



## **Joint declaration on the signature of the “Ethio - Italian Cooperation Framework 2017 – 2019”**

The Italian and Ethiopian delegations met on 15th September 2017 in Addis Ababa to sign the “*Ethio Italian Cooperation Framework 2017 – 2019*”, attached to this document.

The Ethiopian and Italian delegations were led, respectively, by the State Minister of Finance and Economic Cooperation of the FDRE, H.E. Admassu Nebebe, and by the Ambassador of Italy to Ethiopia, H.E. Giuseppe Mistretta.

The signature ceremony followed a series of technical preparatory sessions during which the Parties analyzed the contents of the “*Ethio Italian Cooperation Framework 2017 – 2019*”.

The Italian Party congratulated the Ethiopian Party for the results achieved so far as well as for the initiatives currently ongoing, aiming at enhancing an inclusive socio-economic growth and development for the Ethiopian population.

The Ethiopian Party praised the Italian contribution to the development efforts of the Country.

The Italian financial commitment of the “*Ethio-Italian Cooperation Framework 2017 – 2019*” amounts to 125 million Euros, consisting in 85 million Euros in soft loans and 40 million Euros in grants, excluding the costs related to the activity of the local Italian Agency for Cooperation and Development.

The new Cooperation Framework proposes an innovative strategy aimed at guaranteeing the implementation of the planned initiatives and those related to the previous Cooperation Framework in a strongly coordinated way. This integrated approach is intended to ensure the highest effectiveness and complementarity of the projects.

The Parties agree on the programmatic nature of the attached Cooperation Framework, which is not source of legal binding obligations. These obligations will be determined by specific Technical Memorandum of Understanding/Agreements aimed at regulating, monitoring and financing each cooperation activity individually.

FOR THE GOVERNMENT OF THE FEDERAL  
DEMOCRATIC REPUBLIC OF ETHIOPIA

The State Minister for Finance and Economic  
Cooperation, H.E. Admassu Nebebe



FOR THE GOVERNMENT OF THE REPUBLIC  
OF ITALY

The Ambassador of Italy to Ethiopia,  
H.E. Giuseppe Mistretta



# **ETHIO-ITALIAN COOPERATION FRAMEWORK 2017-2019**



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## INTRODUCTION

Development cooperation is an integral and qualifying part of Italian foreign policy. It is inspired by the principles of the Charter of the United Nations and of the Charter of Fundamental Rights of the European Union. Pursuant to the principle laid down in Article 11 of the Italian Constitution, its effect contributes to foster peace and justice and aims at promoting mutually supportive and egalitarian relationships between peoples based on principles of interdependence and partnership.

Acknowledging the centrality of human beings, both as individuals and as members of a community, the Italian development cooperation, in compliance with the international programmes and strategies defined by international organisations and by the European Union, pursues the fundamental objectives of:

- a) uprooting poverty and narrowing inequalities, improving the living conditions of peoples and promoting sustainable development;
- b) defending and upholding human rights, the dignity of the individual, gender equality, equal opportunities and the principles of democracy under the Rule of Law;
- c) preventing conflicts, supporting peacebuilding and reconciliation processes, as well as post-conflict stabilisation and the consolidation and reinforcement of democratic institutions.

The Italian Law on international development cooperation (Law. 125 of 11 August 2014) establishes a new institutional architecture composed by a political arm, represented by the Ministry of Foreign Affairs and International Cooperation – Directorate General for Development Cooperation, a financial arm, represented by Cassa Depositi e Prestiti (CDP), as the Development Finance Institution, and an operational arm, represented by the Italian Agency for Development Cooperation (AICS). AICS is a new legal entity of public law for the purpose of implementing development cooperation policies on the basis of efficacy, cost-effectiveness, uniformity and transparency criteria.

In this framework, Italy promotes a whole of Country approach by which, along with the newly established Italian Agency for Development Cooperation, the Italian Embassies abroad, the Italian Trade Agencies (ITA), the Civil Society Organisations (CSOs), the private sector, the Regions, Autonomous Provinces and local administrations and the Italian line Ministries, Italian Centers of Excellence are all recognized as vital actors for development cooperation.

The new Ethio-Italian Cooperation Framework 2017-2019 will therefore promote synergies and partnerships with all Italian development cooperation stakeholders, in particular with the Italian Trade Agency and the private sector, and it recognizes the vital role of Italian Civil Society Organisations (CSOs) in achieving development targets of Ethiopia by working closely with the decentralized Ethiopian entities and at community level mostly in remote areas in various field such as WASH, health, social protection, food and nutrition security, gender equality and rural development.





Italy is firmly committed to supporting the Ethiopian Government in achieving the Growth and Transformation Plan II (GTP II) targets, together with the EU+ Member States and DAG (Donor Assistance Group) development partners. The Ethio-Italian Cooperation Framework is therefore aligned to the objectives of the GTP II and refers to the objectives and guiding principles of the EU+ Joint Programming exercise for Ethiopia.

Italy has a long standing and fruitful partnership with Ethiopia and a strong engagement towards development assistance in favor of the Country. The strong ties and the importance of Ethiopia as a priority Country for Italian development cooperation have been reaffirmed by increasing by 25% the total portfolio of the Ethio-Italian Cooperation Framework 2017-2019.

## 1. ETHIOPIA'S DEVELOPMENT CHALLENGES AND OPPORTUNITIES

### 1.1. Economic context

Over the last decade, Ethiopia has experienced **high and sustained economic growth**, mainly thanks to public investments on the demand side and to agricultural and service growth on the supply side. This high level of growth along with massive public investments in roads, education and health has allowed the country to significantly reduce the poverty headcount and to reach the targets of the MDGs related to poverty and hunger, education and child health.

With regard to the **structure of the economy**, agriculture still accounts for 36.7% of GDP and employs 77.3% of the workforce, industry accounts for 16% of GDP (with manufacturing at 5.4%) and employs 7.5% of the workforce and the service sector accounts for 47.3% of GDP, employing 15.2% of the workforce. This picture shows that despite high economic growth, the economy is still highly dependent on the agricultural sector and the structural transformation is still at its incipient phase.

