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*From **experience** to **knowledge**...*
*From **knowledge** to **action**...*
*From **action** to **impact***

An IDEV **Country Strategy Evaluation**

Ethiopia:
Evaluation of the Bank's Country Strategy and Program
2004–2013

Summary Report

AFRICAN DEVELOPMENT BANK GROUP

February 2016

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Ethiopia: Evaluation of the Bank's Country Strategy and Program 2004–2013
Summary Report, February 2016

About the AfDB

The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

About Independent Development Evaluation (IDEV)

The mission of Independent Development Evaluation at the AfDB is to enhance the development effectiveness of the institution in its regional member countries through independent and instrumental evaluations and partnerships for sharing knowledge.

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Abbreviations and Acronyms

ADLI	Agricultural Development Led Industrialization
AfDB	African Development Bank
AGP	Agricultural Growth Program
ASSP	Agriculture Sector Support Program
CEDR	Comprehensive Evaluation of the Bank's Development Results
CODE	Committee for Operations and Development Effectiveness
CPIA	Country Policy and Institution Assessments
CSP	Country Strategy Paper
CSPE	Country Strategy and Program Evaluation
DAG	Development Assistance Group
DP	Development Partner
EA	Executive Agency
EC	Evaluation Criteria
EEPCo	Ethiopian Electric Power Corporation (now split into Ethiopia Electric Power (EEP), and Ethiopia Electric Utility (EEU))
ERA	Ethiopian Roads Authority
ESW	Economic and Sector Work
ETFO	Ethiopia Field Office
FBG	Federal Block Grant
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GNI	Gross National Income
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
HABP	Household Asset Building Program
HLF	High Level Forum
IDEV	Independent Development Evaluation
JBAR	Joint Budget and Aid Reviews
MDG	Millennium Development Goal
MDTF	Multi-Donor Trust Fund
MoFED	Ministry of Finance and Economic Development (now called Ministry of Finance and Economic Cooperation)
MSE	Micro and Small Enterprises
OEQ	Overarching Evaluation Questions
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PBO	Policy-Based Operations
PBS	Protection/Promotion of Basic Services
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIF	Policy and Investment Framework
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSNP	Productive Safety Net Program
RISP	Regional Integration Strategy Paper
RSDP	Road Sector Development Program
RUFIP	Rural Financial Intermediation Program
SDPRP	Sustainable Development and Poverty Reduction Program
SEQ	Specific Evaluation Questions
ToC	Theory of Change
UNDP	United Nations Development Program
WaSHCOMs	Water Supply Sanitation and Hygiene Committees
WG	Working Groups
WGI	Worldwide Governance Indicators
WUA	Water Users Associations

Photo Credit/Ministry of Foreign Affairs, Ethiopia

This evaluation acknowledges gender has been insufficiently integrated into the design of the Bank's operations. As a result, it recommends to strengthen the inclusiveness analysis in both strategy and operations.

Executive Summary

Background and Context

This Country Strategy and Program Evaluation aims at: (i) assessing the development results achieved through the assistance provided by the African Development Bank Group ("the Bank" or "AfDB") to Ethiopia, and in particular the extent to which the Bank's interventions made a difference and how, and (ii) drawing lessons on how the Bank manages its interventions in the country with the aim of suggesting potential improvements to inform the preparation of the new Country Strategy Paper (CSP) for Ethiopia. The reference period (2004-2013) approximately overlaps with three CSP periods, 2002–2004; 2006–2009; and 2011–2015.

From 2004 to 2014, Ethiopia experienced high economic growth driven by the service and agriculture sectors, with an average annual rate of gross domestic product (GDP) growth amounting to 11 percent. In addition, the pro-poor development strategy adopted by the Government of Ethiopia (GoE) led to a considerable increase in the gross national income (GNI) per capita, rising from US$ 140 in 2004 to US$ 550 in 2014, despite a marked growth in population (an average of +2.7 percent per annum over the 10-year period under review). As a result, the percentage of people living below the poverty line declined from 38.7 percent in 2004/2005 to 27.8 percent in 2011/12. Moreover, Ethiopia maintained one of the lowest levels of income inequality among low-income and lower-middle-income countries. Nonetheless, poverty remains a major challenge in the country.

The overarching objectives of all CSPs are to help sustain economic growth and poverty reduction by addressing some of the key development challenges the country is facing. The resources allocated by the Bank to Ethiopia over the period under review amounted to UA 1.64 billion and included 37 lending operations. Transport, power and multi-sector (that is policy-based) operations accounted for 86 percent of the total support and this gained importance over time. The resources allocated to the remaining sectors – agriculture, water supply and sanitation, and social – were mostly approved in the first CSP period and accounted for between 2 percent and 7 percent of the total support.

The Bank's Contribution to Development Results in Ethiopia

The **relevance** of the Bank's strategy and program in Ethiopia is assessed as **satisfactory.** The strategy was allied with the GoE's priorities, both at country and sector level, and the portfolio was generally well aligned with the strategy. Selectivity has increased over time, and the portfolio examined was highly concentrated on three main sectors (Transport, Energy and Governance mainly through the Promotion of Basic Services programs). Areas for improvement include a more systematic analysis of beneficiaries' needs and further elaboration on the support to private sector development.

Overall, the **effectiveness** of the support provided by the Bank is assessed as **moderately satisfactory**. Almost all the projects that were completed produced satisfactory outcomes:

- Tangible results were achieved in the transport, energy, and water supply and sanitation sectors, contributing to improving the country's (trunk) road network and, to a lesser extent, the power distribution and interconnection system and access to water supply. Nonetheless, several different factors, ranging from the slow development of an affordable transport system to connectivity and technical issues, partly reduced the actual impact of the assistance on economic growth and diversification.

- The support to agriculture decreased over time, due to increased selectivity as well as severe implementation issues. Nonetheless, the interventions supported by the Bank in the agriculture sector were quite effective and contributed to improving the access to rural financial services and increasing irrigated land. The marketing and processing of agricultural products were, however, largely disregarded.

- Via its sizable and growing contribution to the successive Protection/Promotion of Basic Services (PBS) programs, the Bank has supported (together with other donors) better access to basic services in the education, health, and water and sanitation sectors. Through the PBS, the Bank has supported financial transparency and accountability at regional and woreda level achieving positive results. Yet the Bank did not fund more systemic capacity-building initiatives on public sector management and sector governance, thereby limiting its potential impact on governance at the national level.

- With regard to private sector development, the Bank's interventions were effective but very limited in number (only two in 10 years) due to the difficult regulatory framework. The measures the Bank intended to take to address effectively the private sector development were scarcely elaborated in the current CSP. Yet on the positive side the Public Private Partnership (PPP) flagship study has contributed to creating space for dialogue with the GoE and, furthermore, it has promoted overdue reforms with respect to private sector development.

The **sustainability** of the results achieved after the conclusion of the Bank's support is rated **moderately satisfactory.** The financial resources, and the technical and management capacities of the national utilities responsible for maintaining the infrastructure, especially the rural electric distribution network, remain insufficient. More encouragingly, the GoE is showing a strong commitment to ensuring sustainability issues are managed and considerable efforts have already been made including, for example, the restructuring of the power utility. Although the delivery of basic services will require continued support from development partners in the short term, sustainability prospects remain positive mirroring the strong commitment shown by the GoE in the past.

The **integration of cross-cutting issues** into the Bank's strategies and operations is assessed as **moderately satisfactory.** The Bank gradually came to play a prominent role in regional integration. What is more, the environmental impact of operations is generally well assessed. Yet gender and regional disparities have been insufficiently integrated into the design of the Bank's operations and synergies among projects were not exploited.

The knowledge and policy advice dimension of the Bank's interventions was rated **moderately satisfactory.** The Bank has made a growing contribution to policy dialogue over time, especially through the Development Assistance Group (DAG). The investment into analytical work has become more visible towards the end of the period examined: this has reinforced the Bank's role in terms of policy dialogue and its ability to promote reforms, as demonstrated, for example, in the area of PPP.

The Bank's Management of its Interventions in Ethiopia

The **efficiency** of the Bank's assistance is assessed as **moderately unsatisfactory.** In particular, the rigid and heavy procedures imposed by the Bank, combined with the limited development management capacity of local counterparts, resulted in significant delays in the delivery of the assistance.

The **quality of the strategy and the portfolio** is also rated **moderately unsatisfactory.** Although the quality at entry of CSPs was found adequate, sustainability challenges were not explored in sufficient detail in previous CSPs, both in terms of lessons from past interventions and implementing partners' capacity. However, there was a marked improvement in internal co-ordination between the Bank's projects. This helped optimize outcomes and encouraged innovative approaches to using different instruments over time. This led to better responses to the needs of the country and fuller complete collaboration with other partners.

The **partnership and leverage** dimension of the Bank's interventions is assessed as **moderately satisfactory.** While the Bank has contributed to the co-ordination of partners in Ethiopia, it was not so involved in joint mechanisms for delivering support, with the notable exception of the PBS, thereby limiting opportunities to complement other development partners. The Bank was able to leverage its resources and attract additional financing through its private sector operations, although this was relatively modest in scope.

Finally, the **management for development results** system in place is rated **moderately satisfactory.** Indicators are in place although baseline data is sometimes missing. The supervision process has improved over time and the Ethiopia Office is responding effectively to local partners. While lessons from past experience are referred to, there is scope for further improvement as far as learning lessons is concerned, particularly given the regular occurrence of the same issues in the period under review.

Recommendations

1. **Strengthen the inclusiveness analysis in both strategy and operations.** The Bank's strategic selectivity has increased over time while investments in sectors of strategic importance for inclusiveness, such as agriculture and water supply, have declined. However, gender issues and geographic disparities have not been addressed satisfactorily in the design of operations. The analysis in the CSP and project appraisal reports should be strengthened to clarify how investments in the Bank's priority sectors support inclusiveness. This should include adequate information on possible integration and synergies between the Bank and its other development partners in order to maximize impact.

2. **Further expand the support to private sector development including stronger collaboration with other development partners.** In light of the increasing emphasis placed by the GoE on the promotion of the private sector, appropriate solutions fitting the local environment need to be identified. Given the existing array of initiatives, currently funded by other development partners, aimed at fostering the public-private dialogue and supporting private sector development, the Bank should enhance co-ordination to scale up effects, building on its own privileged position gained around PPP.

3. **Adopt innovative approaches to improve the alignment with other development partners and respond to the country's**

specific constraints. The instruments used by the Bank in Ethiopia have remained stable over time while efforts have been made at a corporate level to propose innovative options. Resorting to a diversified range of less traditional approaches, such as program-based approaches and institutional support programs, can help foster alignment and coordination among donors, and support the capacity of local counterparts. In the case of the private sector, the use of less common instruments, such as credit guarantees, could also contribute to overcoming regulatory constraints.

4. **Improve the sustainability analysis in the strategy.** Given that moderate to serious concerns about sustainability are widespread in all sectors, a proper analysis of sustainability risks is recommended to improve the potential of the Bank's support to achieve long-term sustainable economic and social development, especially considering its focus on infrastructure development.

5. **Support the development of the management capacity of the GoE and its implementing agencies for an effective delivery of the assistance.** Besides internal procedural factors, one major constraint to achieving the Bank's targeted outcomes is Ethiopia's own national implementation capacity. Mainstreaming technical assistance and capacity-building should aim at tackling: (i) the wide range of capacity-building needs at various government levels; and (ii) the high staff turnover observed. Participation to multi-donor trust funds and the implementation of institutional support programs could offer adequate solutions in partnership with other development partners. ■

Photo/UNICEF Ethiopie

The Bank's interventions aimed at increasing access to improved water supply and sanitation facilities. Between 2005 and 2015, access to improved water sources increased from 38 percent to 57 percent, reaching the MDG target but falling short of the Universal Access Plan targets, the evaluation found.

Photo credit/UNICEF Ethiopia

Despite the improvements in the access to water, the rural water supply and sanitation program generated comparatively limited outcomes (that is in terms of time saved fetching water, a reduction in water-borne diseases, women's employment and schooling), an impact evaluation conducted by IDEV found.

Management Response

Management acknowledges the Independent Development Evaluation (IDEV)'s report on the Bank's development assistance to Ethiopia during the 2004 to 2013 period, which overlaps three Country Strategy Papers (CSPs), namely, CSP 2002-2004, CSP 2006-2009, and CSP 2011-2015. Management is pleased to note that the Evaluation finds satisfactory relevance and alignment of Bank's past strategies to the development needs of Ethiopia. Management further notes that Bank interventions have largely been effective in delivering results, albeit under challenging conditions in some instances, which have limited results achieved. Management also broadly concurs with the main findings of the evaluation, such as the lack of systematic funding of capacity building initiatives in public sector management and governance, limited interventions in private sector development, and insufficient integration of gender and regional disparities in Bank operations. At the same time, Management underscores the progressive improvements that have been achieved in most of these areas during the long period covered by the evaluation. This has been due the combined effort of the Bank and the Government, as well as the positive impact of increased decentralization. In addition, the new CSP covering 2016-2020 has been formulated taking into account the various issues identified in the evaluation, and recommendations therein. In this context, the evaluation report is timely as it has informed design of an improved new CSP for Ethiopia for the 2016-20 period.

Introduction

The Evaluation report provides a timely assessment of the relevance, effectiveness, and sustainability of the past Bank strategies in Ethiopia, and the associated programs. The evaluation reviews in details the effectiveness of Bank interventions in the operational priority areas identified in the various CSPs - infrastructure and governance. The report also includes assessments of how cross-cutting and thematic issues such as environmental impact, regional integration, gender, and regional inclusivity issues have been integrated into the Bank's strategies and programs.

Relevance

Management concurs with IDEV's satisfactory assessment of the relevance of the three CSPs. The CSPs were well aligned with the Government of Ethiopia's strategies at the country and sector levels while the investment portfolios were also fully aligned to the strategies. The strategies were further aligned to the Bank's corporate strategies. Management also agrees that investment programs implemented under the three strategies were relevant for tackling Ethiopia's development needs and challenges. Management also agrees that over time investment portfolio selectivity has increased as the Bank has focused more on transport, energy, and governance. Management notes IDEV's observation that areas for improvement include a more systematic analysis of beneficiaries' needs and further elaboration on the support to private sector development. The new CSP 2016-20, which is fully aligned with the Government's new development strategy, the Growth and Transformation Plan (GTP II), is based on an assessment of the Country's significant development needs and challenges, key among which are, economic structural transformation, poverty reduction, and sustainable employment creation, particularly for women and the youth. One of the new CSP's focus areas is private sector development for which interventions are well articulated.

Effectiveness

Transport

Management is encouraged by IDEV's findings that Bank road sector investments to better integrate domestic and regional centres of economic and social activity have generally yielded high intended results for Ethiopia. Out of the 4,900 km of trunk roads rehabilitated and/or upgraded, 700 km (14%) were with Bank support. Economic benefits include increased traffic flows, reduced travel and transport costs, increased farmers' access to regional and central output and input markets, improved access to agro-information which has enabled farmers to get better prices and farming methods, and increased business investments in sectors such as agro-business and property development. Social benefits include increased development and access to basic social services (health and education) in the road development corridors.

In this regard, a wide range of benefits were also reported by farmers who can now access woreda, regional and central markets, such as Hossaina, Sodo and Addis Ababa, thereby cutting the number of intermediaries along the market chain and securing higher prices for agriculture produce and better access to agriculture inputs (like seed and fertilizers). For instance, in the Analmeo woreda the quantity of fertilizers used by farmers more than doubled between 2009/10 and 2010/11, growing from 5,448 to 11,590 quintals. Similarly, the quantity of seeds used also rose from 153 to 1,224 quintals. Farmers also welcomed an improved access to information on agricultural prices due to investments in the Transport Sector.

Management concurs with IDEV's assessment that various factors, including technical issues, slow development of affordable mass transport system, rising freight costs and passenger fares, and poor road safety standards have combined to mitigate the economic growth and diversification impact of the Bank's support to the transport sector. The 2016-20 CSP will under the first pillar of infrastructure development focus on transport as one of the sub-pillars. The Bank will address the transport sector challenges in an integrated manner by scaling-up the quantity and quality of the transport infrastructure and supporting the development and institutionalisation of transport logistics and improve transport services.

Energy

Management appreciates IDEV's observation that the Bank's intervention in energy sector has achieved tangible results in improving power distribution networks in the rural areas. Electricity access has scaled up and resulted in increase in the volume of energy import by Djibouti as well as foreign currency earnings to Ethiopia and further expected to bring sizable benefits in terms expanding the energy market and reducing electricity prices and greenhouse gas emissions in the region. Management agrees with the evaluation findings that a number of challenges have been affected the implementation of power projects and achieving desired benefits, thus contributing to slow pace in registering results. The low level of rural households (customers) connectivity in electrified rural towns/villages contributed to the more modest role of the Bank's contribution to the national increase in the access to electricity. Also the actual harvesting of benefits from the intervention is hampered by the low quality of electricity supply and in adequate customer services that negatively affecting the growth in consumption as well as reliability of supply.

To address some of the identified issues and challenges, the Bank is engaged in sponsoring a consultancy service to build a Master plan for improvement of the Addis Ababa City & its Environs Transmission & Distribution System and financing the transmission system improvement programs. The Bank is in continuous dialogue with government and the power Utility on needs and means of increasing funding to improve rural households (customers) connectivity thereby improving national electricity access & quality/reliability of electricity supply and deepening the power sector reform programs including private sector involvement in energy sector businesses.

Management concurs with IDEV's assessment that the Bank has committed to increase the national energy access rate and assigned a sizable volume of assistance to the energy sector. The Bank operations in the power sector have contributed significantly to improving access to electricity. These achievements will be further enhanced after the completion of Rural Electrification II and the Electricity Transmission system Improvement Projects. Under the Rural electrification, the Executing Agency is Procuring 100,000 energy meters while the project scope under Electricity Transmission system Improvement Plan has been expanded and extended to enable utilisation of loan savings and enhance the project's development objectives. This support contributed to the increase in the national access to electricity from 41% to 55% by the end of 2014, and the ten-fold increase in total electrified villages and rural towns between 2005 and 2012.

The Bank's engagement in power interconnection (to Djibouti and Kenya) goes beyond the contribution to the foreign exchange generation and trade balance of the country by being an important step towards operationalising the East African Power Pool.

Water supply and sanitation

Management agrees with IDEV's conclusion that access to improved water sources increased from 38% to 57% between 2005 and 2015, reaching the MDG target but falling short of the Universal Access Plan targets. Sanitation coverage also increased between 2005 and 2015, although less than water, with access to improved sanitation facilities rising from 15% to 28% and access to all types of sanitation facilities (i.e. except open defecation) increasing from 40% to 71%. Management concurs with IDEV's finding that progress in rural areas was particularly remarkable with regard to both water supply and sanitation. The Bank's interventions in the sector contributed to increasing access to improved water supply in both rural and urban areas, although the Bank's contribution towards access to sanitation facilities was insignificant. Under the new CSP, the Bank will undertake analytical work to assess on how best it will assist government in the area of sanitation. Similarly, the Bank is committed to supporting Government in engaging the private sector in water supply and sanitation. Furthermore, under the new CSP, the Bank will advance the PPP initiative through the proposed Addis Ababa East Akaki Waste Water Treatment Plant and the 10 Towns Integrated Water Supply and Sanitation Program.

Agriculture and rural development

Management concurs with IDEV's view that the Bank's interventions in the agriculture sector largely delivered the expected outputs and achieved significant outcomes. The Bank played an instrumental part in the development of the microfinance sector in terms of both microfinance institutions' outreach expansion and transition towards regulated entities able to comply with external audit requirements and access loans from commercial Banks. The Bank improved smallholders' practices and expanded the irrigated area by over 10,000 hectares (about one-sixth of the national overall increase). The Bank also helped to expand the land accessible to livestock thanks to the tsetse eradication on a 25,000 sq.km area. Despite the achievements observed above, Management has also noted IDEV's assessment that implementation of agricultural projects faced serious challenges to the extent that two major interventions were restructured and the GoE restricted the Bank's support to this sector. However, it is important to note that (i) the Government limited Bank's intervention in the sector as a result of its desire to map different sectors to different development partners; (ii) projects restructuring is a normal Bank process to address and resolve implementation issues emanating from changing circumstances and environment; (iii) one of the projects restructured has a huge positive impact on the target population and surrounding communities; and (iii) the implementation delays were partly attributable to the Borrower. To improve the Bank's performance in the agriculture sector the following measures are and will be implemented. Management has commenced implementation of two Drought Resilience and Sustainable Livelihoods projects (DRSLP I and II) in respond to the East African drought of 2011 and 2012. Under the 2016-20 CSP, Bank interventions will be more selective to ensure additionality. Thus, only areas underserved by development partners will be targeted. Specifically, only projects that will promote transformation of the sector in respect of increasing productivity and production, environment and social sustainability, value-addition, export value chains, and food security will be supported. To ensure implementation efficiency and effectiveness of impact on the ground, each project will be informed by rigorous analytics and include a capacity building component.

Governance and multi-sector

Management is encouraged by the evaluation findings that its multi-sector operation implemented through the Protecting/Promoting Basic Services (PBS) Program has been satisfactorily effective in terms of achieving expected results, benefitting the target groups and achievement of sectoral goals and development outcomes. Management appreciates IDEV's findings on the positive contribution of the PBS Program to improving access to basic services thereby assisting Ethiopia in achieving the MDGs and to progress in the areas of service delivery governance and public finance management (PFM). The IDEV finding on the effective contribution of the PBS program to equitable distribution of intergovernmental grant resources across regions and woredas (districts) (geographic inclusiveness) in its application of the fairness principle is encouraging. Management also welcomes the recognition of the PBS operation as an innovative and responsive instrument to the operational context. Management agrees with IDEV's view that the GoE pro-poor spending led to an improvement of the access, coverage and, to a lesser extent, quality of basic services at local level. Management also endorses IDEV's assessment that the evidence from surveys on the quality of the basic services calls for additional efforts. Management agrees with IDEV's reflection that the participation of citizens in local affairs, and the disclosure of budget and spending information at local level improved. Management concurs with IDEV's assessment that the 2014 Public Expenditure and Financial Accountability assessment suggest that the PFM system is sound at both federal and regional level.

Business environment and private sector development

Management agrees with IDEV's view that the few private sector operations funded by the Bank were largely effective and fully viable, although Bank's support to private sector development was limited due to (i) the infancy of the Ethiopian private sector, with only a handful of players operating at the minimum scale required and able to comply with the complex conditions for receiving direct financing from the Bank, and (ii) the difficult regulatory framework which largely prevented the Bank from funding indirect lending operations (as illustrated by the unsuccessful attempt to establish a line of credit). While concurring with IDEV's view that the Bank provided limited support to introduce required business climate improvements, Management notes that the use of ESWs towards the end of the evaluation period has provided a good entry point for the Bank to increase its effectiveness in this area. For instance, the Bank's ESW on PPPs has been a major breakthrough in terms of supporting a policy shift towards more involvement of the private sector in economic activities. Additionally, in 2013 Management deployed a private sector specialist in ETFO as part of efforts to accelerate business development and increase engagement in sector dialogue. Under the 2016-2020 CSPs, Management intends to build on the gains made so far to support private sector expansion, especially in infrastructure and agriculture either through PPPs or private operations.

Sustainability

Transport

The share of roads in good conditions has continuously increased since 2004 and reached 74% in 2014. Management noted IDEV's assessment that shortcomings both in finance and capacity in the routine and periodic maintenance deters further improvement in road conditions and achievement of targets. Management endorses IDEV's assessment that given the increasing unit road maintenance costs currently financed by the Road Fund, the resources to finance maintenance still need to be scaled up, even after including the recent endorsement to the axle load based annual license renewal fee to increase the Road Fund revenue. The road asset management practices must also be improved to cope with the substantial backlog and the fast expansion of road maintenance needs. Management concurs with IDEV's view that the Bank has put little effort in sustaining road facilitates, especially in financing maintenance activities, albeit the Bank continued to dialogue with the Authority on the need to increase the share of roads in good conditions.

In response to the challenges, the Bank is commissioning consultancy services to build a system for road asset management. Furthermore, the Bank is in continuous dialogue with government on needs and means of increasing funding to maintenance.

Energy

The fast growth in the rural electrification over the last decade has put the Ethiopian Electric Power and Ethiopian Electric Utility under great pressure. Outage is still frequent and total losses amounted to 17.5%. Serious concerns over the national capacity to sustain rural connectivity to electricity remains especially in light of financial weakness in the network rehabilitation investment and the poor maintenance capacity. The Bank continues its support in addressing these issues largely focused on reducing technical losses currently through the Electricity Transmission System Improvement Project, and by building capacity to enable the sector to respond adequately to demands for skilled personnel for the construction, operation & maintenance of electricity facilities. The Bank will also continue to dialogue with the Government in strengthening funding bases for operations and maintenance, and developing the capacity of the sector. Adjusting tariffs to be cost-reflective and facilitating the private sector participation in the sector will remain crucial.

Management acknowledges IDEV's concern on sustainability issues of the sector with regard to (i) the relatively low consumer tariff charged (one of the lowest in SSA); and (ii) the large technical and commercial losses, which have an impact on financial sustainability in light of the steep growth in the electricity sector over the last ten years and future ambitious expansion program. Low investment in the existing transmission networks, inadequate operations capacity and insufficient maintenance were identified as main challenges to the sector's sustainability. However, the Bank's interventions have positively contributed to enhancing the sector's sustainability by improving the transmission network capacity, increasing reliability of electricity supply, and scaling up rural electrification. In addition, customized thematic studies and capacity building programs have also dealt with some of the sector concerns, thereby addressing the challenges the sector faces with regard to sustainability.

The positive measures taken by the Government including power sector reforms, notably the restructuring of the national power utility - aiming at establishing quality services, improving efficiency and devolving its monopoly in the sector - is also addressing these challenges. Specifically, the ongoing exercise to gradually revise the existing energy tariffs to become cost-reflective will significantly improve the sector's financial sustainability.

Water supply and sanitation

Non-functionality of water facilities is still as high as 15.5%, calling for focus on proper maintenance. Management welcomes IDEV's assessment that the Bank helped to improve the sustainability of water supply and sanitation services. At project level, the Bank's initiatives successfully raised the beneficiary/community ownership and management capacity. The management endorses the views of IDEV that the financial sustainability of community managed water points and the technical capacity of Water Supply Sanitation and Hygiene Committees (WaSHCOs) remains weak/has not been addressed. Moving forward, lessons have been learnt and will be taken into account during the design of new operations in the water sector. The One Wash National Program (OWNP) will be building capacity at all levels, while strengthening the Water Technical Working Group (WRDF) and channelling resources through it, is a necessary condition for scaling up urban water financing and hence for continuously financing the sector.

Agriculture and rural development

Management welcomes IDEV's assessment that the improvement in the sustainability of rural agricultural infrastructure and the capacity building at local level in the agriculture sector were positively assessed. Management welcomes the observation that the Bank significantly supported the strengthening of the institutional framework and had a leading role in building the capacity of the Ministry of Agriculture to manage complex countrywide operations and to be an agenda setter in developing Water Users Associations (WUAs) and building a strong community ownership. Management noted IDEV's view that lack of product market outlets, which are necessary to sustain the farmers' income, is now the main threat to the long-term viability of the WUAs managing small-scale irrigation, but also of other improvements for the community and the farmers. It is important to note that the Bank's intervention in other sectors especially transport has addressed some of the issues by connecting farmers to markets and input supply. Moreover, under the proposed new CSP, two projects have been proposed to address this constraint: (i) Agricultural Marketing Infrastructure Development Project to link farmers to agricultural markets and basic services: and (ii) Development of Agro-Industry Parks aimed at improving agricultural products value addition and trade.

