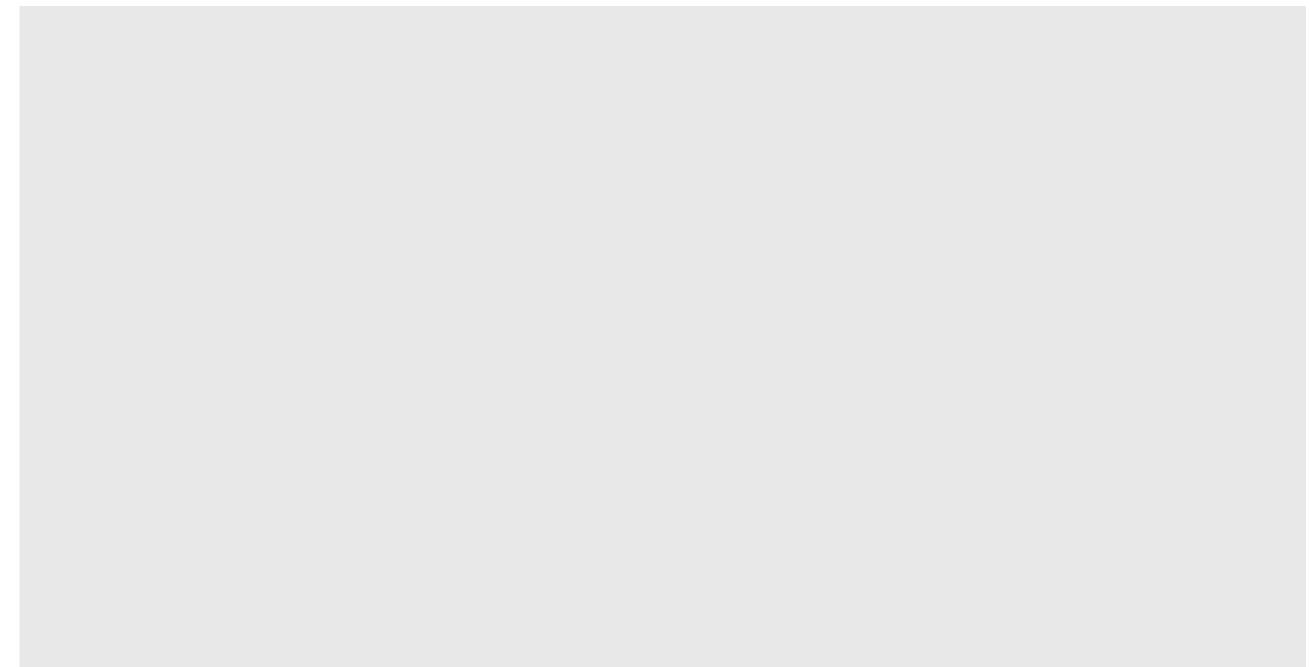
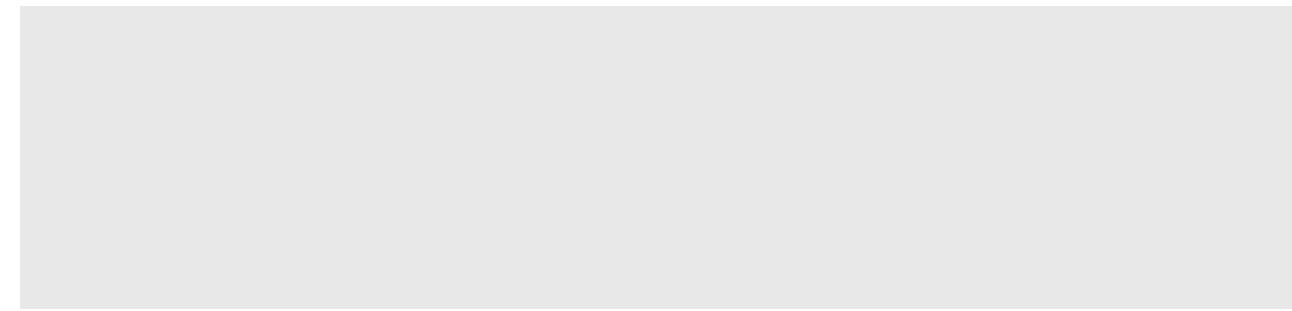
By coordinating and integrating green growth and a clean environment into these various functions, the Ministry of Planning and Development and the

Environmental Protection Authority will ensure that all development actors, including public bodies, private sector entities, and non-state actors, work together towards achieving sustainable development, fostering a greener future, and constructing a green economy in Ethiopia. This coordinated approach will effectively address environmental challenges, promote sustainable practices, and pave the way for a prosperous and resilient future for the country and its people.

## **TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS**

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of coordinating national climate change and environmental regulation to ensure green growth and a clean environment amount to Birr 759 million. The federal government will cover Birr 403 million (53.1 per cent), and development partners are expected to cover Birr 356 million. The investment supports attaining two (2) strategic goal.

Overall, Ethiopia's climate change policy and implementation program represents a comprehensive and forward-looking approach in building resilient and transition to a low-carbon economy.



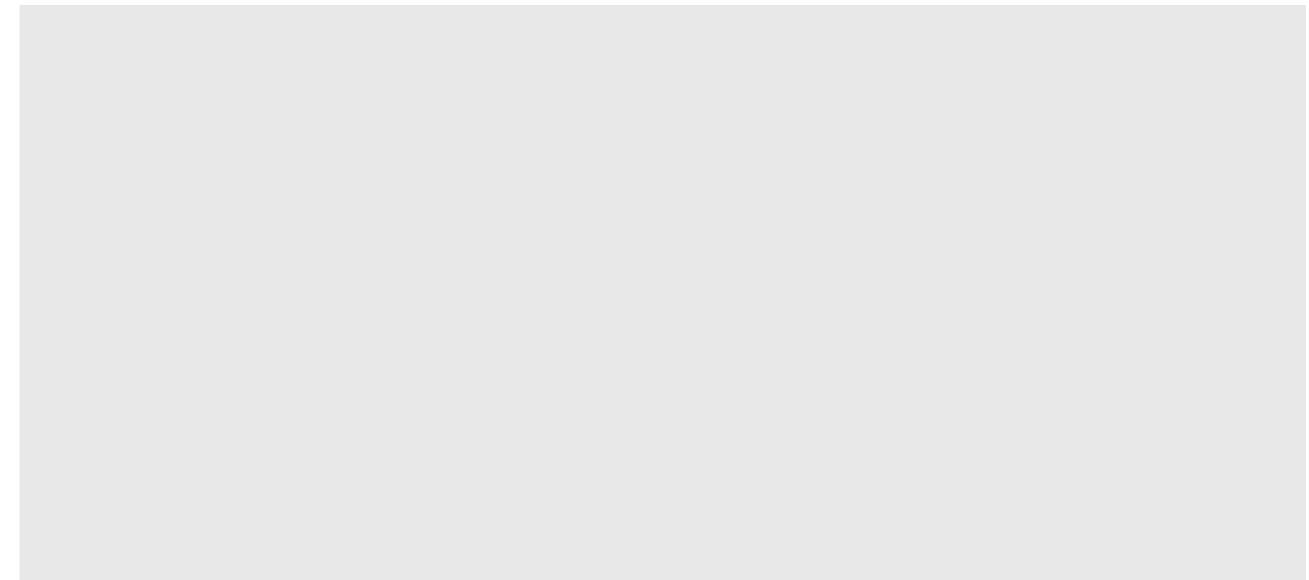
The strategic goal of improving integrated climate change coordination and environmental regulation has a total investment target of Birr 419 million. The strategic goal of improving integrated climate change coordination and environmental regulation is to enhance the effectiveness of climate action and environmental management by streamlining coordination mechanisms, fostering collaboration among stakeholders, and strengthening regulatory frameworks. By promoting integrated planning, policy coherence, and capacity building, this goal aims to mainstream climate considerations into national policies, enhance regulatory frameworks for environmental protection, and build the capacity of institutions and stakeholders to address climate change and environmental challenges effectively. Through robust monitoring and evaluation mechanisms, countries can track progress towards climate and environmental goals, ensuring that actions are evidence-based and contribute to sustainable development while protecting ecosystems and enhancing resilience to climate change impacts. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of Improving the climate change policy and Implementation Mechanisms has a total investment target of Birr 340 million. Ethiopia has experienced severe droughts, floods, and temperature increases in recent decades, which have had devastating effects on its largely agrarian economy and the livelihoods of its people. In response,