With regards to **macro-economic stability**, the country has managed to maintain a single digit inflation for most of the last decade and to attract significant foreign direct investment (up to 3.03 billion US \$ in 2015/2016). On the other hand, the gaps between domestic savings (22.4% of GDP) and investments (38.5% of GDP) and import (27.8% of GDP, of which 40.8% are for capital goods) and export (8% of GDP) are rising, the public debt has reached 49 % of GDP and the tax to GDP ratio (12.5%) is still low if compared to other successful African economies. This picture underlies the strong call for a more important role of the private sector in economic development and for an industrial and export push.

The **Growth and Transformation Plan II (GTP II) 2015/16 – 2019/20**, which is the national mid-term development plan adopted by the Ethiopian Parliament in December 2015, states the country's ambition of becoming a low middle-income economy by 2025. Built on sectoral policies, strategies & programs, lessons drawn from the implementation of GTP I and the Agenda 2030, the GTP II aims at sustaining the accelerated growth, establishing a spring board for **the structural transformation of the economy, enhancing the role of the private sector, modernizing the agricultural sector,**





improving the **productivity, quality and competitiveness of the industrial and manufacturing sectors, further expanding economic and social infrastructure and enhancing equitable human capital**. Furthermore, the Ethiopian Government recognizes that more efforts are needed in order to **reduce the country's high dependency on world market commodity prices and its vulnerability to climate change**.

### 1.2. Social context

Public spending on **basic social services and supporting pro-poor policies has increased significantly too** (in the last years, about 70 per cent of the national annual budget has been allocated for those sectors) and is **delivering results**. The percentage of people living under the poverty line has dropped significantly, universal primary education has almost been achieved and the gap in enrolment between boys and girls has narrowed, under-five mortality has been reduced by two-thirds and consistent progress have been recorded in reducing HIV/AIDS, malaria, tuberculosis and other diseases. Maternal mortality declined from 676 deaths per 100,000 pregnancies in 2010/11 fiscal year to 412 deaths per 100,000 pregnancies in fiscal year 2015/16. Midwifery services increased to 73 percent. The national coverage of health services reached 98 percent in 2015/16.

Potable water coverage improved from 59 percent to 63.1 percent in rural areas, from 51 percent to 52.5 percent in urban areas and from 58 percent to 61 percent at national level.

However, Ethiopia's **Human Development Index and its relative ranking (174<sup>th</sup> out of 188 countries in 2015) have not moved substantially during the past decade and much more therefore remains to be done**. Indeed, according to the WB Poverty Assessment of 2014, in the last years the most vulnerable households seem to have benefitted less from growth than those in the higher income deciles.

Heavy dependence on rain-fed agriculture makes the country particularly **vulnerable to the adverse impacts of climate change**. The changing climatic conditions and successive failed rains during the past ten years are threatening seriously food security not only in the country but in the whole region. Climate phenomena like El Niño induced drought in 2015 has left over 10 million in need of food assistance. The 2017 drought is now threatening the food security of 8 million people in the lowlands pastoral areas of the country. **Severe droughts and conflict-driven crisis in Ethiopia and neighboring countries pose a serious threat to the stability of the region as well as to the security and development gains achieved over the past years**.

**Therefore, effective governance of natural resources, as well as strengthening resilience and focusing on green economy/ sustainable development are fundamental**.

Ethiopia is one of the few countries to have formally merged its aims of developing a green economy and building greater resilience to climate change under a single policy framework: the Climate Resilient Green Economy Strategy. Natural resources conservation and utilization including watershed management, rural land use planning and administration and irrigation development are key pillars of GTP II.





Some results have already been achieved: production of main crops increased from 180 million quintals in 2009/10 fiscal year to 266.8 million quintals in 2015/16, which have significant impact in ensuring **food security**.

Framing **nutrition performance** in a long-term perspective, Ethiopia has been witnessing relevant progresses: in over 20 years the country has reduced the prevalence of stunting (due to chronic undernutrition) in children under five years of age from 67 to 38% (EDHS 2016), with positive repercussions on child mortality too. However, more efforts are needed if Ethiopia is willing to respect its commitment to reduce stunting to 20% by 2020 and to 0% by 2030. Micronutrient malnutrition (from lack of iron, vitamin A, zinc...), which is widespread in rural areas, and stunting pose a human development and economic challenge (the direct costs for the health sector and the indirect costs due to reduced labor productivity generated by malnutrition are indeed substantial) that the Government is addressing.

Looking at demographic composition, **almost half of the Ethiopia's population is aged under 14**, this could represent a great development opportunity if the Ethiopian Government will manage the youth bulge timely and appropriately, in particular in terms of public service delivery and job creation. **Unemployment and underemployment are major economic and social challenges**, both for youth as well as for women. With over 2 million young people entering the labor market every year and the increasing formal involvement of women in the economy of the Country the current economic structure is currently working to provide sustainable job opportunities for all. With specific reference to the rural areas, the family plots of lands are small and thus cannot be divided among the children, boys and girls, when they grow up – leaving the youth in an underemployment condition, as low productivity family laborers. **Focus on skills development for youth and women will be therefore vital for increasing productivity** and making the country more attractive to international firms seeking to invest in Africa. The skilled labor force is being channeled into the massive-scale construction projects. These mega projects need to be combined with the promotion of the still small and largely informal private sector, which is bound to play a key role in the structural transformation process envisaged in the GTP II. A **conducive environment to attract private investments** and the **promotion of public-private partnership** will be important for the development of small and medium enterprises to contribute to economic growth.

Apart from internal movements of people from the country-side to the urban centers, it is important to underline that Ethiopia is experiencing **international flows of migrants, as a country of origin, transit and destination**. Its geopolitical location makes Ethiopia a host country for many people seeking refuge from neighboring countries. Ethiopia is one of the largest refugee-hosting countries in the world with around 850.000 registered refugees. "Push factors" of migrations include poverty, rapid population growth and a high number of unemployed or underemployed youth, land issues, climate-change induced droughts, regional instability and conflicts. However, the significant contribution of remittances to the country's income and provision of foreign currency is well recognized. **Human trafficking and smuggling of migrants remain major challenges for the country**. As migration tends to increase until a country reaches an upper middle income status, this highlights the need to put in place a well-functioning migration management framework as well as continued





need to prevent smuggling and trafficking, to address root causes of migration and empower its own citizens.