Governance and multi-sector

Management concurs with the views of IDEV that the sustainability of the delivery of basic services depends on the GoE's capacity to continue financing recurrent expenditure in the five pro-poor sectors within a framework of economic growth and macro-economic stability. Although the country had one of the highest rates of economic growth in the world, the revenues of the GoE did not increase as per the GDP growth, and are expected to remain stable at around 15-16% of the GDP. Tax revenue estimated at 13.4% of GDP in 2014/15, remains below the Government's 2015 target of 18% of GDP, and below those of other Eastern African countries. The acceleration of public sector borrowing brought the public and publicly-guaranteed debt at an estimated 50% of GDP in June 2015. Management endorses IDEV's view that although support from the DPs is necessary in the short term, sustainability prospects remain positive given the strong commitment shown by the GoE in the past.

The Bank will continue to play its advisory role in supporting Government to follow prudent fiscal, monetary and debt management policies and strategies. A Domestic Resource Mobilisation Study will be undertaken to underpin government's efforts in this endeavour.

Management concurs with IDEV's assessment that the Bank did not participate in any trust-fund operation, complementing the PBS program, in order to address systemic issues in the public sector management and governance. In the new CSP, the Bank aims to intervene on governance sectors through an institutional support projects and program-based operations.

Cross Cutting Issues

Gender, environment, and regional integration.

Management appreciates IDEV's findings that the Bank gradually came to play a prominent part in regional integration, which promotes stability in the Horn of Africa and brings untapped significant economic benefits by funding an increasingly large and diversified multinational portfolios, covering different sectors, such as the development of a road corridor with Kenya, the rise in power exports to Djibouti and Kenya, and the fight against transboundary pests and diseases, and droughts in the Horn of Africa. Management welcomes the evaluation finding that gender analysis is rather good and even improving at project level and notes IDEV's suggestion to make greater efforts in translating them into practice, including measurement of gender-related outcomes. Management also notes IDEV's concern that the majority of the Bank's interventions did not integrate inclusiveness issues satisfactorily and that lack of gender-disaggregated indicators largely prevented the measurement of gender-related outcomes, such as the improved access to social services or the reduced burden for fetching water/fuelwood. It is however important to note that: (i) lack of gender-disaggregated indicators does not imply that Bank interventions were not inclusive; (ii) inclusiveness is not only limited to gender. However, Management notes the need for scaling-up efforts to compile the necessary gender disaggregated data to facilitate robust assessments of gender-related outcomes of Bank interventions. The new CSP incorporates measures that will be implemented to strengthen the measurement of inclusivity outcomes (see Management Response to the first recommendation below).

Environmental sustainability and green growth.

Management also appreciates the IDEV finding that more attention is being paid to the issue of green growth and climate change as a strategic area of support to GoE and that social and environmental safeguard measures are invariably undertaken whenever relevant as part of projects' design in the form of Environmental and Social Impact Assessments (ESIA) and Environmental and Social Management Plans (ESMPs). Management concurs with the IDEV findings that the number of operations supporting the transition to a green growth remained limited. The current CSP has addressed this issue in more concrete terms:

- the Bank will support green growth by focusing on agriculture, forestry, transport and renewable energy;
- Funds will be mobilized to finance the design of projects for promoting green growth in at least one of the core areas of GHG emissions, water utilization, and biodiversity;
- The Bank will support Government capacity building in developing carbon accounting rules; and
- The Bank will support in the understanding and modelling climate resilience and vulnerability at the sector level.

Managing Bank's Assistance

Managing for results, internal coordination and selectivity

Management concurs with IDEV's findings that outcome indicators related to technical assistance and capacity-building initiatives were missing and an area of improvement in the collection and availability of baseline data at project design. Management welcomes IDEV's assessment that the frequency requirement of supervision was usually complied with and the quality of supervision activities assessed positively, although the skills mix in supervision missions can still be improved, especially by involving environmentalists, and gender and social development experts. Management also welcomes IDEV's view that the flexibility of the Bank in adapting to emerging issues is highly praised, in particular, ETFO was considered as extremely responsive and playing a crucial part in mediating and linking local partners with the Bank's headquarters. Management noted IDEV's assessment that, despite the significant potential to build on previous operations, the number of follow-up interventions funded by the Bank are quite low and limited to the four PBS operations and the two subsequent rural electrification interventions. Management concurs with the view of IDEV that the Bank's public sector operations resorted to few financing instruments, namely investment project lending and PBOs; other instruments, such as program lending, equity participation and loan guarantees, were not adequately applied, and, the effectiveness of the technical assistance provided by the Bank looks rather modest. Management also concurs with IDEV's assessment that the Bank did not participate in any multi-donor trust fund and did not finance any stand-alone Institutional Support Program (ISP), except the recent developments of an ISP recently approved to support PPPs. In the new CSP, the Bank envisages an institutional support operations on the governance sectors.

Portfolio monitoring and supervision

Management concurs with the assessment on the timeliness and operational efficiency that has been characterised by lengthy delays. Project start up activities, especially procurement of contractors and consultants for projects in the energy and transport sectors pose challenges due to involvement of multiple stakeholders and reporting structures. Delays in Parliamentary ratification of loans, delays in loan signature by co-financers, and designation of key project staff with appropriate benefit packages are some of the obstacles to timely entry into force of projects. However, this has improved overtime as evidenced by the positive trend of key performance indicators.

The adoption of a “Readiness Filter” continues to address the problem of quality–at-entry of Bank operations in Ethiopia. The main elements in the Filter agreed with the Government include ensuring that (i) key project staff are designated at project appraisal; (ii) ensuring early compliance with environmental, social and fiduciary requirements; (iii) Procurement and Implementation Plans are prepared before financing approval; (iv) counterpart funds for 1st year are available; and (v) Bidding documents are ready before Board approval.

Since its adoption, the “Readiness Filter” is yielding positive results; as evidenced in the drastically reduced time for entry into effectiveness of new operations and rapid progress on procurement activities, with increasing use of advance contracting practices for new operations in the infrastructure sector. Moving forward, the Bank will also declare projects effective following Parliamentary approval and subsequent submission of Government legal opinion without waiting for the long gazetting process.

Several initiatives have been undertaken towards improving the portfolio’s performance including improved project design, timely preparation of procurement plans, timely completion of contracts, and training PIU and EA staff on procurement and disbursement rules. The Bank will continuously endeavour to build capacity of Executing Agencies and Implementation Units in Financial Management Reporting, Disbursement and Procurement on a case by case basis and also by conducting general Fiduciary Clinics on an annual basis.

Under the Bank’s Decentralization Roadmap, the Ethiopia Field Office has been strengthened in staffing, and skills mix. Currently with more than 80% of the operations managed at the field office, increased focus will be made on achieving results by having high quality supervision missions with the right skills mix to report on results as envisaged in the project log frames. ■

Management Action Record

The Ethiopia new CSP 2016-2020 has been finalized and will be presented to the Board for consideration and approval in March 2016. The release of the evaluation report is well timed as its key findings and recommendations have informed the design of a robust new CSP. The new CSP operational priorities, being aligned to the High Fives, will contribute to improving the various dimensions of Bank interventions in Ethiopia, particularly the effectiveness and sustainability of Bank interventions. The proposed energy investments to expand power generation, distribution and transmission capacities will lead to the lighting up and powering of more communities and businesses enterprises in the country and region. Transport and energy investments will increase cross-border trade by reducing the cost of transport and doing business and raising production and productivity. The economic governance interventions will also promote integration by catalyzing domestic and foreign private sector investments through improved business climate. Infrastructure investments will promote greater industrialization by enhancing country competitiveness, reducing cost of doing business, increasing production, productivity and diversification, and promoting greater intra and cross border trade. Bank operations will have a transformative impact on agriculture in terms of increased productivity and production, value addition, and food security. Investments in the two pillars will also improve quality of people’s life, including women and the youth, by increasing access to quality and sustainable energy, water, transport and basic social services, employment, and food security. Altogether, focusing on High Fives, the new CSP ensures strong client ownership of Bank operations and their relevance to the country, thereby contributing to the effectiveness and sustainability of Bank operations.

This Management Action Record indicates how the specific lessons and recommendation of the report have been addressed in the new CSP.

Recommendation	Management's response
Strengthen the inclusiveness analysis in both strategy and operations	**Agreed**: The Government plan has been pro-poor and more than two-third of the expenditure was on those pro-poor sectors that emphasized on inclusiveness. Simply because the Bank has given due attention on alignment with the government medium term plans (Plan for Accelerated and Sustainable Development to End Poverty and Growth and Transformation Plan), Bank operations have contributed to inclusive growth. For instance, the transport sector investments such as the Jimma-Mizan road project, have linked difficult to reach areas, thereby enhancing inclusiveness. Rural electrification investments have increased rural population access thereby enhancing inclusiveness. Similarly, the social services investments have promoted inclusive economic growth. Notwithstanding these achievements, Management recognizes the need for the Bank to strengthen inclusivity analysis in the Bank's future CSP and operations. The 2016-2020 CSP and operations will strengthen the inclusiveness agenda through the following innovations and measures: ▪ Targeting investments in regional development corridors to increase access to quality infrastructure services and promote concentration of agricultural production and trade center along the corridor to maximize development impact. ▪ Mainstreaming gender equality in Bank programs through financing investment projects for promoting women's businesses and sustainable employment. ▪ Selectively targeting infrastructure investments in a few sectors with the greatest potential to deepen physical, economic and social integration, and create opportunities for low income populations and micro, small and medium size enterprises (MSMEs). Promoting business, financial and economic enabling environment for private sector, including women and youth managed and owned MSMEs. ▪ Targeting technical assistance and advisory services at strengthening the capacity of sub-national governments to deliver basic social services to low income populations. ▪ Ensuring equitable access to basic social services, in particular, health and education services by women and girls and the former's participation in local level management of services. ▪ Supporting social services policy reforms in the education, health, and water and sanitation sectors, for the benefit of vulnerable low income urban and rural population/communities. ▪ Promoting active involvement of women throughout project implementation cycles and empowering them to play leading roles in the operation, maintenance and management of projects such as water supply and sanitation schemes ▪ Energy investments will emphasize linking emerging regions to the national power grid to increase rural communities' access to electricity and supplying reliable electricity to the private sector (e.g. through dedicated power supply to industrial and agricultural parks) to promote MSMEs and sustainable employment creation for women and youth ▪ Promoting specialized infrastructure investments (e.g. regional freight exchange services platforms) in order to promote concentration of production and consumption in major regional centers to benefit broader urban and rural communities ▪ Enhancing the effective use of the inclusiveness checklist to be developed by Bank for improving the geographic, social and process inclusiveness of Bank operations. ▪ Strengthening of tracking by Bank and client of gender disaggregated indicators for each strategic pillar and continuing to build the capacity of key government institutions in generating and using gender disaggregated data for an effective response for each operation to be approved in the CSP period. ▪ A report on state of health inequality in Ethiopia will be produced to gauge the inclusiveness agenda by 2018.

<table>
<tr><th>Recommendation</th><th>Management’s response</th></tr>
<tr><td>Further expand the support to private sector development, including through stronger collaboration with other development partners</td><td>Agreed: The Bank had carried out an ESW entitled “a roadmap for Public Private Partnership in Ethiopia” which led to “Institutional support Project to Public Private Partnership (ISP-PPP)” in collaboration with DFID and the World Bank to enhance the engagement of the private sector in the Ethiopian economy. The new CSP will further expand the support to the private sector development. Under the new CSP, one of the sub-pillars under the Promoting Economic Governance Pillar is “Enabling Environment for the Private Sector Development”. Under this sub-pillar, the Bank will promote an enabling environment for private sector development through the following actions during the CSP period:
- Establishing and effectively using eco-friendly agro-industrial parks, with schemes that link SMEs to strategic industrial value chains;
- Scaling-up of agricultural commodity exchange;
- Addressing the challenge of low access to finance through combining public and private sector credit lines and guarantee schemes, and direct private sector lending;
- Leveraging the Bank’s knowledge and experience to support development of ICT village to enhance technology adoption and competitiveness;
- Facilitating attraction of private investment by working with the Government to redress issues related to legal and regulatory frameworks for promoting Public Private Partnerships.
- Contributing to promoting financial inclusion and improving financial sector efficiency through carrying out a financial sector diagnostic study
- Deepening knowledge on the private sector by undertaking an ESW on the “Private Sector Profile”
The Improvement of the business environment for promoting private sector development will be a continuous process and will be pursued through the Development Assistance Group (DAG) policy dialogue architecture and bilaterally through analytical work mentioned above.
A joint scoping mission by OPSD, OSAN and ETFO was conducted in the last quarter of 2015. The mission was an important step to increase the Bank’s visibility for private sector companies’ in Ethiopia. The OPSD presentation provided a clearer vision of how the Bank is strategically positioned to provide financing and support to companies active in Industries & Services. The mission also made recommendations on the way forward in order to alleviate some challenges.</td></tr>
<tr><td>Adopt innovative approaches to improve the alignment with other development partners and respond to country’s specific constraints</td><td>Agreed: In the last two CSPs, the Bank carried out a policy based operation (Promoting/Protecting Basic Services Program I, II and III) that brought about eleven DPs in a coordinated manner to facilitate governance in basic service delivery at decentralised local levels. Furthermore, the Bank partnered with DPs in the water sector to increase access to water supply and sanitation through both Rural Water Supply and Sanitation Initiative as well as support to one WASH. In the last CSP, the Bank with DFID and the World Bank, set up an institutional support project for enhancing public private partnerships. Under the new CSP, the Bank will continue adopting innovative approaches in a coordinated manner as follows:
- Currently, the Bank is engaged in setting up a common framework with DPs and the Government for the implementation of the basic service delivery of programs of the country, for which about five DPs are involved. A retreat of these DPs was conducted on 28th January 2016;
- The Bank, in collaborating with other DPs, is carrying out a study on “Innovation in Delivery of Better Basic Services: Challenges and Opportunities for Ethiopia”.
- The 2016-20 CSP will continue to adopt innovate approaches in a coordinated manner in the following areas:
    - A policy based operation on basic service delivery and economic governance with other DPs
    - Institutional support to governance institutions with other DPs
    - Line of credit to commercial and development banks.</td></tr>
</table>

Recommendation	Management's response
Improve the sustainability analysis in the strategy and operations	**Agreed**: The CSP recognizes as a key lesson the need to mainstream sustainability issues at the sector and project levels. The GoE has, in GTP II, recognized the need to allocate more resources to maintenance of public investments. The Bank is, in this connection, sponsoring consultancy services to build a system of road asset management. Furthermore, the Bank is in continuous dialogue with government on needs and means of increasing funding to maintenance, and together with this, the need to diversify investment by focusing up on the value chain. The new CSP incorporates this recommendation as follows: - All investment projects, in particular infrastructure investments, will be underpinned by rigorous analytics including analysis of sustainability risks. The analytical findings will inform the appropriate design of infrastructure projects and requisite skills development for ensuring sustainability of investments. - The Bank will promote domestic resource mobilization for the sustainability of basic service delivery. Currently, the Bank is engaged with other DPs on undertaking both the Domestic Revenue mobilization study and cost of basic service delivery study to look into sustainable ways of financing basic service delivery at decentralized local levels. - Focusing on High Fives will ensure strong client ownership, thereby contribute to the sustainability of Bank operations.

Support the development of management capacity of the GOE and its implementing agencies for an effective delivery of the assistance	**Agreed**: The CSP recognizes as a key lesson the need for continuous building of implementing agencies capacity to ensure effective program implementation. The CSP further recognizes as a key country risk, particularly at the sub-national levels of government, weak institutional capacity to manage investment programs. The new CSP addresses this recommendation as follows:
	- Skills development as a cross-cutting theme will be mainstreamed in all Bank operations to be approved during the CSP period. The Bank will integrate capacity building components in every infrastructure operations as follows:
	    - Energy investment operations will incorporate capacity building programs to enable the sector to adequately respond to demands for skilled personnel for the construction, operation and maintenance of electricity facilities.
	    - Water sector operations will include skills development components at all levels of the government water supply structure
	    - Continuous capacity building will be conducted by the Bank for Executing Agencies and Implementation Units in the areas of Financial Management Reporting, Disbursement and Procurement on a case-by-case basis.
	    - Conducting general Fiduciary Clinics on an annual basis.

Photo credit/UNICEF Ethiopia

The Bank assigned a sizable volume of assistance to the energy sector, encompassing seven projects, for a total amount of UA 452 million. With respect to the rural distribution network, the total number of electrified villages and rural towns grew by a factor of 10 between 2005 and 2012, when 6.310 towns and villages were connected to the grid (against a target of 8.484 at the national level).

Introduction

This Summary Report (the 'Report') summarizes the key findings and recommendations of the evaluation of the African Development Bank Group's (the Bank's) country strategies and programs (CSPE) in Ethiopia. The complete account of findings is available in a Technical Report that has been used as background for this document. This report takes into account the results of the Validation Workshop held on October 7th, 2015 in Addis Ababa, as well as written comments received.

More specifically, the next two sections provide an overview of the main findings of the CSPE and the underlying evidence, while the final section contains a set of conclusions and recommendations for the way forward. The Report also includes a series of Annexes providing further background data, analytical evidence and methodological explanations.

Evaluation Rationale, Purpose and Scope

The purpose of the Evaluation is: i) to assess the development results of the Bank's assistance to Ethiopia and in particular the extent to which the Bank's interventions have made a difference in the country and how; ii) identify lessons to be suggested and potential improvements offered to support the design and implementation of the new Country Strategy Paper (CSP) 2016-2020. The evaluation covered a period from 2004 to 2013, overlapping with the timeframe of three Bank's Country Strategy Papers (CSPs) in Ethiopia, that is, (i) CSP 2002–2004; (ii) CSP 2006–2009; and (iii) CSP 2011–2015.

Evaluation Questions and Methodology[1]

The evaluation assessed two overarching questions: a) the extent of the Bank's achievements in terms of development results, and; b) the management of the Bank's intervention, that is the underlying factors and implementing modalities that might have influenced results. The overarching questions are articulated in 21 specific evaluation questions (EQ) connected to the main standard evaluation criteria.

In response to the evaluation questions, the evaluation applied a mixture of methods with respect to data collection and analysis. The theory of change was developed and provided the guidance for assessing the Bank's contribution to the development results. The underlying evidence is collected through (i) an extensive literature review, ranging from projects documents, national strategies and reports, the Bank's own documents and economic and sector work (ESW) to other donors' studies, national and international databases, and other sources; and (ii) a comprehensive consultation program including interviews with 95 stakeholders and seven focus groups discussions gathering representatives of the target groups. A rating system - a six-level scale, ranging from 'highly satisfactory' to 'highly unsatisfactory' - was employed.

Limitations

Numerous methodological obstacles were encountered in performing an analysis of the Bank's contribution to outcome results, in particular (i) gaps and solidity issues with statistical datasets (especially the lack of complete historical series covering the past ten years, lack of data at zone/district level, and so on), and (ii) gaps and weaknesses in project documents (absence of baseline data, an overemphasis on the outcomes reported, and so forth); and (iii) the difficulty in isolating the net effect of the Bank's assistance from other interventions in respect of the same target groups; and (iv) the sheer number of possible influencing external variables. Accordingly, the contribution 'stories' provided are mostly based on qualitative evidence and/or 'case-'studies'. ■

Background

Ethiopia’s Context and Development Challenges

Ethiopia has recorded one of the fastest economic growth rates in the world in recent years. Between 2004 and 2014 gross domestic product (GDP) grew at an average annual rate of 11 percent, that is around double that of the Sub-Saharan Africa (SSA) region. The service sector was the major driver of the structural shift from low-productivity to dynamic activities, while the industry sector’s contribution remained limited (accounting for less than 12 percent of GDP in 2013). Agriculture continued to the pre-eminent source of employment, accounting for almost 80 percent of the labor force and representing 75 percent of the increase in employment during the period under review. However, agricultural production remains dominated by smallholder households and characterized by a subsistence orientation, limited productivity, weak transport infrastructures and access to markets, with a high sensitivity to variability in rainfall.

Ethiopia’s outstanding economic growth was partly constrained by significant fluctuations in inflation, reaching peaks ranging from 40 percent to 60 percent in the last decade. The high inflation rate was mainly due to food and fuel price shocks on international markets, poor foreign exchange earnings and a rising demand for imports. The growth of Ethiopian exports, which remain dominated by agricultural commodities, slowed down following the drop in international prices of key commodities, while imports continued to grow rapidly. The gap between exports and imports of trade and services has consequently expanded. The widening of the current account deficit, together with the acceleration of public sector borrowing to finance large investment plans, has recently raised the risk of external debt distress from ‘low’ to ‘moderate’[2].

Despite the significant socio-economic progress made in the last decade Ethiopia remains one of the poorest countries in the world. With a population of approximately 96 million people in 2014 (the second largest in Africa, after Nigeria) and growing at a rapid rate (+2.7 percent per year, on average)[3], Ethiopia has been confronted with severe development challenges in its move to expand access to and improve the quality of education and health as well as to clean water and sanitation and other basic services. Underpinning this dilemma is the Government’s strategy aimed at addressing the causes of widespread poverty among its population. Despite the constant progress recorded in the last decade[4], Ethiopia still ranked in 173rd position in the Human Development Index (HDI) in 2012. With an income per capita amounting to US$ 550 in 2014, Ethiopia ranked as the tenth poorest country in the world[5]

Overview of Ethiopia’s National Strategic Framework

Since the early 2000s, the development vision of the Government of Ethiopia (GoE) has been implemented through three medium-term strategies, prepared in co-operation with various national stakeholders at all levels (federal, regional, woreda, and kebele)[6] and in consultation with development partners. The Ethiopian overall and long-term development strategy has been steered by the Agricultural Development Led Industrialization (ADLI) vision, a flexible philosophy centered on the leading role of agricultural development in the growth and industrialization of the country. Three Poverty Reduction Strategy Papers have been elaborated to guide the implementation of this broad strategy. The first Sustainable Development and Poverty Reduction Program (SDPRP) contained strong commitments to strengthening democracy, reducing poverty and promoting good governance. The second 2005-2010 Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) introduced some adjustments in the implementation of the ADLI approach, based on the problems experienced with an agricultural development strategy which is targeted to small-scale agriculture in rural areas. In particular, the PASDEP placed a strong emphasis on growth acceleration, to be achieved by promoting trade in agricultural produce and developing the private sector. In addition, the PASDEP endorsed the scaling-up of efforts to achieve the Millennium Development Goals (MDGs). Finally, the GoE launched in late 2010 the Growth and Transformation Plan (GTP) aimed at turning Ethiopia into a middle-income country by 2025. The 2011-2015 GTP aims at eradicating poverty through an accelerated, broad-based and equitable economic growth and pro-poor focus of spending, as well as meeting the MDGs.

African Development Bank's Strategies and Programs in Ethiopia

The Bank began providing assistance to Ethiopia in 1975. As of early (March) 2013, the Bank had approved a total of 119 loans and grants, worth an overall commitment of UA 2.5 billion. This makes Ethiopia the sixth largest recipient of the Bank's assistance, and the third largest in Sub-Saharan Africa (SSA), after Nigeria and South Africa.

The **CSP 2002–2004** (extended to 2005) focused largely on supporting agricultural and rural development by enhancing access to improved agricultural technologies and inputs, and improving rural infrastructural facilities. Three priority sectors in the SDPRP were selected for interventions, namely (i) agriculture and rural development; (ii) road transport; and (iii) water supply and sanitation[7]. In addition, the CSP aimed at promoting an improved institutional and policy environment through capacity building, enhancing the judiciary system and policy-based operations, and intensifying support for private sector development (PSD).

The **CSP 2006–2009** endorsed the analysis and supported the implementation of the PASDEP by aligning its three strategic pillars: (i) infrastructure development with a focus on rehabilitation/ upgrading of trunk roads, rehabilitation/ expansion of water supply facilities, and an expansion of power generation and interconnection of the power system with neighboring countries; (ii) agricultural transformation[8]; and (iii) fostering the promotion of good governance by strengthening accountability and transparency in basic service delivery at local levels. This third pillar of intervention also focused on regional integration through the realization of cross-border infrastructure projects while support for PSD was envisaged in two forms, namely direct financing from the private sector and a policy dialogue to improve the business climate. The CSP period was formally extended by one year, to the end of 2010, to fully align with the PASDEP (and ADF XI cycle).

The current **CSP 2011–2015** is divided into two strategic pillars: (i) improving the access to infrastructure (notably roads and energy); and (ii) fostering good governance. The first pillar places a strong emphasis on the promotion of regional integration through the construction of road corridors supporting Ethiopia's access to seaports, an increased power generation capacity and the interconnection with the power systems of neighboring countries. The second aims at enhancing access to and accountability in basic services, notably education, health, water supply and sanitation, rural roads and agricultural extension. The Bank also intends to provide support to the improvement of the business climate through policy dialogue, analytical work and advisory services and to boost the number of private sector operations.

Over the 2004–2013 period, the Bank supported 21 operations exclusively focused on Ethiopia amounting to a total value at approval equivalent to around UA 1.03 billion. To complement national projects, the Bank also implemented nine multinational initiatives aimed at facilitating the regional integration of the Ethiopian economy and worth approximately UA 407 million (counting the Ethiopian component only). Finally, the portfolio analyzed comprises seven additional (national) projects approved in 2001-2003 and completed after 2009, cumulatively totaling some UA 202 million. This brings the total portfolio evaluated to 37 projects worth around UA 1.64 billion. It is worth mentioning, however, that the portfolio included three small grants relating to emergency assistance, which were excluded from this analysis.

The Bank's portfolio of lending operations covers seven sectors, with three –'multi-sector' (corresponding to PBOs), transport and power – each absorbing between 27 percent and 31 percent of total funds and cumulatively accounting for 86 percent of the total support (Figure 1). The latter share is even higher (95 percent) in the last two CSPs, as almost all operations in the agriculture, water supply and sanitation, and social sectors were approved in the first CSP -the only exception being a multinational intervention in the agriculture sector (Figure 2).

Economic and Sector Work (ESW) and other studies and initiatives supporting the implementation of the CSPs, facilitating high-level policy dialogue with the GoE and providing analytical evidence for

Figure 1: Sector Allocations of Bank's Portfolio (in UA million)

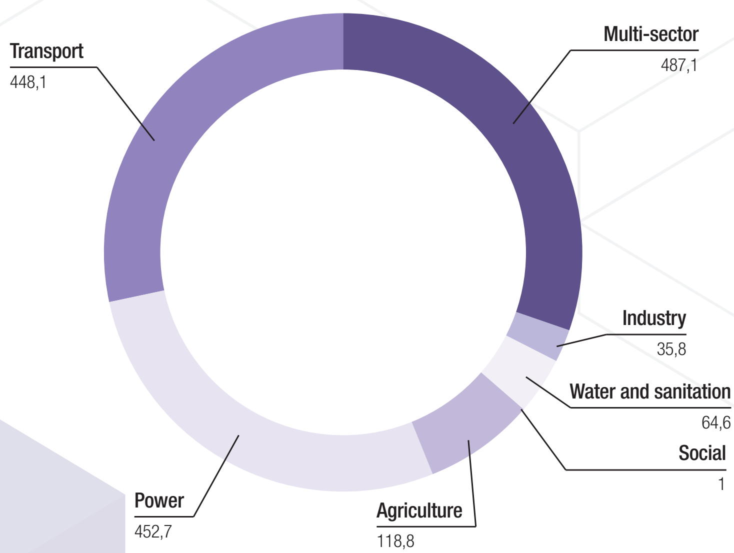
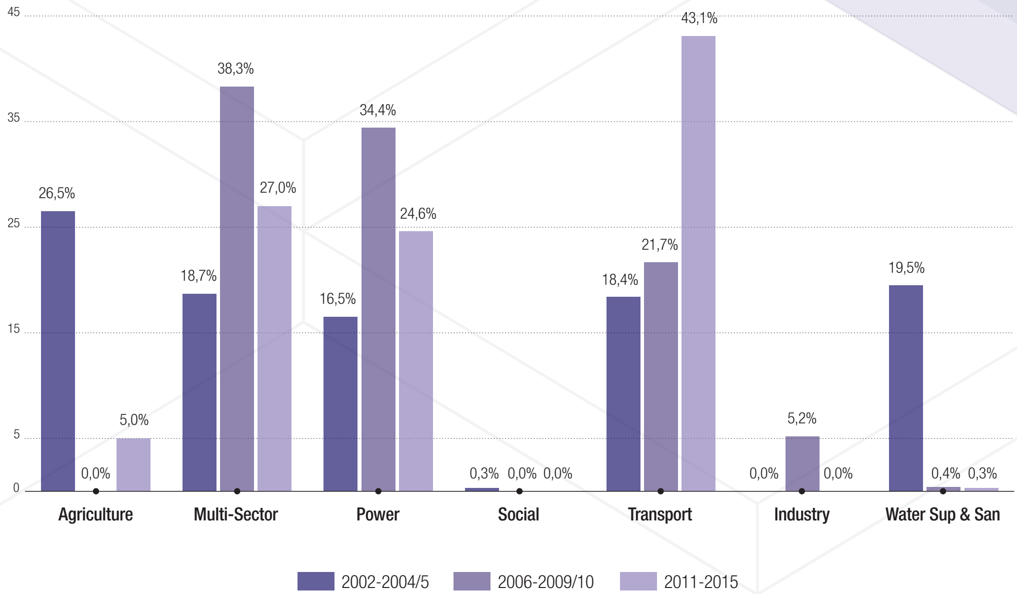


Figure 2: Percentage shares of sectors over the CSP periods



the following programming cycles. In total, during the period under review, the Bank prepared ten in-depth studies and sectoral reviews (including three works published in 2014 and 2015) which were specifically aimed at contributing to building the information/knowledge base to underpin the Bank's lending operations and informing the policy dialogue process. These documents include both country and regional studies with a well-developed case study on Ethiopia[9]. ■

The number of health and education facilities largely increased with the completion of the ButajiraHossaina-Sodo road upgrading project. The information collected by the Bank in this regard was largely confirmed by the health and school inventory for the Alemgna-Butajira-Sodo corridor indicating an increase in health facilities from 15 to 93 and schools from 15 to 73 between 2004 and 2011.

