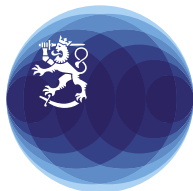


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Country Programme for Development Cooperation

Ethiopia 2025–2028

Ministry for Foreign
Affairs of Finland

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Country Programme for Development Cooperation

Ethiopia 2025–2028

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Country Programme for Development Cooperation Ethiopia 2025–2028

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Abstract Finland's Country Programme for Development Cooperation in Ethiopia 2025–2028 is a tool for the implementation of Finnish foreign, security and development policy as well as for broadening economic relations with Ethiopia. The programme contributes to the achievement of Ethiopia's national strategic objective "Towards a peaceful, resilient and prosperous Ethiopia." Finland's support will focus on two result areas: 1) Peace and resilience, 2) Sustainable private sector-led growth, digital transformation, and partnerships.

The programme is implemented through political dialogue, development cooperation instruments, coordination and collaboration with the EU and multilateral organisations, humanitarian assistance, and support to the civil society. Economic relations, trade, and investment will also be strengthened.

The programme builds on successful long-term cooperation in the areas of education, digitalisation in rural development as well as water and sanitation. The programme extends support to gender equality and women's empowerment, and human rights and the rights of persons with disabilities. Digitalisation, clean technology, and circular economy, as well as public and private sector cooperation are also essential objectives.

Flexibility and robust risk management will support the effective implementation of the programme in Ethiopia's fragile context.

Keywords development cooperation, development policy, country programme, humanitarian assistance, economic relations, Agenda 2030, Ethiopia

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EXECUTIVE SUMMARY

Finland's Country Programme for Development Cooperation in Ethiopia 2025–2028 is based on the Finnish Government Report on International Economic Relations and Development Cooperation 2024. The Country Programme is a tool for the implementation of Finnish foreign and security policy as well as for economic relations and development policy. In addition, it contributes to Finland's foreign and security policy goals to support peace and stability in the Horn of Africa region. The Ambassador's Strategic Plan guides the Country Programme, and it sets objectives for activities financed by Finland's Official Development Assistance (ODA) in Ethiopia.

Through the Country Programme with Ethiopia, Finland will continue to support poverty reduction and efforts to achieve the Sustainable Development Goals. Finland seeks a comprehensive approach in which Finland continues its long-term commitment and support to Ethiopia's development effort through positive engagement in political dialogue, long-term bilateral development cooperation with the mix of different development instruments, coordination and collaboration with the EU and multilateral organisations, humanitarian assistance, and support to the civil society. Finland will also look forward to strengthening mutually beneficial economic relations, trade, and investment.

The Country Programme aligns with and contributes to the implementation of the Government of Ethiopia's priorities for implementing Ethiopia's national agenda for Sustainable Development Goals, Ethiopia's ten-year development plan, A Pathway to Prosperity 2021–2030, the Home-Grown Economic Growth Agenda 2.0, and sector-specific policies, priorities, and targets.

Finland's Country Programme for Development Cooperation in Ethiopia 2025–2028 contributes to the strategic objective "Towards a peaceful, resilient and

prosperous Ethiopia." During the 2025–2028 period, Finland's development cooperation footprint in Ethiopia will focus on two result areas: 1) Peace and resilience, 2) Sustainable private sector-led growth, digital transformation, and partnerships. The Country Programme builds on successful long-term cooperation between Finland and Ethiopia in the areas of education, digitalisation in rural development as well as water and sanitation. Furthermore, the programme extends support to gender equality and human rights, the rights of persons with disabilities, and the meaningful participation of civil society. In addition, Finland can leverage its comparative advantages and support Ethiopia's path towards prosperity through digitalisation, clean technology, and a circular economy through mutually beneficial public and private sector cooperation.

The Country Programme brings together different actors and stakeholders and promotes broad-based cooperation between Finland and Ethiopia. It is implemented together with the Government of Ethiopia, the European Union, the World Bank, the United Nations, Development Financing institutions and civil society. Multilateral and bilateral political and policy dialogue form an integral part of the development cooperation efforts. Finland will also look forward to new partnerships, strengthening mutually beneficial economic relations, trade, and investment in the emerging priority areas.

Flexibility and robust risk management will support the effective implementation of the programme. Impacts of the climate change, armed conflicts in the region, a fragile peace and insecurity may affect Ethiopia's development and the implementation of the Country Programme.

1 Country context and Finland's interests and objectives

With about 130 million people, Ethiopia is the second most populous nation in Africa and the 7th largest economy on the continent. It is also one of the fastest-growing economies in the region, with an estimated 6.5% growth in 2025. Between 2004 and 2016, Ethiopia registered double-digit GDP growth, and the national poverty rate fell from 39% to about 24%. However, it remains among the poorest, with a per capita GDP of 1 070 USD in 2025. Ethiopia's impressive progress during the first two decades of the 2000s included expanding access to potable water to 60 million more people, increasing enrolment in general education to 27 million children and youth and consistently improving gender parity in education.

Ethiopia has demonstrated a strong commitment to the Sustainable Development Goals (SDG) and it has integrated these into sectoral action plans and the national budget with specific targets and indicators. The Government has reported notable progress in climate action through, e.g., the Green Legacy Initiative, which has rapidly increased forest coverage. However, external and internal challenges have affected the recent progress towards achieving SDGs. The civil war in Northern Ethiopia from 2020–2022, violence and armed conflicts, and massive droughts have deprived millions of Ethiopians of their livelihoods. In 2024, about 20 million people needed humanitarian assistance and 15 million needed food aid.