As for citizens' empowerment, during the last years the Ethiopian Government has undertaken **several reforms in order to further enhance service delivery and increase local participation in decision making**, such as the decentralization process to district and sub-district. Furthermore, more recently, following social unrest, the President committed with his speech on a ten-point reform agenda in front of the Parliament. Democratic culture and civic rights should keep the pace with social and economic development.

Remarkable progresses have been registered also **in women empowerment**, by increasingly posting them as decision makers and by helping them secure educational competency. This has had positive repercussions in the progressive elimination of gender discrimination, also in terms of economic opportunities, and in harmful traditional practices. Women participation in the House of Peoples representatives (HPR) has reached 38.7 %; while respectively at regional councils and Kebele (lowest administrative units) levels has reached 48 % and 50 %. **Political will and commitment of GoE to address gender inequality need to be accompanied by funds and capacities in implementing interventions targeting vulnerable women.**

## 2. THE ITALIAN AND EU+ COOPERATION STRATEGIES

The Ethio-Italian Cooperation Framework 2017-2019 has been **extensively negotiated with the Ethiopian authorities and it is harmonized with the EU Joint Programming**, which will be soon translated into an EU + Joint Cooperation Strategy for Ethiopia, and with the Italian 3 years Programming and Guidelines Document 2016-2018. By confirming Ethiopia as a priority Country for Italy's engagement in development cooperation, the Italian Government has allocated for the new Ethio-Italian Cooperation Framework a total portfolio of **125 MEUR, which represents a 25% increase** of resources compared to the previous Cooperation Framework.

The Ethio-Italian Cooperation Framework aims at supporting the Government of Ethiopia in achieving the objectives of its **Second Growth and Transformation Plan (GTP II)** towards a stable and prosperous Ethiopia with a strong focus on employment creation. The Ethio-Italian Cooperation Framework **operates within the Development Cooperation Framework Agreement** between the Government of the Italian Republic and the Government of Federal Democratic Republic of Ethiopia signed in Addis Abeba on December 8<sup>th</sup> 2014.

Building on a long-standing relationship between Italy and Ethiopia, the Ethio-Italian Cooperation Country Framework 2017-2019 lays out a **common programme approach** to support **long-term development**. In particular, this partnership aims at **strengthening the Italian support at Regional, local and grass-root level, with a strong involvement of the local communities and building on Italian and Ethiopian expertise and successful experiences**. The 2017-2019 Cooperation Framework values **lessons learnt and best practices** resulting from the previous Ethio-Italian Cooperation Framework 2013-2015 and at the same time, intends to introduce **innovative methodologies**, at both strategic and technical levels. In particular, the Ethio-Italian Cooperation Framework





acknowledges the **latest international developments** such as the Sustainable Development Agenda 2030, the EU Consensus on Development adopted on May 2017, the recommendation of the Addis Abeba Action Agenda of the Third International Conference on Financing for Development, the AU objectives set out in the Agenda 2063, the Global Partnership for Effective Development Cooperation and the commitments discussed at the 2015 Valletta Summit on Migration, at the 2016 UN Summit for Refugees and Migrants and at the 21<sup>st</sup> Conference of Parties on Climate Change, held in Paris in 2015 (COP21).

### 3. COORDINATION MECHANISMS WITH DEVELOPMENT PARTNERS AT EU AND NOT-EU LEVEL

The Ethio-Italian Cooperation Country Framework 2017-2019 intends to build on existing successful partnerships with EU Member States, such as the strong ties created in the past years with the French development cooperation system mainly in the WASH sector. To this end, new partnerships will be explored and supported, also in line with the coordination efforts promoted at the EU + level within the EU+ Joint Programming exercise.

The aid infrastructure in Ethiopia has evolved through processes and stages. Today, the Development Assistance Group (DAG) structure, that provides development assistance to Ethiopia, comprises 30 multilateral and bilateral partners. Italy takes actively part to the various structures through which the donor community dialogues with the Government of Ethiopia on development programming, policies and processes (High-Level Forum, DAG Executive Committee – ExCom, Head of Agency, Sector Working Groups and Effective Development Cooperation Taskforce).

At the European level, **EU presence on the development landscape in Ethiopia is substantial** with the EU and 22 of its EU Member States out of which 12 EU Member States have bilateral development programmes of sizeable importance. Norway and, more recently, Switzerland have joined the EU Joint Programming process as like-minded partners, constituting the EU+ group. Ethiopia has, since 2010, been a pilot country for the aid effectiveness initiatives as a key agenda objective to improve the coordination, management of resources on the ground and impact of external assistance resources. In a first phase, an **EU+ Joint Cooperation Strategy was formally endorsed by EU+ partners in early 2013**, shared with the Ethiopian Government. The Joint Programming exercise was re-launched in 2016 on the occasion of the adoption of GTP II to revitalize EU+ partnership with the Government of Ethiopia towards the achievement of GTP II and Sustainable Development Goals (SDGs) targets.

### 4. ETHIO-ITALIAN COOPERATION FRAMEWORK: STRATEGY AND METHODOLOGY

The Ethio-Italian Cooperation Framework 2017-2019 aims at supporting a **multisectoral approach intended to contribute to the integrated, inclusive and sustainable development**. To this end it will **scale up successful ongoing and past initiatives** taking into account at the same time **new emerging priorities**, such as the negative impact of **climate change and the migration phenomena**. The Ethio-





Italian Cooperation Framework will dedicate particular attention to the **migration sector by addressing the root causes of migration** through the promotion of a comprehensive socio-economic development. Employment creation is one of the key actions that the Ethio-Italian Cooperation Framework intends to strengthen in order to meet the Ethiopian demands in terms of skilled labour force for the sustainable development of the Country. The focus on the creation of decent job opportunities will be mainstreamed in all clusters of interventions. **Gender is believed to be an essential element** for an inclusive and sustainable development and therefore dedicated resources will be allocated for gender specific interventions and **5% of the total budget**, as appropriate, of each initiative will be committed to ensure an appropriate gender sensitive approach.