the Ethiopian government has made climate change a key priority in its national development agenda. This includes the implementation of the Climate Resilient Green Economy (CRGE) strategy, as well as the country's updated Nationally Determined Contribution (NDC) and the development of a Long-Term Low Emission Development Strategy (LT-LEDS) through a climate-resilient and green economy pathway.

Despite these efforts, Ethiopia continues to face challenges in fully implementing its ambitious climate policies due to lack of a full fledged implementation and stronger coordination and monitoring mechanisms. Hence, the strategic goal in climate change policy and implementation mechanisms focuses on establishing a national carbon market strategy and crediting mechanism that helps to mobilize additional climate finance and incentivize emission reduction efforts across different sectors. In addition, it focuses on building on the existing commitments, Ethiopia could further strengthen its NDC targets and implementation plans through enhancing the updated NDC. Aiming to provide a comprehensive legal and regulatory framework to guide climate action across various government agencies and stakeholders the strategic goal formulates a National Climate Change and Environment Policy and Establishing an integrated Monitoring, Evaluation, and Measuring, Reporting and Verification (MRV) system that would strengthen the tracking, reporting, and verification of progress on Ethiopia's climate change mitigation and adaptation efforts.

**Table 26.1 Resource Allocations by Policy Area and Strategic Goals**



## **PROGRAMS AND INVESTMENT TARGET**

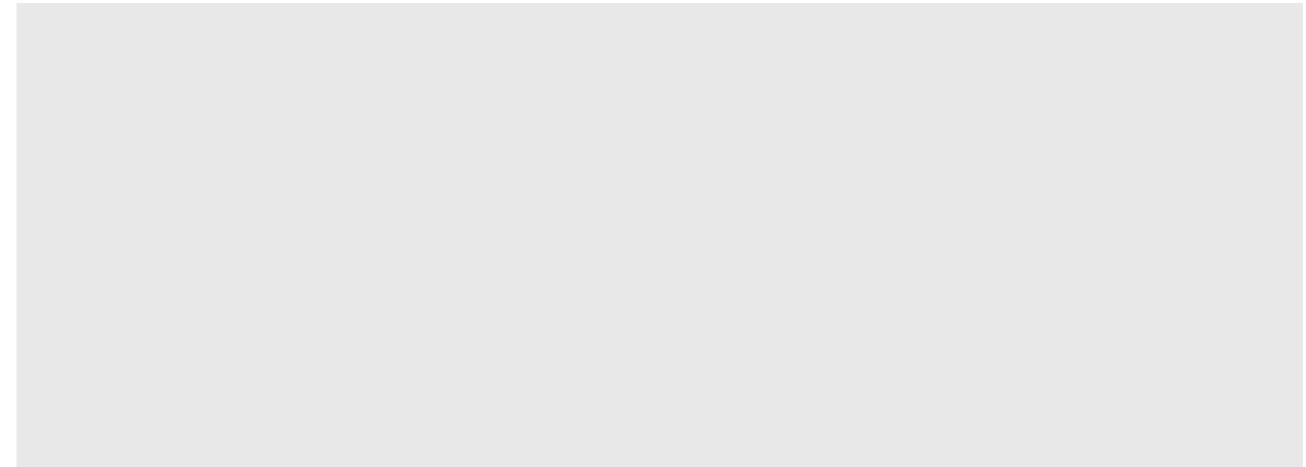
The medium-term strategic goals and core strategic functions and activities are translated into priority programs, projects, and activities (PPAs), and the alignment of reform processes during 2023/24 – 2025/26 are administered under the MDIP monitoring and evaluation framework. To achieve the strategic goals and results expected under the policy area of Ensuring Green Growth and A Clean Environment, the following program three (3) will be implemented.

### Investment Targets by Implementing Government Organisation

The Ministry of Planning and Development has the highest share with 47 PAPs, followed by the Environment Protection Authority, with 16 PAPs. The remaining two (2) PAPs will be implemented by the Ministry of Planning and Development, Environmental Protection Authority.

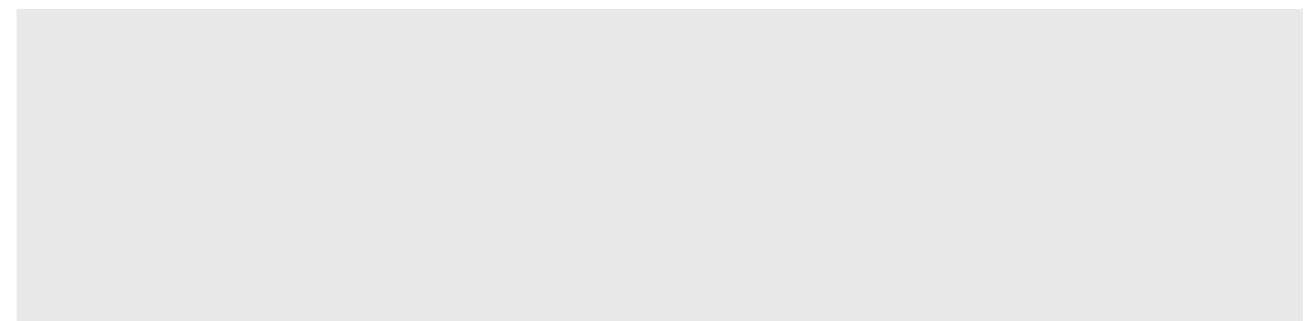
The Ethiopia Environment Protection Authority has the highest investment target with Birr 394 million (51.9 per cent), followed by the Ministry of Planning and Development, with Birr 362 million (47.7 per cent). The remaining will be implemented jointly by the Ministry of Planning and Development and the Environmental Protection Authority with Birr 3 million (0.4 per cent).

