

Evaluation Report Summary

Review of Bank Group Assistance to the Public Utility Sector of Ethiopia.

Objective of Evaluation

To assess the contribution of the Bank's assistance to the development of the water, power and telecommunications sub-sectors in Ethiopia.

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Period Covered

1975-2004

Sector :

Public Utilities

Sub-Sector

Water and Sanitation

Power

Telecommunications

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A. Programme/Project Key Data (1 UA= \$1.5 approx at May 2007)

1) Total Bank assistance during period to the public utility sector:

Water & Sanitation – UA 113 mln; Power – UA 158 mln; Telecoms – UA 59 mln. Total: UA 330 mln.

2) No of projects/studies reviewed :

Water & Sanitation– 7 projects, 4 studies; Power – 5 projects, 4 studies; Telecoms – 2 projects.

3) Project Implementation Periods

a) Water & Sanitation – Started early-mid 80s; Completed early-mid 90s.

b) Power – 3 projects started late 80s to early 90s and finished by late 90s; 1 project started 2002; 1 project not yet effective.

c) Telecoms – 1 project from mid 80s to early 90s; 1 project from mid 90s to 2002.

(No Bank finance to the public utility sector from 1992-2000).

B. Evaluation Approach Used

Review of documents; Field visits; With and without project approach. Note : Most of the projects reviewed did not have a Project Completion Report.

C. Findings

Public Utility Sector

Effective policies, strategies and institutional arrangements are most critical for performance of the sector and for a lasting development impact. The Bank's sectoral level assistance and association with the Government in policies, strategies and institutional development was limited. There was no sectoral level institutional support to bring reforms to encourage private sector participation in the public utility sector. This constrained the Bank's contribution to the sector development and addressing the many cross cutting developmental issues such as social development and gender equality, environment safeguards, private sector development and regional integration. The Bank's assistance at the level of projects was mainly in engineering components as covered hereunder.

Water sub-sector

The projects, assessed as highly relevant, achieved their basic objectives of increasing access to potable water and sanitation services in the targeted large and small urban centres, and service provision continued following project completion. Project efficiency was rated as just satisfactory overall. This was affected by significantly delayed implementation periods which were partly caused by technological design and contractor performance issues, partly by delays in the loans becoming effective due to delayed fulfillment of the loan conditions by the Borrower and also because of Project Implementation Unit staff turnover. Added to this was the insufficient responsiveness by the Bank particularly in relation to procurement and disbursement aspects. Projects were usually completed within cost, and achieved substantial underspends in some cases.

The level of institutional development benefits achieved by the projects is rated as unsatisfactory because no attempt was made over most of the review period (with the exception of the period covering the last two CSPs) to address aspects such as the policy, institutional and regulatory environment of the sub-sector. These aspects are reviewed as needing substantial support now, particularly in the light of the decentralization programme. Despite this, the government has progressed well in its institutional reform programme though the performance of the government in mobilizing resources for the sector and in coordinating aid support is still considered weak.

Power sub-sector

The 3 completed power projects were aimed at extending access to grid-delivered electricity to a wider area of the country. In some areas this replaced traditional independent diesel-burning local systems, whilst in others it delivered electricity for the first time. All projects were assessed as very relevant and as having achieved their basic service delivery objectives. The benefits of the projects appear to have been well-sustained by a generally well organized and competent executing agency.

The only efficiency issues identified relate to excessively long project implementation periods characterized by serious delays at various stages of the project cycle. The service providers have now moved to a pricing system which ensures full service delivery cost recovery (including the use of cross-subsidization for poorer consumers). However large capital investments (such as hydro-electric plants) cannot be financed in this way and therefore require public sector investment in the short and medium terms.

As in the case of the water and sanitation sub-sector during most of the period under review the Bank has had virtually no influence on the policy, institutional and regulatory environment of the power sub-sector. The only institutional development impact attained has been that achieved through the individual projects and even here the level of investment in aspects such as capacity development was modest as almost all the financing was for works, plant and machinery. Some capacity-building was achieved however through counterpart arrangements in the implemented projects. It is noted that in recent projects the lesson has been learned and a greater proportion of project financing has been devoted to capacity-building.

Whilst the review did not explicitly address equity issues it notes that continued high tariffs are constraining the shift of low-income households to using electricity – especially for cooking.

Another important issue raised is the fact that the government has not managed to attract private investment into hydro-power generation due to the lack of capacity of service users to pay the tariffs which would be required. As the country has a very large potential for hydro-electric power generation the report states that there is a need to develop public-private partnerships in order to leverage investment in medium to large-scale hydro-power plants.

Telecoms sub-sector

Whilst the Bank did not have a telecoms sector policy at the time of the start of the projects both reviewed projects were assessed as being very relevant to the Borrower country's and the Bank's development priorities. They were aimed at increasing network coverage in urban and rural areas. They were assessed as successful in having contributed significantly to the expansion of basic telecommunications infrastructure in the country.

In terms of implementation efficiency both projects were completed within budget. However both took substantially longer than originally predicted to complete – the first by nearly three years and the second by five years (thus giving it an unsatisfactory rating for this criterion). In the latter case almost two years' delay was due to delayed effectiveness relating to Borrower country approval processes, whilst much of the remainder was due to procurement delays – partly attributable to slow Bank responsiveness.