The Ethio-Italian Cooperation Framework will intend to pursue the most sustainable **impact and efficient use of resources** by concentrating on geographical priority areas and sectors in which are found those more in need and in which value for money is higher. The involvement of **private sector, Civil Society Organisations (CSO), Regions, autonomous Provinces, local administrations, both Italian as well as Ethiopian, and Italian Excellences** such as public and private entities with valuable experience and remarkable competences, will be also be promoted ("beyond aid approach").

The Ethio-Italian Cooperation Framework 2017-2019 have been developed following the guiding Global Partnership for Effective Development Cooperation principles of **strengthening the Country ownership and reinforcing mutual accountability. Joint coordinated actions, both at EU as well as at a wider level**, are envisaged and synergies between cooperation and humanitarian assistance are promoted, thus reinforcing the nexus in particular around resilience. **Decentralized Ethiopian public and technical entities** will be considered as **crucial partners** for the effective implementation of the Ethio-Italian Country Framework.

## 5. PRIORITY CLUSTERS OF INTERVENTION AND PROGRAMMES DESCRIPTION

Following the positive results achieved with the initiatives implemented under the previous Ethio-Italian Country Framework 2013-2015, the Italian added-value and expertise and the principles of effective development cooperation and division of labor, in line also with the EU+ Joint Programming exercise, the Ethio-Italian Cooperation Framework 2017-2019 will focus on **3 priority Clusters**:

1) Agro-industrial development

2) Basic Services

3) Governance and Migration

Gender and Nutrition will be cross-cutting issues addressed throughout all clusters.

The Ethio-Italian Country Framework will be implemented through the following modalities:

- **Bilateral programmes** – with the funds managed by the Ethiopian Government



- **Multilateral programmes** – through UN agencies, e.g. FAO, UNIDO, WHO, UNICEF, mainly for specialized technical assistance

**Most of the initiatives will be implemented through the bilateral channel although some programmes will envisage a combination of multilateral and bilateral funds.**

The initiatives under the Country Framework will be financed through **soft loans and grants for a total amount of 125MEur.**

Under the current financial situation, the conditions for soft loan component Ethio-Italian Cooperation Framework 2017-2019, will be: interest rate of 0 %, reimbursable within 30 years of which 20 as grace period, which gives as a result a grant concessional component equal to 88%.

The above-mentioned conditions will need to be confirmed at the moment of the approval of each initiative by the Italian Joint Development Cooperation Committee, based on an updated assessment carried out by Cassa Depositi e Prestiti, as the Italian Development Finance Institution.

In line with Busan and more recently Nairobi Outcome Document on Global Partnership for Effective Development Cooperation, the identification of the 3 priority clusters has been the result of a process that has taken into consideration different factors:

- I. An analysis of the Ethiopian GTP II and its Annual Progress Reports (APR) which has identified some sectors that, more than others, require increased efforts in order to reach the GTP II targets;
- II. The utilization of the Ethiopian Country systems for the majority of the initiatives proposed;
- III. Negotiations with the Ministry of Finance and Economic Cooperation in first place, and consultations with a number of Ethiopian line Ministries – such as the Ministries of Education, Agriculture and Natural Resources, Health, Livestock and Fisheries, Water, Irrigation and Electricity, Industry, Urban Development and Housing – together with specialized public agencies/entities, aimed at understanding the Government's priorities and the potential relevance of Italian contribution.
- IV. The decision of the Italian Government of adhering and actively participating in the development of the EU + Joint Cooperation Strategy in order to improve alignment and harmonization with other European Development Partners, define a division of labor process to avoid overlapping and unduly fragmented intervention, promote result and right-based approach, predictability and transparency;
- V. Other international stakeholders have also been consulted, including Development Partners and International Organizations in order to avoid overlapping and to identify synergies and possible partnerships;
- VI. The Italian expertise and comparative advantages developed and matured in certain sectors over the years, the results achieved so far with the past and on-going interventions and the





- VII. opportunity of maintaining and strengthening the presence in some sectors or exploring new ones;
- VIII. Consultations held with relevant Italian stakeholders, including representatives of Italian Ministries and local entities, international organizations, members of the private sector and the civil society, the Italian Trade Commission, aimed at sharing the strategic approach as well as identifying the priority clusters (Whole of Country approach).

Italy will deploy, with additional funds not included in the above-mentioned amount, and as part of the Italian Technical Cooperation, experts to collaborate with the Ethiopian partners in formulating and implementing planned interventions, ensuring the coherence with national policies and development plans, participating in governance and policy discussion fora.

The amount foreseen for the Ethio-Italian Cooperation Framework 2017-2019 does not include funds for emergency-related activities, for Italian Regions, Autonomous Provinces and local administrations, and to support Italian Civil Society Organisations (CSOs) and the private sector operating in Ethiopia, as non-governmental actors in the development cooperation activities.

#### 5.1.AGRO-INDUSTRIAL DEVELOPMENT

Agricultural modernization and agro-industrial development are a big part of the agenda stated in the GTP 2.

For the following years, the Ethiopian Government will promote **investment and the enhancement of productivity of agriculture** so as to support a process of **rapid industrialization**, efficient and effective market expansion and export development. In this regard, the Ethiopian strategy will primarily focus on **quality and diversification towards high value agricultural commodities and value-added manufactured products**.

The Ethiopian government is already investing in key areas, such as the five-fold expansion of the railway network, the launch of **industrial and agro-industrial parks** and the power sector, which are expected to increase export performance and contribute to economic growth in the short to medium term. Furthermore, it is working on expanding **labor-intensive manufacturing industries (such as textile, agro-industry and leather)**, **expediting capacity building in productivity, quality and transfer of technologies**, incentivizing and encouraging domestic investment to effectively engage in manufacturing while improving the business climate to attract quality FDI. Institutional capacity will be vital to successfully achieve economic transformation, as well as the identification of sustainable ways to finance infrastructure and support private investment.