**Table 26.3 MDIP Investment Targets by Implementing Agency**



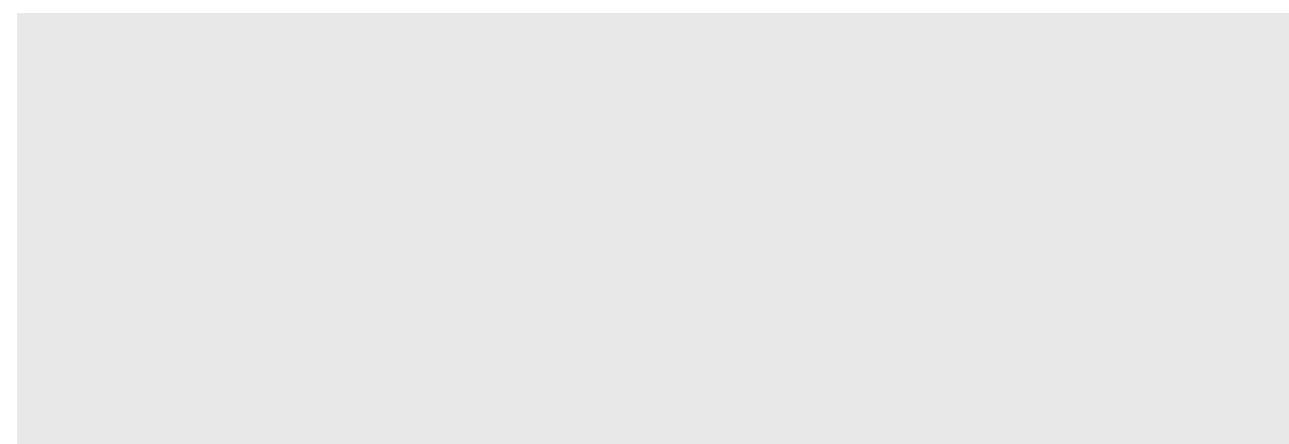
Regarding the Financing Source , 23 PPAs (35.4 per cent) will be implemented through the federal recurrent, and 42 PPAs (65.1 per cent) will be implemented with support from development partners.

**Table 26.4 MDIP Investment Targets by Financing Source**



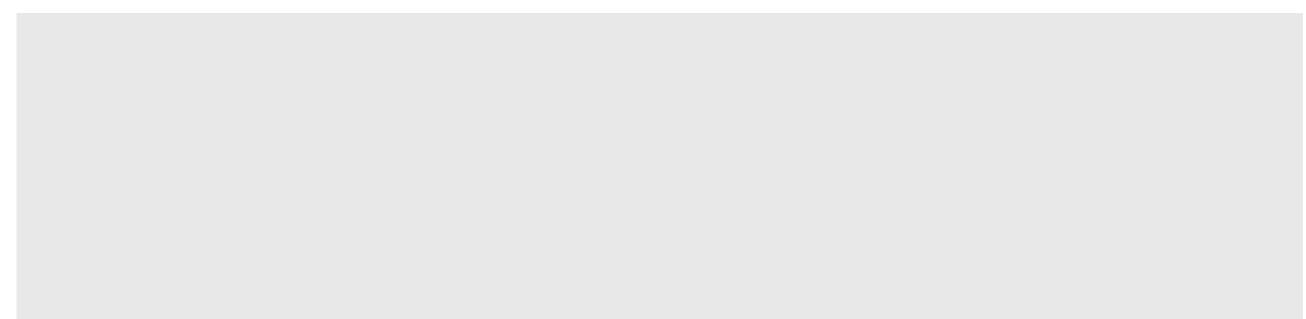
The Environmental Regulation Program has a total of Birr 394 million investment targets during the MDIP period from EFY 2023/24 to 2025/26, followed by the climate change policy and Implementation Mechanisms program, with Birr 340 million investment targets and Climate Change Mainstreaming and Coordination Program, with Birr 25 million investment targets.

**Table 26.2 MDIP Investment Target by Program**



Regarding the spatial coverage of the PPAs, all 65 PAPs will be implemented nationwide.

**Table 26.5 MDIP Investment Targets by Spatial Coverage**



# CHAPTER 27

## RECOVERY, RESILIENCE, AND RISK MANAGEMENT

**T**he strategic relevance of ensuring recovery, resilience, and risk management is paramount for effectively addressing the aftermath of crises and conflicts while building long-term resilience to future shocks. It will help to enhance adaptive capacity, improve disaster preparedness, and strengthen the resilience of communities and systems, leading to more rapid recovery from crises, reduced socio-economic disruptions, and sustainable development pathways that prioritise risk reduction and resilience-building efforts.

This policy area mainly covers the strategic goals and core strategic functions of the Ethiopian Disaster Risk Management Commission, the National Rehabilitation Commission and Ethiopia's five-year recovery and reconstruction program.

During the MDIP implementation, Disaster Risk Management (DRM) holds significant strategic relevance due to the country's susceptibility to various natural hazards, including droughts, floods, and disease outbreaks. Climate change, environmental degradation, and socio-economic challenges exacerbate Ethiopia's vulnerability to these disasters. Implementing effective DRM policy and program is crucial for mitigating the impacts of disasters, protecting lives and livelihoods, and promoting sustainable development. By investing in risk reduction measures, early warning systems, disaster preparedness, and response mechanisms, Ethiopia can enhance its resilience to disasters, minimise socio-economic disruptions, and build a more secure and sustainable future for its citizens. Moreover, integrating DRM into national policies, development planning, and programs helps mainstream risk reduction considerations across sectors, ensuring a holistic approach to disaster management and fostering long-term resilience at the community, regional, and national levels.

By implementing comprehensive rehabilitation, reconstruction, and recovery (RRR) plans, Ethiopia aims to restore essential infrastructure, livelihoods, and social services, foster sustainable development, and reduce vulnerabilities to future conflicts and disasters. It aims to address the needs of conflict-affected areas and populations by focusing on rebuilding infrastructure, restoring basic services, and supporting livelihoods. By implementing this program, the government is committed to contributing to the recovery and resilience of communities affected by conflict while integrating risk management and climate resilience considerations into the reconstruction efforts.