Considering the internal and external shocks to Ethiopia's economy, maintaining a robust annual real GDP growth rate above 6% in the past five years is a remarkable achievement. In 2019, the Government launched the Homegrown Economic reform agenda to transform Ethiopia from a low-income country to an industrialised lower-middle-income country. New reforms launched in July 2024 have opened Ethiopia for international business and investments. Ethiopia has recently joined the African Continental Free Trade Agreement and is pursuing WTO membership. These milestones demonstrate a paradigm shift – a transition from a state-led economy towards an open market economy.

The stability of Ethiopia in the turbulent Horn of Africa is vital for Finland and the EU. Advances in poverty reduction, economic development, democracy and good governance are prerequisites for building peace and stability. Finland aims to broaden its long-term collaboration with Ethiopia, particularly expanding bilateral political and economic relations. Ethiopia's large young population, robust economic growth and recent private sector-led economic reforms will provide ample opportunities for new business and investments. However, to translate economic growth into inclusive and sustainable development, major reforms must support it by strengthening peace and resilience through national dialogue, transitional justice and integrating internally displaced people and ex-combatants into society.

Finland's comprehensive objectives in the country include advancing Finland's and the EU's political relations with Ethiopia. Gradual improvement of EU–Ethiopia relations has been implemented through successfully implemented strategic dialogues, implementation of the Annual Action Programmes and planning for new EU Global Gateway programmes. Ethiopia has abstained from voting on the majority of UN General Assembly votes concerning Russia's war of aggression against Ukraine, reflecting Ethiopia's neutral diplomatic posture on the conflict. Finland will not give development aid to governments or entities that support Russia's war of aggression.

Through this Country Programme with Ethiopia, Finland will continue to support poverty reduction and efforts to achieve the SDGs. Finland is committed to supporting human rights, gender equality, and the rights of persons with disabilities and vulnerable groups. However, Finland will also look forward to new partnerships strengthening mutually beneficial economic relations, trade and investment in the emerging priority areas.

2 Development policy and cooperation: Objectives and means at the country level

Finland's Country Programme for Development Cooperation in Ethiopia 2025–2028 contributes to the strategic objective "Towards a peaceful, resilient and prosperous Ethiopia." The Country Programme is based on the *Finnish Government Report on International Economic Relations and Development Cooperation (2024)* and it aligns with Finland's foreign and security policy to support peace and stability in the Horn of Africa region. Long-lasting relations and decades of development cooperation have established a profound and comprehensive partnership between Finland and Ethiopia that encompasses political ties, trade, investments and civil society activities.

The Country Programme is aligned with and supports the implementation of the Government of Ethiopia's priorities and development policies in mutually agreed areas of collaboration and is based on Finland's core competencies and successful long-term cooperation. The programme contributes to implementing Ethiopia's national agenda for Sustainable development goals, the objectives of Ethiopia's ten-year development plan, *A Pathway to Prosperity 2021–2030*, the *Home Grown Economic Growth Agenda 2.0*, and sector-specific policies, priorities and targets. Ethiopia has demonstrated a strong commitment to the Sustainable Development Goals (SDG) and it has integrated these into sectoral action plans and the national budget with specific targets and indicators. Finland will also support the implementation of the the Pretoria Peace Agreement in November 2022 and Ethiopia's priorities in building sustainable peace.

Finland seeks a comprehensive approach in which Finland continues its long-term commitment and support to Ethiopia's development effort through positive engagement in political dialogue, long-term bilateral development cooperation, coordination and collaboration with the EU and multilateral organisations, humanitarian assistance, support to the civil society, and private sector cooperation. Finland will explore new instruments and partnerships, including the EU Global Gateway, to promote broad-based cooperation and economic relations with Ethiopia.

Through this Country Programme with Ethiopia, Finland will continue supporting long-term priority areas in collaboration: education, water and sanitation, and rural land administration. Through this extended support, Finland will contribute to poverty reduction and achievement of the SDGs with particular attention to gender equality, youth empowerment and the rights of people with disabilities. The country programme has two result areas: strengthening peace and resilience, and fostering private sector-led economic growth and mutually beneficial partnerships. The programme will contribute to implementing the goals of Agenda 2030 and is based on respecting international law and defending the rules-based international system, which is at the core of Finland's foreign and security policy.

One of the priority areas of the country programme is to foster stronger economic relations between Finland and Ethiopia. Both the Ethiopian Home Grown Economic Growth Agenda 2.0 and the Finnish Government Report on International Economic Relations and Development Cooperation 2024 underline the importance of private sector-led economic growth and investment and commercial cooperation promotion. Finland will support Ethiopia's ambitious private sector-led economic reform agenda, particularly in digital transformation and through private partnerships. These include digital land administration, digital skills, ICT infrastructure, and partnerships. These mutual objectives align well with the EU's Global Gateway strategy and ambition to strengthen collaboration in regional free trade, sustainable growth, and digital transition. The participation of Finnish expert institutions and private-sector actors is encouraged through available private-sector instruments, including Finnfund and Finnpartnership.