Photo credit/AfDB Flickr

Evaluation Findings – The Bank's Contribution to Development Results in Ethiopia

Relevance

The relevance of the Bank's interventions to Ethiopia's development needs/challenges and priorities is rated ***satisfactory****. Bank's interventions were well aligned with national priorities as well as on corporate priorities although private sector development did not receive as much support as expected. The beneficiaries' needs are not always thoroughly documented.*

Alignment with national and sectoral policies and targeting of beneficiaries' needs

The three CSPs under review aligned their pillars to the national development strategies adopted at the time and the emphasis placed on the different sectors/themes evolved over the period to align with the changing building blocks and pillars of Ethiopia's plans. The Bank's participation in the national processes largely contributed to this high degree of coherence between the CSPs and the national strategies. As described below, the Bank's support was also closely aligned with the main needs and priorities of the country at sector level; coherence was often maximized through the Bank's financial assistance to the national sectoral programs, which ensured that the support met the needs of the beneficiaries. However, their needs were not always thoroughly analyzed in the Bank's documentation.

All **roads** built/rehabilitated/upgraded with the Bank's support were included in the different phases of the Road Sector Development Program, which are mentioned in all CSPs. The roads were identified by the GoE based on an in-house pre-feasibility assessment, taking into account the potential traffic level, the road conditions and access problems. The Bank's project documents, however, did not fully elaborate on these elements. But the beneficiaries, who were met in the project areas, clearly confirmed that these interventions met their needs. Finally, it is worth adding that the development of regional road corridors conforms with the export development strategy put forward in the national strategies.

The Bank's support to the **energy** sector began with the CSP 2006-2009 and has subsequently gained in importance. The Bank-funded rural electrification

Judgment Criteria	Rating
Alignment with the key national and sectoral priorities	Highly Satisfactory
Targeting of beneficiaries' needs	Moderately Satisfactory
Alignment with overall corporate and development objectives	Satisfactory
Selectivity	Satisfactory
Relevance	**Satisfactory**

interventions were part of sector development programs, prioritizing towns/villages based on a set of criteria including (i) a high proportion of rural communities without access to electricity; (ii) a population size large enough to justify an extension of the grid; and (iii) the existence of socio-economic activities[10]. As in the case of roads, such an analysis of the beneficiaries' needs was omitted from the Bank's project documents. Cross-border interventions were coherent with the export targets set in the national development strategies while the foreseen support to increased power generation was consistent with the sectoral objective to meet growing domestic and foreign demand.

Support in the **governance** area was mainly provided through the multidonor funded Protection of Basic Service (PBS) Program (and its follow-up operations). However, the relevant national policies and strategies, and the major donor-funded initiatives aimed at fostering good governance and improving public financial management, are only rarely referred to in the CSPs. Moreover, these do not provide a clear explanation of the Bank's decision not to fund them.

The Bank's interventions in **water supply and sanitation** were consistent with the goals of the sector policy and strategic framework developed by the GoE. In particular, the Bank's support aimed at assisting the country in achieving the relevant MDGs as prioritized by the National Water Resources Management Policy and Universal Access Plan. Moreover, the design of the initiatives was in line with most of the national guiding principles, including an integrated approach to the development of services in rural areas and the promotion of community and user participation.

The Bank's interventions in the **agricultural sector** aimed at addressing some of the key development priorities, such as the construction of small-scale rural infrastructure, the dissemination of best practices and the use of improved technologies by farmers, as well as increased access to rural finance. The relevance of the Bank's support to the needs of the beneficiaries was improved thanks to a proper targeting in the initial phase (with project documents offering a detailed analysis of the needs of the beneficiaries, often backed by preliminary analytical work[11]), later confirmed during site visits. Insufficient support, however, was provided to increase the commercialization of agricultural products while agro-processing was completely disregarded, even though these two aspects were key objectives in both the sector strategy and CSP.

The degree of deviation between interventions proposed in the CSPs and actually implemented is rather **limited**. Only two major changes, both concerning the financing of hydropower generation projects, occurred over the period under review. First, funds initially allocated to the *Gibe III Hydro Power Project* under the CSP 2006-2009 were not committed due to the Bank's delay in processing in the wake of complaints from some NGOs on environmental and social safeguards. In the meantime, the government decided to shift to other sources to fund the project. The Bank's funds were later reallocated to another intervention in the power sector *(the Electricity Transmission System Improvement Project)* as well as a supplementary loan to a multisector operation (PBS II). Secondly, the financing of the *Gebba Hydro Power Project* programmed under the current CSP had to be cancelled and was reallocated to the *Modjo-Hawassa* Express Highway project. Commitments to the private sector fell short of expectations put forward in the current CSP as well as in its midterm review, where the funding of an SME line of credit was proposed.

Alignment to the Bank's corporate priorities

All three CSPs were coherent with the Bank's general multiannual and regional strategies, not only explicitly referring to them but also aligning them in terms of operation pipeline[12]. All CSPs paid adequate attention to the integration of the country in regional free trade areas and in NEPAD. The operations with a multinational scope (originally approved in 2004) are mainly focused on infrastructure for integration (road corridors and power interconnection operations account for 90 percent of approvals), ensuring consistency between the CSPs and the Bank's regional strategic priorities laid down in the Eastern Africa Regional Integration Strategy Paper for 2011–2015 (RISP). Yet the two latest CSPs did not explore the support actually foreseen to address PSD issues in detail.

Selectivity

The evolution of the average project size in public sector operations approved by the Bank indicates a rising level of selectivity. The Bank's increasing focus on a smaller number of larger interventions is illustrated in Figure 3. The comparison of the average amounts of public sector operations per CSP period (even though partial[13]) further demonstrates an improvement in selectivity. In particular, compared to the first CSP, the average project size was a substantial increase in the second CSP, rising from UA 23.3 million to UA 81.9 million. Data relating to the current CSP appears to confirm the trend, with the average project size amounting to UA 96.3 million in the first three years.

The composition of the Ethiopia portfolio analyzed spans a relatively large number (seven) of sectors. However, as already described above, the portfolio is highly concentrated, with three sectors –'multisector' (corresponding to PBOs), transport and power – cumulatively accounting for 86 percent of the Bank's total support.

In general, the Bank's focus on infrastructure development is seen as fully coherent with the GoE's preferences, as the funding requirements of these sectors are better matched by the higher amount and stronger predictability of aid flows provided by multilateral development banks. However, government representatives expressed concerns that the strict compliance with the strategic selectivity principles, concentrating most of the Bank's support in a couple of sectors, can limit the Bank's responsiveness to the GoE's emerging needs. Nonetheless, they did recognize the Bank's responsiveness in addressing emerging situations lying outside the scope of the CSP pillars, as in the case of the special interventions promptly funded to address the negative effects of the drought in 2011/12.

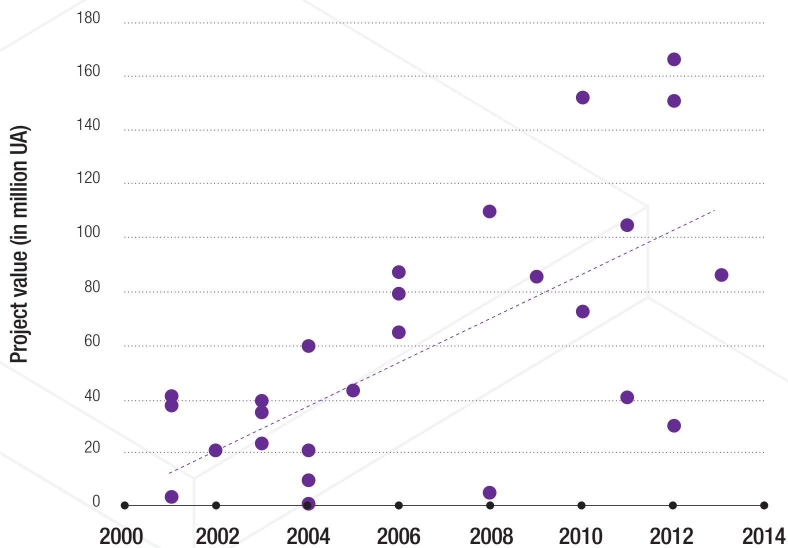
Effectiveness and Sustainability

*The effectiveness of the Bank 's interventions in Ethiopia has been rated **moderately satisfactory.** Results have been largely achieved at the output level, and depending on sectors, expected outcomes reached. However, technical issues together with unfavourable external conditions limit benefits for beneficiaries. Sustainability is assessed as **moderately satisfactory.***

Transport

A substantial share of the Bank's assistance was allocated to building/upgrading domestic trunk roads and regional corridors. The Bank approved eight projects (worth UA 448 million in total), of which three were completed and five - including the last two phases of the Mombasa-Addis corridor – are still ongoing. The ultimate goal of the Bank's support to this sector was to integrate better the domestic and the regional centers of economic and social activity. This would be achieved by reducing travel and transit time along with transport and logistics costs.

Figure 3: Public Sector Operations Size, by Approval Year



Judgment Criteria	Transport	Energy	WatSan	Agric	Governance (Basic Services)	PSD
Achievement of Expected Results	MS	MS	MS	MS	S	S
Benefits for Target Groups	S	MS	S	S	S	MU
Achievement of Sectoral Goals and Development Outcomes	MS	MS	S	MS	S	U
Effectiveness	**Moderately Satisfactory**					
Sustainability	MS	**MU**	**MS**	**MS**	**MS**	**S**
Sustainability	**Moderately Satisfactory**					

A couple of interventions also foresaw the extension of technical support to strengthen the capacity of the national road authority, especially in terms of road asset management and trade and transport facilitation.

Between 2003 and 2014, the Ethiopian road network tripled from around 33,900 kilometers to 99,500 kilometers, broadly in line with the targets set in the RSDP. Out of a total 4,900 kilometers of trunk roads rehabilitated / upgraded, 700 kilometers (14 percent) were undertaken with the Bank's support[14]. A smaller contribution was also made to the construction of new link roads with one single 175 kilometers road. As a result, travel time along these roads greatly reduced, for example, it was approximately halved on both the

Butajira-Hossaina-Sodo and the Jimma-Mizan roads. However, the quality of road design and construction works sometimes showed defects and in multiple instances implementation showed severe delays.

Evidence collected from the Bank's completed projects indicates an increase in traffic flows, which are slightly higher than national trends, and a reduction in travel and transport costs, although these remain slightly above the (rising) national values[15]. The socio-economic benefits provided by the interventions in the road sector, improving accessibility and mobility, are summarized in Box 1.

In general, the slow development of an affordable transport system partly hampered mobility improvements, especially for the poor. The number of vehicles using the improved road network increased only moderately[18], even allowing for the very low starting point, and remained largely concentrated on a few sections of the road network. Since 2004/2005, freight costs and, to a lesser extent, passenger fares have been increasing, mainly because of the rise in vehicle operating costs[19]. Yet today the poorer segment of the population can ill afford transport services[20]. Furthermore, road safety remains a major challenge for the sector as Ethiopia continues to experience a high road accident rate. The number of people killed in road accident increased from 2,190 in 2004/2005 to 3,362 in 2012/13 but with a welcome decline to 3,115 recorded in 2013/14. On a more positive note, the average distance between a household and the nearest health and education facilities diminished significantly[21].

Looking at **sustainability**, official figures show that in 2014 the share of roads in good conditions reached 74 percent and 58 percent for asphalt and gravel roads respectively[22]. However, these figures were disproved by a recent road condition survey,[23]

Box 1: Socio-economic developments along the Butajira-Hossaina-Sodo and Jimma-Mizan roads

The access to social services along the roads benefiting from the Bank's support improved significantly. In particular, the number of health and education facilities largely increased with the completion of the Butajira-Hossaina-Sodo road upgrading project. The information collected by the Bank in this regard was largely confirmed by the health and school inventory for the Alemgna-Butajira-Sodo corridor contained in a recent study by the World Bank (hereinafter, the "Transport and Poverty Observatory Study" or "TPO study")[16], indicating an increase in health facilities from 15 to 93 and schools from 15 to 73 between 2004 and 2011. Moreover, according to information collected during site visits, an unspecified, but significant number of women living in rural areas, who used to deliver babies at home, are now able to access the Jimma hospital.

A wide range of benefits were also reported by farmers. Farmers can now access woreda, regional and central markets, such as Hossaina, Sodo and Addis Ababa, thereby cutting the number of intermediaries along the market chain and securing higher prices for agriculture produce and better access to agriculture inputs (like seed and fertilizers). For instance, in the Analmeo woreda the quantity of fertilizers used by farmers was more than doubled between 2009/10 and 2010/11, growing from 5,448 to 11,590 quintals. Similarly, the quantity of seeds used climbed from 153 to 1,224 quintals. Again, the TPO study largely confirmed this expansion in the use of modern inputs in the project areas[17]. The farmers met in Mizan also welcomed an improved access to information on agricultural prices.

Other economic developments were reported by woreda administrations. For instance, the recent inauguration of an industrial park in Jimma would have been impossible without an adequate infrastructure connecting the area to Addis Ababa and the Southern region (supplying the raw materials). The road upgrade also facilitated the works to extend the runway in Jimma airport from two to 3.3 kilometres, which can now be used for medium range airplanes with around 200 seats (such as the Boeing 737 and the Airbus A320). Work on the new passenger terminal started in 2009, two years after the approval of the Jimma–Mizan project, and was completed in early 2015. In the Mizan City Administrator's opinion, the improved accessibility of the project area prompted a large increase in the number of investors, which previously totaled around a dozen per year to a figure last year of 62, noticeably in the agriculture and accommodation sectors, as well as a significant rise in the number of development projects and operating NGOs.

estimating these shares at much lower levels – that is 24 percent and 22 percent respectively – and this was on a declining trend, mainly because of shortcomings in routine and periodic maintenance[24]. Between 2004/05 and 2013/14, the annual revenues of the Road Fund, the entity mandated to finance road maintenance countrywide, increased by a factor of four, showing the strong GoE commitment, although an estimated gap of about one million birr remains to cover the maintenance needs of the entire country's road network[25]. Moreover, given the increasing unit road maintenance costs and the excessive reliance on the fuel levy (accounting for around 99 percent of the Road Fund revenues), the resources to finance maintenance still need to be increased. The road asset management practices must also be improved to cope with the substantial backlog and the rapid expansion of road maintenance needs, as confirmed by severe signs of deterioration, requiring maintenance, on the roads funded by the Bank. On the positive side, the recent endorsement to the axle load-based annual license renewal fee is expected to contribute to an increase and diversification in the Road Fund's revenue sources. The Bank's support to address these issues is very limited and relatively recent and confined to technical support for strengthening ERA's road asset management capacity, which will be provided under the ongoing, third phase of the *Mombasa - Nairobi – Addis Ababa Road Corridor Project.*

Energy

The Bank assigned a sizable volume of assistance to the energy sector, encompassing seven projects, for a total amount of UA 452 million. The Bank's interventions focused on (i) supporting the expansion of the rural distribution network to promote economic diversification; (ii) expanding interconnection with the power systems of neighboring countries to promote regional integration; and (iii) enhancing the national transmission system to increase the reliability of the power supply, and, thereby, business competitiveness. Technical assistance was also extended to the national authority to prepare the Addis Ababa Distribution Master Plan study and to develop the technical capacity required to manage efficiently the regional interconnection of electric grids.

With respect to the **rural distribution network,** the total number of electrified villages and rural towns grew by a factor of 10 between 2005 and 2012, when 6,310 towns and villages were connected to the grid (against a target of 8,484 at the national level). Summing up the number of towns and villages electrified under different interventions (that is two rural electrification projects but also the Ethiopia-Djibouti Interconnection project), the Bank's support accounted for between 5 percent to 9 percent of this increase in the electricity penetration rate[26], which grew from 41 percent to 55 percent. However, due to connectivity issues in rural areas[27] the Bank's contribution to the national increase with respect to access to electricity is estimated at a more modest level, that is about 3 percent of the total number of new customers connected, representing slightly more than 53,000 new connections. It should be noted that, using the share of the population actually having electricity in their homes as a measure of the access to electricity, the World Energy outlook estimated the national electrification rate at 23 percent in 2012, well below the SSA average (32 percent). On the outcome side, a recent household mini-household survey showed positive benefits, such as 74 percent of households reporting a reduction in time spent gathering wood; and the percentage of households with at least one person engaged in income producing activities increased as a result of having electricity, from 59 percent to 82 percent[28]. Yet the actual reaping of these benefits is hampered by technical issues (for example, poor network configuration and/or low quality of installed equipment) and inadequate maintenance, negatively affecting both the consumption patterns and the reliability of the services. This is visible in other results of the mini-household survey, showing that 73 percent of the beneficiaries were not satisfied with the quality of electricity supply. The main complaints were frequent power cuts and unstable voltage.

With respect to **power interconnection**, thanks to the Bank's support[29], the volume of energy imported by Djibouti from Ethiopia increased from nil to 363 GWh in 2012. Since then, power exports to Djibouti have been sizeable, accounting for almost 95 percent of total exports in volume terms in the last three years and generating annual forex exchange earnings above US$ 20 million. The impact of the project, however, goes beyond the contribution to the forex generation by the Ethiopian Electric Power Corporation (EEPCo)[30] and the trade balance since it is an important step towards operationalizing the East African Power Pool[31]. This is expected to bring sizable benefits in terms of reducing electricity prices and greenhouse gas emissions in the region. What is more, there is significant renewables potential, given Ethiopia's huge hydropower potential (estimated at 45,000 MW), so far only marginally tapped.

From a **sustainability** perspective, the steep growth in the electricity sector over the last 10 years has put the EEPCo under great pressure. In particular, the financial sustainability of the company was largely reduced by (i) the extremely low consumer tariff charged[32], and (ii) the large technical and commercial losses. In 2012, total losses still amounted to 17.5 percent (11 percent of technical and 6.5 percent of a commercial nature), which was well above the target. These problems were recently acknowledged with the utility undergoing a significant restructuring[33]. However, serious concerns over the national capacity to sustain increased access to electricity remain, especially in rural areas (also covered by the Bank's projects), particularly in the light of (i) the limited investment in network rehabilitation exacerbated by poor maintenance capacity, and (ii) evidence relating to the poor quality of equipment installed in some rural villages. In this context, the support provided by the Bank to address these issues largely focused on reducing technical losses. However, given the ongoing status of the relevant project (the Electricity Transmission System Improvement Project), the Bank's contribution has so far been limited.[34]

Water supply and sanitation

The Bank's interventions in this sector aimed at increasing access to improved water supply and sanitation facilities. An important share of the Bank's funding has been dedicated to infrastructure investments (construction of new and rehabilitation of existing facilities and networks) and capacity building of relevant institutions in rural areas (under the Rural Water Supply & Sanitation Program). The remainder of the Bank's support in this field encompassed hard and soft support to improve access to water and sanitation services in Harar, as well as advisory and technical assistance activities aimed at fostering the management of water resources and the utilization of renewable energy. Improving access to water and sanitation services was expected to trigger numerous effects in other areas of activity, including: (i) releasing people (especially women) from the burden of fetching water from faraway sources; (ii) encouraging school attendance; and (iii) expanding economic activities.

Between 2005 and 2015, access to improved water sources increased from 38 percent to 57 percent, reaching the MDG target but falling short of the Universal Access Plan targets. Sanitation coverage also increased between 2005 and 2015, although less than water, with access to improved sanitation facilities rising from 15 percent to 28 percent and access to all types of sanitation facilities (that is except open defecation) increasing from 40 percent to 71 percent. Progress in rural areas was particularly remarkable with regard to both water supply and sanitation. The Bank's interventions in the sector contributed to increased access to improved water supply in both rural and urban areas, albeit there was only limited help with respect to increased access to sanitation facilities. The Bank's interventions achieved the expected results with regard to water supply (although later than anticipated). In particular, the Bank's largest sector intervention focusing on rural areas was positively assessed, with the increase in the share of households having access to improved water sources estimated to have surged from 22 percent to 91 percent assessed in a counterfactual framework. The project clearly provided a positive contribution to the performance of the country. On the debit side, the Bank's achievements in the area of sanitation were much less satisfactory, with all sanitation-related investments cancelled in the Harar project and rural projects apparently not completely executed. The impact evaluation conducted by IDEV (Box 2) shows that, despite the improvements in the access to water, the rural water supply and sanitation program generated comparatively limited outcomes[35] (that is in terms of time saved fetching water, a reduction in water-borne diseases, women's employment and schooling).

Using Difference-in-Difference (DID) with propensity score matching, the study evaluated the impact of the AfDB-supported Rural Water Supply and Sanitation Project (RWSSP) in Ethiopia in terms of (i) daily per capita safe water consumption, (ii) diarrhea incidence among under-fives, (iii) children's school attendance, and (iv) women's productive employment. The results show that while the project increased household access to - and use of -improved water sources in the targeted communities, there was significant water contamination in many water points. Furthermore, while the project reduced diarrhea incidence in the entire population, there was no impact among children under-five. The results also show that households in project communities used less time in fetching water than those in non-project communities, yet this time saving was not used productively. In fact, the project had no noticeable impact on women's productive employment, which implies that time savings alone cannot increase the scope of women's productive enterprises. Other factors, including access to credit must accompany these interventions for them to achieve their goals.

The Bank also helped to improve the limited **sustainability** of water supply and sanitation services. At the project level, the Bank's initiatives successfully raised the beneficiary/community ownership and management capacity. However, the financial sustainability of community managed water points and the technical capacity of Water Supply Sanitation and Hygiene Committees (WaSHCOs) are yet to be completely achieved. At the sector level, the institutional capacity of the national authority and

Box 2: Impact evaluation of the Ethiopia Rural Water and Sanitation Project

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of the relevant regional and woreda bodies (regional water bureaus, and so forth) was strengthened to support adequate water services beyond the scope of the Bank's interventions. However, the Bank's efforts to enhance the planning and design of water sector activities, through its support to establish a comprehensive and integrated national system for water information management, were reported to be only partially effective. Finally, the Bank had a leading role in the policy shift towards a sectoral programmatic approach through the ONE WASH national program, aimed, among other objectives, at developing a robust sustainability framework.

Agriculture and rural development

The Bank's support in this sector was largely focused on expanding rural infrastructure, such as small-scale irrigation schemes, and scaling up smallholders' practices in various domains under the Agriculture Sector Support Program (ASSP). Other major interventions concerned (i) the extension of financial and institutional support to rural financial institutions, and (ii) the extension of hard and soft support towards the creation of sustainable tsetse-and-trypanosomiasis-free areas. The main expected outcomes were (i) an increase in agriculture productivity and an ensuing increase in the marketing of farm products, (ii) reduced dependency on rain-fed agriculture, and (iii) an expansion of rural finance. In the medium-term, it was expected this would lead to improved food security and increased revenues for rural households.

The Bank's interventions largely delivered the expected outputs and achieved significant outcomes. For instance, the Rural Financial Intermediation Project (RUFIP) played an instrumental part in the development of the microfinance sector, firstly, in terms of microfinance institutions' outreach expansion[36], and secondly, a transition towards regulated entities that are able to comply with external audit requirements and access loans from commercial banks. The ASSP improved smallholders' practices and expanded the irrigated area by over 10,000 hectares (about one-sixth of the national overall increase). This program is widely considered as groundbreaking in the agriculture sector and was a major source of inspiration for the design of subsequent large donor-funded interventions, such as the AGP. The Bank also helped to expand the land accessible to livestock thanks to tsetse eradication on a 25,000 sq. kilometers area. However, the implementation challenges faced (described in the relevant section below) were so serious that two major interventions were restructured and the GoE opted for limiting the Bank's support to this sector.

Overall, the agriculture sector continues to be the dominant contributor to the national economy, accounting for nearly 46 percent of the GDP and nearly 80 percent of foreign export earnings. Yet it is mainly composed of small-scale holdings with less than two hectares of land. The recurrent droughts, the 2007/08 food price crisis, and the global economic slowdown of 2009 were difficult challenges for the country's agricultural development. The official estimates, however, are that agricultural production expanded quite considerably[37]. Even though irrigated land increased both in terms of the number of holders served and the area covered, most small-scale farmers were still relying on rain-fed agriculture, with a higher vulnerability and limited opportunities to expand into a wider variety of higher-value, income-generating crops. According to national sources, the share of the rural population falling below the food poverty line[38] has declined from 38.5 percent in 2005 to 34.7 percent in 2011.

A proper assessment of the Bank's contribution to increasing food security and expanding agricultural productivity was prevented by the lack of reliable data. Nonetheless, the Bank achieved positive results. An increase (doubling) in the cropping intensity through irrigation schemes, and cropping diversification through community nurseries in the areas covered by the ASSP, was reported by secondary sources[39] and largely confirmed during site visits, as illustrated in Box 3 below.

According to the stakeholders (woreda staff) and beneficiaries that were met in Sibuu Siree, the Jalali small-scale irrigation scheme (with a command area of 60 hectares) enabled the cultivation of two maize crops each year (as opposed to only one for rainfed cultivated land). To compliment this approach leguminous crops were sown in-between the two seasons to restore the fertility of the soil. In turn, this led to all-year food security as well as to an increase in rural incomes, which is largely facilitated by the vicinity of relevant markets. Still, at woreda level, the share of irrigated land accounts for a marginal share of the total, and the lack of processing activities (there is only one local mill) limits the size of benefits for the target population.

In Hora (Sasiga), a community nursery was built in 2007/2008 with ASSP support. This sort of 'mini research centers' has produced a wide array of seeds and planting material for horticulture (mango, avocado, banana, pineapple), fodder, soil conservation, livestock rearing and beekeeping. This has helped a significant diversification in crops (vegetable and fruits were reportedly not cultivated in traditional schemes). The nursery's success exceeded the initial target group since households residing in nearby areas also benefitted. In the case of Sibu Siree, for example, the construction of a small irrigation scheme led to a doubling of productivity (hence, reported irrigated land yield amounted to six quintal/hectare more than yields under 'traditional' land cultivation). The reported increase in rural incomes and food security was also fostered by the fattening of oxen thanks to the better utilization of increased crop residues and by-products, although lack of transport and market access were identified as the key hindering factors.