On the other hand, the government is also committed to ensuring Effective Disarmament, Demobilisation, and Reintegration (DDR) of former combatants as vital aspects of conflict resolution and risk management. Ethiopia can reduce the risk of renewed armed conflict recurrence and contribute to long-term stability and security by successfully facilitating ex-combatants transition from military to civilian life. By disarming and demobilising former combatants, DDR initiatives contribute to the reduction of weapons proliferation and the prevention of violence. Reintegration efforts, including providing livelihood support, vocational training, and psychosocial assistance, help former combatants re-integrate into their communities, fostering reconciliation and social cohesion.

Ensuring recovery, resilience, and risk management plays a crucial role in restoring livelihoods by implementing targeted interventions that address the immediate needs of the affected population. This includes providing emergency relief, supporting income-generating activities, and promoting access to essential services such as healthcare and education. The program improves the overall well-being and economic stability of individuals and communities affected by disasters by restoring livelihoods.

Moreover, the MDIP's emphasis on ensuring recovery, resilience, and risk management aligns with Ethiopia's commitment to strengthening the social sector. By prioritising the needs of vulnerable groups, such as women, children, and marginalised communities, the program aims to address social inequalities and promote inclusivity. This includes providing access to social protection programs, healthcare services, and education opportunities, ensuring no one is left behind in the recovery and rebuilding process.

While significant achievements have already been made in disaster risk reduction and response mechanisms, challenges persist, including recurrent droughts, floods, and the impacts of climate change. Additionally, limited financial resources and capacity constraints hinder the implementation of robust risk management systems and resilient infrastructure projects. Ethiopia must address these challenges through sustained commitment, collaboration, and targeted interventions to enhance its recovery, resilience, and risk management efforts. By doing so, Ethiopia can restore livelihoods, build back better, and contribute to broader development and economic objectives, ensuring the well-being and prosperity of its people.

## STRATEGIC GOALS, CORE STRATEGIC ACTIVITIES AND INDICATOR-LEVEL TARGETS

Based on the national harmonised 'One Plan, One Report' system, as explained in chapter two, the MDIP contains seven (7) strategic goals and thirty-nine (39) core strategic functions and activities relevant to the policy area of ensuring recovery, resilience, and risk management, as shown below. The core strategic activities indicate key result areas with specific key performance indicators. The linkage of MDIP with all the peace and democracy sector result matrices and targets is presented in the appendix.

These strategic goals, core strategic activities, and key performance indicators under this policy area are primarily associated with the Ethiopian Disaster and Risk Management Commission, National Rehabilitation Commission, and the relevant line ministries and government organs associated with the rehabilitation and reconstruction program.

These government organs are crucial in disaster response, recovery, and long-term resilience-building efforts. By coordinating their efforts, they can ensure a comprehensive and cohesive approach to addressing the impacts of disasters and conflicts, maximising the efficiency and effectiveness of resource allocation, and avoiding duplication of efforts. Collaboration between these entities enables the seamless transition from emergency response to rehabilitation and reconstruction, facilitating the restoration of essential infrastructure, livelihoods, and social services. Moreover, coordination allows for integrating risk reduction measures into rehabilitation and reconstruction programs, promoting long-term resilience and sustainable development. Effective synergy and coordination between these agencies ultimately contribute to more resilient communities, reduce vulnerability to disasters and conflicts, and enhance overall socio-economic development in Ethiopia.

## TOTAL RESOURCE ALLOCATIONS BY POLICY AREA AND STRATEGIC GOALS

During the MDIP period from EFY 2023/24 to 2025/26, the total investment targets of the policy area of ensuring recovery, resilience, and risk management amount to Birr 1.014 trillion. The investment supports attaining six (6) strategic goals.

The strategic goal of promoting institutional capability, efficiency in resource utilization and service delivery has a total investment target of Birr 1.7 billion. This goal aims to support institutional capacity building and modernization as well as promoting and ensuring compliance with different procedures to enhance the organizations' institutional capability, improve the efficiency and effectiveness of resource utilization, and deliver high-quality services to stakeholders by sectors included in this policy area. The goal includes strengthening

planning, monitoring, and data systems; developing human resource practices; optimizing financial and asset management; leveraging information technology; building partnerships; ensuring regulatory alignment; promoting ethics and anti-corruption; advancing women and social inclusivity; and expanding charitable activities. These measures collectively aim to build the organization's institutional capability, optimize resource utilization, and enhance the quality, accessibility, and impact of its service delivery.

The first four strategic goals under the EDRMC, including Strengthening Disaster Risk Reduction Capabilities, strengthening Disaster Preparedness and Response, Strengthen Post-disaster Recovery and Rehabilitation, and strengthening local and global partnership and resource mobilization, have a combined total investment target of Birr 133.8 billion. Strengthening the Strengthening the National Disaster Risk reduction Capabilities. The Strategic Goal of Strengthening the National Disaster Risk reduction Capabilities aims to enhance DRM governance and capacity building, Disaster Risk Management Information system, enhancing disaster risk knowledge and awareness, strengthen

disaster risk profile at all levels, enhance planning and mainstreaming across all sectors, and strengthening multi-hazard impact based early warning and anticipatory actions among others.

Disaster Risk Reduction entails disaster risk profile, mainstreaming, early warning, and anticipatory actions are by many folds save resources which otherwise may be consumed during emergency responses. Better preparedness is an ultimate guarantee for better response and saving of lives and livelihoods. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

community participation, and integrating risk reduction measures into rehabilitation efforts. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of Enhancing Disaster Preparedness and Response focuses on strengthening the ability to detect and respond to potential disasters promptly. This involves improving data collection and analysis, enhancing communication and coordination mechanisms, and developing robust emergency response plans. The expected results include increased preparedness, reduced response time, and more effective and targeted emergency interventions. Enhancing early warning systems and emergency response planning aims to minimise the loss of life and property, enhance community resilience, and facilitate a swift and coordinated response to disasters. Additionally, this initiative contributes to ensuring recovery, resilience, and risk management through improved disaster preparedness, effective resource allocation, and the ability to quickly mobilise and coordinate emergency response efforts to mitigate the impact of disasters

and support the recovery process. The strategic goal of improving rapid response and emergency relief focuses on enhancing the efficiency and effectiveness of emergency response efforts. This involves creating streamlined processes, improving logistics and resource management, and fostering stakeholder collaboration. The expected results include faster response times, targeted relief efforts, and enhanced support to affected populations. Improving rapid response and emergency relief aims to mitigate the impact of disasters, reduce human suffering, and contribute to recovery, resilience, and risk management. These strategic results are achieved through the effective execution of the following core strategic functions and activities. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of The Strategic Goal of Strengthening Local and Global Partnership and Resource Mobilization focuses on establishing indigenous resource mobilization system, enhance global resource mobilization, strengthen self-sufficiency DRM positioning, strengthen collaboration, coordination and partnership and enhance auditing and accountability for efficiency and effectiveness in resource management.