As both of the projects date from the pre recent CSP period the approach was focused at the project level only and thus little significant sub-sectoral institutional development impact was achieved. The review notes that the government's continued reluctance to allow private sector operators into the fixed and mobile telephony markets is having a detrimental effect on service delivery.

Non-Lending Operations

8 studies were financed over the review period for a total of UA 12.5 mln. These experienced significant delays – some owing to delayed entry into effectiveness, and some related to altered scopes of work or an altered security environment. However the conversion rate from these studies into actual projects was low and both the Borrower and the Bank is criticized for not having pursued financing rigorously enough.

The Bank's overall performance in mobilizing resources for the financed studies was considered insufficient and its level of activity in supporting inter-donor coordination in the reviewed sub-sectors is also judged weak. However it is noted that there has been significant improvement more recently in this area through the Bank's participation in the Development Assistance Group (DAG) and its roads and water sub-sectoral working groups. However this level of coordination has not been achieved in the power and telecoms sub-sectors. Nevertheless donors are still encouraging the Bank to play a higher-profile role in aid coordination in the country.

No significant negative environmental, social or gender effects were reported for the projects reviewed.

Borrower and Bank Performance

- All executing agencies experienced delays due to problems in processing procurement and disbursement documents.
- PIU staff turnover caused delays as new staff took time to become familiar with Bank rules.
- The Bank has been weak in supporting fund mobilization following the financing of studies.
- The Bank has been slow in providing no-objection responses in relation to procurement and disbursement processes.
- The Bank has been weak in its self-evaluation function (PCRs, MTRs and CPPRs¹). Its Supervision Summary Reports were not complete. This is partly due to low incentives for self-evaluation as well as resource constraints.
- Recently the Bank has shown much more active involvement in sector dialogue with the government and also in aid coordination processes.
- The opening of the Country Office has helped improve Bank responsiveness to the Borrower (especially in helping it satisfy loan effectiveness conditions).
- Whilst the frequency of Bank field missions has increased there remains the issue of task managers having insufficient decision-making powers to quickly resolve problems on the ground.

D. Summary of Main Findings/Lessons

1. Bank non-lending activities were not well elaborated in CSPs.
2. There was a lack of timely and effective field supervision missions.
3. Decision-making power to task-managers and Country Office staff is limited to resolve issues on

¹ PCR : Project Completion Report ; MTR : Mid-Term Reviews ; CPPR : Country Portfolio Performance Reviews.

the ground.

4. There is need to strengthen the enabling environment for private-sector investment in the public utility sector, particularly in the power and telecoms sub-sectors.
5. More institutional development assistance is needed (particularly in terms of capacity-building) and this should be based on adequate needs assessments.
6. The donor community in Ethiopia would like to see the Bank take a more active role in non-lending assistance such as ESW, resource mobilization and aid-coordination.

E. Recommendations

1. The Bank should continue its assistance to these public utility priority sub-sectors in order to accelerate infrastructure development in the country.
2. The Bank should invigorate and enhance its non-lending assistance in order to further improve the enabling environment for public/private partnership in the country.
3. The Bank should collaborate with other donors to enhance its institutional and capacity-building assistance, particularly for the water sub-sector, in order to make the decentralization and institutional reforms effective and sustainable.
4. The Matrix for Delegation of Authority should be reviewed so that TMs and CO staff can have adequate decision-making powers, and increased frequency of country visits by senior management should be encouraged in order to facilitate decision-making.

F. Summary of Ratings

Overall Rating of Interventions in the Sector (1975-2004)

SUB SECTOR	RELEVANCE	EFFICACY	EFFICIENCY	INSTITUTIONAL DEVELOPMENT	SUSTAINABILITY	OVERALL OUTCOME
Water & Sanitation	3.30	2.80	2.60	2.16	2.90	2.75
Power	3.17	3.00	3.08	2.60	3.17	3.00
Telecom	3.25	3.25	3.13	2.00	3.50	3.03
OVERALL RATING	3.24	3.02	2.94	2.25	3.19	2.92

Notes: (1) The performances of indicators are rated on a four-point scale, with 4 being a highly satisfactory rating and 1 being a highly unsatisfactory performance.

(2) Ratings rounded to 2.6 and above are considered satisfactory

Borrower Performance

	Water²	Power	Telecoms
Sub-sector Level	2.85 (Satisfactory)	2.33 (Unsatisfactory)	3.00 (Satisfactory)
Project Level	2.89 (Satisfactory)	3.36 (Satisfactory)	2.83 (Satisfactory)
Overall Sub-Sector Performance	2.80 (Satisfactory)	2.84 (Satisfactory)	2.91 (Satisfactory)

Bank Performance

	Water	Power	Telecoms
Sub-sector Level	1.93 (Unsatisfactory)	1.96 (Unsatisfactory)	2.14 (Unsatisfactory)
Project Level	2.67 (Satisfactory)	2.84 (Satisfactory)	2.66 (Satisfactory)
Overall Sub-Sector Performance	2.30 (Unsatisfactory)	2.40 (Unsatisfactory)	2.40 (Unsatisfactory)

² Water includes sanitation