Political dialogue with Ethiopia, the EU and like-minded countries will play an essential role in implementing the objectives of the Country Programme. Finland will be an active partner in the high-level dialogue on peace and promoting a conducive environment for business and investments. As a member of the Development Partners Group, Finland will contribute to the joint policy dialogue in selected priority areas of the Country Programme. Furthermore, Finland will continue to collaborate and dialogue with the UN and the World Bank to pursue common goals. Finland will seek collaboration and promote a stronger emphasis on equity, gender equality and disability inclusion.

Finland also provides humanitarian assistance to address the most acute needs of persons in humanitarian contexts, supports communities in the most vulnerable situations to maintain and develop their livelihoods, while integrating the Nexus approach to all programmes. Furthermore, Finland promotes civil society organisations so that they can fulfill their role in supporting Ethiopia's democratic development. Functioning democracy, the rule of law, human rights and a vibrant civil society are prerequisites for sustainable development. Ethiopia is one of the priority countries for Finnish civil society support.

3 Expected results of the Country Programme

Result Area 1: Peace and resilience

In the early 2000s, Ethiopia witnessed impressive socio-economic development and double-digit economic growth. Ethiopia's rapid development was sustained by state-led investments in infrastructure and manufacturing and significant contributions from the Official Development Assistance (ODA) as a share of the GDP and government's expenditures with notable results. However, over the past few years, COVID-19, armed conflicts, natural disasters and global economic events have affected Ethiopia's development. Progress has been made across Ethiopia's education, water and agriculture sectors, but gains have been undermined by these crises.

The civil war in northern Ethiopia ended with the Pretoria Peace Agreement in November 2022. However, the effects of the war and climate change on infrastructure and people's lives are devastating. At least 600,000 lives were lost in the civil war in Northern Ethiopia between 2020–2022, and over three million people were displaced. The 2022 drought, the worst in forty years, severely affected millions in the southern and eastern parts of the country. The increasing impact of climate change is threatening Ethiopia's development prospects and potentially pushing millions more Ethiopians into poverty. The number of out-of-school children (OOSC) due to various emergencies is estimated to be 9.5 million. Cuts in the ODA and humanitarian aid by Ethiopia's major partner countries are likely to impact critical public services and the most vulnerable people, such as refugees, internally displaced people, women, girls and persons with disabilities. According to the Global Fragility Index, Ethiopia was the 12th most fragile country in 2024.

Through this Country Programme with Ethiopia, Finland will continue to support Ethiopia's efforts toward sustainable peace. Through continued support of inclusive basic services in education, water and sanitation, Finland will support the resilience of communities and the continued efforts of the Government of Ethiopia in achieving the Sustainable Development Goals.

Furthermore, Finland aims to continue humanitarian assistance and protection to support Ethiopians in the most vulnerable situations. Ethiopia is also a priority country for more than 20 Finnish Non-Governmental organisations that continue their long-term partnerships with many religious organisations, humanitarian organisations and civil society, providing critically needed humanitarian assistance to refugees, internally displaced people and the most vulnerable populations in Ethiopia.

Outcome 1.1 Sustainable peace and reconciliation

Ethiopia has faced challenges for several years regarding internal conflicts, protecting human rights and securing peace. Sustainable peace in Ethiopia is the precondition for all other outcomes of Finland's Country Programme for Ethiopia 2025–2028. To address these issues, Ethiopia has launched three major political initiatives to restore peace and stability and implement the commitments set in the Pretoria Peace Agreement: the National Dialogue seeking national consensus and reconciliation on fundamental political issues affecting the country, the Disarmament, Demobilisation and Reintegration programme for the rehabilitation of ex-combatants, and the Transitional Justice programme for accountability for human rights violations during past conflicts .

Finland prioritises that Ethiopia continues towards a stable and lasting peace. Finland supports democratic and social reforms to strengthen peace, the rule of law, human rights, tolerance and equality. Finland is primarily concerned with and supports the inclusion of all vulnerable groups in peace mediation and dialogue. Especially women and girls and disabled people have been severely affected by conflict and subsequent displacement in the country in recent years, and are important stakeholders in preventing conflicts.

The National Dialogue aims to achieve a national consensus on fundamental issues affecting the country. The Commission aims to, among other things, bring together relevant participants and stakeholders, establish a meaningful agenda for the dialogue, organise public dialogues, make recommendations to various government bodies on follow-up measures based on the dialogues and establish a monitoring system to follow up on the results of the dialogues. The Commission will cooperate with the Ethiopian Council of Civil Society

Organisations, the Ethiopian Council of Political Parties, the Ethiopian Teachers' Association, the Ethiopian National Coalition of Religious Organisations, the Ethiopian Council of Religious Institutions, and representatives of regional courts and administrations. The cooperating organisations will monitor the transparency, participation, inclusiveness and credibility of the work of the Dialogue Commission.

Finland has a strong profile in national dialogue and can provide expertise in this area. Finnish support towards the National Dialogue process in Ethiopia is channelled through a basket fund managed and monitored by UNDP and implemented by the Ethiopian National Dialogue Commission.

Finland also actively participates in political dialogue, encouraging peace mediation and conflict prevention. Finnish support for the CSO sector and networks of actors such as faith-based organizations, journalists and human rights defenders also support the achievement of this outcome.