Establishing home grown people-based national resource mobilization capacity, especially in the Ethiopian context where such a culture is abundant is of paramount importance. However, it requires proper design, mobilization and trusted collection mechanism with clear accountability at all levels of governance. It needs a high degree of coordination and experience as it involves approaching and working with almost all segments of the society (the general public, professionals, a range of business companies, media outlets, etc.) on a voluntary basis for initiating knowledge, expertise, technology, financial supports and other relevant resources.

Especially, the initial kick-off stage should be executed or launched in a well-organized and appealing manner. Successive influential and trustful mechanisms need to be deployed for disseminating some provocative facts on the disaster management

history of the country and related challenges. Once launched, the intended resource mobilization scheme becomes an iterative process that evolves and develops through practice and with time. The following approaches are suggested to be applied for exploring holistic and effective domestic resource generation and mobilization options. As documented the financial contribution for humanitarian support by global partners is declining year on year basis. In the 2013 per capita allocation was about 170 USD which in 2023 declined to \$ 64. This may happen because of several global politics and diversion of attention by donors. The global humanitarian family by far depends on traditional donors and diversification of funding sources is not yet actively triggered. However, It is always wise to navigate the possibilities gaining the attention of traditional and non-traditional donors to maximize whatever is possible. The global community through several joint engagements and solidarity to support in the event of climate change impacts would help to request the promises of western countries. Enhancing the newly emerging and encouraging developments in south-South cooperation is also an area to explore further.

These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of Strengthen Post-disaster Recovery and Rehabilitation focuses on enhancing the effectiveness of assessing and addressing the needs of disaster affected communities. This involves creating standardised methodologies, establishing coordination mechanisms, and implementing targeted rehabilitation interventions. The expected results include accurate needs

assessment, timely rehabilitation efforts, and improved recovery outcomes. By improving post-disaster needs assessment and rehabilitation, the aim is to facilitate recovery, restore essential services and infrastructure, and contribute to long-term community resilience. This strategic goal supports recovery, resilience, and risk management by providing evidence-based insights, fostering

The strategic goal of transforming conflict-affected communities through comprehensive RRR efforts has a total investment target of Birr 838.6 billion. The strategic objectives of transforming conflict-affected communities through comprehensive rehabilitation, reconstruction, and recovery efforts focus on restoring stability, promoting sustainable development, and fostering social cohesion. This involves rebuilding infrastructure, revitalising productive sectors, strengthening governance structures, and improving social services. The expected results include improved living conditions,

enhanced economic opportunities, strengthened social fabric, and increased resilience against future conflicts. By transforming conflict-affected communities, the aim is to create sustainable peace, empower communities, and contribute to recovery, resilience, and risk management by addressing the root causes of conflict and promoting social inclusion. These strategic results are achieved through the effective execution of the following core strategic functions and activities. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

The strategic goal of ensuring effective rehabilitation and reintegration of ex-combatants has a total investment target of Birr 39.9 billion. The strategic objectives of ensuring effective rehabilitation and reintegration of ex-combatants focus on facilitating their successful transition into society. Key areas include demobilisation and logistics management, providing psychosocial support, and implementing sustainable rehabilitation programs. This involves creating comprehensive demobilisation processes, establishing support systems for ex-combatants, and offering vocational training and employment opportunities. The expected results include the

reintegration of ex-combatants into civilian life, reduced risk of re-engagement in conflict, and improved community resilience. Ensuring effective rehabilitation and reintegration of ex-combatants aims to promote stability, peacebuilding, and sustainable development. Additionally, this initiative contributes to ensuring recovery, resilience, and risk management by addressing the root causes of conflict, fostering social cohesion, and reducing the potential for future violence. These strategic results are achieved through the effective execution of the following core strategic functions and activities.

**Table 27.1 Resource Allocations by Policy Area and Strategic Goals**

Policy Area	Strategic Goal	Resource Allocation (Birr)
1	1.1	100
1	1.2	200
1	1.3	300
2	2.1	400
2	2.2	500
2	2.3	600
3	3.1	700
3	3.2	800
3	3.3	900
4	4.1	1000
4	4.2	1100
4	4.3	1200
5	5.1	1300
5	5.2	1400
5	5.3	1500
6	6.1	1600
6	6.2	1700
6	6.3	1800
7	7.1	1900
7	7.2	2000
7	7.3	2100
8	8.1	2200
8	8.2	2300
8	8.3	2400
9	9.1	2500
9	9.2	2600
9	9.3	2700
10	10.1	2800
10	10.2	2900
10	10.3	3000
11	11.1	3100
11	11.2	3200
11	11.3	3300
12	12.1	3400
12	12.2	3500
12	12.3	3600
13	13.1	3700
13	13.2	3800
13	13.3	3900
14	14.1	4000
14	14.2	4100
14	14.3	4200
15	15.1	4300
15	15.2	4400
15	15.3	4500
16	16.1	4600
16	16.2	4700
16	16.3	4800
17	17.1	4900
17	17.2	5000
17	17.3	5100
18	18.1	5200
18	18.2	5300
18	18.3	5400
19	19.1	5500
19	19.2	5600
19	19.3	5700
20	20.1	5800
20	20.2	5900
20	20.3	6000
21	21.1	6100
21	21.2	6200
21	21.3	6300
22	22.1	6400
22	22.2	6500
22	22.3	6600
23	23.1	6700
23	23.2	6800
23	23.3	6900
24	24.1	7000
24	24.2	7100
24	24.3	7200
25	25.1	7300
25	25.2	7400
25	25.3	7500
26	26.1	7600
26	26.2	7700
26	26.3	7800
27	27.1	7900
27	27.2	8000
27	27.3	8100
28	28.1	8200
28	28.2	8300
28	28.3	8400
29	29.1	8500
29	29.2	8600
29	29.3	8700
30	30.1	8800
30	30.2	8900
30	30.3	9000
31	31.1	9100
31	31.2	9200
31	31.3	9300
32	32.1	9400
32	32.2	9500
32	32.3	9600
33	33.1	9700
33	33.2	9800
33	33.3	9900
34	34.1	10000
34	34.2	10100
34	34.3	10200
35	35.1	10300
35	35.2	10400
35	35.3	10500
36	36.1	10600
36	36.2	10700
36	36.3	10800
37	37.1	10900
37	37.2	11000
37	37.3	11100
38	38.1	11200
38	38.2	11300
38	38.3	11400
39	39.1	11500
39	39.2	11600
39	39.3	11700
40	40.1	11800
40	40.2	11900
40	40.3	12000
41	41.1	12100
41	41.2	12200
41	41.3	12300
42	42.1	12400
42	42.2	12500
42	42.3	12600
43	43.1	12700
43	43.2	12800
43	43.3	12900
44	44.1	13000
44	44.2	13100
44	44.3	13200
45	45.1	13300
45	45.2	13400
45	45.3	13500
46	46.1	13600
46	46.2	13700
46	46.3	13800
47	47.1	13900
47	47.2	14000
47	47.3	14100
48	48.1	14200
48	48.2	14300
48	48.3	14400
49	49.1	14500
49	49.2	14600
49	49.3	14700
50	50.1	14800
50	50.2	14900
50	50.3	15000
51	51.1	15100
51	51.2	15200
51	51.3	15300
52	52.1	15400
52	52.2	15500
52	52.3	15600
53	53.1	15700
53	53.2	15800
53	53.3	15900
54	54.1	16000
54	54.2	16100
54	54.3	16200
55	55.1	16300
55	55.2	16400
55	55.3	16500
56	56.1	16600
56	56.2	16700
56	56.3	16800
57	57.1	16900
57	57.2	17000
57	57.3	17100
58	58.1	17200
58	58.2	17300
58	58.3	17400
59	59.1	17500
59	59.2	17600
59	59.3	17700
60	60.1	17800
60	60.2	17900
60	60.3	18000
61	61.1	18100
61	61.2	18200
61	61.3	18300
62	62.1	18400
62	62.2	18500
62	62.3	18600
63	63.1	18700
63	63.2	18800
63	63.3	18900
64	64.1	19000
64	64.2	19100
64	64.3	19200
65	65.1	19300
65	65.2	19400
65	65.3	19500
66	66.1	19600
66	66.2	19700
66	66.3	19800
67	67.1	19900
67	67.2	20000
67	67.3	20100
68	68.1	20200
68	68.2	20300
68	68.3	20400
69	69.1	20500
69	69.2	20600
69	69.3	20700
70	70.1	20800
70	70.2	20900
70	70.3	21000
71	71.1	21100
71	71.2	21200
71	71.3	21300
72	72.1	21400
72	72.2	21500
72	72.3	21600
73	73.1	21700
73	73.2	21800
73	73.3	21900
74	74.1	22000
74	74.2	22100
74	74.3	22200
75	75.1	22300
75	75.2	22400
75	75.3	22500
76	76.1	22600
76	76.2	22700
76	76.3	22800
77	77.1	22900
77	77.2	23000
77	77	