What is more, a study estimated that the annual gross income of ASSP beneficiaries was 35 percent higher than that of non-beneficiaries[41]. In the same vein, the production credit worth US$ 73.23 million granted under RUFIP to rural households operating small-scale farm, off-farm and non-farm enterprises certainly helped to increase beneficiaries' income and

Box 3: Outcomes generated by the ASSP in Sibuu Siree and Sasiga woredas (in Oromia region)

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asset base. Yet two factors have limited the Bank's outcomes in the sector. First, the rather narrow scale of the Bank's interventions when compared with national figures[42] does not justify reaching any firm conclusion on the Bank's contribution to the rise in agricultural productivity. Secondly, the design of the projects was far from perfect and the missing link with market access under the ASSP, in particular, probably reduced the overall impact of the Bank's intervention.

The improvement in the sustainability of rural infrastructure and the capacity building at local level were positively assessed, also supported by a strong commitment by the GoE and follow-on donor-funded interventions. The ASSP significantly supported the strengthening of the institutional framework and had a leading role in building the Ministry of Agriculture's capacity to manage complex countrywide operations and to be an agenda-setter in developing Water Users' Associations (WUAs). At community and farmer level, the ASSP participatory and demand-driven approach resulted in a strong community ownership. The lack of product market outlets, which are necessary to sustain the farmers' income, is now the main threat to the long-term viability of the WUAs managing small-scale irrigation, but also to other improvements for the community and the farmers. As for the MFI sector, the remaining challenges, such as the limited degree of innovation in financial products, weak management information systems, and the unmet demand for credit, are now being properly addressed by a follow-up intervention (RUFIP II) launched in 2013, with financial support from IFAD, the GoE, the Development Bank of Ethiopia and the RUFIP I revolving fund[43].

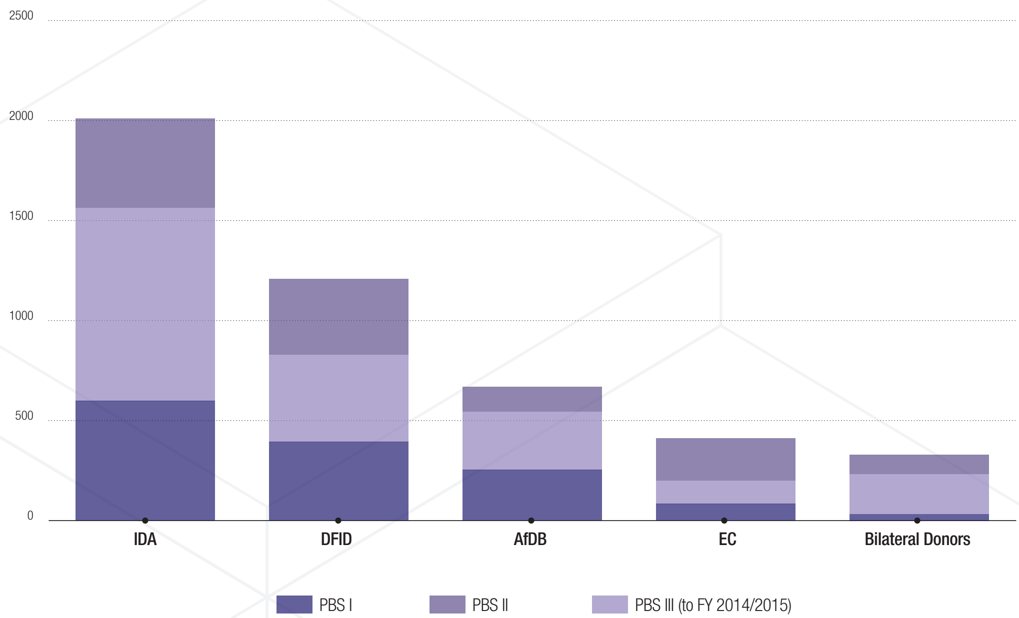
Governance and multi sector

After the general budget support operations in Ethiopia were interrupted following the disputed results in the election of 2005, the DPs decided to allocate future support to the financing of basic services in five sectors, that is education, health, agriculture, water and sanitation and rural roads, under the so-called Protection (and lately, Promotion) of Basic Services (PBS) programs. In particular, the support was to be paid through the donors' contribution to the Government Federal Block Grant (FBG) to the regions and woredas[44]. A robust result framework for development outputs and outcomes was designed to ensure that the resources provided were achieving the expected results, in line with the MDGs. In addition to the FBG contribution, the PBS operations also included components dealing with governance issues. In particular, the governance components aimed at (i) strengthening financial transparency and accountability at local level; and (ii) supporting social accountability mechanisms by which civil society organizations could have a say with local governments through a participatory approach to planning, budgeting and monitoring public service expenditure. The Bank's involvement in the governance area was largely limited to funding the PBS component, focused on financial transparency and accountability at regional and woreda level. The Bank did not participate in any trust-fund operation that, complementing the PBS program, addressed systemic issues in the public sector's management and governance[45].

The three successive PBS operations accounted for an important annual share (ranging from 11 percent to 42 percent) of the increasing FBGs provided to the regions between 2005/06 and 2012/13; it similarly contributed to the rising woreda current expenditure. The Bank provided an important and growing financial input to PBS operations (accounting for 10 percent of total DPs' disbursements under PBS I and almost 20 percent under PBS III)[46], as illustrated in Figure 4.

The GoE pro-poor spending led to an improvement in access, coverage and, to a lesser extent, quality, in the fields of education, health, water and sanitation

Figure 4: Cumulative Disbursements in the three phases of PBS (US$ million)



Source: Ethiopia: Multi-Annual Review of PBS Program, Ecorys 2012, World Bank

services. The woreda current expenditure, concentrated on pro-poor sectors, consistently increased during the period under review (from approximately US$ 710 million in 2005/06 to around US$ 1.6 billion in 2012/2013), leading to a significant expansion of the delivery of basic services. Similarly, the evidence on the quality of the basic services collected at longer intervals through ad-hoc surveys[47] provides some promising indications but also calls for additional efforts. For instance, during the 2006/07-2014/15 period, Ethiopia's score in the World Economic Forum's index on primary education improved from 2.6 to 3.5 (out of seven), but the country still ranks 95th out of 144. Nonetheless, the actual contribution of this Program to improving access to basic services and assisting Ethiopia in achieving the MDGs was positively assessed by a recent impact study[48].

Ethiopia made moderate progress in the areas of governance and public finance management (PFM). The Mo Ibrahim Index of African Governance referring to Ethiopia climbed from 45.2 in 2005 to 48.5 in 2013, but the country remains below the African average (51.5), ranking 32nd out of 52. In particular, the participation of citizens in local affairs, and the disclosure of budget and spending information at local level improved. The 2010 Public Expenditure and Financial Accountability (PEFA) assessment[49] indicated that the fiscal relations between the Federal and Regional Governments are transparent and that the public at large has fair access to key fiscal information. In addition, the preliminary indications on the 2014 PEFA assessment suggest that the PFM system is sound at both federal and regional level.

The **sustainability** of the delivery of basic services depends on the GoE capacity to continue financing recurrent expenditure in the five pro-poor sectors within a framework of economic growth and macro-economic stability. Although the country had one of the highest rates of economic growth in the world, the revenues of the GoE did not increase, and are expected to remain stable at around 15-16 percent of GDP. Tax revenue remains below the Government's 2015 target and lower than other Eastern African countries. The acceleration of public sector borrowing brought the public and publicly-guaranteed debt to an estimated 50 percent of GDP in June 2015[50]. Although these elements indicate that continuous support from the DPs is necessary in the short term, sustainability prospects remain positive given the strong commitment shown by the GoE in the past.

Business environment and private sector development

The Bank's support to private sector development was limited and below initial expectations, although the few private sector operations funded were largely effective and fully viable. Only two private sector operations, amounting to US$ 95 million, were approved by the Bank during the period under review[51]. Such limited support was largely due to (i) the recent development of the Ethiopian private sector with only a handful of players operating at the minimum scale required - and able to comply with - the complex conditions for receiving direct financing from the Bank, and (ii) the difficult regulatory framework,[52] which largely prevented the Bank from funding indirect lending operations (as illustrated by the unsuccessful attempt to establish a line of credit).

Both operations performed well, generated positive impacts and are fully sustainable. The construction of the largest Greenfield cement plant in the country (the Derba MIDROC Cement project) largely met the huge untapped local demand for cement from the booming construction sector and almost halved the 'farm-gate' price of cement. The second operation supported, albeit marginally, the rapid expansion of the Ethiopian Airlines fleet[53].

The Bank also funded several ESWs (as illustrated below) and provided convincing analytical work to engage the GoE. On the other hand, besides these recent analytical initiatives, the Bank provided limited support aimed at improving the business climate, which remains challenging. The Worldwide Governance Indicators (WGI) found, for example, that the ability of the GoE to formulate and implement sound policies and regulations that permit and promote the PSD deteriorated and was significantly lower than the SSA average. On the regulatory quality indicator, Ethiopia's percentile rank[54] declined from 21 in 2009 to 12 in 2013, a considerable gap compared with the SSA average, which remained a stable 30. The Doing Business performance is also disappointing: Ethiopia's rank slid from 101 (out 155 countries) in 2006 to 127 (out of 185) in 2013, and the country largely lags behind in three areas (starting a business, protecting investors and trading across borders)[55].

Cross-Cutting Issues

*The Bank's efforts to integrate cross-cutting issues into its projects were rated as **moderately satisfactory,** albeit with a marked variation across issues. While the Bank has supported regional integration, its interventions did not address inclusiveness satisfactorily.*

The Bank gradually came to play a prominent part in **regional integration** with respect to relations between the GoE and the donor community.

Judgment Criteria	Rating
Regional integration	Satisfactory
Inclusiveness of Bank's interventions – gender equality	Moderately Unsatisfactory
Inclusiveness of Bank's interventions – regional disparities	Moderately Unsatisfactory
Mainstreaming of environmental issues in interventions	Moderately Satisfactory
Cross-cutting issues	**Moderately Satisfactory**

Supporting the regional integration of Ethiopia promotes stability in the Horn of Africa and brings significant economic benefits, currently untapped because of the country limited integration into the multilateral trading system. The Bank funded an increasingly large and diversified multinational portfolio, including nine projects (all approved between 2011 and 2012) covering different sectors, such as the development of a road corridor with Kenya, a rise in power exports to Djibouti and Kenya, the fight against transboundary pests and diseases, and droughts in the Horn of Africa. Although it is classified as a national intervention, the Bank's support to Ethiopian Airlines, which accounts for around two thirds of the country services exports, should also be mentioned. As most of these projects have not been completed yet, assessing the performance and contribution to Ethiopia's export performance is premature. Nevertheless, the results achieved with respect to the power interconnection between Ethiopia and Djibouti are a promising sign for the expansion of regional power trading in East Africa, since it is the first to be developed involving two countries in the region.

Nonetheless, the majority of the Bank's interventions did not integrate **inclusiveness issues** satisfactorily. Despite a good and improved gender analysis (more at project than CSP level), this work hardly translated into practice. A lack of gender-disaggregated indicators largely prevented the measurement of gender-related outcomes, such as improved access to social services or the reduced burden for fetching water/fuelwood. With regard to regional differences, the Bank's interventions did not specifically aim at assisting disadvantaged regions, partly because of a comparative lack of implementation capability in these areas. Some of the projects might have exerted positive effects on regional disparities, particularly those affecting the most vulnerable sectors of population, but this was not intentionally included in the design: it was naturally correlated with other selection criteria. The only exception was constituted by the PBS programs, applying a fairness principle to ensure an equitable distribution of intergovernmental grant resources across regions and woredas.

As transition to green growth recently emerged as a strategic area of support, more attention was paid to this issue. Related objectives, such as climate change, were also given more attention in the current CSP compared to previous ones. Nonetheless, the number of operations supporting the transition to a green growth remained limited. It was confined to: (i) two small grants promoting renewable energies; and (ii) two multinational power projects explicitly aimed at reducing emissions by substituting Ethiopian hydropower generated electricity for fossil fuel in neighboring countries, and (iii) a recent project in the agriculture sector aimed at helping communities to become more resilient to climate change. Environmental and Social Impact Assessments (ESIA) were invariably carried out whenever relevant (that is for all Category I and II projects), and measures aimed at minimizing the project waste and pollution effects were duly envisaged. In about one third of the project an Environmental Assessment was comprised in the project design, very often as part of the feasibility studies. Environmental and Social Management Plans (ESMP) were drafted in seven cases; in four others they were introduced in the log-frame matrix as achievements measured by indicators. For five projects (in the power, transport, and private sectors) ESMP were combined with resettlement action plans. ESMP have envisaged mitigation, control, and protection measures, aimed at minimizing the impacts on the environment.

Knowledge and Policy Advice

*The Bank's production of knowledge and contribution to policy dialogue was rated **moderately satisfactory**. The volume of analytical work has improved overtime to a point where it now provides good foundation for dialogue and promoting reforms. The Bank makes also good contribution to policy dialogue through an active participation to the Development Assistance Group.*

The Bank's participation in the policy dialogue

Since 2001, the dialogue among donors and between the DPs and the GoE has been facilitated by the Development Assistance Group (DAG), a formal body whose secretariat is coordinated by the UNDP. As of the end of 2014, the DAG comprised 27 development agencies – 19 bilateral and eight multilaterals. The DAG has played a critical role in re-engaging the GoE after 2005 and has subsequently exerted an important influence in discussing macroeconomic issues and effectively mainstreaming the MDGs in national development policies. In 2011, the DAG was restructured to enhance the involvement of the GoE and ensure a speedy responsiveness to the country's emerging needs and development strategy. Both the DAG Secretariat and GoE representatives noted that the current policy dialogue architecture ensured a clear vision and a strong commitment by all stakeholders.

In recent years the Bank has been co-chairing the DAG Heads of Agency, and attending the meetings of the annual joint Government-DPs High Level Forum (HLF)[56]. Moreover, the Bank regularly participated in various DAG Technical Working Groups (WGs) and Sector WGs, including those convened on transport, energy, agriculture, water and sanitation, education, social protection, public financial management and private sector development. Within these groups, the Bank's contribution to the discussions on technical and policy issues was largely effective, especially after the new decentralized organizational structure was introduced. Stakeholders interviewed acknowledge the relevance and value of the Bank's contribution to specific Technical Committees and, for example, in the case of the Transport WG, the Bank issued a study that proved instrumental in supporting the dialogue with the GoE. In addition, the Bank is one of the seven DP members of the Macro-economic

Judgment Criteria	Rating
Bank participation in policy dialogue and perceived effects	Satisfactory
Support from analytical work to the Bank's intervention	Moderately Satisfactory
Knowledge and Policy Advice	**Moderately Satisfactory**

Discussion Forum (MDF), recently established to (i) share information on macroeconomic policies and strategies; (ii) discuss achievements and challenges with regard to macroeconomic policy implementation; and (iii) create mutual understanding of macroeconomic policy objectives. The Bank was also actively involved in the dialogue and supervision system set up within the framework of PBS operations by participating in technical field missions and often acting as a speaker during meetings on Joint Budget and Aid Reviews (JBAR)[57]. Other examples of active involvement include developing indicators with the GoE to monitor the post-Busan results, agreeing on a comprehensive action plan, and promoting the dialogue between the DAG/DPs and the GoE in the tense aftermath of the election crisis.

The relevant DPs that were met noted that, even though the Bank's contribution to DAG funding has so far been below expectations, the Bank's attendance at meetings was 'above average' and the Bank was regularly represented in the most important policy dialogue groups. These positive comments collected on the Bank's active participation in policy dialogues were echoed by the GoE's representatives.

Analytical work supporting the policy dialogue and Bank's interventions

During the first two CSP periods only half a dozen ESWs were carried out by the Bank (less than one per year), covering different sectors and subjects. Two studies planned under the CSP 2002-2005, on land allocation systems and the financial sector, were abandoned, while the Country Gender Profile was prepared as envisaged and an additional study on the support to women entrepreneurs in Ethiopia (as well as in Kenya and Tanzania) was jointly conducted with the ILO. With regard to the CSP 2006-2009, two non-lending activities planned with the aim of strengthening the Bank's knowledge base in the agricultural sector were cancelled in the light of institutional changes in the sector and the development of a sector investment framework. Instead of these two ESWs, however, the Bank conducted other analytical work covering a diversified range of topics, including a Policy Note on Private Sector Development, two Regional Public Finance Reviews, a Study on the Socioeconomic Profile and Reintegration Schemes for Women Migrant Returnees, and a Financial Sector Diagnostic Study (which was, however, never officially disseminated).

Greater importance was however attached to the ESW as a useful tool in the context of the policy dialogue under the current CSP. Theoretically, no change was introduced with regard to the ESW under the CSP 2011-2015. Despite some specific issues[58], the ESW activities undertaken during the current CSP period included four flagship studies on PPP, Energy, Transport, and Manufacturing, with a fifth which is still ongoing (on Innovation in the Delivery of Basic Services). Based on the Bank's own assessment and observations from DP and GoE representatives, the ESW proved particularly valuable in promoting policy dialogue and project coordination. In this regard, the PPP flagship study is a case in point. Thanks to this extensive and solid analysis, the Bank was able to take the lead and gain the support of the other DPs, persuading the GoE to implement a holistic and comprehensive PPP framework. This experience suggests that if well exploited, the ESW can prove to be an effective tool in contributing to the policy dialogue and steer the debate in the desired direction. In general, however, the stakeholders' views on the effectiveness of ESW are rather mixed. Together with the PPP already mentioned, the two studies of the Transport and Manufacturing sectors were considered as positive examples. Nonetheless, viewed overall, the Bank's ESW was seen as too fragmented and discontinuous.

Synthesis at Country Level: Has the Bank Made a Difference?

Ethiopia's strategy aiming at economic and social development was largely successful. The pro-poor economic growth led to a considerable increase in the gross national income (GNI) per capita, rising from US$ 140 in 2004 to US$ 550 in 2014 despite the country's rapid population growth (+2.7 percent per year, on average). The proportion of people living below the poverty line declined from 38.7 percent in 2004/2005 to 27.8 percent in 2011/12. Moreover, Ethiopia maintained one of the lowest levels of income inequality among low and lower-middle-income countries. Yet, poverty remains a major challenge and the level of inequality among the poor has slightly worsened over the period. Even so, over the past decade, the non-monetary dimensions of well-being largely improved and the country managed to stay consistently on track with the majority of MDGs[59] (six out of eight in 2012).

A recent study by the World Bank[60] found that the agricultural sector contributed more to poverty reduction than any other sector of the economy. Between 2005 and 2011, the growth in the agricultural sector led to a reduction in poverty of 4.0 percent per year, on average. Furthermore, a positive correlation and mutual reinforcement was observed between growth in the agriculture sector and the development of other sectors, particularly transport, and access to markets. In addition, substantial poverty-related expenditures (amounting to 12 percent of GDP in 2012/2013) aimed at improving access to basic services and providing effective rural safety nets also contributed to poverty reduction.

The improved access to basic services was largely supported by the Bank through the funding of PBS operations, and to a lesser extent through interventions effectively fostering access to water in urban and rural areas. Road interventions also facilitated access to health and education services, even though the poor still grapple with limited access to roads and expensive transportation services. With reference to the Bank's support for **agriculture**, while declining it has provided effective support to improve access to rural financial services and increase the total area of irrigated land, thereby improving productivity. Moreover, the evidence collected suggested that road projects also helped farmers to benefit from higher prices for their agricultural products and better access to improved agricultural inputs. In addition, the PBS program supported a wider presence of agriculture extension agents across the country, which is a key driver of growth in the agricultural sector. The improvement in the trunk road network has contributed to the country's rapid economic growth through enhanced accessibility to production areas (as evidenced in the report). As for private sector operations, the Bank's limited number of interventions was not quantifiable in terms of its impact on economic growth, but it was judged to be clearly not negligible. For instance, the cement project increased supply and reduced the cost of a critical input in the construction industry. Between 2005 and 2010, the construction industry accounted for an average share of 5.3 percent of GDP with an average annual employment growth reaching 16 percent.

The Bank also contributed to **regional integration** through its interventions, supporting the creation of cross-countries infrastructure in Transport and Energy. While some of this work is still ongoing, the effect of the power interconnection infrastructure that has been built is already visible in terms of revenues generated from energy exports. This lays the foundation for the expansion of regional power trading in East Africa, supporting both domestic revenue increase but also green growth given Ethiopia's immense hydropower potential.

Finally, the Bank has over time played a more prominent role in **policy dialogue and donor coordination,** and it has supported this role with more emphasis on relevant analytical work. This initiative contributed to creating space for dialogue with the GoE and promoting necessary reforms for private sector development, in particular, for example, through the PPP flagship study. ■

Photo credit/UNICEF Ethiopia

Access to social services along the roads benefiting from the Bank's support improved significantly. In particular, the number of health and education facilities largely increased with the completion of the ButajiraHossaina-Sodo road upgrading project.

Evaluation Findings – The Bank's Management of its Interventions in Ethiopia

Efficiency in Delivering the Results

*The Bank's efficiency has been rated **moderately unsatisfactory**. Implementation delays have been significant for the portfolio reviewed due to capacity issues and a lack of flexibility in the Bank's procedures. However, these delays have not triggered significant variations in initial budgets and the overall situation has improved in recent years.*

Timeliness and operational efficiency

Adherence to original closing dates for the Bank's interventions was marginal and the average completion delay was significant. Only a couple of the Bank's initiatives, essentially coinciding with the policy-based operations, matched the original closing date. Based on the comparison of the original and the actual completion date for the 18 closed or completed projects between 2004-2013, the average completion delay of public operations has been estimated at 21.8 months, and climbed to 26.5 months if the 'timely' multi-sector PBOs are excluded from computation. The average age of the Ethiopian portfolio - including both public and private operations - has been estimated at 4.4 years[61].

Lengthy delays between approval and first disbursement (15 months, on average) were experienced by most of the Bank's interventions but the situation has improved in the last years. Difficulties in fulfilling the Bank's grant/loan conditions along with project design issues - including a common underestimation of the start-up time - were the most common delaying factors. Start-up times were delayed by a number of factors, such as the protracted time taken to recruit project staff at national, regional and woreda levels, and local counterparts' inadequate familiarity with the Bank's procurement rules and procedures. Since 2010, a consistent improvement is clearly visible (with average delays falling to one year), which is most likely linked to the adoption of the readiness filter.

Nonetheless, poor operational efficiency characterized the Bank's assistance[62]. The vast

Judgment Criteria	Rating
Timeliness of Bank's Assistance	Unsatisfactory
Operational Efficiency	Moderately Unsatisfactory
Financial and Economic Performance	Moderately Satisfactory
Overall Efficiency	**Moderately Unsatisfactory**

majority of projects experienced severe delays due to limited local capacity, contractors' poor performance, and burdensome procurement and disbursement procedures. Institutional weaknesses displayed by implementation partners, irrespective of the sector of operations, were very often indicated as a major cause of project delays. In particular, prolonged procurement lead times negatively affected all projects in the road sector. Furthermore, inadequate capacity for procurement actions repeatedly affected the performance of ERA as well as EEPCo. This was attributed to poor contractor selection and difficulties in establishing adequate monitoring and supervision of contractors' performance. The need to apply stringent criteria for prequalification of contractors was voiced in the light of the experience of the Butajira-Hossaina-Sodo Road Upgrading Project (approved in 2001). This has led to concrete improvements, underlined by the fact that all other road projects were characterized by inadequate technical designs and/or poor contractor management. The limited capacity of the implementing partners was also challenged by the Bank's procurement and disbursement burdensome rules. All interventions by the Bank in agriculture and rural development, for example, were confronted with implementation issues, owing to the Bank's procurement rules that are deemed unfit to decentralized projects since they involve frequent and small procurements and disbursements in an environment characterized by fragmented and limited local capacity. Virtually all the Executing Agencies (EA) and PIUs met during fieldwork were adamant in criticizing the excessive rigidity of the Bank's rules. In general, the main criticisms concerned the excessive length of the process in all its phases, and particularly in the bidding stage. Furthermore, many EAs lamented the unreasonable rigidity in the procedures, for example, the requirement to use international competitive bidding even for the smallest procurements.

Financial and economic performance

The average disbursement rate of the closed portfolio was as high as 92 percent, although in many cases, reaching such a disbursement level required time and extensions to the completion deadline (as indicated above). In comparison, a limited number of decentralized interventions in agriculture and water supply and sanitation sectors, involving a multiplicity of layers and agencies, which needed strong coordination and management at the local level in remote areas, recorded a worse disbursement performance. In these cases, the complex institutional arrangements and the limited capacities of the implementing partners were largely compounded by the strict 'rule' and procedures required by the Bank. This hardly fitted with the small and frequent contract packages. In some cases, these challenges were so severe as to jeopardize the whole project and restructuring was required. The serious disbursement problems currently faced by the ongoing Drought Resilience and Sustainable Livelihoods Program suggests that the Bank has yet to address this issue satisfactorily

Ten completed operations incurred partial cancellation of the Bank's financing (and one study was fully cancelled), cumulatively worth for UA 28.1 million (about 5 percent of the approved amount). Two factors lie behind this underperformance. On the one hand, sizable cost savings (between UA 8-30 million) were recorded during the implementation of a handful projects, typically in the power sector and largely due to excessively conservative cost estimates at the initial stage. Yet as things turned out there were no negative consequences on the output delivery beyond the delays triggered by the re-allocation of funds to new components or interventions. Secondly, in the case of the remaining cancellations, mainly in the agricultural sector, problems were encountered with a lack of absorption capacity on the implementing partners' side. These often concerned the funding of training activities, so consequently there was only overall limited impact on project activities. On the positive side, an important share (over 20 percent) of these funds was reallocated to the Africa Food Crisis Responses (AFCR) initiative[63].

Between 2008 and 2013, the pace at which the Bank has made resources available to its clients has fluctuated widely. According to the Bank's own reports the disbursement ratio of the ongoing portfolio increased from 15.5 percent in 2008 to 25 percent in 2010, following a substantial portfolio cleanup. However, this improvement was only transitory. Indeed, following the approval of some substantial new projects, this ratio fell to 12 percent in 2012. In 2013, the disbursement ratio improved again, reaching 22 percent. This was a figure in line with the EARC Key Performance Indicator (KPI) target set at 22 percent, but two percentage points below the Bank-wide result (24 percent).

The Economic Internal Rate of Return (EIRR) of Bank's projects are excessively positive and their upwards revision at completion stage does not seem to be always justified (although a detailed review was not undertaken). The value for money of the Bank's interventions, that is the relationship between the resources spent and the results achieved, is typically measured by the EIRR. This indicator is estimated ex-ante as part of the feasibility assessment for all investment projects, and is normally reassessed ex-post in order to evaluate the actual economic performance of each intervention. Unfortunately, relevant data was available for a minority of the projects (six), and only a couple of economic analyses could be retrieved (although, in principle, they should be annexed to the PCR). Accordingly, only general considerations can be formulated. EIRRs estimated at appraisal were well above the opportunity costs, typically falling within the 14 percent to 25 percent range and invariably revised upwards at the PCR stage to between 18 percent and 32 percent. These values are somewhat on the high side, especially for what relates to infrastructure projects. The ex-post increases look even less convincing in the light of the common implementation delays illustrated above, which, in principle, are expected to lower the EIRR. Indeed, implementation delays typically involve (i) an increase in construction costs, such as labor/material cost and machine depreciation; and (ii) an increase in other opportunity loss; and (iii) delay of benefit generation; and (iv) an increase in economic and social loss to the surrounding environment and transportation. Furthermore, based on the most recent evidence collected, some of the key assumptions made to estimate the project benefits seem to be optimistic. For instance, in the case of the first rural electrification project, in the last six years the number of customers has increased at a much slower pace than initial expectations assumed (as indicated by a recent IDEV evaluation).