In the current and foreseeable future context of Ethiopia, the National Dialogue project and political dialogue for peace mediation are ongoing in a dynamic and high-risk environment. The high-level risks include but are not limited to unforeseen changes in the stability of the country and political landscape, emergencies such as drought and disease epidemics and limited activity and participation of important stakeholders in the National Dialogue and peace building processes. As the primary implementing partner of the National Dialogue project, the Ethiopian National Dialogue Commission is responsible for the resources made available to it and the implementation of the project results. The Ethiopian Ministry of Finance will also oversee the project, ensuring that project resources are utilised efficiently and effectively. UNDP monitors the National Dialogue Project consulting actively with the National Dialogue Commission, the Ethiopian Government and funding partners. The Embassy will follow the risk management through active participation in programme oversight and dialogue with UNDP.

Outcome 1.2 Improved learning outcomes in general education, including for children with disabilities

During the last thirty years, Ethiopia has made remarkable progress toward universal primary enrolment. Enrolment in general education increased from 7.1 million in year 2000 to 26.99 million children and youth in 2022/23 school year (47.9 per cent of girls). Alongside increased access, the Government has removed school fees, introduced a year of free pre-primary education, made significant investments in expanding the teaching force and undertook the latest curriculum reform in 2021.

However, despite these efforts, continuous expansion pressure has come at the cost of a poor learning environment, inadequate resources and a lack of proper monitoring and response at the school level, undermining the quality of education. Learning poverty is an alarming 90 per cent, indicating that 9 out of 10 children of age 10 cannot read and understand a short, age-appropriate text (World Bank, June 2022: Learning Poverty in Ethiopia). Research shows that teachers' skills are the most critical factor in student performance. Too many teachers in Ethiopia lack content knowledge and pedagogical skills for effective teaching. According to a World Bank study from 2020, only 6 per cent of Grade 4 teachers are proficient in the subjects they teach, and less than 20 per cent demonstrated satisfactory pedagogical skills.

To address these challenges, an ambitious education reform agenda, the Ethiopia Education Transformation Program (EETP), was developed in 2023 to tackle barriers to learning achievement and retention in general education. The new joint sector support programme ETOL or Ethiopia Education Transformation Operation for Learning (2025–2029) aims to support EETP's objectives.

Finland will continue to support efforts to improve quality of education through participation in the Multi Donor Trust Fund of ETOL, administered by the World Bank. In particular, Finland will support and follow the efforts to improve teacher education as outlined in ETOL, focusing on strategic pre-service teacher training support and equitable provision of teaching and learning materials aligned with the new national curriculum.

Acknowledging that there are still considerable gaps in the quality of inclusive education provided, Finnish technical assistance for strengthening inclusive education will focus on teacher education and curriculum development in collaboration with selected Colleges of Teacher Education at the regional levels and the Ministry of Education. The support will be provided through a bilateral programme, where Finnish technical expertise will be utilised through engagement with the University of Eastern Finland. Complementarity of Finnish bilateral technical assistance for inclusive education and ETOL will be supported, particularly in strengthening teacher educators' and students' pedagogical skills.

In policy dialogue, Finland will emphasise the quality of new teaching and learning materials and advocate, in particular, for mainstreaming inclusion in the materials. It will also advocate for a practical teacher–student teaching placement using the example of Finnish technical assistance. For support at the school level, the importance of continuation and government ownership of school grants will also be emphasised in policy dialogue.

The overall risk for ETOL is considered substantial. The World Bank uses a comprehensive approach to risk management in ETOL including eight risk categories. The Embassy will follow the risk management through active participation in programme oversight. The Finnish Technical Assistance on inclusive education is implemented in Oromia, Sidama and Amhara regions. The overall risk in Amhara region is high and requires constant monitoring. The technical assistance team will monitor risks through local partners and government and the Embassy security personnel will support the assessment from the Embassy side.

Outcome 1.3 Increased equitable access for out-of-school IDPs, returnees, host communities and refugee children and children with disabilities

The number of children out of school (OOSC) in Ethiopia has continued to increase due to armed conflicts, drought, floods and other climate-related shocks. Based on estimates in 2023–24, 10.7 million children aged 7–18 were out of school; most of them had never been enrolled. According to the

education cluster, 9.5 million children were out of school due to emergencies in early 2025, nearly three times more than at the end of 2022. The school closures since 2020 due to the COVID-19 pandemic and due to conflicts and climate shocks have implied declining attendance, completion and results in education.

Finland will continue its support to strengthen inclusive education in Ethiopia. Children with disabilities remain largely out of school, and according to government data, only 11% attend school. However, consistent Finnish technical support has successfully supported the establishment of more than 1400 Inclusive Education Centers (IERCs), a model developed by Finland. The general education joint sector support programme ETOL and the GPE-funded STEP programme will further expand the number of IERCs. The Embassy of Finland will provide specific attention to the scale-up and strengthening of IERCs under these programmes. In policy dialogue, Finland will emphasise the good practices developed through Finnish technical assistance in establishing new IERCs.