The RRR program has the highest investment targets during the MDIP period from EFY 2023/24 to 2025/26 with a total of Birr 838.6 billion (82.7 per cent), followed by the disaster risk management program with Birr 133 billion (13.2 per cent), and the disarmament, demobilisation, and reintegration program with Birr 39.9 billion (3.9 per cent).

**Table 27.2 MDIP Investment Target by Program**

Program	Investment Target (Birr)	Share (%)
Disarmament, Demobilisation, and Reintegration Program	39.9	3.9
Disaster Risk Management Program	133.0	13.2
Rehabilitation, Reconstruction and Recovery Program	838.6	82.7

Regarding the Financing Source, 9 PPAs (15.8 per cent) will be implemented through the federal government, and the federal government and development partners will implement 48 PPAs (84.2 per cent).

**Table 27.4 MDIP Investment Targets by Financing Source**

Financing Source	Investment Target (Birr)	Share (%)
Federal Government	133.0	15.8
Federal Government and Development Partners	48.0	84.2

Regarding the spatial coverage 18 PPAs (31.6 per cent) will be implemented nationwide, and 39 PPAs (68.4 per cent) will be implemented interregional.

**Table 27.5 MDIP Investment Targets by Spatial Coverage**

Spatial Coverage	Investment Target (Birr)	Share (%)
Nationwide	133.0	31.6
Interregional	48.0	68.4

### Investment Targets by Implementing Government Organisation

The National Rehabilitation Commission has the highest share with 23 PAPs (40.4 per cent), followed by the Disaster Risk Management Commission with 18 PAPs (31.6 per cent). The remaining will sector line ministries will each implement a portfolio of activities through the Rehabilitation, Reconstruction and Recovery Program.

The Ministry of Agriculture has the highest investment target with Birr 426 billion (42.0 per cent), followed by Ethiopian Disaster Risk Management Commission with Birr 136.0 billion (13.4 per cent), the Ministry of Education, with Birr 77.4 billion (7.6 per cent), the Ministry of Health, with Birr 74.1 billion (7.3 per cent), and the Ministry of Urban and Infrastructure, with Birr 72.7 billion (7.2 per cent).

**Table 27.3 MDIP Investment Targets by Implementing Agency**

Implementing Agency	Investment Target (Birr)	Share (%)
National Rehabilitation Commission	23.0	40.4
Disaster Risk Management Commission	18.0	31.6
Ministry of Agriculture	426.0	42.0
Ethiopian Disaster Risk Management Commission	136.0	13.4
Ministry of Education	77.4	7.6
Ministry of Health	74.1	7.3
Ministry of Urban and Infrastructure	72.7	7.2

# CHAPTER 28

## FINANCING STRATEGY FOR THE IMPLEMENTATION OF THE MDIP

**T**his financing strategy provides a framework to effectively mobilize and manage resources required for the implementation of the Medium-term Development and Investment Plan (MDIP). The strategy leverages national budget resources as well as innovative financing mechanisms, enhances economic and financial governance, and ensures inclusive financial participation to achieve sustainable economic growth.

The total cost of implementing the plan for the Birr 4.38 trillion. Given the changes taking place in the international development cooperation space, this financing strategy embraces the shift from Funding to Financing (F2F), as part of what is called the MDIP 'Right-Financing' approach (as developed below). This strategy also aligns and integrates with the Ethiopian Sustainable Financing Strategy (ESFS) and the Road Map of actions being taken forward.

### **FINANCING OBJECTIVES:**

In the current and projected macro-fiscal context, this right-financing strategy for the MDIP aims to (i) secure adequate funding to meet the planned goals (ii) put in place a new sustainable financing architecture that is future-ready (iii) establish a robust and transparent financial governance structure and (iv) leverage both traditional and innovative financing mechanisms to enhance resource mobilization.

As part of the economic re-structuring process underway, actions in the right-financing space include enhancing domestic resource mobilization, modernizing the monetary policy framework and governance system, strengthening public debt management and transparency, operationalizing

Ethiopia's capital market, financial sector deepening and modernization and integrated sustainable financing instruments into the sector investment plans and actions to be taken forward.

### **Key Funding and Financing Challenges:**

The top five challenges to overcome in terms of financing the MDIP are summarized below, informing this strategy:

- Mobilizing Adequate Resources: Securing enough financial resources to cover the extensive needs of the plan.
- Balancing Funding Sources: Achieving a balanced mix of domestic and international, public and private financing sources.

- Managing Debt Sustainability: Ensuring that borrowing and debt accumulation do not surpass sustainable levels.
- Enhancing Private Sector Engagement: Overcoming barriers to private investment, including regulatory hurdles and market uncertainties.
- Ensuring Efficient Allocation and Utilization: Allocating financial resources efficiently across various projects and ensuring they are utilized for maximum impact without significant leakages or corruption.