With respect to agriculture, the GTP2 also recognizes the major role that building resilience of local communities can have in protecting the livelihoods of millions of people living in drought prone areas.



The Ethio-Italian Country Framework 2017-19 will support the ambition of the Government of Ethiopia with regards to agricultural modernisation, light industrialisation and resilience-building in arid and semiarid lands (ASAL).

Agricultural modernisation will be supported through a value chain approach, which involves strengthening the efficiency, effectiveness and equity of strategic value chains in terms of import substitution or export of agro-industrial products.

Light manufacturing development will concentrate around the Integrated Agro-Industrial Parks and will be founded on the synergies between smallholder farmers and entrepreneurs in agro-industry.

Resilience is meant to provide a long-term solution to structural problems (lack of infrastructure, low human development, low and inequitable market integration of pastoralists and agro-pastoralists, few and inadequate services to pastoralists) exacerbated by recurrent drought in the ASAL of Ethiopia.

Furthermore, in order to guarantee an inclusive approach and a sustainable economic development, a gender dimension will be kept into consideration throughout all the initiatives.

- a) Support to agricultural value chain development in Oromia and SNNPR, with gender and nutrition components** – in partnership with Ministry of Agriculture and Natural Resources, around the two Integrated Agro Industrial Parks

*Proposed allocation:* 30 MEUR soft loan to MoFEC and 4 MEUR grant for technical assistance (multilateral) through FAO

*Description:* The intervention will focus on strengthening strategic agricultural value chains in the procurement zones of the Integrated Agro-Industrial Parks of Oromia and SNNPR. This will involve capacity building for the value chain actors (farmers and herders, cooperatives, traders, processors) investment in infrastructure (mainly connectivity and warehousing) and improvement of financial services along the agricultural value chains (with micro-insurance, index based insurance schemes, guarantee schemes, piloting innovative financial products, building dialogue and trust between financial institutions and VC actors). The women's empowerment and active participation will be strengthened to achieve equal benefits from the initiative and nutrition aspects will be given great attention to promote a diversified diet

- b) Support to Integrated Agro Industrial Park development, with gender and nutrition components** – in partnership with the Ministry of Industry at Federal and Regional level- and with the Regional Industrial Park Development Corporation of Oromia and SNNPR.

*Proposed allocation:* 12 MEUR\*<sup>1</sup> soft loan to MoFEC and 2 MEUR grant (multilateral) for technical assistance through UNIDO

*Description:* The intervention will focus on building the infrastructure (buildings, warehouses,

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<sup>1</sup> Additional 10 MEUR will be dedicated to the initiative, as allocated under the previous Ethio-Italian Cooperation Framework 2013-2015 for the Integrated Agro-Industrial Parks, not yet disbursed.





effluent treatment plants, rural transformation centres where needed...) and promoting the Integrated Agro-Industrial Parks of Oromia and SNNPR. The Programme will promote women-led enterprises investments in and outside the park, as well as nutrition sensitive food enterprises (e.g. food fortification).

**c) Entrepreneurship development and employment creation for women in the leather sector**  
**Addis Abeba** – in partnership with Ministry of Housing and Urban Development

*Proposed allocation:* 1 MEUR grant

*Description:* This project will aim at identifying and strengthening women owned businesses in the leather sector in Addis Ababa. The project will provide institutional and capacity development to improve business productivity and competitiveness and strengthening market linkages and networking opportunities. In addition, it will support women entrepreneurs to scale up and increase their potential for job creation.

**d) Moringa 2 and support to women entrepreneurship in SNNPR** – in partnership with the Regional Bureau of Agriculture and Natural Resources

*Proposed allocation:* 4 MEUR grant of which 1 MEUR bilateral and 3 MEUR multilateral (UNIDO, FAO, WHO)

*Description:* This intervention will represent a second phase of the 12 months pilot initiative for the development of Moringa Value Chain being implemented in SNNPR Gamo Gofa Zone, Arba Minch Zuria Woreda and it is aimed at consolidating and expanding activities of this pilot phase. To this regard the programme intends to continue developing the Ethiopian Moringa Value Chain and will have different components that will work in synergy for the improvement of the livelihood of rural producers to: i) contribute to the nutrition security of families, ii) contribute to the economic empowerment of women by strengthening women-owned businesses and encouraging their productivity and competitiveness in the market and, iii) build on the development of standardized and certified innovative products such as nutritional supplements and pharmaceuticals to combat malnutrition.

**e) Drought Resilience Phase II, with gender and nutrition component** – in partnership with Ministry of Livestock and Regional Bureau

*Proposed allocation:* 10 MEUR soft loan to MoFEC and 1 MEUR grant (multilateral) for technical assistance to FAO

*Description:* This intervention, aimed at strengthening resilience in ASALs, will built on the



achievements of the Drought Resilience and Food Security Programme currently implemented in the Afar region and will follow the strategic framework of the IGAD Disaster and Drought Resilience Initiative (IDDRSI) with major interventions in the sectors of natural resource management (water, rangeland, forests, lakes...), access to markets and trade (infrastructure, meat and dairy value chains, access to finance and insurance), livelihood support (veterinary services, feed inputs, sanitation), and knowledge management (in particular traditional knowledge). The methodology of implementation will be based on participatory planning and take into account pastoral mobility as a resilience strategy. Specific activities and budget will be dedicated to gender and nutrition.

## 5.2. BASIC SERVICES

Increasing access and improving quality and equity in the basic services (water access, sanitation, health, and education) are the major strategy presented in the development of the social sector within the GTP II, in line with the SDG goals highlighted in the 2030 Agenda. The Ethiopian Government, in collaboration with the development partners and the EU+, is strongly committed in providing his support to the social sector through a result based approach with the following objectives: universal access to basic services, inclusion of vulnerable groups through capacity building and equity. Still in line with the Ethiopian Government and EU+ principles nutrition sensitive activities will be carried out in order to reduce malnutrition in the country.