Finland will continue supporting Education in Emergencies in Ethiopia by applying a nexus approach and integrating child protection, mental health and psychosocial support, and developing home-grown school meals with education through Ethiopia's Education Cannot Wait (ECW) Multi-Year Resilience Building Programme (MYRP II 2025–2028) in collaboration with UNICEF. Finland will actively support the inclusion of children with disabilities in the nexus response by provision of technical guidance by the Embassy during implementation. The support is based on a human rights approach, ensuring children in the most vulnerable situations access education and support services, including children with disabilities, girls, IDP children and refugee children. In policy dialogue, Finland will emphasise the inclusion of children with disabilities in emergency and nexus responses and advocate for the Safe School Declaration and inclusion of education as a life-saving intervention in crisis.

Continuous risk assessment and mitigation strategies are required to adapt and respond to emergent risks. To strengthen the risk analysis, UNICEF will use local-level risk analysis. The local authorities, subnational education cluster and implementing partners will be responsible for the continuous local-

level risk analysis to inform programme implementation. The Embassy will liaise with UNICEF regarding risk management and mitigation measures.

Outcome 1.4 Improved access to sustainable rural community-led water, sanitation and hygiene

Ethiopia has one of the lowest access to clean and affordable water and sanitation globally. Over 30 million people still lack safe water, and over 68 million live without basic and traditional sanitation and hygiene facilities. Only 32% of the health facilities and 62% of the schools have improved water supply. The country's Open Defecation Free (ODF) status is around 32%, with a considerable geographic variation. The civil war in Northern Ethiopia 2020–2022, continued armed conflicts and unrest have affected water and sanitation services and development investments.

Finland will extend successful long-term cooperation in the water and sanitation sector and support Ethiopia's conflict-affected rural regions with particular attention to the rights of women, girls and vulnerable populations. Access to basic water and sanitation services in the rural households, schools and health centres are fundamental for the wellbeing of children and their families. Without waterpoints, small children will carry the water from springs instead of attending school, also exposing them to danger and causing poor health.

The previous phases of Finnish cooperation have provided improved water and sanitation access to more than 5 million people. Furthermore, hundreds of rural schools and health centres have received water and sanitation services. Within the national OneWash programme, Finland provides bilateral project support to rural communities using a unique Community Managed Program (CMP) approach. This approach has enabled Finland to continue working in the most remote and conflict-affected regions, with significant contributions from the communities and regional state governments covering up to 60% of the project's expenditures.

Communities drive the CMP approach and enable them to achieve fundamental human rights through access to water and sanitation. With improved access to water and sanitation in rural areas, children can attend

school and are not exposed to the risk of violence and injuries when water is carried to the villages. Particular attention is paid to supporting the rights and employment opportunities of disabled people and promoting menstrual hygiene management.

Due to the ongoing armed conflicts in the target regions, particular attention will be paid to managing security risks. Current measures mitigating climate change water safety-related risks will be extended. Furthermore, MFA will carry out a comprehensive risk assessment, including due diligence reviews of recommended implementing partners and implementation modalities.

Outcome 1.5 Ethiopians in the most vulnerable circumstances are provided humanitarian assistance and protection

Finland's humanitarian action is based on international humanitarian law, human rights treaties, refugee law, and the principles established by the UN. Finland is committed to the principles of good humanitarian aid. In its humanitarian interventions, Finland underlines disability inclusion and principled humanitarian assistance, keeping the bilateral dialogue open on issues like disability, gender, equality, social reforms, good governance, the rule of law and human rights.

The humanitarian situation in Ethiopia remains serious, with at least 21 million Ethiopians in need of aid due to multiple factors affecting the country. Despite economic growth over the past two decades, Ethiopia remains highly vulnerable to climate-induced crises, in addition to the violent conflicts in recent years, rapid population growth, disease outbreaks, lack in basic services across the country, and rain-dependent agriculture all compounding to worsen the humanitarian situation. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimates that over 610 million USD is needed in 2025 to cover humanitarian needs in the country.

Because of Ethiopia's diverse needs, a triple nexus approach is necessary to combine humanitarian assistance, conflict resolution and development cooperation. The country's humanitarian and development network does have

initiatives on the theme. However, more coordination in the different structures (government, donors, agencies, NGOs, local CSOs, etc.) and crosscutting initiatives are needed. The flexibility of funding through the country programme for humanitarian or different development needs would increase the effectiveness of Finland's nexus efforts and support sound risk management practices.

Finland contributes to the humanitarian response in Ethiopia through humanitarian funding channelled through the UN, International Red Cross, and Finnish humanitarian organisations. Finland provides core funding to major organisations based on multiannual financing. In addition, Finland funds humanitarian aid through country and region-specific humanitarian assistance. As an example, such financing for Ethiopia amounted to 10 million euros in 2024. Finland channelled humanitarian assistance to UNHCR, OCHA, the Finnish Red Cross, and the Finnish Refugee Council. In addition to direct aid, Finland supports Ethiopia's humanitarian needs as part of the EU. Finland's development priorities and humanitarian aid efforts align with other development efforts, including WASH sector programming and humanitarian drought aid, climate-smart agriculture programming, food aid, and the education in emergencies programme.

Due to the same factors driving the humanitarian crises, the context for working in humanitarian action poses multiple risks. Humanitarian access in parts of the country is highly unpredictable due to ongoing conflicts, and targeting humanitarian workers has been a concerning development in 2024–2025. Humanitarian organisations funded by Finland all follow risk management and security protocols, monitoring projects, partners and security situations in the regions they work in actively.