### MDIP RIGHT-FINANCING APPROACH

For MDIP, 'right-financing' refers to selecting the appropriate financing strategies and sources that align with the plan's objectives, to ensure sustainability, and maximize catalytic impact. In this regard, right-financing focuses both on strategic budgeting through public investment plans and developing capital and financial market instruments. This approach will be executed across the following five generalized MDIP programming stages as provided below:

- Adopt Ethiopian Sustainable Financing Strategy (ESFS): Adopting the ESFS Road Map to support the introduction of sustainable right-financing approaches to execute the MDIP. Introducing a new financing architecture for Ethiopia.
- Sector Investment Plans: Sector investment plans will develop sector financing strategies based on the following entry points.
- Identifying the Right Sources of Finance: The MDIP aims to optimize funding sources, focusing on government allocations, development partnerships, and innovative financing mechanisms to close the financing gap and ensure long-term sustainability.
- Identifying the Right Financial Instruments: MDIP contemplates the use of a broad array of financial tools beyond the national budget and ODA, including grants, debt instruments, public-private partnerships (PPPs), and blended finance, to balance the risk and reward over the project lifecycle.
- Establishing the Right Sector and Market Partnerships: In order to crowd-in commercial capital where it adds value, MDIP aims to

strengthen public and private partnerships that combine resources and expertise to deliver mutual societal benefits and support inclusive MDIP development impacts.

**Project Design Phase:** For future projects to be guided clear investment preparation and appraisal stage in accordance with the nation overall; public investment management and the federal public project administration legal framework the following design considerations are to be take forward by ministries, departments and agencies, with the support of the Development Partners:

- Right Cost, Catalyst & Additionality: The MDIP will identify low-cost financing and catalytic instruments to leverage additional commercial capital while minimizing public debt, aligning with market-based solutions.
- Right Investment & Risk: The plan ensures sector investments are informed by clear objectives, sources of funding, and a comprehensive understanding of the associated economic, social, and financial risks and returns.

**Implementation Phase:** Implementation will focus on maximizing the catalytic impact of resources in order to maximize the rate of return on investments, as follows:

- Right Outcome: Strategies are in place to reduce cost overruns and manage fiscal risks, maximizing the net flow of benefits to the intended recipients of development initiatives.
- Right Impact: The plan ensures that financing decisions consider their broader impacts, fostering inclusive growth and contributing to Sustainable Development Goals (SDG) and Environmental, Social, and Governance (ESG) objectives.

**Sustainability:** MDIP focuses on maximizing the impact of investment on sustainability, and in making sure that through public goods and market-based solutions, that financing of the MDIP is sustainable over the longer term, contributing towards Agenda 2030, as follows:

- Mainstream Sustainability: A key component of the MDIP's right-financing approach is to incorporate long-term sustainability into the project design, aiming for a sustainable rate of return and consistent cash flows, ensuring projects deliver enduring benefits beyond their immediate goals.

By integrating the right-financing approach, MDIP aims to support a new financial architecture that not only supports Ethiopia's immediate development goals but also establishes a strong foundation for sustained economic growth and social development. Figure X below provides the right-financing strategy for the MDIP, covering the above mentioned elements.



## FINANCING MECHANISMS

The plan foresees the broadening of funding sources to finance the plan, using a combination of traditional and innovative financing instruments, as outlined below:

### Traditional Funding Sources

- Government Budget Allocation: The primary source of funding will continue to be the federal government's budget, prioritizing high-impact projects that align with national development goals. Implement rapid measures to improve tax collection efficiency and widen the tax base. This could include streamlining tax administration processes and deploying digital tools to enhance transparency and compliance.
- Development Assistance: Utilize official development assistance (ODA) and grants from international partners, focusing on non-debt creating flows to maintain sustainable debt levels, including use of first loss catalytic finance, concessional loans, guarantees and blending.

### Innovative Financing Instruments

- Public-Private Partnerships (PPPs): Ramping up the use of PPPs by encourage private sector involvement in developmental projects, especially in infrastructure, healthcare, and education, through favorable policy frameworks.
- Blended Finance: Utilize a combination of development finance and private capital to fund projects, reducing the risk for private investors and leveraging public funds to attract private investments.
- Green Bonds and Climate Financing: Issue green bonds to fund environmentally sustainable projects. Develop local carbon market trading schemes to finance climate resilience initiatives.
- Diaspora Bonds and Remittances: Tap into the financial resources of the Ethiopian diaspora through bonds specifically targeted at Ethiopians abroad, offering them investment opportunities in national development.

- Digital and Innovative Finance: Implement digital finance solutions to broaden the tax base and enhance revenue collection efficiency. Establish a national digital transaction platform to reduce costs and improve financial inclusion.

- Develop a National Apex MSME Guarantee and Capital Structure: Establishing a Apex to provide affordable financing and dedicated products from commercial banks and MFIs to SMEs.

- Sustainable and Inclusive Finance: Promote financial products that support sustainable development, such as microfinance and Islamic finance, social and micro-insurance and risk transfers, tailored to the needs of various demographic groups.

## RISK MANAGEMENT

Government will support the development of a comprehensive risk assessment framework to identify financial risks associated with each funding source and financial instrument, while also establishing contingency reserves and insurance mechanisms to manage risks related to currency fluctuations, interest rates, and credit events. At the same time, government will integrate risk management tools across all sectors, focusing on minimizing risks associated with large-scale infrastructure projects and PPPs and employ disaster risk financing instruments to mitigate the financial impacts of natural disasters and other unforeseen events.

create sector-specific working groups to oversee and coordinate the implementation of projects funded through different instruments.

At the same time, government will implement robust monitoring and reporting mechanism to track the progress of funded projects and the utilization of financial resources and adopt international best practices for financial management to ensure that funds are used efficiently and transparently. In this regard the following short and longer-term financing priorities are developed:

### Short-Term (2023-2025):

- Establish governance structures and initial funding mechanisms.
- Launch key projects with secured funding from traditional sources and initial PPP agreements.

### Long-Term (2026-2030):

- Scale up innovative financing mechanisms as the market matures and additional private investors engage.

## GOVERNANCE AND INSTITUTIONAL FRAMEWORK

The Ministry of Planning and Ministry of Finance will lead a High-Level Oversight Committee (HLOC) to ensure that all financing activities under the ESFS are aligned with the national priorities and that the financial flows are monitored and managed efficiently. Government and ODA partners will

- continuously assess and realign financing strategies based on achieved results and evolving economic conditions.

- Through the ESFS Monitoring Dashboard, report on the impact of the right-financing approach, quantifying flows.

The successful implementation of Ethiopia's national plan requires a well-structured financing strategy that not only addresses the immediate funding needs but also ensures sustainability and inclusivity, by improving budget performance and deepening capital and financial markets. This strategy outlines a multi-faceted approach that combines traditional financing methods with innovative financial instruments and strong governance frameworks to achieve the ambitious goals of the MDIP.