Through its investments in this broad sector, Italy intends to support the WASH sector in improving water and sanitation access at urban and rural level. The One WASH National Programme will be kept as the leading approach in the implementation of the identified initiatives. Although Ethiopia has made significant improvements in the water access (65% of the total population according to the MDG results), a lot remains to do in order to guarantee an improved access to sanitation that currently stands at 14% at national level.

In Addis Abeba there are over 600 km of river side where an estimate of 10.000 households makes a living out of these lands. The requalification of these specific urban areas will contribute to the improvement of livelihoods and to reduce the human impact on the environment.

In the Health sector, Italy intends to support the Health Sector Transformation Plan (HSTP) and the Ministry of Health Equity Strategy with the intention of narrowing geographic disparity and tackle health inequities. Italy will then support the achievement of SDG number 3 - Ensure healthy lives and promote well-being for all at all ages, with a special attention to communicable and non-communicable diseases. Regarding nutrition, Ethiopia has been witnessing relevant progresses: in over 20 years the country has reduced the prevalence of stunting (due to chronic undernutrition) in children under five years of age from 67 to 40%, with positive repercussions on child mortality too. However, more efforts are needed if Ethiopia is willing to respect its commitment to reduce stunting to 20% by 2020 and to 0% by 2030. Micronutrient malnutrition (from lack of iron, vitamin A, zinc...), which is widespread in rural areas, and stunting pose a human development and economic challenge





(due mainly to direct costs for the health sector and reduced labor productivity generated by malnutrition) that Italy intends to support through a specific intervention. Italy, to meet the Ethiopian strategic approach towards development partners engagement, will also support the two major multi-donor pooled fund in the health sector.

#### WASH AND GREEN SECTOR

**a) Sanitation in Small and Medium Town and in Addis Abeba** – in partnership with the Water Resources Development Fund (WRDF)

*Proposed allocation:* 5MEur grant 17MEUR soft loan to WRDF

*Description:* The program aims at providing improved access to sanitation facilities in small and medium towns by constructing: public toilet and showers in strategic selected areas, construct sludge dry bed, construct waste water schemes and waste water treatment plant. It will also provide improved access to basic water, sanitation and hygiene services in selected urban informal settings and related institutions (e.g. schools) of Addis Ababa.

**b) Rural WASH at community level in Wonchi** – in partnership with the Ministry of Water, Irrigation and Electricity (MoWIE) and Regional Water Bureau

*Proposed allocation:* 2MEUR grant through the Regional Water Bureau/BoFEC

*Description:* The intervention will build on current Italian Agency for Development Cooperation (AICS) activities in the area, through focusing on rural water supply at community level. The intervention will provide improved access to water in selected rural areas by rehabilitating, extending or constructing rural water schemes, it will create a Water Committee for operation and maintenance of the newly constructed schemes and it will promote hygiene and sanitation.

**c) River cleaning and rehabilitation in Addis Abeba, with a gender component** – in partnership with the Ministry of Housing and Urban Development and the Addis Abeba Town Administration

*Proposed allocation:* 5MEUR grant

*Description:* The main objective of the project is to contribute to the improvement of livelihoods and to reduce the human impact on the environment of urban rivers in Addis Ababa by promoting a social and economic integrated management of natural resources along the riverbank. The involvement of women during all the phases of the project will be ensured to meet the needs of the targeted households and to contribute to the environmental protection and recovery. The project will envisage also women specific activities with dedicated budget.

#### HEALTH

**d) Intervention to reduce geographic inequities, in Afar and Gambella, with gender and nutrition component** – in partnership with the Ministry of Health (MoH) and Regional Health Bureaus



*Proposed allocation:* 3,5MEUR grant through MoH, 8MEUR soft loans through MoFEC

*Description:* The main objective of the intervention is to reduce inequity in terms of service access and utilization. The program will provide technical and financial support to the federal and regional levels of the MoH to improve health service utilization and improve population coverage. The initiative will address the main constraints for women in benefitting from quality health services and promote nutrition aspects in healthcare.

**e) Contribution to the Health Pooled Fund** – funded by different development partners and managed by UNICEF

*Proposed allocation:* 1MEUR grant (multilateral)

*Description:* The objective of the HPF is to contribute to the improvement of health systems and achievement of the Health Sector Transformation Plan (HSTP) by supporting its implementation process through coordinated, flexible and less cumbersome funding mechanisms, in line with the Harmonization Action Plan and the International Health Partnership (IHP +) compact.

**f) Contribution to the Sustainable Development Goals Fund** – managed by the MoH

*Proposed allocation:* 1MEUR grant through MoH

*Description:* The Italian Contribution will be part of the multi-donor SDG Fund for the attainment of the health related SDGs.

**g) Integrated Community Based Nutrition in SNNPR** – in partnership with Ministry of Health and Regional Bureaus

*Proposed allocation:* 1MEUR grant

*Description:* This initiative will contribute to the Government of Ethiopia's efforts to accelerate malnutrition reduction and be in line with the strategic objectives of the National Nutrition Program II (NNP II) with the aim of contributing to the improvement of the Maternal and Infant and Young Child Nutrition in the Southern Nations and Nationalities Region as part of the Government's program of the Comprehensive Integrated Nutrition Services packages. Within this framework, focus will be given to the improvement of infant and young child feeding practices (with particular focus on the first 1000 days) and PLW by making nutrition a priority agenda for families and communities and influence sustainable behavioral changes.

**h) HIV/AIDS in Tigray** – in partnership with MoH, Regional Bureaus and Istituto Superiore di Sanita' (ISS) – National Institute of Health

*Proposed allocation:* 1MEUR grant through Istituto Superiore di Sanita' (ISS) - National Institute of Health





*Description:* The overall goal of the project is to contribute to the improvement of HIV/AIDS patient care through a holistic approach including training for health care and community adherence support workers, involvement of community through the active participation of patients' associations and monitoring the result by conducting operational researches. It also stimulates debate and discussions among participants in order to create a collaborative networking among the health facilities participating in the project.