Quality of the Strategy and the Portfolio

*The quality of the strategy and the portfolio is rated **moderately unsatisfactory.** Although the quality of the latest CSP was positively assessed overall, specific aspects including sustainability analysis need improvement. The Bank has not made use of the various instruments available to further strengthen its support over time.*

The overall design of the CSP 2011-2015 was positively assessed. As indicated in Section 2, the CSP was well aligned with Ethiopia's development plans and priorities and the Bank's corporate strategies. The Bank's positioning and strategic selectivity were assessed positively, too. However, the challenges faced in the different sectors during previous periods and, more importantly,

Judgment Criteria	Rating
Quality-at-Entry of the CSPs	Moderately Satisfactory
Internal Coordination of Assistance	Moderately Unsatisfactory
Innovation	Moderately Unsatisfactory
Quality of the strategy and portfolio	**Moderately Unsatisfactory**

the sustainability of past interventions are not explored in sufficient detail. The poor attention given to sustainability is even more serious considering the greater emphasis placed by the CSP on infrastructure development and the operational and financial weaknesses of local implementing agencies, as previously illustrated. The solutions the Bank can propose to address effectively PSD issues, mainstream inclusive growth, and the transition to a green growth in the planned activities are also insufficiently explored.

Internal coordination was poorly addressed in terms of synergies among projects. The review of explicit references to complementary Bank's interventions in project documents found that only half a dozen interventions were expected to complete/reinforce the results achieved by other projects. Moreover, in a couple of cases these 'side-effects' were only vaguely mentioned. Among the interventions expected to ensure synergies with other projects, three were policy-based operations. Given the broad support to pro-poor sectors, these operations were regarded as complementary to the Bank's interventions in the areas of water supply and agriculture (as well as education). Despite the significant potential to build on previous operations, the number of follow-up interventions funded by the Bank is also quite low and limited to the four PBS operations and the two subsequent rural electrification interventions. In the case of two interventions in the agriculture sector, however, it was the GoE that disagreed with the Bank's proposal to fund a second phase of the ASSP and contribute to RUFIP II, most likely due to strategic considerations and to the severe implementation issues experienced in the past.

The Bank's public sector operations resorted to only a few financing instruments, namely investment project lending and PBOs. Other instruments, such as program lending, were not adequately applied; moreover, the effectiveness of the technical assistance provided by the Bank looks rather modest (although limited evidence is available). For the private sector operations, equity participation and loan guarantees were not used. The only innovation that was introduced concerned PBS operations. As extensively illustrated above, a new solution was designed in coordination with other DPs to avoid that the cancellation of general budget operations in Ethiopia in 2005 since this would have negatively affected the delivery of basic services to the population. Except for this innovative instrument, the Bank did not participate in any multidonor trust fund (MDTF). What is more, neither did the Bank finance any stand-alone Institutional Support Program (ISP). Yet this instrument could have provided technical assistance in key areas of the PFM, for instance, internal audit or procurement whose reform was among the objectives of the policy-based operations funded by the Bank. Nonetheless, a few recent developments should be noted such as discussions on the possible introduction of Partial Credit Guarantees, an ISP recently approved to support PPPs, and a SWAP[64] now under way in the water supply and sanitation sector.

Partnership and Leverage

*The Bank's performance in partnerships and leverage is rated **moderately satisfactory.** The Bank has actively contributed to coordination but this has not translated into participation to joint support mechanisms (with the notable exception of PBS). Private sector operations show a limited degree of leverage of the Bank's resources.*

During the evaluation period (2004-2013), the amount of aid granted to the country grew from about US$ 1.8 billion to US$ 3.8 billion, making Ethiopia the largest recipient of net official development assistance (ODA) in SSA (and the fifth worldwide) in 2013. In this context, the alignment among donors is of the utmost importance. The DAG was considered as an effective coordination mechanism and played an important role in this regard. As already mentioned, the effective functioning of the DAG can also be ascribed to the Bank's active contribution, as for instance through the participation in the meetings of the Aid Effectiveness Task Force.[65]

With respect to the Paris Declaration Principles on Aid Effectiveness indicators[66] the Bank recorded a mixed performance between 2005 and 2010. The overall share of funds disbursed as planned grew overtime and the predictability of the Bank's disbursements also improved, growing from 40 percent in 2007 to 58 percent in 2010 (above the donor average at 49 percent). All parallel project implementation units were eliminated as from 2007. The Bank resorted to the country's PFM systems in only a limited manner and with a modest increase over time, from 33 percent in 2005 to 37 percent in 2010 (essentially corresponding to the disbursement under the PBS operations). A similarly small share of the Bank's funding (41 percent) was channeled through the country procurement systems. In the same period, the overall share of aid channeled to Ethiopia's public sector through the country's PFM systems increased, from 45 percent in 2005 to 69 percent in 2010 –with the World Bank, the DFID and the EU channeling over 90 percent of the aid through the national systems. The key challenges to a greater use of the systems which are already in place in the country are the weak procurement capacity at various levels of government, along with the Bank's focus on interventions in the infrastructure sector. In the case of the latter funds are usually more easily channeled through projects. Finally, the share of total ODA disbursed on a Program Based Approach (PBA) slipped from 66 percent in 2007 to 61 percent in 2010. On account of the Bank's very limited participation in the MDTFs - with the notable exception of the PBS - the share of aid provided by the Bank flowing through PBAs was even lower (indeed, it was only 29 percent in 2010).

Judgment Criteria	Rating
Involvement in mechanisms for coordinated management with the DPs and the GoE	Satisfactory
Alignment of approaches, arrangements and procedures with the other DPs	Moderately Unsatisfactory
Leveraging of Interventions	Moderately Satisfactory
Partnership and Leverage	**Moderately Satisfactory**

Leaving aside the PBS - one of the largest multidonor funded initiatives in the SSA benefiting from an important financial contribution from the Bank - only a handful of operations were jointly financed with other DPs. Specifically, these included (i) both PSOs; (ii) the Bank's contribution to the RUFIP, a project designed by the IFAD; and (iii) two large infrastructural operations. Based on evidence collected from key informants the Bank seems to have played a different role in the initial phase of these projects. In the case of the PSOs, the Bank reportedly performed a catalytic role. In the case of the DMC, the AfDB helped involving the IFC and the EIB in the deal to satisfy the initially higher request by the Midroc (US$ 200 million). Similarly, the joint offer presented, following a call for bids by Ethiopian Airlines, was prepared by the Bank. It was reported that both the AFC and PTA Bank were encouraged by the Bank's interest. In contrast, in the case of the infrastructure projects the GoE was firmly in the driving seat. Even though it initially preferring the Bank, the GoE opted to involve other co-financiers to accelerate the project and/or overcome the Bank's financial constraints[67].

Managing for Development Results

*The Bank's management for development results is rated **moderately satisfactory.** Elements such as log-frames and monitoring processes are in place and of good overall quality but still with scope for improvement. The same issues which repeat over time appear to show learning is not fully in place.*

The review of the log-frame matrices included in the approval documents accompanying the Bank's interventions under investigation presented mixed results. While output and objective indicators were usually successfully included and measured, those indicators relating to outcomes proved to be more problematic (sometimes also referring to sectoral national targets). This was especially true in the case of operations in the agricultural sector. Yet, in the event, the majority of outcomes proved to be capable of measurement. On the other hand, outcome indicators relating to technical assistance and capacity-building initiatives were totally absent. Turning to areas of possible improvement it is certainly the case that more could be done in terms of the collection of baseline data at the project design stage.

With regard to supervision, the frequency requirement was usually observed with at least one mission organized per year. The quality of supervision activities was again assessed positively although the skills mix in supervision missions can still be improved, especially by involving environmentalists and gender and social development experts. With regard to management, the flexibility of the Bank in adapting to emerging issues was largely commended. In particular, the Bank's Ethiopia Field Office (ETFO) was considered as extremely responsive and played a crucial part in mediating and linking local partners with the Bank's headquarters. The significant increase in the staff of the ETFO, from four employees in 2001, when the office opened, to 24 in 2015, certainly contributed to its effectiveness. The skills and qualifications available are also improving, with the ETFO always maintaining a stable core of project leading and administrative staff. Over time this has been gradually integrated with sector and thematic experts responding to the Bank's intervention needs. On a less positive note, only five mid-term review were carried out, typically for the most problematic cases, and project completion reports are more often than not tabled after the deadline (although the quality appears satisfactory).

Judgment Criteria	Rating
Adequacy and use of M&E mechanisms	Moderately Satisfactory
Timeliness and quality of management and supervision activities	Moderately Satisfactory
Successful integration of a MfDR culture	Moderately Satisfactory
Managing for Development Results	**Moderately Satisfactory**

Based on the review of the lessons learned, as set out in the project approval reports (PARs), a consistent and widespread use of evaluation information based on the Bank's experience and past interventions is typically found. Despite the fact that the problems encountered in past projects were usually identified, the same issues continued to arise, either as a result of systematic and complex problems which are very difficult to overcome (for example weaknesses in the procurement and supervision of the implementing agency), and/or the fact that lessons are not actually learnt. At country level, the GoE has been successfully developing its MfDR system with the Bank's (and other DPs') support. As a result, the 'Managing for Results' Paris Declaration indicator improved from 'C' in 2005 and 2007, to 'B' in 2010. ■

More attention is being paid to the issue of green growth and climate change as a strategic area of support to GoE. However, the number of operations supporting the transition to a green growth remained limited in Ethiopia, IDEV evaluation concluded.

Photo credit/UNICEF Ethiopia

Recommendations

The evaluation proposes the following recommendations for the next CSP, based on the key challenges emerging from these findings. Implementation delays related to the rigidity of Bank's procedures are among the challenges the Bank faces in Ethiopia. Given this is a broader issue that is not specific to Ethiopia, it is not included in these recommendations.

- **Recommendation 1 – Strengthen the inclusiveness analysis in both strategy and operations.** The Bank's strategic selectivity has increased over time and investments in sectors of strategic importance for inclusiveness, such as agriculture and water supply, have decreased. In addition, gender issues and geographic disparities have not been addressed satisfactorily in the design of operations. The analysis in the CSP and project appraisal reports should be strengthened to clarify how investments in priority sectors for the Bank supports inclusiveness –including adequate information on possible integration, and synergies between Bank projects, and with other DPs, in order to maximize impact.

- **Recommendation 2 – Further expand the support to private sector development including stronger collaboration with other DPs.** In the light of the increasing emphasis placed by the GoE on the promotion of the private sector, appropriate solutions fitting the local environment need to be identified. Given the existing array of initiatives currently funded by other DPs, aimed at fostering the public-private dialogue and supporting private sector development, the Bank should enhance coordination to scale up effects, building on its own privileged position gained around PPP.

- **Recommendation 3 - Adopt innovative approaches to improve the alignment with the other DPs and respond to the country's specific constraints.** The instruments used by the Bank in Ethiopia have remained stable over time while efforts have been made at corporate level to propose innovative options. Resorting to a diversified range of less traditional approaches, such as program-based approaches and institutional support programs (ISPs), can help foster alignment and coordination among donors and support the capacity of local counterparts. In the case of the private sector, the use of less common instruments, such as credit guarantees, could also contribute to overcoming regulatory constraints.

- **Recommendation 4 – Improve the sustainability analysis in the strategy.** Given that moderate to serious concerns about sustainability are widespread in all sectors, a proper analysis of sustainability risks is recommended to improve the potential of the Bank's support to achieve long-term sustainable economic and social development, especially considering its focus on infrastructure development.

- **Recommendation 5 – Support the development of the management capacity of the GoE and its implementing agencies for effective delivery of the assistance offered.** Besides internal procedural factors, one major constraint to achieving Bank's outcomes is national implementation capacity. Mainstreaming technical assistance and capacity building should aim at tackling: (i) the wide range of capacity-building needs at the various government levels; and (ii) the high staff turnover. Participation to multidonor trust funds and implementation of ISPs could offer adequate solutions in partnership with other DPs. ■

DEV's evaluation recommends to further expand the support to private sector development including stronger collaboration with other development partners.

Photo credit/Ministry of Foreign Affairs Ethiopia

Annexes

Annex A: Evaluation Methodology

Desk Research

Desk research included, first and foremost, the project documents (including background studies), and then procedural and governance documents, official statistical datasets, international scoring schemes, reports produced by executive agencies, other donors' evaluations and studies, and the like. This allowed all information available from secondary sources to be duly exploited (thus reducing gaps or duplications) and to triangulate among various sources, that is, cross-checking the information provided by interviewees with hard, factual evidence and vice versa.

In general terms, the consulted desk sources can be classified in four main groups, based on their evaluative usefulness (Table A.1). In particular, they have been used as:

- Sources that **describe the context** to understand the background of interventions, such as country policies, the Bank's general strategies, other donors' plans and the like. They represented the reference for the assessment of intervention's relevance, coherence, design and respect of aid coordination principles.

- Sources that **set the intervention logic** at all levels, from activities to ultimate goals. These can be Bank's project-level documents (for example PAR), sectoral level and country level strategies (CSPs), as well as external development plans articulating targets and indicators (GTP). This group includes also process documents setting the stage for the interaction with partners and the policy dialogue. These represented the 'baselines' for the measurement of effectiveness, efficiency and cross-cutting issues.

- Sources of **verification of results achieved,** that is supervision and monitoring reports (from project level to country level), evaluations, reviews and any other evidence of implementation and results obtained (or lack thereof). These documents are the main secondary source for the objective measurement of all EQs related to Development Results, as well as efficiency, and the Management for Result aspects.

- **Structural indicators and international indexes,** such as poverty measurement, MDG scores, Doing Business ranking, and the like, which provided a synthetic measurement of general trends to which the Bank's intervention might have contributed. The Evaluation used them to estimate to what extent certain trends were influenced by the Bank's intervention and what might have happened in the absence of it. This further contributed to an assessment of the effectiveness and sustainability of the interventions.

Taken together, the bibliography reviewed includes no fewer than 160 titles (not including project documents). The full list of the documents consulted is provided in the technical report of this evaluation.

Table A1: Desk Review composition

Type of document	Description and number of available documents
A. Project Documents	Project approval reports (PARs) (29) Supervision reports (Supervision summaries, Implementation Progress reports, Mid-term reviews, Aide-Memoire, BTOR) (17) Project completion reports (PCRs) (18) PCR Evaluation notes (PCRNs) (10) IDEV evaluations (5) Loan and grant agreements (22) Background documents and technical annexes (feasibility studies, and so forth) Project Portfolio assessments and reviews (CPPR, MTR, CPIP)
B. Banks' strategic and operational framework	Strategic documents: CSPs, Bank's corporate, sectoral and regional strategies (RISP) Bank's SOP, operating guidelines, assessment framework (RFM)
C. National development strategies and cooperation framework	National Development Strategies (SDPRP, PASDEP, GTP) Sectoral strategies and programs (RSDP, UEAP, and so forth) DAG cooperation framework related documents (JRIS Aide memoire), and governance documents Other donors country strategies
D. M&E documents and studies	Bank's previous evaluation studies (sectoral, general), country assistance evaluation, PBO evaluation, and so forth Economic and Sector Work (ESW) Other DP's evaluation studies (country assistance, sectoral, co-funded projects), PBS evaluations, World Bank Poverty Assessment, and so forth GoE's evaluations, annual GTP progress reports, Economic reviews, sectoral reviews, and so forth.
E. Datasets, statistics and rating schemes	Central Statistical Authority' datasets (for example HICES, WMS, and so on.) •Sectoral statistics (for example crop production and yield, average daily traffic, and so forth) and regional-level statistics MDG achievement reviews Business environment assessments (Doing Business, Global Competitiveness Index) World Development Indicators World Governance Indicators PEFA reports

Interviews and Stakeholders Consultation

Direct consultation with key informants and stakeholders represented the main source of original evidence of the CSPE. In-depth interviews led to a deeper understanding of the main issues at hand and were useful to explore differences between stakeholders' expectations, perceptions and experiences. Overall, some **95 qualitative and semi-structured in-depth interviews** were carried out with a wide and heterogeneous spectrum of stakeholders, ranging from staff directly involved in the execution of project activities (called project coordination or implementation unit – PCU/PIU), to the ultimate recipients of the possible benefits of the intervention, such as the communities living in the project areas. Table A.2 below provides a summary analysis of stakeholders consulted, classified per typology. Details about counterparts consulted are available in the technical report of this evaluation.

Table A2: List of Stakeholders Consulted

Type	Entities	Description
Institutional Counterpart	Executing Agencies Project Management/ Coordination Team/Unit Local team and competent LGAs PSO's clients	Overall, **54 interviews** were conducted with institutional counterparts of the Bank' projects. This group primarily concerns key EAs, such as relevant ministries and national utilities. Meetings were conducted with head of relevant directorates as well as project dedicated staff (PMU, PCU, and so on), responsible for the day-to-day management of planned activities and reporting. Other counterparts met include: (i) local counterparts at decentralized level, such as Agricultural Development Bureau at the region level and Office of Finance and Economic Development at woreda level, and (ii) the two companies that received assistance from the Bank's private sector window.
Bank's Staff	ETFO staff	The Bank's concerned staff were a major source of information not only on projects, but also on wider sectoral and general strategies as well as on administrative and management aspects. **11 interviews** were conducted face-to-face with the staff of the Ethiopia Field Office.
End beneficiaries and stakeholders	Local administration representatives Farmers groups Community-based organizations Contractors Business associations and representatives Research institutes	These stakeholders represented the primary source of feedback about the perceived benefits and the relevance of the Bank's interventions for target groups such as economic operators and farmers. Overall, **seven focus groups** were carried out involving local communities representatives, farmer groups, businesses, and community-based organizations. Direct feedback (although qualitative) from the ultimate beneficiaries of the assistance at the territorial level, that is, in the communities where interventions took place, was fundamental to evaluate project impacts. These were complemented by **11 interviews** with construction companies (contractors of Bank's projects), transportation services, representatives of private sector associations and research bodies.
Other Development Partners	Multilateral and bilateral donors and IFIs involved in the DAG	**19 interviews** involved other development partners, primarily multilateral donors, including co-financing partners of the Bank's operations, main DAG members active in the same sectors of the Bank's intervention, and the PBS secretariat hosted by the World Bank. These included the WBG, EU, DFID, IFAD, and UNDP (DAG).

Moreover, **seven focus groups discussions (FGDs) with a total of some 50 participants** added an interactive dimension, especially when conducted in the field with representatives of the ultimate target groups. The participants to the FGDs have been identified with the support of PCU staff and included local authorities, community-based entities involved in the management of local infrastructures, such as irrigation schemes and nurseries, and sector representatives (farmers, traders, accommodation tourist services, and so on). The basic features of the FGDs carried out are summarized in Table A.3 below.

Table A3: Key features of FGDs conducted during field mission

Project (Sector)	Area (Region)	No of FGDs and participants
Jimma – Mizan Road Project (Transport)	Jimma (Oromia) Mizan (SNNPR) Shishinda (SNNPR)	Three FGDs in the field with around 20 participants (including local administration representatives, business owners, traders and farmers)
Agriculture Sector Support Program (Agriculture)	Sibuu Siree (Oromia) Sasiga (Oromia)	Three FGDs in the field with about 20 participants (including local administration representatives, community leaders, development agents, farmers, members of WUAs and nurseries)
Derba MIDROC Cement Plant (Industry)	Derba (Oromia)	One FGD in the field with about 10 participants (including staff working for and beneficiaries of different social facilities).

Project Sampling

The Evaluation involved a sampling of the projects in the portfolio, since it was not feasible (and not relevant for the purpose of the Assignment) to carry out an original review of all 37 operations in the portfolio. The proposed sampling is three-staged. At the core stands the in-depth evaluation of 10 lending projects. This group includes (i) five **'case-studies'**, for which an extensive data collection was foreseen, including fieldwork missions, consultations with various stakeholders, reviews of relevant documents (in addition to Bank's project documents) was also carried out, and (ii) five lending projects, which underwent **IDEV project cluster evaluations and impact assessments**[68]. At a broader level, a **portfolio sample** has been selected, based on considerations of size, relevance and maturity. For this group pf projects, the analysis was based not only on the review of the Bank's project documents, but involved an additional collection of evidence through stakeholders' consultation and/or additional review of documents. The rest of the operations in the portfolio have been **desk-reviewed,** that is, based on project documents only.

The result of sampling is provided in Table A.4 below. Note in particular:

- Five Case-studies carried out included one champion from the three key sectors of the Bank's intervention, namely: (i) multi-sector, (ii) transport, and (iii) power. The two remaining case-studies include: (i) the Bank's major intervention in the agriculture and rural development sector (that is the Agriculture Sector Support Program - ASSP), considering the importance of this sector for the Ethiopian economy and its central role in the national development strategies, and (ii) one of the two private sector operations funded by the Bank (that is the Derba Midroc Cement Plant Project), to understand better the challenges faced by the Bank in operating in this sector. This was also relevant because recent national development policies place greater emphasis on expanding the space for the private sector.

- Five projects under **parallel IDEV evaluation work** encompass most of the support extended by the Bank to the Ethiopian power and watsan sectors during the evaluation period. In particular, out of seven operations in the power sector, two were covered under the Rural Electrification Cluster Evaluation, and two under the Power Interconnection Cluster Evaluation. As for the watsan sector, the Rural Water Supply and Sanitation Program underwent an ex-post impact evaluation.

- The **Sample Projects include 12 operations** representing the remaining bulk of the Bank's assistance in Ethiopia, based on considerations relating to (i) intervention areas (that is, the main clusters relating to the Bank's intervention), and (ii) the period of implementation (avoiding projects that were too old or too recent), and (iii) geographic and instrument balance (covering an adequate share of multinational interventions and grant-funded studies and technical assistance operations).

- The **Desk-Reviewed Projects** group includes the remaining operations. This is a mixed group of operations that were analyzed solely through a desk review of the relevant documents. This was done on the basis that they were less relevant to the CSPE. The proposed desk-reviewed projects encompass: (i) recent operations with very low disbursement rates (up to 5 percent); (ii) closed projects approved in 2001, that is under previous CSPs, whose results and performance will be entirely assessed based on the reports and evaluations previously produced, and (iii) all PBOs, with the notable exclusion of the latest one (that is PBS III, to be covered by a case-study), which have already been extensively covered by previous evaluation work. Finally, three small grants related to emergency assistance were largely excluded from the analysis.

Table A4: Project Portfolio Sampling

Sector / Type	Project	Approval Year	Status	Amount approved (US$ '000)	Instruments	Disburs. Rate
Case-Studies						
Multi-sector (PBO)	Promoting Basic Services III (PBS III)	2012	CLSD	166,000	L	100%
Transport	Jimma-Mizan Road Upgrading Project	2006	OnGo	65,000	L	76%
Power	Electricity Trans. System Improv Project	2010	OnGo	254,423	L+G	82%
Agriculture	Agriculture Sector Support Program (ASSP)	2003	CLSD	39,000	L+G	78%
Industry (Private Sector)	Derba Midroc Cement Plant Project	2008	OnGo	55,000	L	100 %
Projects under IDEV Evaluation						
Power	Rural Electrification Project	2001	CLSD	46,929	L	77%
Power	Rural Electrification Project II	2006	OnGo	129,001	L	77%
Power	Ethiopia-Djibouti Power Interconnection	2004	CLSD	39,615	L	97%
Power	Ethiopia-Djibouti Power Interconnection (Supplementary Loan)	2008	CLSD	8,495	L	88%
WatSan	Rural Water Supply & Sanitation Program	2005	CLSD	63,523	G	100 %
Sample Projects						
Transport	Wacha-Maji Road Upgrading	2003	CLSD	33,200	L+G	98%
Transport	Bedele-Metu Road Upgrading Project	2011	OnGo	65,714	L	40%
Transport	Kenya-Ethiopia: Mombasa-Nairobi-Addis Corridor I	2004	CLSD	1,979	G	68%
Transport	Kenya-Ethiopia: Mombasa-Nairobi-Addis Corridor II	2009	OnGo	140,939	L	62%
Transport	Kenya-Ethiopia: Mombasa-Nairobi-Addis Corridor III	2011	OnGo	168,047	L	25%

Sector / Type	Project	Approval Year	Status	Amount approved (US$ '000)	Instruments	Disburs. Rate
Sample Projects						
Transport (Private Sector)	Ethiopian Airlines Tranche 1, 2 & 3	2011	OnGo	40,000	L	97%
Agriculture	Rural Financial Intermediation Project (RUFIP)	2003	CLSD	49,338	L+G	94%
Agriculture	Creation of Sustainable Tsetse-Ethiopia	2004	COMP	14,354	L+G	95%
Agriculture	Fisheries Resources Development Study	2004	COMP	1,349	G	0%
WatSan	Water Information Systems	2006	COMP	628	G (AWF)	90%
WatSan	Solar & Wind for Water	2009	OnGo	2,778	G (AWF)	59%
Social	Institutional Support for Women Affairs	2004	CLSD	1,554	G	100 %
Desk-Reviewed Projects						
Multi-sector (PBO)	Poverty Reduction Support Loan I	2004	CLSD	87,973	L	100%
Multi-sector (PBO)	Protection Basic Services (PBS) Program	2006	COMP	116,116	G	100%
Multi-sector (PBO)	Protection of Basic Services II (PBS II)	2008	CLSD	179,698	G	100%
Multi-sector (PBO)	Protection of Basic Services II (Supplementary Loan)	2010	COMP	107,368	L	100%
Transport	Butajira-Hossaina-Sodo Road Upgrading Project	2001	CLSD	51,458	L	80%
Transport	Modjo-Hawassa Road Project Phase I	2013	APVD	128,904	L+G	0%
Power	Assela Wind Farm (SREP)	2012	OnGo	1,700	G (SCF)	0%
Power	Ethiopia-Kenya Electricity Highway*	2012	OnGo	257,632	L	1%
Agriculture	Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa – Phase I	2012	OnGo	45,533	L	2%
Agriculture	Genale Dawa River Basin Integrated Resources Development Master Plan Study	2001	CLSD	4,893	G	99%
WatSan	Harar Water Supply and Sanitation Project*	2002	CLSD	27,953	L+G	92%
WatSan	Baro-Akobo-Sobat Wrd Study	2012	OnGo	3,237	G (AWF, NEPAD-IPPF)	5%
Emergency Assistance Interventions (excluded from the analysis)						
Agriculture (Emergency)	Humanitarian Flood Relief Assistance	2011	COMP	1,000	G	N/A
WatSan (Emergency)	Humanitarian Flood-Relief Assistance	2007	CLSD	500	G	N/A
WatSan (Emergency)	Humanitarian Emergency Assistance Drought-Relief	2006	CLSD	500	G	N/A

Legend: Status: APVD=Recently Approved, CLSD= Closed, COMP=Completed, OnGO=Ongoing. Instruments: L=Loan, G=Grant

*Initially, to be assessed under parallel IDEV evaluations.

Data Analysis and Limitations

Methodological approach

The key features of - and methodological challenges faced - with respect to the approach can be summarized as follows:

- The CSPE is a country-level evaluation with a specific strategic orientation, involving the assessment of the Bank's performance at three interrelated levels: (i) project level (individual operations); (ii) sector level (clusters of operations, as defined in the Bank system); and (iii) country level (aggregated effects, and crosscutting and horizontal issues). While the data collection was based on this clear distinction, the specific interaction between the relevant levels was then taken into account in the analysis (that is, aggregated effects do not always correspond to the 'sum' of individual projects' outputs).

- Coherent with the strategic nature of the exercise, the focus of the CSPE was not to replicate the portfolio performance assessment but to investigate the Bank's aggregated contribution to Ethiopia's key development outcomes, or, in other words, to pose the question what would have happened without the Bank's assistance? This required a substantial 'rationalization' of the underlying 'theory of change' (ToC), which was reconstructed on an ex-post basis with reference to the actual 'building blocks' of the Bank's intervention (see below). In this way, the ToC contributed to the evaluation to trace logical connections spanning the immediate outputs of the Bank's interventions right through to their ultimate impacts. By adopting this approach, the CPSE was better able to identify flaws in the theory as well as both enabling and hindering factors.