# CHAPTER 29

## LINKING MDIP WITH SDG AND AFRICA AGENDA 2063

**L**inking Ethiopia's MDIP with the Sustainable Development Goals (SDGs) and Africa Agenda 2063 is strategically important as it provides a cohesive and integrated framework for addressing the country's multifaceted development challenges. By aligning national priorities with these global and regional agendas, the government is committed to fostering unity of purpose, enhancing policy coherence, and promoting collective action towards common goals. This alignment facilitates regional integration, cooperation, and solidarity while attracting international support and investment. Moreover, it ensures that development efforts are holistic, inclusive, and sustainable, ultimately contributing to advancing Ethiopia's socio-economic development agenda, national interest, and the well-being of its people.

Linking TYDP and MDIP with the SDGs and Africa Agenda 2063 is strategically important for the following reasons:

- Alignment of Ethiopia's Prosperity Vision with Regional and Global Priorities: The SDGs and Africa Agenda 2063 represent globally agreed-upon frameworks for sustainable development and transformation on the continent. By aligning TYDP and MDIP with these frameworks, the government will ensure its priorities and programs align with international commitments and aspirations, fostering regional and global cooperation towards common goals.
- Ethiopia's Comprehensive, Diversified, and Inclusive Development Approach: The SDGs and

Africa Agenda 2063 encompass interconnected development priorities, including poverty eradication, health, education, gender equality, economic growth, climate action, and peace and security. By integrating these goals into TYDP and MDIP, the government adopt a comprehensive, diversified, and inclusive approach to development that addresses multiple dimensions of sustainability.

• Enhanced Policy Coherence for Prosperity: Linking TYDP and MDIP with the SDGs and Africa Agenda 2063 promotes policy coherence and alignment across different sectors and levels of governance. It helps the country identify synergies and trade-offs between different goals and targets, ensuring that policies and programs are mutually reinforcing and contributing to

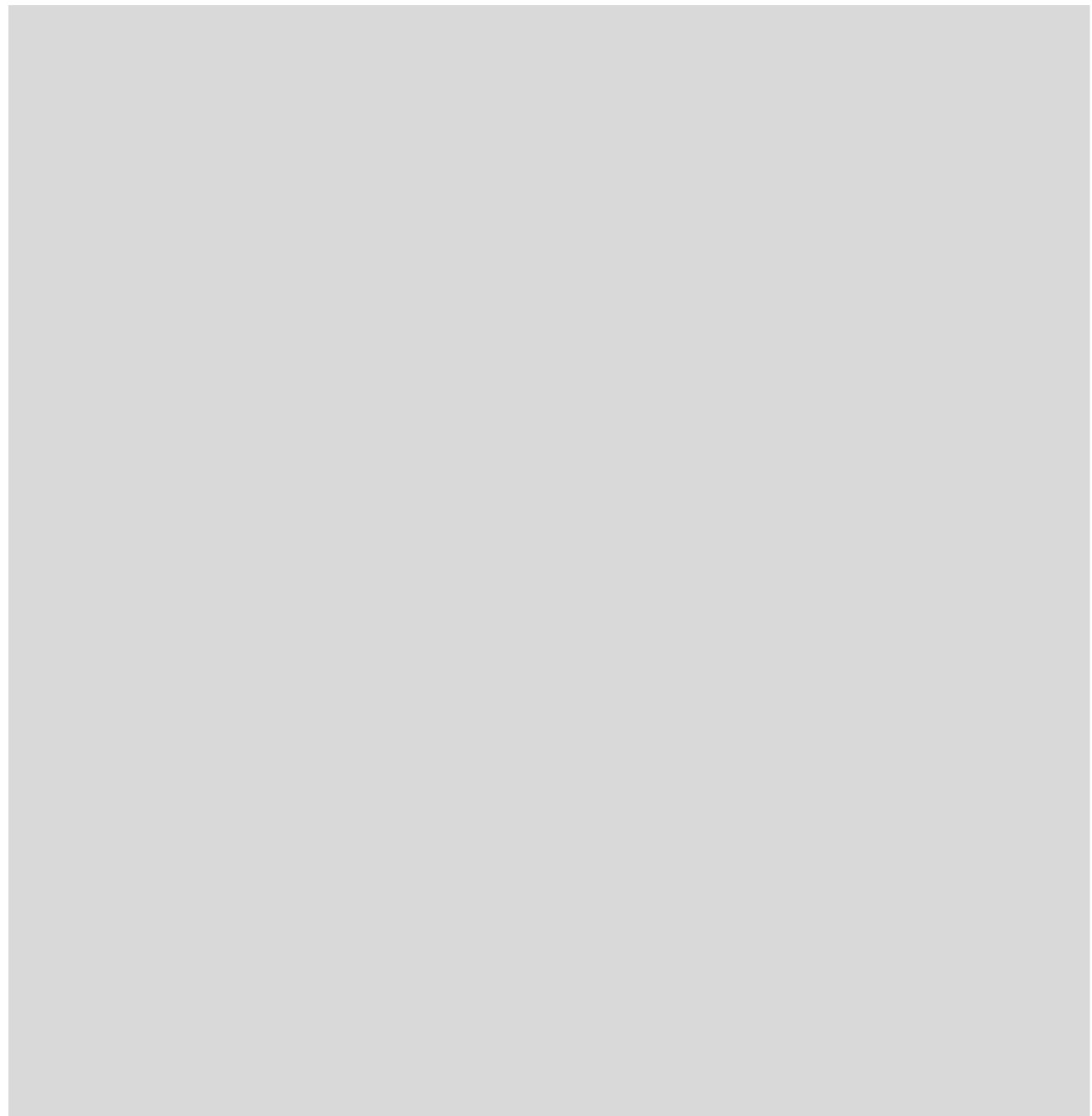
holistic and integrated development outcomes.

- Enhancing Monitoring, Evaluation, and Accountability: The SDGs and Africa Agenda 2063 provide clear targets, indicators, and benchmarks for measuring progress towards sustainable development. By incorporating these frameworks into TYDP and MDIP, countries establish a common basis for monitoring and evaluating their performance, facilitating the engagement in the systematic follow-up and review of the implementation of the 2030 Agenda and Africa Agenda 2063.
- Effective Mobilisation of Resources and Support: Many regional and global development partners,

donors, and financing mechanisms prioritise funding and support for PPAs that align with the SDGs and Africa Agenda 2063. By demonstrating alignment with these frameworks, Ethiopia can strengthen the capacity, access, and chances of accessing financial resources, technical assistance, and capacity-building support to implement TYDP and MDIP effectively.

The linkage between the 23 policy areas and the SDGs and Africa Agenda 2063 is presented concisely in this chapter, and detailed strategic goals, core strategic activities, and indicator-level target linkages will be provided in the national result matrices (NRMs).

**Table 28.1 Linking MDIP Policy Areas with SDG and Africa Agenda 2063**



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