Outcome 1.6 Strengthening civil society for inclusive and peaceful democratic development

Civil society in Ethiopia remains comparatively weak overall. In recent years, new restrictions and operational hurdles have challenged the space and hampered the growth and strength of organisations. According to CIVICUS, Ethiopia's civil society space has narrowed down, and it is currently categorised as closed.

Finnish NGOs have a significant presence in Ethiopia, cutting across the country's different regions and working closely with local NGOs. Most Finnish organisations have a long history working in Ethiopia and have good knowledge and understanding of the country. Six organisations have a country presence, while most implement programmes through their Ethiopian partners. National NGOs also also supported through the Embassy's Fund for Local Cooperation.

NGO support goes towards thematic areas such as sexual and reproductive health rights of girls and women, prevention of harmful practices and violence against girls and women, disability rights and inclusive education, improved child protection, youth employment, and youth wellbeing, adult literacy for refugees, teacher education, peacebuilding, and climate-resilient communities. These foci are well aligned with the priorities of Finland's bilateral collaboration with Ethiopia and are grounded on a human rights-based approach. Support for civil society also includes organisational strengthening, contributing to the long-term sustainability of activities, and strengthening the CSO actor's voice and place in society.

Result Area 2: Sustainable private sector led growth, digital transformation and partnerships

Ethiopia is Africa's second most populous nation and the seventh largest economy. It is also one of the fastest-growing economies in the region, with an estimated 6.5% growth in 2025 driven by construction, services and agriculture.

Ethiopia's Homegrown Economic Reform Agenda aims to sustain the remarkable growth and poverty reduction of the past decade while addressing the macroeconomic imbalances and structural constraints that threaten its sustainability. Furthermore, after decades of a state-led economic development model, the new reforms launched in July 2024 demonstrate a paradigm shift towards a market-led open economy driven by the private sector. The reform measures target various issues, including foreign exchange distortions, financial sector strengthening, inflation control, tax revenue mobilisation, and improving the business climate.

Ethiopia's recent economic policies have opened new sectors for private business and encouraged private-sector investments. The European Union is aligning itself as a strategic partner for Ethiopia through the EU's Global Gateway strategy, contributing to its key pillars in Ethiopia; digitalisation, clean energy, value chain development and health. With its long-term trusted partnership with Ethiopia and strategic competencies in digitalisation and clean transition, Finland is well placed to extend cooperation with Ethiopia and the EU in digital transformation, digital skills and services, and ICT infrastructure development. Ethiopia's transition towards a market economy makes it an emerging frontier market for international investors and private businesses.

In collaboration with the EU, like-minded countries and other development partners, Finland can play a significant role in supporting Ethiopia's transition from a closed state-led economy to greater integration with regional and global value chains. This support includes private sector instruments, backing the African Continental Free Trade Agreement and the Regional Trade Mark Africa programme, as well as leveraging EU Global Gateway investments and delegated cooperation. The country programme will focus on identified areas of mutually beneficial partnerships where Finland can leverage its comparative advantages and support Ethiopia's path towards prosperity, including digitalisation, clean technology and a circular economy.

Political dialogue through High-level business forums, EU dialogue, and Nordic cooperation will be essential in Ethiopia's transition to an open market economy. Joint efforts with Eurocham and other like-minded countries and business communities are necessary to enhance business environment and encourage new investments. While Ethiopia is now open for business, transitioning towards a market economy with an equal playing field for all international and local companies will take time to mature. Despite the young, abundant labour and natural resources, due to ongoing internal and regional conflicts, macroeconomic concerns, and a weak business environment, Ethiopia is a high-risk business environment that requires strong local knowledge, partners, and a strong financial position to mitigate the country's risk.

Outcome 2.1 Sustainable economic growth and climate change action through expansion of digital land administration

In the Government of Ethiopia's ten-year development plan, *A Pathway to Prosperity 2021–2030*, particular attention has been given to agriculture, a critical driver of economic growth and poverty reduction. Land is a public property in Ethiopia, but secure land tenure is fundamental for sustainable land use and private investments. Ethiopian smallholder farmers are estimated to produce 90 to 95 per cent of the country's agricultural output, equivalent to 32% of the GDP. Land use rights enable investing in farming technologies that foster productivity, and in climate change adaptation and mitigation. The right to land is particularly important for women and persons in vulnerable positions and situations.

The Finnish-funded Responsible and Innovative Land Administration (REILA) project, implemented since 2011, have established the national digital cadastral system for rural land administration in Ethiopia. In collaboration with the Ministry of Agriculture, the World Bank and other development partners, use of the system has been expanded to over 450 Woredas across Ethiopia, and over 30 million digital land-use certificates have been issued. Digital land administration has created transparency, traceability, and harmonisation for the sector, and it enables new and innovative services for farmers, including conducive environment for agricultural financing and unlocking the opportunities for carbon credits.

Building on the success of REILA and in close collaboration with EU Team Europe investments in agriculture value chains, Finland aims to expand the digital land certification and sustainable climate change agricultural practices in collaboration with Finnish institutions and the private sector. Additional financing from the EU will enable the expansion of digital land administration in forest lands. The expansion will be critical for the 5 million smallholder farmers growing coffee for the EU markets and for Ethiopian producers' compliance with the EU deforestation regulation. Furthermore, Finland's partnership with Ethiopian Meteorological Institute enables it to provide quality data using the Finnish technology that will improve weather forecasts and support disaster risk reduction.