- Another prime focus of the CSPE was to investigate the Bank's aggregated contribution to the country's key development outcomes. Numerous methodological obstacles were encountered in performing this analysis, in particular (i) gaps and solidity issues with respect to statistical datasets (especially the lack of a complete historical series covering the past 10 years along with a lack of data at zone/district level, and so on), and (ii) gaps and weaknesses in project documents (an absence of baseline data, overemphasized reported outcomes, and so forth); and (iii) the difficulty in isolating the net effect of the Bank's assistance from other interventions on the same target groups; and (iv) the sheer amount of possible influencing external variables. As a result, the contribution 'stories' provided are mostly based on qualitative evidence and/or 'case-studies'.

- For each evaluation question, adequate triangulation of sources has been used in order to ensure the right mix between qualitative information (the views and experiences of relevant partners and stakeholders), cross-checking of factual evidence in documentary sources, and relevant quantitative indicators (for example, statistical data from national and international sources). Furthermore, two workshops were organized in Ethiopia to discuss and validate the design and findings of the CSPE with the help of stakeholders.

The theory of change

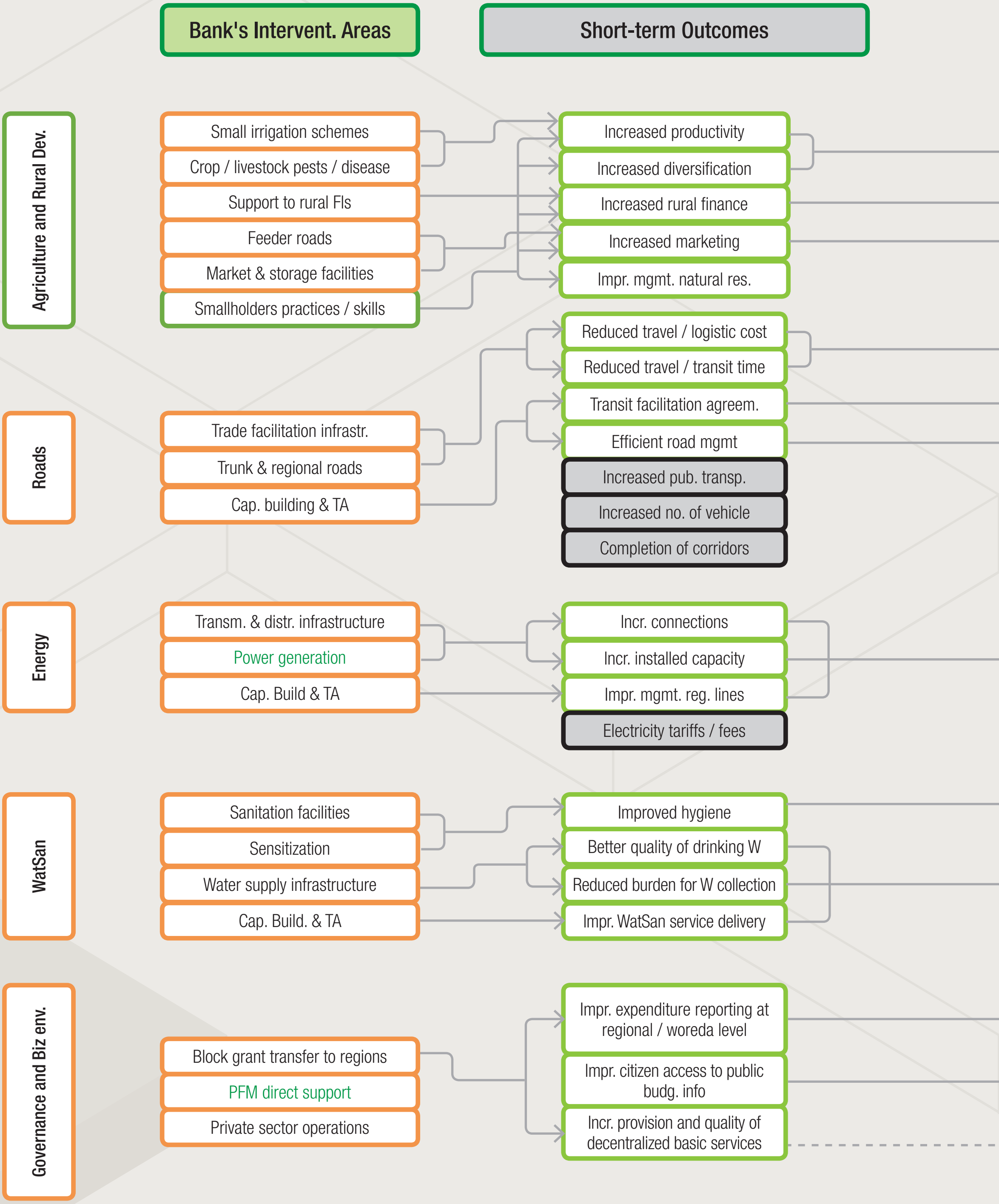
The reconstructed ToC for the AfDB's assistance to Ethiopia in the target period (2004 – 2013) has been developed building upon the objective 'chain' of the Bank's interventions as it emerged from CSPs. It is important to underline that, given the complexity of the intervention, which covered a 10-year period, this ToC necessarily mediates between the need for completeness and the focus on the main aspects of the Bank's interventions. In particular, the need to use this ToC as a guiding tool for the Evaluation has been duly taken into account (that is, using the Bank's sector definitions for clustering operations). Different ToCs can be developed by placing the focus on different thematic aspects and/or for different analytical purposes.

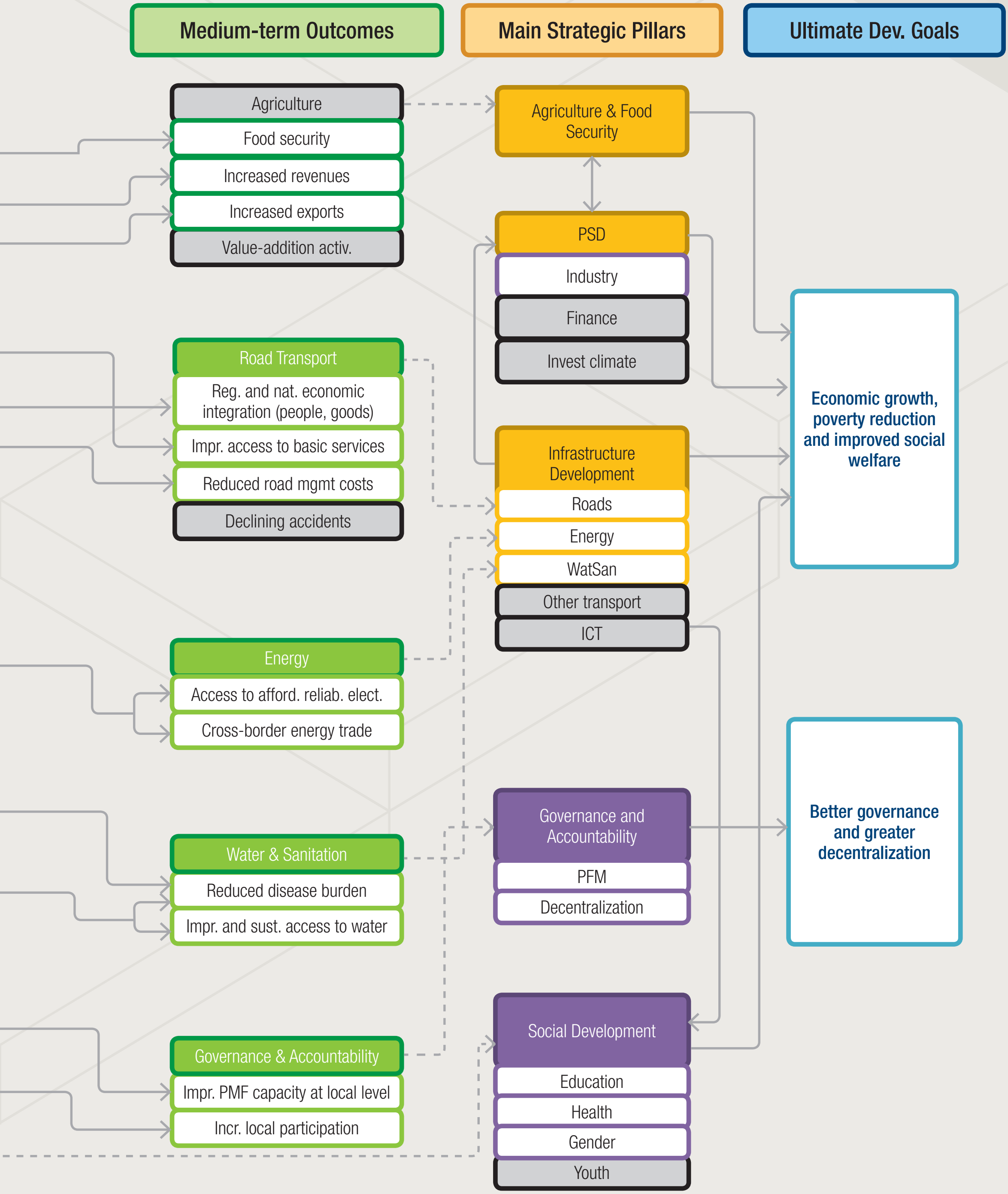
The developed ToC is outlined in Exhibit A.5, based on a five-level structure, going from specific areas of intervention (to the left) to the ultimate development goals for Ethiopia (to the right). The first three levels directly concern the Bank's priorities and operations, and their (expected) short-term and medium-term outcomes, while the other two levels show how the strategic pillars of interventions are supposed to contribute to the overall strategic goals. The various items comprising the ToC are connected by arrows that intuitively show how a lower level effect may contribute to a higher level effect in a logical chain. Items are grouped by sectors or clusters, and mutual feedbacks between items of the same clusters are obviously possible. The diagram does not allow the depiction in a clear manner of the chains of effect for cross-cutting issues, since these are typically embedded into most of the interventions (for example, gender mainstreaming).

The evaluative value of the ToC consists in its ability to trace logical connections from the immediate outputs of an intervention up to its ultimate impact. It is important to underline the point that such connections are not causal relations in the strict sense, but, more often, they represent a possible contribution to a higher level effect, to which a number of other known and unknown factors may concur. This is even more the case at the level of long-term and ultimate development goals, for example, 'poverty reduction', where the number of such factors is so high and their interrelation is so complex that it is virtually impossible to 'isolate' and measure the direct effect of individual factors, unless in a qualitative and very tentative manner.

The various factors that play a role in producing the expected 'change' can be either internal to the intervention – linked, for instance, to the size and the performance of the intervention - or external factors, that is, aspects beyond the control of the Bank and/or not directly addressed by the intervention that may enhance, modify or jeopardize the achievement of a given outcome. Some factors (not shown in the chart) are so pervasive that they virtually apply by default to every item of the model, for example the support provided by other DPs or the Government's endorsement of results. Other factors may deeply affect large parts of the economy, for example, climate conditions, international markets fluctuation, and so forth. Furthermore, certain factors appear, instead, to be more process-specific and may concern (i) pre-requisites that need to materialize in order to achieve the desired effect (for instance, not only better roads but also an increase in the size of the domestic vehicle fleet may be required in order to register a growth in the movement of people and goods along the country's main trunk roads); or (ii) areas not directly addressed by the Bank's intervention that are, however, crucial for a given cluster. Some of the most relevant factors have been added to the diagram below (grey-shaded boxes).

Figure A1: The Theory of Change




Medium-term Outcomes
Main Strategic Pillars
Ultimate Dev. Goals
Agriculture
Food security
Increased revenues
Increased exports
Value-addition activ.
Agriculture & Food Security
PSD
Industry
Finance
Invest climate
Road Transport
Reg. and nat. economic integration (people, goods)
Impr. access to basic services
Reduced road mgmt costs
Declining accidents
Infrastructure Development
Roads
Energy
WatSan
Other transport
ICT
Economic growth, poverty reduction and improved social welfare
Energy
Access to afford. reliab. elect.
Cross-border energy trade
Water & Sanitation
Reduced disease burden
Impr. and sust. access to water
Governance and Accountability
PFM
Decentralization
Better governance and greater decentralization
Governance & Accountability
Impr. PMF capacity at local level
Incr. local participation
Social Development
Education
Health
Gender
Youth

The Rating Scale

To provide a concise assessment for each evaluation question and underlying evaluation criterion, a rating system was developed which is broadly inspired by the system currently used by the Bank. The rating system is based on a six-level scale, ranging from ‘Highly Satisfactory’ to ‘Highly Unsatisfactory’, as described in Table A.6. Importantly, the summary rating takes all available evidence from the whole set of projects analyzed into account. Since the level of detail of available information varies depending on the subject matter and the project, the assessment was not based on a formal ‘weighting’ system. Therefore, while every effort was made to ensure consistency, the rating exercise inevitably entails an element of subjectivity.

Table A5: Rating System

Rating Level	Rationale for Rating
Highly Satisfactory (6)	Overwhelming prevalence of positive aspects, with virtually no flaws
Satisfactory (5)	Marked prevalence of positive aspects, clearly outweighing negative aspects
Moderately Satisfactory (4)	Prevalence of positive aspects, with some negative aspects
Moderately Unsatisfactory (3)	Prevalence of negative aspects, only partly compensated by positive aspects
Unsatisfactory (2)	Marked prevalence of negative aspects, clearly outweighing whatever positive aspects
Highly Unsatisfactory (1)	Overwhelming prevalence of negative aspects

Annex B: Country Socio-Economic Indicators

Overview of Socio-Economic Context

Table B1: Macro-economic Indicators

Indicator	Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP annual growth rate	percent	13.6	11.8	10.8	11.5	10.8	8.8	12.6	11.2	8.6	10.5
Atlas GNI per capita	US$	140	160	180	220	280	340	380	390	420	470
Inflation (GDP deflator)	percent	3.9	9.9	11.6	17.2	30.3	24.1	1.4	20.1	33.5	4.7
Agriculture, value added	percent of GDP	42.3	44.7	45.9	45.5	48.4	48.6	44.7	44.7	48.0	45.0
Industry, value added	percent of GDP	13.9	12.8	12.5	12.5	10.9	10.3	10.2	10.5	10.3	11.9
Services, and so forth, value added	percent of GDP	43.8	42.5	41.6	42.1	40.6	41.1	45.1	44.9	41.8	43.0
Export annual growth	percent	24.4	41.1	18.1	18.7	23.1	-1.0	38.3	37.1	14.8	-2.5
Import annual growth	percent	39.3	40.4	26.4	11.6	32.8	13.4	7.7	-0.2	34.0	3.7
Current account balance, before grant	percent of GDP	-9.8	-12.5	-15.0	-10.7	-10.6	-10.0	-10.9	-6.6	-10.7	-8.6
Current account balance, after grant	percent of GDP	-4.1	-6.1	-9.2	-4.5	-5.7	-5.1	-4.4	-0.7	-6.5	-5.4
Revenue	percent of GDP	16.2	14.8	15.0	12.8	12.1	12.1	14.2	13.7	13.9	14.6
External debt	percent of GDP	73.3	48.9	37.3	11.8	10.4	14.8	18.3	22.2	17.9	18.7
Net ODA received and official aid received	Current US$ million	1,828	1,928	2,034	2,558	3,329	3,819	3,525	3,539	3,261	3826

Source: World Bank

Table B2: Selected Poverty, Inequality and Wellbeing Indicators

Indicator	2000	2005	2011
Poverty headcount ratio at national poverty line (percent of pop.)	44.2	38.7	29.6
Poverty headcount ratio at national poverty line (percent of pop.) – urban	36.9	35.1	25.7
Poverty headcount ratio at national poverty line (percent of pop.) – rural	45.4	39.3	30.4
Inequality – Gini Coefficient	0.28	0.30	0.30
Poverty severity (national poverty line, percent)	4.5	2.7	3.1
Poverty depth (national poverty line, percent)	11.9	8.3	7.8
Life expectancy (years)	52		63

Source: HICE and WMS survey

Table B3: Selected International Indicators and Indexes

Indicator/Index	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GCI - Transparency of government policymaking - Rank			94	93	92	97	100	118	129	126
GCI - Transparency of government policymaking - Value (1-7 scale)			3.48	3.73	3.77	3.80	3.95	3.63	3.54	3.49
GCI - Public trust in politicians - Rank			69	64	67	63	56	49	48	65
GCI - Public trust in politicians - Value (1-7 scale)			2.24	2.60	2.73	2.86	3.16	3.26	3.21	3.08
World Bank - CPIA Quality of budgetary and financial management rating (1-6 scale)		3.5	4	4	4	3.5	3.5	3.5	3.5	3.5
World Bank - CPIA Transparency, accountability, and corruption in the public sector rating (1-6 scale)		2.5	2.5	2.5	2.5	2.5	2.5	3	3	3
AfDB - CPIA Governance (1-6 scale)	3.3	3.6	3.6	3.6	3.6	3.4	3.5	3.6	3.9	3.96
AfDB - CPIA Governance - Property Rights and Rule Based Governance (1-6 scale)	3	3	3	3	3	3	3	3.5	3.63	3.63
AfDB - CPIA Governance - Quality of Budgetary and Financial Managmt. (1-6 scale)	3.5	4	4	4	4	4	4	4	4.13	4.5
AfDB - CPIA Governance - Quality of Public Administration (1-6 scale)	3	4	4	3.5	3.5	3.5	3.5	3.5	3.63	4.38
AfDB - CPIA Governance -Efficiency of Revenue Mobilization (1-6 scale)	4	4	4	4	4	3.5	4	4	4.5	3.63
AfDB - CPIA Governance -Transparency, Accountability and Corruption in Pub. Sector (1-6 scale)	3	3	3	3.5	3.5	3	3	3	3.67	3.67
World Bank – WGI Regulatory Quality (percentile rank among all countries, ranges from 0 (lowest) to 100 (highest) rank)	16.18	13.73	17.16	17.96	19.90	20.57	22.01	18.01	14.35	12.44
Doing Business Rank (total n. of countries)			101 (155)	97 (175)	102 (178)	116 (181)	107 (183)	104 (183)	111 (183)	127 (185)

Sources: World Bank, AfDB, World Economic Forum

Annex C: Evaluation Matrix

Evaluation Matrices

The evaluation questions, judgment criteria and indicators were combined into a set evaluation matrices, one per each evaluation criteria, providing a comprehensive framework for the Assignment. The proposed matrices – as reviewed ex post after the completion of data gathering activities - are presented in the following pages. For brevity, only the title of the indicator is reported in the matrices rather than the full description. Evidently, in some cases, the proposed indicators encompass more than one metric – for example 'crop output per hectare' involves separate measurement for the various major crops. Overall, 213 different indicators were used.

The matrices include also a reference to the sources of information that were used to measure the proposed indicators, and the method to approach such source(s), for example interviews with donors, or desk review of project documents and so on (method & source). Sources and methods have been coded as follows:

i. **Interv. w/ PMU:** Interviews with Project Manager and/or other PMU/PCU responsible person;

ii. **Interv. w/. MDA:** Interviews with representatives of the Executing Agency and/or other relevant MDA representative(s);

iii. **Interv. w/ AfDB staff:** Interview with ETFO staff;

iv. **Interv. w/ DPs:** Interviews with DP's relevant staff;

v. **Interv. w/ stakeholders:** Interviews with ultimate beneficiaries, stakeholders / NGOs and/or Bank's client (in the case of private sector operations);

vi. **Desk rev. of Project Docs:** Desk review of project documents (PAR, PCR, Supervision report / IPR, Mid-term reviews, and the like);

vii. **Desk rev. of CSPs:** Analysis of CSP and related document (Mid-term review, completion reports…);

viii. **Desk rev. of AfDB Docs:** Desk review of other AfDB's strategic and operational framework documents;

ix. **Desk rev. of Country Docs:** Desk review of country general and sectoral documents (strategies, cooperation framework, sectoral reviews, annual reports…);

x. **M&E docs & reports:** Desk review of previous/parallel evaluations and other report and relevant studies published by non-Bank sources;

xi. **Datasets & Indexes:** Datasets and statistics published by the CSA and/or other national agencies, as well as the main Bank's and international indexes and rankings.

Relevance

Evaluation Questions

- EQ 1 - To what extent are the country strategy and Bank operations aligned with:
  a. Ethiopia's development needs;
  b. Ethiopia's development strategies and priorities; and
  c. the needs of beneficiaries.
- EQ 2 - To what extent are the interventions in the country aligned with the Bank's strategy and priorities?
- EQ 13 - To what extent has the Bank applied selectivity in designing its country portfolio and focused on areas where it brings added value? (*)

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Alignment with the key national and sectoral priorities	1. Consistency of CSPs with country's development strategies, requirements and priorities (SDPRP, PASDEP, GTP) and evolution overtime. 2. Consistency of the Bank's CPSs and interventions with country's sector development strategies, action plans and programs.	Interv. w/ MDA: 1, 2, 9 Interv. w/ AfDB: 5, 6, 9 Interv. w/ stakeholders: 4 Rev. of Project docs: 3, 4, 7, 8, 9, 10 Rev. of CSPs: 1, 2, 5, 6, 7, 9 Rev. of AfDB docs: 5, 6, 7 Rev. of Country docs: 1, 2	**Highly Satisfactory:** The consistency of the CSPs and the national strategies is extremely high, largely fostered by the Bank's participation in the national processes. At sectoral level, the Bank's support closely aligned with the main country's needs and priorities. In many cases, the degree of coherence was maximized by the Bank' support to national sectoral programs, such as the RSDP or the UEAP.
Alignment with beneficiary needs	3. Share of the Bank's interventions clearly identifying the target population. 4. Share of the Bank's interventions with an articulated analysis of the needs of the target population.		**Moderately Satisfactory:** The Bank's financial assistance to the national sectoral programs largely ensured that the support met the needs of the beneficiaries. In most of the PARs, the target population is clearly identified but their needs are only rarely thoroughly analyzed. Field visits largely confirmed the alignment of the Bank's interventions with the beneficiaries' needs.
Coherence with Bank's strategies and priorities	5. Coherence of CSPs with the relevant multiannual strategies of the Bank. 6. Degree of strategic focus on regional integration (over time). 7. Extent of reference to the Bank's sectoral and thematic strategies and policies in CSP and project documents.		**Satisfactory:** The CSPs are well aligned with the Bank's general multi-annual strategy applicable, not only in terms of explicit reference, but also in terms of operation pipeline. A notable exception concerned the limited support extended to private sector development. Regional integration priorities were duly considered. Reference to the Bank's sectoral strategies and policies are absent in the CSPs, but relatively frequent in the PARs.
Degree of strategic selectivity of Bank's interventions	8. Average project size 9. Degree of sectoral concentration 10. Number and size of projects in areas where the Bank is perceived as bringing significant added value.		**Satisfactory:** A strong and rising selectivity characterizes the Bank's portfolio, as illustrated by the steady increase in the average project size. The Bank's support increasingly concentrated on a few areas of comparative advantage, but the selection of sectors is not fully elaborated in the CSPs.
Overall			**Satisfactory**

(*) This evaluation question was originally under the 'Design' criterion, and moved under 'Relevance' later on, upon Client's request.

Effectiveness and Sustainability

Evaluation Questions

- EQ 3 - To what extent have the Bank's interventions achieved their expected results?
- EQ 4 - To what extent have the Bank's interventions benefited target group members?
- EQ 5 - To what extent have the Bank's interventions contributed to the achievement of development objectives and expected development results of the country, including impacts (both intended and unintended)?
- EQ 6 - To what extent have achieved benefits continued or will be likely to continue once the Bank's interventions are completed?