**i) Support to tackle chronic diseases – through World Health Organisation (WHO)**

*Proposed allocation:* 0.35MEUR grant (multilateral)

*Description:* The aim of the project will be the prevention of chronic non-communicable diseases, in particular with reference to tobacco, aligned with the non-communicable disease strategy of Ethiopia.

### **5.3. GOVERNANCE AND MIGRATION**

The Ethio-Italian Cooperation Framework 2017-19 in line with the GTP II is intended to tackle the roots causes of irregular migration (1) and support the good governance (2) by combining two different approaches:

1. By creating greater economic and employment opportunities, especially for young people and women, with a focus on vocational training and market oriented activities;
2. By strengthening the civil registration system at federal level in order to register births and all vital events of Ethiopian citizens and ensure the right to identity.

With regards to the first aspect, the Ethiopian Government has been strengthening its interest and efforts on migration legal framework and policies. Specifically, in June 2015, a proclamation to prevent and fight human trafficking and smuggling of migrants was adopted. Accordingly, Ethiopia and the European Union have signed a Common Agenda on Migration and Mobility (Camm) which will represent the framework for all future interventions in the sector and a crucial tool for fostering political dialogue between EU Member States, the EU Delegation and Ethiopian authorities.

The Government of Ethiopia has been actively supporting the reintegration of returnees and is willing to address migration matters in a more comprehensive way. Thus, the new country strategy outlined in the Growth and Transformation Plan II (GTP II) takes youth and employment into consideration as highest priorities and intends to achieve results particularly through manufacturing development as well as through opening of industrial and agro-industrial parks around the country.

Concerning the second approach, the GTP II reiterates the importance to establish democratic and good governance, also through the development of a national vital events registration and vital statistics system, which would allow at least the 50% of new born children to obtain birth registration.



The Government of Ethiopia adopted the Proclamation on Vital Events Registration and National ID (Proclamation No. 760/2012) in August 2012, defining the institutional and operational framework of vital events registration that includes the registration of births, deaths, marriages, divorces and other vital events.

The Proclamation was followed by the "Regulation No. 278/2012 to Provide for the Establishment of the Vital Events Registration Agency", which formally sets up the Federal Vital Events Registration Agency (FVERA). The Ethio-Italian Cooperation Framework 2017-2019 intends therefore to support the Government of Ethiopia in ensuring the right to identity to all Ethiopian children.

#### *GOOD GOVERNANCE*

**a) Institutional Capacity Building for the Federal Vital Events Registration Agency (FVERA) –**  
in partnership with Federal VERA and ISTAT (Italian Institute of Statistics)

*Proposed allocation:* 1 MEUR grant to FVERA and 0,5 MEUR for Technical Assistance to be provided by ISTAT

*Description:* The intervention will contribute to enhance FVERA's capacities to coordinate and guide the establishment of a decentralized system of vital events registration in the country and bridge gaps in the institutional and human resource capacity of FVERA.

**b) Contribution to the Development Assistance Group Pooled Fund – V Phase –** managed by UNDP

*Proposed allocation:* 0.15 MEUR grant (multilateral)

*Description:* The initiative aims at supporting the implementation of the 2<sup>nd</sup> Growth and Transformation Plan through: enhanced dialogue between the Government and development partners; institutional capacity development to National Planning Commission staff on evidence-based policy formulation and project management based on results; a constant monitoring of results achieved in the country in relation to commitments adopted at global development cooperation fora.

#### *MIGRATION*

**c) Addressing the Root Causes of Irregular Migration and Displacement in Ethiopia –** in partnership with Ministry of Labour and Social Affairs and Regional Bureaus

*Proposed allocation:* 4 MEUR grant

*Description:* The initiative will contribute to reduce the root causes of irregular migrations by supporting inclusive economic programmes that create employment opportunities, especially for





young people and women with a focus on urban areas, particularly Addis Ababa, and in the most migration-prone regions (Amhara, Oromia, SNNPR, Tigray) of Ethiopia and by strengthening partnerships between local authorities, private sector and other organizations.

**d) Skills development for job creation** – in partnership with the Federal TVET Agency (FTA), Ministry of Education, Regional TVET Agencies of Amhara, Tigray, Oromia and SNNP and Regional Education Bureaus

*Proposed allocation:* 8 MEUR soft loan to MoFEC, 2,5 MEUR grant

*Description:* The initiative aims at providing support to the TVET sector, with a specific attention to the instrumental role that it has for the promotion of employment and employability of youth and women. The interventions will respond to the market need of a highly qualified labour force through a sustainable skills development approach. In particular, the complementarity with the SINCE program (in geographical and operational terms) will allow to build on the foreseen actions to strengthen value chains with the highest potential and fill the training gaps identified through the socio-economic assessment. Activities will be carried out at regional level and will be aimed at equipping young people and women with adequate skills to respond to the agro-industrialization of selected Regions.

#### **5.4. CROSS CUTTING: GENDER AND NUTRITION**

Italy has contributed to the development of EU+ Nutrition Strategy for Ethiopia 2016-2020 and fully supports the Ethiopia's National Nutrition Programme II (NNPII). Nutrition sensitive and nutrition specific actions have been incorporated in the above-mentioned cluster of activities.

Ethiopia has prioritized the advancement of gender equality through the development and implementation of the first National Policy on Women in 1993 followed by the promulgation of Constitution in 1995, revision of gender discriminatory legal provisions in the Family Law (2000) and Penal Codes (2005) and a number of Regional and International provisions that the Country has ratified in relation to women and girls' human rights. The Country's second Growth and Transformation Plan - GTP II sees women empowerment as one of its strategic pillars to ensure women's effective participation in the development and democratization process and enable them to equitably benefit from the outcomes of development.

Gender equality will be supported through specific initiatives and activities in the above-mentioned clusters and by mainstreaming gender throughout the Ethio-Italian Cooperation Framework 2017-2019.