Land certificates and land use rights advance the protection and fulfilment of human rights. REILA III places particular focus on women, youth, landless, internally displaced people, and persons with disabilities, promoting their meaningful participation and strengthening accountability and access to justice. In Ethiopia, the key gender equality, non-discrimination, and human rights issues are related to access and control over land and resources.

The security situation in the target regions of Amhara and Benishangul-Gumuz will affect fieldwork for developing climate-smart agricultural practices, recording rural land transactions, and registering land titles. Constraints on government funding and limitation of financial support from development partners, including the World Bank, could affect REILA III implementation. Also, data sharing between organisations may be constrained, inhibiting new NRLAIS applications and services.

Outcome 2.2 Improved quality and relevance of digital learning and skills in TVET

“DESTA - Digital Ethiopia: Skills and TVET” is a Team Europe project implemented and financed by the European Union, Finland and Germany to support Ethiopia’s Ministry of Labour and Skills in implementing national skills development and the digital transformation agenda. The project aligns with the EU’s Global Gateway strategy and contributes to its key pillars in Ethiopia – digitalisation, clean energy, value chain development, and health – by strengthening the skills required to drive inclusive, sustainable economic transformation. Finland will strengthen TVET trainers’ digital skills and their ability to provide digitally enabled TVET through gender-specific and disability-inclusive capacity building.

The Finnish Ministry for Foreign Affairs will delegate the implementation of the DESTA project to the Finnish Centre of Expertise in Education and Development (FinCEED), which will implement the activities in collaboration with the private sector and Finnish education institutions. The Embassy will continue supporting FinCEED and liaising with the EU, the Government of Ethiopia and other education sector stakeholders.

The project aligns with the joint EU framework for Human Rights. A shared safeguard and gender systems allow the detection and mitigation of unintended negative impacts on the environment, climate change mitigation and adaptation, human rights, conflict and context sensitivity, and gender equality. Additionally, national and regional peace and conflict analyses are conducted regularly to guide conflict-sensitive implementation. The mandatory gender analysis examines the risks and potentials for promoting gender equality.

The most significant risks for achieving the objective include the possibility of an escalation of the security situation and armed conflicts, regional fragility, and ongoing internal conflicts, representing continued political risk. On the operational level, the capacity of the stakeholders and existing ICT infrastructure may constrain the ability to adopt new technologies. Furthermore, coordination and communication gaps between the various partners directly or indirectly involved in the project implementation may cause delays and inefficiencies.

Outcome 2.3 Improved rural connectivity and digital infrastructure

Ethiopia's digital infrastructure has improved recently but still lags behind many African countries. Ethiopia faces a significant gap in digital infrastructure and rural mobile broadband coverage. The internet penetration was 21 % as of early 2025, against the regional average of 37%. Ethiopia has significantly invested in renewable energy sources and aims to become a regional energy hub, supporting Ethiopia's ambitious Digital Transition Strategy 2025. Until 2022, in telecommunications sector Ethio Telecom held a state monopoly. Since October 2022, Safaricom Ethiopia has entered the market, spurring competition and infrastructure investment. Ethiopia's recent economic policies, outlined in the *Homegrown Economic Reform 2.0*, have opened new sectors for private business and encouraged private-sector investments. For late-starter countries like Ethiopia, market-oriented reforms support new investments and entrepreneurial activity necessary to close the digital gap. The European Union is aligning itself as a strategic partner for Ethiopia's digitalisation through the EU's Global Gateway strategy. However, it is a very

competitive space with the strategic presence of the BRICs and the Gulf state investors.

Finland has prioritised digitalisation in the Finnish *Government Report on International Economic Relations and Development Cooperation 2024*. Ethiopia provides ample opportunities for Finland and the private sector to be part of Ethiopia's digital transformation journey. Finnfund manages EFSD+ guarantees under the Africa Connected programme to support investments into rural connectivity solutions, access to data, and digital solutions in sub-Saharan Africa. Furthermore, Finland's competitive ICT companies and ample experience in digital transformation in Sub-Saharan Africa will enable Finland to be a strategic partner for Ethiopia and the EU.

Finnish companies can play a transformative role in Ethiopia. Nokia's corporate social responsibility programmes and job safety efforts are setting a new benchmark for foreign and local businesses in Ethiopia. Private sector collaboration will be aligned with the EU's Corporate Social Responsibility policy and MFA's long-term commitments to accountable and transparent business practices. All investments require rigorous due diligence review and follow the KYC standards and principles.

Ethiopia is a high-risk country for investors. In particular, the political volatility and extended violence in some parts of the country must be taken into account. However, Ethiopia is also a high-potential country due to its recent past as a closed state-led economy. The market is now open for business, but it has not been saturated. Also, in collaboration with development financing institutions and as part of the EU Global Gateway strategy, development financing may offset, to some extent, the country's risk.

Outcome 2.4 Business partnerships, technological cooperation, and investments

Ethiopia's market-driven economic reforms and robust economic growth enable the broadening of economic relations between Finland and Ethiopia, including private-sector cooperation, investments, public-private partnerships, and technology transfer. Team Finland's work is on high-growth economic sectors, including ICT services and infrastructure, that offset relatively high

country risk and where Finnish companies have competitive global services and products. Ethiopia is also interested in expanding public-private partnerships in economic sectors such as energy, mining and circular economy, which are potentially interesting to Finnish companies.