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Transport			
Delivery of Expected Results	1. Share of projects completing planned activities (degree of completion). 2. Amount and share of road network upgraded, broken down by asphalt / gravel / rural / woreda. 3. Increased road density. 4. Executing Agencies' staff trained.	Interv. w/ PMU: 1, 19 Interv. w/ MDA: 4, 5, 6, 9, 17, 18, 19, 20 Interv. w/ AfDB: 17, 18, 19 Interv. w/ DPs: 1, 4, 17, 18, 20 Interv. w/ stakeholders: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19 Rev. of Project docs: 1, 2, 4, 5, 7, 9, 10, 11, 13, 14, 19 Rev. of Country docs: 3, 8, 16, 17, 20 M&E docs & reports: 2, 3, 5, 6, 7, 17, 18 Datasets & Indexes: 8, 9, 10, 11, 12, 13, 14, 15	**Moderately Satisfactory:** The Bank's completed projects have actually constructed, built and upgraded the initially envisaged road length. However, all projects recoded constant and significant implementation delays, and the quality of road design and construction works was not fully exempt from defects. The Bank's operations contributed to the rehabilitation and upgrading of 700 kilometers of trunk road, that is 14 percent of the total trunk network upgraded in the period.
Benefits for Target Groups	5. Increased economic activities in connected areas 6. Extent of population with improved access to transport 7. People with improved access to medical service and schools		**Satisfactory:** For all three completed projects, evidence has been gathered on a wide variety of positive developments connected to improvements of accessibility and mobility, such as better access to markets and to health and education services as well as an expansion of investments and economic activities. Still, accessibility to the poor remains scarce.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Transport			
Achievement of Sectoral Goals and Development Outcomes	8. Proportion of road infrastructure in good condition 9. Average Annual Daily Vehicle Kilometers Travelled (AADVKT). 10. Reduced road users travel time (for major routes). 11. Savings in Vehicle Operating Costs (VOC). 12. Number and frequency of traffic accidents. 13. Transport cost reduction. 14. Increased transport services (persons and goods). 15. Adequate donor support for the RSDP. 16. Road safety policy and programs.	Interv. w/ PMU: 1, 19 Interv. w/ MDA: 4, 5, 6, 9, 17, 18, 19, 20 Interv. w/ AfDB: 17, 18, 19 Interv. w/ DPs: 1, 4, 17, 18, 20 Interv. w/ stakeholders: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19 Rev. of Project docs: 1, 2, 4, 5, 7, 9, 10, 11, 13, 14, 19 Rev. of Country docs: 3, 8, 16, 17, 20 M&E docs & reports: 2, 3, 5, 6, 7, 17, 18 Datasets & Indexes: 8, 9, 10, 11, 12, 13, 14, 15	**Moderately Satisfactory:** The road network expanded significantly but it remains well below the level of other African countries. The Bank's road projects contributed to achieve broad sectoral goals, such as improved road density and increased connection between the country's economic centers. The slow development of an affordable transport system represented the main hindering factor.
Sustainability	17. Adequacy of revenues for road maintenance needs. 18. Improved road system management capacity. 19. Share of roads built/upgraded by the Bank in good conditions. 20. Completion of trunks and corridors (by GoE and/or other donors).		**Moderately Unsatisfactory:** All completed projects already show more or less severe signs of deterioration, requiring routine or periodic maintenance. The adequacy of resource mobilization for maintenance financing, despite a strong government commitments, remains not entirely granted given the rapid expansion of the road network and the ERA need to improve its maintenance planning capacity.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Transport			
Achievement of Sectoral Goals and Development Outcomes	8. Proportion of road infrastructure in good condition 9. Average Annual Daily Vehicle Kilometers Travelled (AADVKT). 10. Reduced road users travel time (for major routes). 11. Savings in Vehicle Operating Costs (VOC). 12. Number and frequency of traffic accidents. 13. Transport cost reduction. 14. Increased transport services (persons and goods). 15. Adequate donor support for the RSDP. 16. Road safety policy and programs.	Interv. w/ PMU: 1, 19 Interv. w/ MDA: 4, 5, 6, 9, 17, 18, 19, 20 Interv. w/ AfDB: 17, 18, 19 Interv. w/ DPs: 1, 4, 17, 18, 20 Interv. w/ stakeholders: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19 Rev. of Project docs: 1, 2, 4, 5, 7, 9, 10, 11, 13, 14, 19 Rev. of Country docs: 3, 8, 16, 17, 20 M&E docs & reports: 2, 3, 5, 6, 7, 17, 18 Datasets & Indexes: 8, 9, 10, 11, 12, 13, 14, 15	**Moderately Satisfactory:** The road network expanded significantly but it remains well below the level of other African countries. The Bank's road projects contributed to achieve broad sectoral goals, such as improved road density and increased connection between the country's economic centers. The slow development of an affordable transport system represented the main hindering factor.
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Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Energy			
Delivery of Expected Results	1. Share of projects completing planned activities (degree of completion). 2. Electrification penetration rate. 3. GWh of electricity traded. 4. Expanded power capacity installed.	Interv. w/ PMU: 1, 12 Interv. w/ MDA: 4, 5, 6, 15, 18 Interv. w/ AfDB: 1, 4, 18, 19, 20 Interv. w/ DPs: 10, 14, 18 Interv. w/ stakeholders: 12 Rev. of Project docs: 1, 2, 3, 5 Rev. of Country docs: 2, 4, 9, 10, 11, 12, 13, 14, 15 M&E docs & reports: 2, 3, 5, 6, 7, 8, 9, 13, 16, 17, 19, 20 Datasets & Indexes: 10	**Moderately Satisfactory:** The assessment is the result of a less than satisfactory Bank's performance in rural areas, where some poor equipment have been installed late, and problems were experienced in the timely deployment of state-of-art technology installed in the case of transmission and regional interconnection interventions. Overall, the Bank's support accounted for 5 percent to 9 percent of the expansion of the electricity penetration rate. Despite initial expectations, the Bank did not fund any hydropower generation plant although it played a critical role in starting power exports to Djibouti.
Benefits for Target Groups	5. Extent of population with access to electricity services. 6. Increased business competitiveness. 7. Increased entrepreneurship / employment. 8. Improved household welfare. 9. Government revenue (increased by power interchange).		**Moderately Satisfactory:** Only anecdotal evidence is available on the benefits in the electrified rural areas. However, the slow pace of connectivity limited the actual expansion of opportunities for rural diversification and the improvement of business competitiveness. Furthermore, the actual reaping of the socio-economic benefits was hampered by technical issues, which has negatively affected both the consumption patterns and the reliability of the services. On the other hand, power exports to Djibouti remained invariably above US$ 20 million in the last three years.
Achievement of Sectoral Goals and Development Outcomes	10. Electrification level (overall percent of household with electricity). 11. Contribution of energy trade to the balance of payment. 12. Share of electrical losses in energy supplied to the network. 13. Trends in energy demand. 14. Other donors' support. 15. GoE and beneficiaries contribution.		**Moderately Satisfactory:** Access to electricity rose, but below the national sector target. The Bank's contribution to the expansion of the electrification level is estimated at about 3 percent. The share of technical and commercial losses in energy supplied remained high. The Bank's support to address this issue will become visible in the near future. The Bank provided a critical contribution to the operationalization of the East African Power Pool.
Sustainability	16. Share of the rural electric distribution system which is properly functioning. 17. Share of cross-border transmission lines properly functioning. 18. Financial sustainability of EEPCo. 19. Availability of technical competence for M&O at local level. 20. Affordability of electricity tariffs for ultimate target groups.		**Moderately Unsatisfactory:** The utility recently underwent a significant restructuring to address its severe financial and operational weaknesses. Still, electricity tariffs remains (excessively) low, threatening the ability of the utility to maintain the investments carried out. These concerns are significantly more severe in rural areas, where (i) the utility capacity to maintain and operate the system is lower, (ii) the ability of new consumers to sustain payments for electricity remains to be verified given their limited payment history, and, in some cases, (iii) poor quality equipment, leading to unreliable electricity services, were detected in some project areas.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Water and Sanitation			
Delivery of Expected Results	1. Share of projects completing planned activities (degree of completion). 2. Number of water supply infrastructure built/ rehabilitated. 3. Number of additional people with access to safe drinking water. 4. Average distance from the nearest water source used. 5. Number of additional people with access to improved individual sanitation/public toilets. 6. Improved capacity for water service delivery by urban authority.	Interv. w/ MDA: 10, 11, 12, 13, 15, 16 Interv. w/ AfDB: 1, 7, 8, 9, 14, 15, 16 Rev. of Project docs: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15, 16 Rev. of Country docs: 10, 11, 12, 13 M&E docs & reports: 2, 3, 4, 5, 7, 8, 9 Datasets & Indexes: 10, 11	**Moderately Satisfactory:** All the Bank's interventions have experienced considerable delays in implementation. While expected results with regard to water supply have successfully been attained (albeit later than anticipated), achievement in the area of sanitation has been less satisfactory. The institutional and technical capacity of the Harar City Water Supply and Sewerage Services Authority was strengthened as demonstrated by enhanced utility management (regular water supply, an improved customer database) as well as better rates for revenue collection and accounted water.
Benefits for Target Groups	7. Average water consumption per person. 8. Reduced drudgery of carrying water (time to fetch). 9. Reduced incidence of water and sanitation related diseases.		**Satisfactory:** Constructed or rehabilitated infrastructure and related assistance and promotion funded by the Bank have brought not only safer water to the targeted communities, but also promoted other advantages among the beneficiaries, including time savings and health benefits (albeit not always as substantial as originally anticipated).
Achievement of Sectoral Goals and Development Outcomes	10. People with access to improved water sources. 11. Improved sanitation coverage. 12. GoE and beneficiaries contribution. 13. Adequate donor support for the WSDP.		**Satisfactory:** The aggregate development outcomes (namely national access to improved water supply and sanitation), also resulting from the Bank's interventions, recorded substantial progress, and reached the MDG target. Access to improved water fell short of expectations, but this can partly be explained by targets that were set too ambitious as well as by the change in calculating access (following a revision of definitions, classifications and methods).
Sustainability	14. Share of water supply schemes functioning properly. 15. Financial self-sustainability of rural water schemes. 16. Improved capacity for water service delivery by LGAs and communities (through WASHCOs).		**Moderately Satisfactory:** Carried out initiatives have also managed to improve the capacity of competent authorities as well as to create beneficiary/community ownership and management capacity. However, the financial sustainability of community managed water points and the technical capacity of rural WaSHCOs are yet to be assured.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Agriculture			
Delivery of Expected Results	1. Share of projects completing planned activities (degree of completion). 2. Number of communities with improved agriculture infrastructure (small irrigation facilities, nurseries). 3. Number of farmers trained. 4. Number of MFIs staff trained. 5. MFI's outreach expansion.	Interv. w/ PMU: 1, 2, 4, 5, 19, 20, 21, 22, 23 Interv. w/ MDA: 9, 12, 15, 16, 17, 18, 19, 20 Interv. w/ AfDB: 1 Interv. w/ stakeholders: 3, 6, 7, 8, 9, 10, 11, 15, 16, 19, 20, 21, 22, 23 Rev. of Project docs: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 Rev. of Country docs: 9, 11, 12, 14, 15, 16, 17, 18 M&E docs & reports: 2, 3, 4,5, 6, 7, 8, 9, 10, 11 Datasets & Indexes: 9, 10, 13, 14	**Moderately Satisfactory:** All completed projects faced severe implementation challenges. However, most of the foreseen outputs were finally delivered. The number of MFI's client grew by a factor of five, smallholders' practices significantly improved and the amount of irrigated land increased by over 10,000 hectares.
Benefits for Target Groups	6. Agriculture land with improved water management. 7. Farmers using improved technology and supply inputs. 8. Increase in rural household income.		**Satisfactory:** The approach adopted was largely inclusive and coherent with beneficiary priority needs. Accordingly, benefits for the target population in terms of expansion and diversification of agriculture production were reported. There is positive, albeit not systematic, evidence of projects' impact in raising the annual income of beneficiaries. Yet some aspects of the design were not flawless, such as the missing link with respect to market access under ASSP.
Achievement of Sectoral Goals and Development Outcomes	9. Major food crop output per hectare. 10. Share of agricultural irrigated land. 11. Increased access to finance services in rural areas. 12. Flow of public investment into agriculture sector. 13. Proportion of rural population below the basic/food poverty line. 14. Agriculture GDP growth rate. 15. Food price trends and volatility. 16. Agroclimatic shocks. 17. International food price shocks. 18. Other donors' support.		**Moderately Satisfactory:** Although the increase in agricultural productivity fell below expectations, growth in the agricultural sector led to a significant reduction in poverty. The Bank provided sizable support to the development of the sector, and, in particular, to improve access to rural financial services and expand agricultural irrigated land, which in turn helped increase food security. Evidence on the Bank's support to increasing crop productivity is not clear-cut. The expansion of commercialization was largely prevented by the lack of support for market access.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Agriculture			
Sustainability	19. Extent of agriculture infrastructures operational and properly maintained (irrigation schemes, market/storage facilities, nurseries, and the like.) 20. Share of established water user associations still active. 21. Extent of irrigation schemes maintenance costs covered by water users associations. 22. Evidence of ongoing use of improved farming and natural resource management practices. 23. Financial self-sufficiency of rural finance institutions.	Interv. w/ PMU: 1, 2, 4, 5, 19, 20, 21, 22, 23 Interv. w/ MDA: 9, 12, 15, 16, 17, 18, 19, 20 Interv. w/ AfDB: 1 Interv. w/ stakeholders: 3, 6, 7, 8, 9, 10, 11, 15, 16, 19, 20, 21, 22, 23 Rev. of Project docs: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 Rev. of Country docs: 9, 11, 12, 14, 15, 16, 17, 18 M&E docs & reports: 2, 3, 4,5, 6, 7, 8, 9, 10, 11 Datasets & Indexes: 9, 10, 13, 14	**Moderately Satisfactory:** Rural finance institutions still suffer from some key constraints that prevent their self-sustainability from a financial point of view. Notwithstanding the GoE's commitment and donor-funded follow-up support, RUFIP II appears fully appropriate to tackle the industry's challenges. WUAs managing small irrigation schemes are fully established and operational. However, despite a strong degree of ownership, their long-term viability is likely to be hindered by the key constraints affecting the sector, most of all credit constraints and an insufficient end market for products.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Governance / Multisector			
Delivery of Expected Results	1. Share of projects completing planned activities (degree of completion). 2. Trends in volume and share of woreda spending on basic services. 3. Number of health extension workers. 4. Number of qualified primary school teachers. 5. WEF's index on primary education. 6. Improved expenditure reporting at regional and woreda level.	Interv. w/ MDA: 1, 2, 6, 17, 20 Interv. w/ AfDB: 1, 17, 20 Interv. w/ DPs: 1, 2, 17, 20 Rev. of Project docs: 1, 2, 3, 4, 6, Rev. of Country docs: 2, 3, 7, 8, 9 M&E docs & reports: 2, 3, 6, 14, 15, 16, 18, 19, 20 Datasets & Indexes: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19	**Satisfactory:** Funds under PBS operations were channeled to woredas, enabling a constant increase in pro-poor expenditures at local level thereby expanding the delivery of basic services. Disclosure of budget and spending information at local level also recorded significant progress.
Benefits for Target Groups	7. Primary net enrolment rate. 8. Maternal mortality rate. 9. Mortality infant rate.		**Satisfactory:** Access, coverage and, to a lesser extent, quality of education, health, water and sanitation services improved, which led to progress on women's and children's health as well as education.
Achievement of Sectoral Goals and Development Outcomes	10. Selected PEFA ratings. 11. World Bank CPIA Rating. 12. Global Competitiveness Governance indexes. 13. Mo Ibrahim Index of African Governance. 14. GINI coefficient. 15. Population living below the poverty line. 16. Poverty depth (poverty gap). 17. Other donors' support.		**Satisfactory:** Ethiopia made progress in the areas of governance and public finance management, although substantial areas for improvements remain. The Bank's support was limited to funding one governance-related PBS component focused on financial transparency and accountability at regional and woreda level. PBS operations supported the effective pro-poor policies of the GoE, which largely succeeded in reducing absolute poverty from 38.7 percent in 2004/05 to 27.8 percent in 2011/2012, without increasing inequality (as indicated by steady Gini coefficients).
Sustainability	18. Tax revenues. 19. Domestic revenue mobilization reforms. 20. GoE commitment to pro-poor spending.		**Satisfactory:** There is evidence of uptake of Bank-supported reforms by national and local entities. The sustainability of poverty reduction policies is ensured by the strong GoE's commitment, albeit financial support from DPs is still needed given that tax revenues remained limited and below other East Africa countries.

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Private Sector Development			
Delivery of Expected Results	1. Share of private sector operations completing planned activities (degree of completion). 2. Factory gate price of cement reduced. 3. Ethiopian airlines fleet expanded. 4. Number of businesses supported.	Interv. w/ MDA: 6 Interv. w/ AfDB: 1, 4, 6, 11 Interv. w/ DPs: 6 Interv. w/ stakeholders: 2, 3, 5, 6, 11 Rev. of Project docs: 1, 2, 3, 5 Rev. of Country docs: 2, 3, 6, 7 M&E docs & reports: 6 Datasets & Indexes: 7, 8, 9, 10	**Moderately Satisfactory:** Both PSOs have been performing very well. However, the overall support to private businesses was below expectations, with only two businesses directly funded and no indirect private sector operation approved.
Benefits for Target Groups	5. Job creation. 6. Business climate reforms.		**Moderately Unsatisfactory:** The number of permanent jobs created by DMC exceeds the initial target, and the total employment of Ethiopian Airlines increased from 6,129 to 8,573 between 2010 and March 2014. However, the amount of benefits generated for private business as a whole was very small, reflecting the lack of support by the Bank with respect to the introduction of desirable reforms to the business climate.
Achievement of Sectoral Goals and Development Outcomes	7. Industry's contribution to GDP. 8. Global Competiveness Index. 9. Doing Business Index. 10. World Governance regulatory quality indicator.		**Unsatisfactory:** The industry contribution to the GDP remained below the national target. Little improvement in the business environment has been recorded in the period under examination, as confirmed by both DB and GC indexes. On the positive side, PSOs provided a positive contribution to the boom in construction activities and to exports generation.
Sustainability	11. Financial viability of PSOs.		**Satisfactory:** Both PSOs look fully sustainable and on an expansion path.
Effectiveness			**Moderately Satisfactory**
Sustainability			**Moderately Satisfactory**

Cross-cutting Issues

Evaluation Questions			
EQ 7 - To what extent are the Bank's interventions inclusive (that is, bringing prosperity by expanding the economic base across the barriers of age, gender and geography) in terms of gender equality and regional disparity? EQ 8 - To what extent are the Bank's interventions environmentally sustainable and support the transition to green growth?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Bank's interventions promoting gender equality	1. Degree and depth of gender analysis in CSP and project documents. 2. Share of Bank's interventions specifically dedicated or including components tackling gender inequality. 3. New projects with gender-informed design. 4. Extent of use of the Bank's gender mainstreaming sectoral checklists. 5. Project with satisfactory gender equality outcomes. 6. Satisfaction with Bank's activities addressing gender issues.	Interv. w/ PMU: 2, 5, 6, 9, 15 Interv. w/ MDA: 2 Interv. w/ AfDB: 1, 3, 4, 6, 9 Interv. w/ DPs: 6 Interv. w/ stakeholders: 5, 6 Rev. of Project docs: 1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15 Rev. of CSPs: 1, 9, 10, 14 Rev. of AfDB docs: 1, 4, 14 Datasets & Indexes: 8	**Moderately Unsatisfactory:** Overall, interventions display a discretely positive quality of analysis and design as regards gender inclusivity, yet this hardly translated into activities and achievements. The only project focused on women's health did not perform well. The aggregated effect of the limited Bank's effort in this area was restricted and, in any event, poorly tracked as the measurement of gender-related indicators appears particularly problematic.
Bank's interventions reducing regional disparities	7.Degree of balance in the geographical distribution of interventions 8.Share of Bank's initiatives covering more disadvantaged regions (for example areas with higher incidence of poverty and unemployment) 9.Share of Bank's interventions specifically aimed at reducing regional economic disparities		**Moderately Unsatisfactory:** The Bank's interventions have not considered the reduction of regional disparities as a criteria in intervention prioritization, design, or delivery, This has been exacerbated by a comparative lack of implementation capacity in these areas. The only exceptions were the PBS programs, applying a fairness principle to ensure an equitable distribution of intergovernmental grant resources across regions and woredas.

Evaluation Questions			
EQ 7 - To what extent are the Bank's interventions inclusive (that is, bringing prosperity by expanding the economic base across the barriers of age, gender and geography) in terms of gender equality and regional disparity? EQ 8 - To what extent are the Bank's interventions environmentally sustainable and support the transition to green growth?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Bank's interventions taking into account sustainable development and environmental protection aspects	10. Degree and depth of environmental analysis, and green growth focus in CSP and project documents. 11. Share of projects embedding a prior environmental assessment. 12. Distribution of projects by environmental category. 13. Compliance with environmental risk assessment requirements. 14. Existence of mechanisms for monitoring progress in mainstreaming environmental sustainability in the Bank's interventions. 15. Projects with positive assessment on environmental and climate change sustainability.	Interv. w/ PMU: 2, 5, 6, 9, 15 Interv. w/ MDA: 2 Interv. w/ AfDB: 1, 3, 4, 6, 9 Interv. w/ DPs: 6 Interv. w/ stakeholders: 5, 6 Rev. of Project docs: 1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15 Rev. of CSPs: 1, 9, 10, 14 Rev. of AfDB docs: 1, 4, 14 Datasets & Indexes: 8	**Moderately Satisfactory:** As the environment, climate change, and green growth agendas recently emerged as strategic areas of support, more attention was paid to these issues in the current CSP compared to its predecessors. Nonetheless, the number of operations supporting the transition to a green growth remained limited to a handful of, interventions, albeit they were useful. The coverage of environmental risks was judged adequate as well as the mitigation measures embedded in project designs.
Overall			Moderately Unsatisfactory

Efficiency

Evaluation Questions			
EQ 10 - To what extent are the Bank's interventions delivered in an efficient manner (that is, whether resources and inputs are economically converted to results)?			
EQ 11 - To what extent are the Bank's interventions implemented in a timely manner and in compliance with operational standards?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Timeliness of the Bank's assistance	1. Project duration, actual vs. planned. 2. Share of projects with revised end-date. 3. Project completion delay by sector. 4. Portfolio average age trend (by sector).	Interv. w/ PMU: 1, 2, 6, 7, 8, 9, 10, 13, 14, 15 Interv. w/ MDA: 2, 7, 8, 9, 10 Interv. w/ AfDB: 1, 2, 6, 7, 8, 9, 12, 13, 14, 15, 17 Interv. w/ DPs: 7, 8, 9, 10 Interv. w/ stakeholders: 10, 17 Rev. of Project docs: 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 14, 15, 17, 18 Rev. of AfDB docs: 1, 4, 5, 6, 16	**Unsatisfactory:** The adherence to the original closing dates of all the Bank's interventions was marginal (excluding PBOs). The average completion delay of pubic operations was as high as 21.8 months.
Operational Efficiency	5. Average time to first disbursement. 6. Interventions' degree of compliance with the Bank's procurement of goods and works rules and procedures. 7. Extent of projects with management capacity issues. 8. Extent of projects with procurement issues. 9. Extent of projects with unrealistic implementation timeframe. 10. Stakeholders' satisfaction with the expediency and clarity of procedures.		**Moderately Unsatisfactory:** Difficulties in fulfilling the Bank's grant/loan conditions, and project design issues, including a common underestimation of the start-up time, led to lengthy delays between approval and first disbursement (15 months, on average). However, the situation has improved in the last few years. In the vast majority of cases, project implementation was negatively affected by limited local capacity, poor performance of contractors, and burdensome procurement and disbursement procedures. Indeed, stakeholders' satisfaction with the Bank's rules and procedures is low.

Evaluation Questions			
EQ 10 - To what extent are the Bank's interventions delivered in an efficient manner (that is, whether resources and inputs are economically converted to results)?			
EQ 11 - To what extent are the Bank's interventions implemented in a timely manner and in compliance with operational standards?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Financial and Economic Performance	11. Disbursement rate for completed projects by sector. 12. Value of cancelled interventions. 13. Extent and value of project cost savings. 14. Extent of projects experiencing cost overrun issues. 15. Extent and impact of project funds re-allocation to AFCR. 16. Disbursement ratio of ongoing portfolio. 17. Extent of PSO with repayment issues. 18. EIRR of completed projects (planned vs. actual).	Interv. w/ PMU: 1, 2, 6, 7, 8, 9, 10, 13, 14, 15 Interv. w/ MDA: 2, 7, 8, 9, 10 Interv. w/ AfDB: 1, 2, 6, 7, 8, 9, 12, 13, 14, 15, 17 Interv. w/ DPs: 7, 8, 9, 10 Interv. w/ stakeholders: 10, 17 Rev. of Project docs: 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 14, 15, 17, 18 Rev. of AfDB docs: 1, 4, 5, 6, 16	**Moderately Satisfactory:** Overall, the Bank's performance as measured by disbursement efficiency indicators, is rather positive: (i) the disbursement rate of completed project is high, and (ii) the amount of fund cancellations is moderate; and (iii) reallocations to the AFCR did not affect project activities. On a less positive note, the disbursement ratio of the ongoing portfolio has largely fluctuated. EIRR are (excessively) positive and the upwards revision at completion stage does not seem to be always justified (although, a detailed review is prevented by lack of data).
Overall			**Moderately Unsatisfactory**

Design

Evaluation Questions			
EQ 12 - To what extent is the quality of the CSP satisfactory? EQ 14 - To what extent has the Bank been innovative in adapting its approach to the country's context and development challenges/needs? EQ 15 - To what extent are the Bank's interventions coherent and well-coordinated internally?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Quality-at-Entry of the CSP	1. Overall degree of compliance with Quality-at-Entry principles for CSP. 2. Inclusiveness of CSP preparation process.	Interv. w/ MDA: 1, 2, 4, 9 Interv. w/ AfDB: 2, 3, 4, 5, 7, 8 Interv. w/ DPs: 2 Interv. w/ stakeholders: 2 Rev. of Project docs: 3, 4, 5, 6, 7, 8, 9	**Moderately Satisfactory:** This assessment is essentially based on the QaE review, further corroborated by interviews with MDAs and stakeholders. The following areas for improvements were identified: (i) analysis of sustainability of both past interventions and implementing partners, (ii) elaboration on PSD interventions (to tackle issues and lending operations), and (iii) the mainstreaming of cross-cutting issues.
Internal Coordination of Assistance	3. Number of interventions with explicit linkages and synergies (cross-sector and cross-instrument). 4. Number of follow-up interventions. 5. Number of interventions with geographical linkages and synergies.	Rev. of CSPs: 1, 2, 3, 6, 7, 8 Rev. of AfDB docs: 3, 4, 5, 6, 7, 8, 9	**Moderately Unsatisfactory:** Internal coordination was quite disappointing in terms of cross-projects synergies achieved. However, in some cases, the GoE had the last word.
Innovativeness of strategic approach and focus	6. Distribution of operations by type and instruments over time. 7. Extent of Bank's initiatives using innovative approaches and instruments. 8. Extent of Bank's initiatives addressing new, emerging themes. 9. Extent of TA accompanying interventions.		**Moderately Unsatisfactory:** The Bank's support was characterized by a limited diversification of project types and instruments, and a modest participation in MDTFs (the Bank's participation in the PBS operations represented a positive exception). The amount of TA provided does not seems to be fully adequate to tackle the existing weak institutional capacity.
Overall			**Moderately Unsatisfactory**

Knowledge and Policy Advice

Evaluation Questions			
▌EQ 16 - To what extent has the Bank actively engaged in and influenced policy dialogue through relevant advice? ▌EQ 17 - To what extent has the Bank delivered adequate analytical work in support of its interventions, positioning and policy advice?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Level of Bank's participation in policy dialogue and perceived effects	1. Overall efficiency of the country's dialogue structure. 2. Number of policy dialogue working groups (technical and strategic) and events participated in by the Bank. 3. Degree of partners' satisfaction with the Bank's contribution to policy dialogue and multilateralism (by sector). 4. Evidence of GoE follow up to the Bank's identified institutional / policy needs.	Interv. w/ MDA: 1, 2, 4, 6, 8, 9, 10 Interv. w/ AfDB: 1, 2, 4, 6, 10 Interv. w/ DPs: 1, 2, 3, 4, 8, 9, 10 Rev. of Project docs: 11 Rev. of CSPs: 5, 6, 12 Rev. of AfDB docs: 1, 2, 4, 6, 12 Rev. of Country docs:1, M&E docs & reports: 1, 2, 13	**Satisfactory:** The Bank has actively participated in the policy dialogue based on the priorities set in the CSPs; it has further enhanced its contribution thanks to the strengthening of the staffing in the ETFO, the increased country focus of the new Bank organizational structure and the lessons learnt from previous CSPs. In particular, the Bank has been regularly represented in the different groups making up the policy dialogue architecture, effectively promoting the difficult dialogue with the GoE and the consensus among DPs.
Extent of support from analytical work to Bank's interventions	5. Degree of focus on ESW in CSP. 6. Number of ESW planned / actually produced. 7. Extent of deviation of ESW products from CSP planning. 8. Degree of awareness of relevant ESW by potential stakeholders. 9. Perceivde quality of ESW products by stakeholders. 10. Evidence of use of the Bank's analytical work in the policy-making process. 11. Evidence of use of the Bank's analytical work in project designi. 12. Evidence of use of the Bank's analytical work in CSP making. 13. Comparative analysis of ESW citations in Ethiopia's CSP compared with other countries' CSPs.		**Moderately Satisfactory:** During the first two CSPs, the amount of in-depth ESW carried out by the Bank was limited and markedly different from initial plans. During the current CSP, the situation has largely improved, and, in some cases, the ESW has proven to be useful in the context of the policy dialogue (for example, with the PPP study) and in the design of new operations. Moreover, the internal and strategic use of the ESW for Ethiopia is more developed than for other countries. In general, however, the Bank could do more in this area. Most of the positive developments have actually occurred after the period under investigation.
Overall			**Moderately Unsatisfactory**

Partnership and Leverage

Evaluation Questions

- EQ 18 - To what extent are the Bank's interventions harmonized with those of other donors (avoiding duplication, simplifying procedures, and so forth.)?
- EQ 19 – To what extent are the Bank's interventions and resources bringing in other players and being leveraged for maximizing development effectiveness at country level?

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Bank's involvement and role in mechanisms for coordinated management among DPs and with government	1. Appropriateness and effective functioning of DP coordination mechanism and role played by the Bank. 2. Number of DAG WG actively attended by Bank's staff (over time). 3. Position of the Bank within the relevant WGs. 4. Bank's perceived contribution to DP coordination mechanisms.	Interv. w/ MDA: 1, 4, 8, 18 Interv. w/ AfDB: 1, 2, 3, 8 Interv. w/ DPs: 1, 2, 3, 4, 11, 12, 15, 18 Interv. w/ stakeholders: 17, 18 Rev. of Project docs: 13, 14, 15, 18 Rev. of CSPs: 1, 12 Rev. of AfDB docs: 1, 2, 3 Rev. of Country docs:1	**Satisfactory:** The Bank has actively participated in the functioning of the DAG structures and provided valuable contributions to different forums and working groups.
Degree of harmonization of approaches, arrangements and procedures with other DPs	5. Share of the Bank's aid flows aligned to country priorities. 6. Actual / planned disbursement ratio. 7. Share of coordinated TA with respect to the total. 8. Bank's use of country system. 9. Number of Bank's parallel PIU. 10. Share of funds disbursed within PBA. 11. Share of missions coordinated with DPs. 12. Amount of analytical work coordinated with other DPs.	M&E docs & reports: 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12 Datasets & Indexes: 5, 6, 7, 8, 9, 10, 11, 12	**Moderately Unsatisfactory:** Based on the review of the indicators of progress on the Paris Declaration Principles on Aid Effectiveness, the Bank underperformed in terms of the use of the country system and participation of PBAs. There seems to be room to increase operational coordination with DPs at the intervention level (design and implementation) and exploit synergies.