#### **6. MONITORING AND EVALUATION**

Italian development cooperation strongly affirms the importance of a solid monitoring and evaluation mechanisms of the outcomes and impact to improve transparency and accountability



towards taxpayers. Italy will also align its efforts to those of the EU+ partners to create a common set of diagnostic tools for analysis and development of a common results framework linked to GTP II results and indicator together with SDG targets, in line with the 2017 EU Consensus on Development. Gender sensitive and nutrition sensitive indicators will be introduced across all clusters.

The Ethio-Italian Cooperation Framework 2017-2019 will promote a monitoring and evaluation system of the envisaged initiative that will focus more on outcomes and impact rather than outputs (result-based management). Italy commits to keep the dialogue on monitoring focused on results achieved, also through a continuous result reporting to all involved stakeholders. Information on results will provide valuable inputs for an adaptive management of the initiatives and will represent a solid basis for learning and decision making process for future engagements.

## **7. TRANSPARENCY AND ACCOUNTABILITY**

The Ethio-Italian Cooperation Framework 2017-2019 will be implemented following principles of transparency and accountability to both the Ethiopian and the Italian peoples. Information on budget allocations and financial commitments under this Cooperation Framework will be accessible to the public as well as updates on the activities undertaken by the Italian Agency for Development Cooperation in Ethiopia, e.g. through website, Facebook, Twitter. Dialogue with the civil society will also continue be encouraged through the media and social media.

Italy will reiterate its commitment in updating constantly the Aid Management Platform to regularly inform the Ethiopian Government on commitments and disbursement of ongoing and future initiatives. Information on the implementation of the Ethio-Italian Cooperation Framework and its initiatives will be shared periodically with Italian citizens through all available means.

Finally, Italy, together with other development partners and the Ethiopian Government, adhering to the principle of mutual accountability, reaffirms its commitment to regularly report on its policies and outcomes in the Country deriving from international development cooperation agenda through the participation to the Effective Development Cooperation Task Force, chaired by the Ministry of Finance and Economic Cooperation.





## 8. FINANCIAL ALLOCATIONS

		GRANT		SOFT LOAN	TOTAL
		Multilateral	Bilateral		-
<b>AGRO-INDUSTRIAL DEVELOPMENT</b>					
<b>A</b>	<b>Development of inclusive and sustainable agriculture</b>	<b>10.00</b>	<b>2.00</b>	<b>52.00</b>	<b>64.00</b>
<b>1</b>	<b><i>Value chain development and Integrated Agro Industrial Park</i></b>	<b>6.00</b>		<b>42.00</b>	
	<b>1.1)</b> Support to value chain development in Oromia and SNNP with gender and nutrition component	4.00		30.00	
	<b>1.2)</b> Support to Integrated Agro Industrial Park development with gender and nutrition component	2.00		12.00	
<b>2</b>	Entrepreneurship development and employment creation for women in the leather sector Addis Abeba		1.00		
<b>3</b>	Moringa 2 and support to women entrepreneurship in SNNP	3.00	1.00		
<b>4</b>	Drought Resilience phase II	1.00		10.00	
<b>B</b>	<b>BASIC SERVICES</b>	<b>1.35</b>	<b>18.5</b>	<b>25</b>	<b>44.85</b>
	Water, sanitation and hygiene (WASH) - Green Sector	0	12.00	17.00	29.00
<b>5</b>	Sanitation in Small and Medium Towns and in Addis Abeba		5.00	17.00	
<b>6</b>	Rural WASH at community level in Wonchy		2.00		
<b>7</b>	River cleaning and rehabilitation in Addis Abeba with a Gender component		5.00		
	Health	1.35	6.50	8.00	15.85



8	Intervention to reduce geographical inequities in Afar and Gambella, with gender and nutrition component (child and mother health, breastfeeding, midwife)		3.50	8.00	
9	Health Pooled Fund	1.00			
10	Sustainable Development Goals FUND		1.00		
11	Integrated Community Based Nutrition in SNNPR		1.00		
12	CASA - HIV/AIDS in Tigray		1.00		
13	Chronic Diseases	0.35			
<b>C</b>	<b>MIGRATION AND GOVERNANCE</b>	<b>0.15</b>	<b>8.00</b>	<b>8</b>	<b>16.15</b>
	<b>Good governance</b>	0.15	1.50		
14	Support to VERA for strengthening Identity right		1.50		
15	Contribution to DAG Pooled Fund	0.15			
	<b>Migration</b>		6.50	8	14.50
16	Addressing the root causes of migration: economic opportunities and employment creation		4.00		
16	TVET - Strengthening infrastructure, curricula and link with job market, to support job creation		2.50	8	10.50
<b>TOTAL</b>		<b>11.50</b>	<b>28.50</b>	<b>85.00</b>	<b>-</b>

ADMASU NEBERE  
State Minister



THE AMBASSADOR  
MISTRETTO GIUSEPPE



Head of Addis Ababa Office  
Ginevra Letizia



**AMENDMENT TO  
THE ETHIO-ITALIAN COOPERATION COUNTRY FRAMEWORK 2017-2019**

The Ethio-Italian Cooperation Country Framework 2017-2019 has been amended by mutual written agreement of the Parties and the final allocation frame regarding the health sector in the Country Framework 2017-2019 is agreed as following:

		<b>GRANTS</b>		<b>SOFT LOAN</b>	<b>TOTAL</b>
		<b>Multilateral</b>	<b>Bilateral</b>		
	<b>Health</b>	<b>1.35</b>	<b>6.50</b>	<b>8.00</b>	<b>15.85</b>
<b>8</b>	Intervention to reduce geographical inequities in 4 Emerging Regions (Afar, Gambella, Benishangul Gumuz and Somali) with gender and nutrition component		2.20		
<b>9</b>	Health Pool Fund	1.00			
<b>10</b>	Sustainable Development Goals Performance Fund		2.00	8.00 <sup>(*)</sup>	
<b>11</b>	Strengthening the health system in Oromia		1.50		
<b>12</b>	CASA-HIV/AIDS in Tigray		0.80		
<b>13</b>	Chronic Diseases	0.35			

<sup>(\*)</sup> The soft loan is earmarked to support the national strategy to fight the inequities in the 4 Emerging Regions with gender and nutrition component through the SDG PF mechanism.