The Embassy and Team Finland network in Ethiopia will focus on identifying high-potential economic sectors and possible business partnerships by expanding cooperation with the EU and development financial institutions, mobilising private sector instruments (e.g., EU Global Gateway, Finnfund, Finnpartnership), and the resources and strategic competences of potential Finnish partner organisations. In collaboration with the European Chamber of Commerce Eurocham, Nordic embassies have established regular networking events and high-level policy dialogue to support Nordic businesses and strengthen mutually beneficial partnerships with Ethiopia.

For the risk management of private sector partnerships particular attention is required to ensure the implementation of social protection, environmental safeguards and human rights commitments. Conflict sensitivity is a prerequisite for working in Ethiopia. Aligning with Finland's Country Programme priorities, particular opportunities for supporting women in business and vulnerable groups will be encouraged.

Ethiopia's country risk is high. However, the ongoing macroeconomic reforms and debt restructuring negotiations are foreseen to strengthen Ethiopia's credit ratings over the following years. Implementing market-oriented reforms and WTO accession process will enhance the business environment. However, in the short to medium term, private investments are likely to require derisking from development financing. The Embassy will facilitate potential Finnish business partners in their risk assessments and connect with possible blended financing partners.

4 Implementation

4.1 Risk management

Risk identification and management are integral to implementing development cooperation. The MFA's Risk Management Policy for Development Cooperation describes the operating model and processes for risk management and sets its overall objectives, principles and responsibilities. During programme implementation, careful monitoring, evaluation and oversight ensure that funds are used appropriately and that development cooperation delivers results.

Ethiopia is a large country where local and regional risk analysis is required to determine the risk level of different programmes and operations. Ethiopia is generally considered a high-risk and fragile environment for development cooperation, humanitarian assistance and private-sector cooperation. However, the situation is much better in Addis Ababa and other urban centres than in conflict-affected regional states and unstable border areas. Ongoing armed conflicts and violence require immediate action to protect all staff and assets in high-risk areas. The political situation may deteriorate suddenly due to the fragile peace in Tigray, ongoing ethnic conflicts, upcoming elections in 2026, the humanitarian situation and the impact of foreseen aid reductions on basic services and livelihoods. Ethiopia's macroeconomic reforms are making good progress, and, therefore, the country's risk rating for investments and private sector operations is expected to improve over the next few years. However, due to the recent debt insolvency, Ethiopia's country risk rating is currently in a very high-risk category, limiting the availability of export credits and other financing instruments. Ethiopia's corruption perception index in 2024 ranks 99th out of 180 countries, and the latest PEFA assessment from 2019 indicates some areas of concern for using country systems to implement ODA. Shortage of human resources in MFA and Embassy may also affect the implementation of the Country Programme's monitoring, supervision and steering.

To mitigate risks related to cooperation, Finland continues to work with well-established, long-term partners. The Embassy collaborates with multilateral

and bilateral agencies and seeks joint financing arrangements to share and mitigate risks. Due to the volatile country context, adaptability and flexibility are critical to the programme's risk management. In addition to the necessity for close nexus coordination, emerging needs may require moving from long-term development efforts to humanitarian response and vice versa, depending on the situation.

4.2 Monitoring, evaluation and learning

The rules of procedures of the MFA define the roles and responsibilities related to monitoring and reporting. Responsibilities will be carried out according to applicable regulations and the MFA guidelines. In joint arrangements, Finland will also participate in joint reviews and evaluations to support the development of local monitoring and evaluation frameworks and capacity, particularly for the sector programmes managed by UNICEF, the World Bank and the EU-funded projects and programmes.

The Country Programme monitoring includes reporting results on an annual basis. Based on the data available, embassies produce an annual Country Programme implementation report with a short narrative and traffic light ratings based on the results framework. MFA units, which are responsible for other ODA instruments (e.g., humanitarian aid, support to civil society and private sector instruments), provide embassies with country-specific information. MFA's units may use artificial intelligence and other automated tools to support analysis and data collection. The annual report is presented in connection with the Ambassador's annual discussion, which takes place in the second half of the year. The report is complemented, if necessary, with additional information obtained through the discussion or written comments. A country-specific synthesis report focusing on the results at the outcome level will be prepared at the end of the Country Programme period.

4.3 Tentative financing plan

Between 2021 and 2024, Finland provided 103 million euros of ODA funds to support Ethiopia. Most funding has been channelled to humanitarian aid (24%), improving water supply and sanitation (20%), and the education sector (19%). The bilateral programmable aid accounted for 54,8 million euros (53%) of all development cooperation. Approximately 29 million euros was provided to civil society organisations. Private sector institutions ODA contribution was 21 million euros.

In 2025–2028, the sources of financing will include bilateral programmable development assistance channelled to Ethiopia, EU's delegated cooperation, humanitarian aid, civil society and private sector support, UN organisations' core support, and other funding sources. Finland strives to work actively to increase the participation of the Finnish private sector and actors in cooperation with Ethiopia to increase Finland's official development assistance, investments, and other official funds for Ethiopia.



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