Evaluation Questions			
EQ 18 - To what extent are the Bank's interventions harmonized with those of other donors (avoiding duplication, simplifying procedures, and so forth.)?			
EQ 19 – To what extent are the Bank's interventions and resources bringing in other players and being leveraged for maximizing development effectiveness at country level?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Degree of Leveraging of Interventions	13. Share of Bank's financing with respect to the total value of operations. 14. Level of cofinancing from other sources. 15. Number of the Bank's initiatives cofinanced by other DPs 16. Amount of DP c-financing catalyzed by the Bank. 17. Amount of private sector cofinancing catalyzed by the Bank. 18. Extent of actual partner's disbursement over allocations.	Interv. w/ MDA: 1, 4, 8, 18 Interv. w/ AfDB: 1, 2, 3, 8 Interv. w/ DPs: 1, 2, 3, 4, 11, 12, 15, 18 Interv. w/ stakeholders: 17, 18 Rev. of Project docs: 13, 14, 15, 18 Rev. of CSPs: 1, 12 Rev. of AfDB docs: 1, 2, 3 Rev. of Country docs:1 M&E docs & reports: 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12 Datasets & Indexes: 5, 6, 7, 8, 9, 10, 11, 12	**Moderately Satisfactory:** Almost the entirety of operations were cofinanced by the GoE and cofinancing largely occurred in line with initial expectations. Only a few of the Bank's interventions include cofinancing from other DPs. However, there is anecdotal evidence of the Bank's catalytic role in DPs' decision to support both PSOs.
Overall			**Moderately Unsatisfactory**

Managing for Results

Evaluation Questions			
❙ EQ 20 - To what extent has the Bank successfully implemented management systems that focus on results and allow learning from past experience? ❙ EQ 21 - To what extent has the Bank supported the development of national capacities and management systems that focus on results?			
Judgment Criteria	**Indicators**	**Sources**	**Key Findings and Ratings**
Adequacy and use of the M&E mechanisms	1. Share of the Bank's interventions with clearly spelled out, valid and complete indicators of achievements. 2. Share of the Bank's interventions with baseline data available/collected at the design stage. 3. Share of projects with indicators not measurable due to lack of data. 4. Degree of harmonization and coherence in the set of indicators used over time to measure outcome and impact achievements (sectoral or overall level). 5. Share of the Bank's interventions with detailed monitoring data and agreed plan with Executing Agency before launch (and indicated in the PAR). 6. Adequacy of Bank's M&E staff.	Interv. w/ PMU: 1, 3, 7, 8, 9, 10, 14, 15 Interv. w/ MDA: 2, 7, 8, 11, 12, 13, 14, 15, 19, 20 Interv. w/ AfDB: 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 18, 20 Interv. w/ DPs: 2, 4, 14, 15 Rev. of Project docs: 1, 2, 3, 4, 5, 6, 7, 8. 9, 10, 15, 16, 17, 18, 20 Rev. of CSPs: 18 Rev. of AfDB docs: 1, 5, 6, 8, 11, 12, 13, 18 Rev. of Country docs: 19 M&E docs & reports: 1, 2, 7, 9, 10, 18, 19, 20	**Moderately Satisfactory:** Outputs and objective indicators are usually included in log-frame matrixes of PARs and measured. The situation with outcomes is more problematic (sometimes referring to sectoral national targets), especially in the case of agriculture operations. However, outcomes are usually quantifiable and capable of measurement. Indicators measuring the outcomes of technical assistance are totaly missing. M&E planning is mildly positive in this assessment but the absence of an M&E specialist among ETFO staff is an issue.

Evaluation Questions

- EQ 20 - To what extent has the Bank successfully implemented management systems that focus on results and allow learning from past experience?
- EQ 21 - To what extent has the Bank supported the development of national capacities and management systems that focus on results?

Judgment Criteria	Indicators	Sources	Key Findings and Ratings
Timeliness and quality of management and supervision activities	7. Frequency of project's supervision. 8. Quality of project's supervision. 9. Share of projects that underwent mid-term review. 10. Number of projects restructured, and variation in performance before/after restructuring. 11. Bank's ETFO overall staff. 12. Bank's ETFO staff expertise. 13. Bank's ETFO staff turnover. 14. Stakeholders' satisfaction with the Bank's staff responsiveness. 15. Degree of support extended by the country team to Executing Agencies to ensure smooth implementation of the Bank's interventions. 16. Share of the Bank's interventions with timely completed PCR. 17. Share of PCR positively assessed and confirmation of ratings in PCRN.	Interv. w/ PMU: 1, 3, 7, 8, 9, 10, 14, 15 Interv. w/ MDA: 2, 7, 8, 11, 12, 13, 14, 15, 19, 20 Interv. w/ AfDB: 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 18, 20 Interv. w/ DPs: 2, 4, 14, 15 Rev. of Project docs: 1, 2, 3, 4, 5, 6, 7, 8. 9, 10, 15, 16, 17, 18, 20 Rev. of CSPs: 18 Rev. of AfDB docs: 1, 5, 6, 8, 11, 12, 13, 18 Rev. of Country docs: 19 M&E docs & reports: 1, 2, 7, 9, 10, 18, 19, 20	**Moderately Satisfactory:** Overall, the timeliness and quality of supervision and M&E activities have been positively assessed. With regard to supervision, the frequency of missions is adequate and positive trends are emerging as regards the skills and qualification of ETFO. Only five (5) MTR were carried out for the most problematic cases. The timeliness of PCR is rather disappointing, although the quality appears more satisfactory. The ETFO staff expanded over time, widening its sector and thematic expertise, while at the same time maintaining stability of key senior staff.
Degree of absorption of result-oriented approach	18. Evidence of use of evaluative information for improving the Bank's performance. 19. Evidence of the application of results-based management (RBM) in the work of the local counterpart. 20. Extent of support extended to local counterparts on improvement of data collection and treatment.		**Moderately Satisfactory:** Despite positive signs, the MfR culture has not yet been successfully integrated in the Bank's activities. While evaluation information usually identifies the problems encountered in the projects, more often than not, lessons are not actually learnt. Consequently, the same issues continue to arise. Positive trends are emerging at country level, with GoE successfully developing its monitoring for results with Bank's (among other DPs) support.
Overall			**Moderately Satisfactory**

Annex D: Overview of the Portfolio

#	Sector	Project	Executing Agency	Geographic Coverage	Type	Approval Year	Status	Funding	Total Amount Approved (AfDB, US$)	Total dis-bursement rate
1	Agriculture	GENALE DAWA RIVER BASIN INTEGRATED RESOURCES DEVELOPMENT MASTER PLAN STUDY	MINISTRY OF WATER RESOURCES	National	Project	2001	CLSD	G	4,892,913	99%
2	Agriculture	RURAL FINANCIAL INTERMEDIATION PROJECT (RUFIP)	DEVELOPMENT BANK OF ETHIOPIA (DBE)	National	Project	2003	CLSD	L+G	49,268,246	94%
3	Agriculture	AGRICULTURE SECTOR SUPPORT PROGRAM (ASSP)	MINISTRY OF AGRICULTURE	National	Project	2003	CLSD	L+G	54,633,540	78%
4	Agriculture	FISHERIES RESOURCES DEVELOPMENT STUDY	MINISTRY OF AGRICULTURE	National	Project	2004	COMP	G	1,348,922	0%
5	Agriculture	CREATION OF SUSTAINABLE TSETSE-ETHIOPIA	ETHIOPIAN SCIENCE AND TECHNOLOGY COMMISSION	Multinational	Project	2004	COMP	L+G	14,354,294	95%
6	Agriculture	DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOODS PROGRAM IN THE HORN OF AFRICA – PHASE I	MINISTRY OF AGRICULTURE	Multinational	Project	2012	OnGo	L	45,526,500	2%
7	Agriculture (Emergency)	HUMANITARIAN FLOOD RELIEF ASSISTANCE	MINISTRY OF FINANCE AND ECO. DEVELOPMENT	National	Project	2011	COMP	G	1,000,000	
8	Ind/Mini/Quar	DERBA MIDROC CEMENT PLANT PROJECT	DMC DERBA MIDROC CEMENT PRIVATE	National	Project	2008	OnGo	L	55,000,000	100%
9	Multi-Sector	POVERTY REDUCTION SUPPORT LOAN I	MINISTRY OF FINANCE AND ECO. DEVELOPMENT (MOFED)	National	PBO	2004	CLSD	L	87,973,200	100%
10	Multi-Sector	PROTECTION BASIC SERVICES (PBS) PROGRAM	MINISTRY OF FINANCE AND ECO. DEVELOPMENT (MOFED)	National	PBO	2006	COMP	G	116,115,751	100%
11	Multi-Sector	PROTECTION OF BASIC SERVICES II (PBS II)	MINISTRY OF FINANCE AND ECO. DEVELOPMENT (MOFED)	National	PBO	2008	CLSD	G	179,698,200	100%

#	Sector	Project	Executing Agency	Geographic Coverage	Type	Approval Year	Status	Funding	Total Amount Approved (AfDB, US$)	Total dis-bursement rate
12	Multi-Sector	PROTECTION OF BASIC SERVICES II - SUPPLEMENTARY LOAN	MINISTRY OF FINANCE AND ECO. DEVELOPMENT (MOFED)	National	PBO	2010	COMP	L	107,368,140	100%
13	Multi-Sector	PROMOTING BASIC SERVICES III (PBSIII)	MINISTRY OF FINANCE AND ECO. DEVELOPMENT (MOFED)	National	PBO	2012	CLSD	L	251,913,300	100%
14	Power	RURAL ELECTRIFICATION PROJECT	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	National	Project	2001	CLSD	L	46,923,636	77%
15	Power	ETHIOPIA-DJIBOUTI POWER INTERCONNECTION	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	Multinational	Project	2004	CLSD	L	30,614,674	97%
16	Power	RURAL ELECTRIFICATION PROJECT II	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	National	Project	2006	OnGo	L	129,001,064	77%
17	Power	ETHIOPIA-DJIBOUTI POWER INTERCONNECTION, SUPPLEMENTARY LOAN	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	Multinational	Project	2008	CLSD	L	8,494,824	88%
18	Power	ELECTRICTY TRANS. SYSTEM IMPROV PROJECT	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	National	Project	2010	OnGo	L+G	224,423,075	82%
19	Power	ASSELA WIND FARM SREP PPG	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	National	Project	2012	OnGo	G (SCF Trust Fund)	1,700,000	0%
20	Power	ETHIOPIA-KENYA ELECTRICITY HIGHWAY	ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCO)	Multinational	Project	2012	OnGo	L	227,632,500	1%
21	Social	INSTITUTIONAL SUPPORT FOR WOMEN AFFAIRS	WOMEN'S AFFAIRS OFFICE AT THE PRIME MINISTER'S OFFICE	National	Project	2004	CLSD	G	1,554,193	100%
22	Transport	BUTAJIRA-HOSSAINA-SODO ROAD UPGRADING PROJECT	ETHIOPIAN ROADS AUTHORITY	National	Project	2001	CLSD	L	51,457,802	80%
23	Transport	WACHA-MAJI ROAD UPGRADING	ETHIOPIAN ROADS AUTHORITY	National	Project	2003	CLSD	L+G	33,200,382	98%

#	Sector	Project	Executing Agency	Geographic Coverage	Type	Approval Year	Status	Funding	Total Amount Approved (AfDB, US$)	Total dis-bursement rate
24	Transport	KENYA-ETHIOPIA: MOMBASA-NAIROBI-ADDIS CORRIDOR I	ETHIOPIAN ROADS AUTHORITY	Multinational	Project	2004	CLSD	G	1,979,397	68%
25	Transport	JIMMA-MIZAN ROAD UPGRADING PROJECT	ETHIOPIAN ROADS AUTHORITY	National	Project	2006	OnGo	L	96,159,050	76%
26	Transport	KENYA-ETHIOPIA: MOMBASA-NAIROBI-ADDIS CORRIDOR II	ETHIOPIAN ROADS AUTHORITY	Multinational	Project	2009	OnGo	L	131,939,550	62%
27	Transport	BEDELE-METU ROAD UPGRADING PROJECT	ETHIOPIAN ROADS AUTHORITY	National	Project	2011	OnGo	L	65,714,477	40%
28	Transport	KENYA-ETHIOPIA: MOMBASA-NAIROBI-ADDIS CORRIDOR III	ETHIOPIAN ROADS AUTHORITY	Multinational	Project	2011	OnGo	L	168,047,250	25%
29	Transport	MODJO-HAWASSA ROAD PROJECT PHASE I	ETHIOPIAN ROADS AUTHORITY	National	Project	2013	APVD	L+G	128,904,412	0%
30	Transport (PSO)	ETHIOPIAN AIRLINES TRANCHE 1, 2 & 3	ETHIOPIAN AIRLINES ENTERPRISE	National	Project	2011	OnGo	L	40,000,000	97%
31	Water Sup/Sanit	HARAR WATER SUPPLY AND SANITATION PROJECT	MINISTRY OF WATER RESOURCES	National	Project	2002	CLSD	L+G	27,952,965	92%
32	Water Sup/Sanit	RURAL WATER SUPPLY & SANITATION PROGRAM	MINISTRY OF WATER RESOURCES	National	Project	2005	CLSD	G	63,522,762	100%
33	Water Sup/Sanit	WATER INFORMATION SYSTEMS	MINISTRY OF WATER RESOURCES	National	Project	2006	COMP	G (AWF)	627,800	90%
34	Water Sup/Sanit	SOLAR & WIND FOR WATER	MINISTRY OF WATER RESOURCES	National	Project	2009	OnGo	G (AWF)	2,778,234	59%
35	Water Sup/Sanit	BARO-AKOBO-SOBAT WRD STUDY	The Eastern Nile Technical Regional Office (ENTRO) of the Nile Basin Initiative (NBI)	Multinational	Project	2012	OnGo	G (AWF) + G (NEPAD-IPPF)	3,236,580	5%
36	Water Sup/Sanit (Emergency)	HUMANITARIAN EMERGENCY ASSISTANCE DROUGHT-RELIEF	UNICEF	National	Project	2006	CLSD	G	500,000	N/A
37	Water Sup/Sanit (Emergency)	HUMANITARIAN FLOOD-RELIEF ASSISTANCE	UNICEF	National	Project	2007	CLSD	G	500,000	N/A

Legend: Type: PBO=Policy-based Operations, Status: APVD=Recently Approved, CLSD= Closed, COMP=Completed, OnGO=Ongoing. Funding: L=Loan, G=Grant,
(*) The Total Amount refers to the value of the Bank's approval, and before cancellations (that is original amounts).

Endnotes

1. All details on methodology are available in Annex A. Details of information sources are available in Annex E.
2. IMF, The Federal Democratic Republic of Ethiopia. 2015 Article IV Consultation, September 2015.
3. Data form the World Development Indicators (WDI) dataset.
4. The Ethiopia HDI value increased from 0.339 in 2005 to 0.435 in 2012.
5. Data form the World Development Indicators (WDI) dataset.
6. Ethiopia is a Federal Democratic Republic composed of nine National Regional States and two Administrative States (the Addis Ababa City administration and the Dire Dawa city council), which are further divided into 103 zones (sub-regions), 800 woreda (districts) and 15,000 kebele (wards).
7. The social sectors, that is education and health, were deliberately left out in consideration of the sizable amount of the Bank's resources already tied up in two sector programs approved in the late 1990s.
8. However, no new project intervention was planned in the sector, pending the completion of ongoing projects and the cleaning-up of the sector portfolio.
9. Other ESW and other non-lending activities, such as periodical publications and bulletins (for example the African Economic Outlook or the East Africa Quarterly Bulletin), and factsheets and economic briefs (for example the overview of the Bank's activities in the water and sanitation sector, or the "Inflation Dynamics in selected East African countries: Ethiopia, Kenya, Tanzania and Uganda") were of rather limited interest for the Evaluation and, hence, excluded from the analysis.
10. The Five-Year Power Sector Development Program and the Universal Electricity Access Program (UEAP).
11. RUFIP was preceded by a study funded by the World Bank and IFAD in 2000 on rural financial intermediation in Ethiopia, while the ASSP was informed by the Agriculture Sector Review carried out by the Bank in 2002.
12. The priorities set for the Bank's Strategic Plan over the period 2003-2007 included (i) agriculture and rural development, (ii) water and sanitation, and (iii) human capital development. The focus areas of Bank's Medium Term Strategy 2008-2012 included (i) infrastructure; (ii) private sector development; (iii) governance; and (iv) regional integration.
13. A couple of operations approved during the first CSP are not included in the portfolio, and the current CSP period is not yet completed, with only three years covered.
14. Including road sections completed in ongoing projects supported by the Bank.
15. For instance, in the case of the Jimma-Mizan road, the passenger fare declined from ETB 0.44/kilometers to 0.39/kilometers, while the national passenger fare in trunk roads grew from ETB 0.11/kilometers in 2004/2005 to ETB 0.33/kilometers in 2013/2014.
16. ERA, Transport and Poverty Observatory Study, Final Findings Report, September 2012. This study summarizes the results of five consecutive yearly follow-on surveys (between 2007 and 2011) aimed at measuring the poverty impact on four road corridors, including the Alemgena-Butajira-Sodo.
17. Between 2004 and 2011, the share of households using fertilizers and herbicides increased from 59.8 percent to 73.9 percent and from 4.4 percent to 39.8 percent respectively (well above the estimated national averages). The TPO study also found a strong reduction in the share of the cultivated area covered by cash crops, from 27.3 percent in 2004 to 2.8 percent in 2011. This was associated with an increase in the share of crop production sold for cash (the marketable surplus) from 37.4 percent to 49.7 percent.
18. Between 2004/2005 and 2013/2014, the Average Annual Daily Vehicle Kilometers Travelled grew at an average annual rate of 12 percent, from 6.09 to 16.3 million (see ERA, RSDP Performance and MDG Transport Indicators 2013/2014, January 2015).
19. The average vehicle operating cost index significantly rose during the period under review (well above inflation), primarily due to a hike in input prices and, to a lesser extent, the deterioration of a sample of paved roads (see, ERA, RSDP Performance and MDG Transport Indicators 2013/2014, January 2015).
20. The share of expenditures on transport by poor households in rural areas decreased from 0.79 in 2003/04 to 0.59 in 2013/14 (see, ERA, RSDP Performance and MDG Transport Indicators 2013/2014, January 2015).
21. The national bureau of statistics found that between 2004/2005 and 2013/2014 the share of households located within two kilometers to the nearest primary school increased from 50.9 percent to 88.2 percent, while the percentage of households residing within 11 kilometers to the nearest pre-post-natal care and health post grew from 53.7 percent and 55.5 percent to 76.2 percent and 73.7 percent, respectively.
22. ERA, RSDP – 17 Year Performance Assessment, October 2014.

23. ERA, RSDP Performance and MDG Transport Indicators 2013/2014 (E.F.Y 2006), January 2015.

24. For example, all the Bank's completed projects already show more or less severe signs of deterioration, requiring routine or periodic maintenance.

25. Office of the Road Fund Report, June 2015.

26. The electricity penetration rate measures the increase in the number of towns and villages connected to the electricity grid. The upper end of the estimated range of the Bank's contribution also considers small towns and villages which are not directly targeted by the Bank's projects. They benefit from these interventions through material and equipment procurement and tap into the power infrastructure at little cost.

27. For example, the decision by the GoE that meters should be supplied by a domestic manufacturer, consistent with the aim of supporting the development of national manufacturing, resulted in significant delays in installing meters.

28. Evaluation of the Rural Electrification Project Ethiopia, IDEV, July 2015.

29. It should be noted that due to power rationing power exports to Djibouti had to be curtailed in 2013 and 2014.

30. EEPCo has now been split into Ethiopia Electric Power (EEP) and Ethiopia Electric Utility (EEU).

31. The Eastern Africa Power Pool, created in 2005, is a regional institution for coordinating and advancing the regional power systems' integration.

32. The electricity tariffs in Birr/kWh have remained unchanged since the mid-2000s despite the Birr depreciation. They are estimated to be among the lowest in the Sub-Saharan Africa region.

33. In December 2013, the GoE initiated the reorganization of the EEPCo by unbundling the company into two separate public enterprises.

34. As of mid-2015, out of 949 kilometers of transmission lines, 866 kilometers were completed, but only a couple of sections - Alaba-Hossana-Wolkite and Alamata-Muhoni-Mekele – were already operational with a positive but not yet quantifiable effect in terms of power reliability. The Bank's contribution to improving the financial performance of EEPCo through exports (in 2012 accounting for approximately 12 percent of the total revenues) is also worth mentioning.

35. The time needed to fetch water was reduced by only 23 minutes per day against a target of two hours. The incidence of diarrhea among children under the age of five benefited only marginally from the improved situation, whereas a 45 percent decrease was estimated with regard to the incidence of diarrhea among all age groups.

36. The number of MFIs' clients grew by a factor of five, from around 0.6 million before the project was launched to 2.5 million in 2010 (compared to an estimated 1.5 million at the time of appraisal).

37. Between 2005/06 and 2012/2013, the annual cereal production grew at an annual rate of 7.8 percent. The yield per hectare increased at a slower pace (that is, by 5.2 percent per year), and, in 2012/2013, the crop productivity remained below the national target at 17.8 quintal per hectare against the goal of 19.2. Importantly, however, in the past the reliability of official figures has been repeatedly questioned.

38. This indicator measures the share of population unable to afford the minimum food basket, providing the minimum caloric requirement of 2,200 kilocalories per capita.

39. Ministry of Agriculture and Rural Development (2011), Agriculture Sector Support Project (ASSP) – Impact Outcome Study Report, Development Studies Associates, Addis Ababa.

40. Oxen are reportedly sold twice per year at a price of ETB 17,000.

41. Ministry of Agriculture, Impact Outcome Study Report-Agriculture Sector Support Program, December 2011.

42. In Sibu Siree, out of 7,000 hectares cultivated, 200 are irrigated, of which 60 are thanks to ASSP support. In Sasiga, out of some 25,500 hectares farmed, 8,255 are irrigated, of which 520 fall within four SSIs funded by the ASSP.

43. The GoE did not agree to the Bank's proposal to contribute to RUFIP II.

44. The FBG is a formula-based transfer to cover recurrent expenditures, that is, salaries of teachers, health service providers and development agents at a local level.

45. Before and during PBS operations, the DPs provided training through ad-hoc programs for PFM reforms (for example, the EMCP program) and the public sector management (for example, the PSCAP).

46. Provisional data, as data were available only until FY 2014/2015.

47. The Household Income, Consumption and Expenditure and Welfare Monitoring Surveys, and the Demographic and Health Survey.

48. Khan, Qaiser M., Jean-Paul Faguet, Christopher Gaukler, and Wendmsyamregne Mekasha. 2014. Improving Basic Services for the Bottom Forty Percent: Lessons from Ethiopia. World Bank Studies Washington, DC: World Bank. doi:10.1596/978-1-4648-0331-4. License: Creative Commons Attribution CC BY 3.0 IGO. This study largely confirms that PBS spending had a positive development return. For instance, the estimates are that an increase by one US$ in per capita education spending at woreda level leads to a rise in the net enrolment rate by 3.6 percent, while an increase by one US$ in per capita spending improves Penta-3 vaccination by 4.9 percent, and access to ante-natal care by 3.6 percent, thereby contributing to reducing child mortality.

49. Ethiopia's PFM systems are regularly assessed in an independent and evidence-based manner through the PEFA methodology, involving the assessment of a set of indicators measuring the entire budget cycle as well as cross-cutting and more general aspects such as transparency, overall budget credibility and donors' practices.

50. IMF, the Federal Democratic Republic of Ethiopia. 2015 Article IV Consultation, September 2015.

51. The actual support provided by the Bank to the private sector is slightly larger, considering that UA 5.25 million was invested in five businesses by five different private equity funds supported by the Bank.

52. Based on the National Bank of Ethiopia's regulations and directives, which emanated from government's export promotion policy, only export-oriented companies can borrow foreign currency and local commercial banks are not allowed to borrow in a foreign currency.

53. The Bank's loan contributed 6 percent to the acquisition of five aircrafts, while during the same period the Ethiopian Airlines fleet increased by around 40 aircrafts.

54. The percentile rank ranges between 0 (the lowest rank) and 100 (the highest).

55. See Annex B.3.

56. Co-chaired by the MoFED and the Chair of the DAG, this is the primary dialogue structure dealing with cross-cutting and key policy issues.

57. The semi-annual JBAR analysis, led by the MoFED in collaboration with the DPs, enabled the GoE and the DPs to discuss macroeconomic and aid issues at country level.

58. A couple of studies to be financed by the AfDB as part of the involvement in the PBS operations ran up against significant difficulties, because the Bank's funding was earmarked as budget support and did not have a dedicated component for studies. The GoE had to be solicited to invest part of the Treasury resources in studies commissioned by the DPs, resulting in delays.

59. Ministry of Finance and Economic Development (MoFED) and United Nations Development Program (UNDP), Assessing Progress Towards the Millennium Development Goals, 2012.

60. World Bank, Ethiopia Poverty Assessment, Report No. AUS6744, January 2015.

61. This figure has improved to 3.8 as per the CSP completion report as of June 2015, which is beyond the timeframe of this evaluation.

62. Operational efficiency is defined as the capability of the Bank to deliver the foreseen (quality) outputs in a timely manner.

63. Seven projects reallocated a total of UA 12.5 million of funds to the AFCR initiative.

64. A financial instrument referring to sector wide approach.

65. Previously referred to as the Harmonization Task Force, this body focused on improving aid effectiveness and harmonization by fulfilling the Paris Declaration commitments.

66. OECD (2012), Aid Effectiveness 2011: Progress in Implementing the Paris Declaration – Volume II Country Chapter, Paris.

67. For instance, in the case of the Modjo-Awassa strategic corridor, the GoE initially intended to entrust the project to the AfDB. In the preparatory phase, however, the GoE decided to accelerate matters. As a result, activities were divided in different lots and part of the project was transferred to the Korea Exim Bank, with China and the World Bank involved at the last minute following a request by the GoE.

68. Initially, the number of projects under parallel IDEV evaluation work was somewhat larger (7). However, due to different reasons, two evaluations were finally not carried out or completed in time to feed into the present Report, namely: (i) the Harar Water Supply and Sanitation Project, to be evaluated under the Water Supply and Sanitation Project Results Assessment, and (ii) the Ethiopia-Kenya Electricity Highway, to be assessed under the IDEV Power Interconnection Cluster Evaluation.

IDEV

Independent Development Evaluation

African Development Bank

About this evaluation

The purpose of this evaluation is to assess the development results of the Bank's assistance to Ethiopia and in particular the extent to which the Bank's interventions have made a difference in the country and how. Covering the period 2004-2013, this evaluation also identifies lessons and potential improvements for the design and implementation of the new Country Strategy Paper (CSP) 2016-2020.

With respect to findings, this evaluation concludes that the Bank's strategy was aligned with the Government of Ethiopia's priorities, both at country and sector level, and the portfolio was generally well aligned with the strategy. On effectiveness, the support provided by the Bank is assessed as moderately satisfactory while the sustainability of the results achieved after the conclusion of the Bank's support is rated moderately satisfactory. The integration of cross-cutting issues into the Bank's strategies and operations is assessed as moderately satisfactory.

The evaluation also draws relevant lessons and formulates key recommendations to help improve future strategy and operations. Specific recommendations include: (a) to strengthen the inclusiveness analysis in both strategy and operations, (b) to further expand the support to private sector development including stronger collaboration with other development partners, (c) to adopt innovative approaches to improve the alignment with other development partners and respond to the country's specific constraints, (d) to improve the sustainability analysis in the strategy, and (e) to support the development of the management capacity of the Government and its implementing agencies for an effective delivery of the assistance.

IDEV
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African Development Bank

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