

AFRICAN DEVELOPMENT BANK GROUP



**MANAGEMENT RESPONSE TO ETHIOPIA COUNTRY
ASSISTANCE EVALUATION RECOMMENDATIONS**

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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MANAGEMENT RESPONSE TO ETHIOPIA COUNTRY ASSISTANCE EVALUATION RECOMMENDATIONS

Comments by Quality Assurance and Results Department (ORQR)

1. The Ethiopia Country Assistance Evaluation (E-CAE) follows a standard CAE methodology in which conclusions are triangulated from: i) a top-down review of expected CSP outcomes; ii) a bottom-up review of project outcomes contributing to the CSP; and, iii) a review of Bank and borrower performances. The report reads well and reflects a serious effort at evidenced-based analysis. OPEV is to be commended for the quality of document.

2. Two issues merit comment by ORQR in order to enhance the usefulness of the E-CAE: i) logical consistency of the overall conclusions and ratings; and ii) specificity of the recommendations.

Logical consistency of the overall conclusions

3. The E-CAE comes to the following overall conclusions about the relevance and outcomes of Bank strategies and their implementation:

- a. The CSPs were relevant for Ethiopia (para. 6)
- b. On balance, the outcomes of completed operations were satisfactory and the outcomes of on-going operations are likely to be satisfactory (bottom-up analysis, para. 7)
- c. On balance, the outcomes of the CSP were unsatisfactory (top-down analysis, para. 11)

Generally the top-down and bottom-up analyses should yield a common conclusion, as CSP outcomes derive from the contributions of the operations and analytic work. *Divergent conclusions such as these either reflect weaknesses in the evaluation or serious concerns about the Ethiopia program that are not expressed in the E-CAE.* If the latter, we would need to conclude that the Bank work program (operations, analytic work, etc.) was not aligned with stated CSPs—otherwise the positive outcomes of the work program would drive positive outcomes of the CSP. In other words, the work program would need to be judged as less relevant than the stated CSP—a serious disconnect that the E-CAE should have addressed if it were the case. As this is not addressed in the E-CAE, we might conclude that the logical inconsistency results from weakness of the evaluation rather than a serious disconnect in the country program itself.

Specificity of the recommendations

4. The E-CAE provides very useful analysis of outcomes and Bank performance related to various sectors and topics. Such analysis should give rise to specific recommendations about future strategy and implementation efforts. The main recommendations of the E-CAE are:

- a. Improve performance of the active portfolio to achieve development results on the ground.
- b. Improve the effectiveness of (the field office).
- c. Improve the results orientation of Bank processes, projects and programs.
- d. Widen and deepen ESW development knowledge
- e. Enhance selectivity in lending and non-lending programs
- f. Strengthen in-country implementation capacity and stakeholder participation

These recommendations are appropriate but quite general and, therefore, less useful to the Country Team in improving the relevance of Bank strategy and the effectiveness of its implementation. For example, the E-CAE documents particularly poor outcomes and performance in the agricultural and social sectors, but makes no specific recommendations about future engagement in these sectors, either in terms of strategic selectivity or in terms of project design/restructuring to achieve better results in these sectors. Given the considerable cost and time of producing Country Assistance Evaluations, their usefulness would be enhanced if the recommendations better reflected the detailed analysis and provided specific guidance on future strategy design and implementation.

Comments by Ethiopia Country Team

The Country Team has reviewed the Ethiopia Country Assistance Evaluation Report, 1996-2007. We welcome the candidness of the report. While our review focused mainly on the recommendations, we have a few issues to raise on the process and content.

1 Process and analysis leading to the conclusion

1.1 The report is thorough and its analysis seems solid. The methods used are relevant. However, the list of Bank staff interviewed appears somewhat short: and not all the fields involved with the Bank-funded operations have been covered, for instance water and sanitation was not included. Only three staff (out of whom two former) of the ETFO had been interviewed. A broader base of staff interviewed would no doubt have led to a more comprehensive analysis. There was no list of the GoE and other staff interviewed. This may explain some of the shortfall of the report. In addition the report has been prepared over a long period and some of the information is out of date.

1.2 The Annex D describing the experience of the pilot delegation of education and health management authority to the ETFO was particularly interesting and illuminating and is a useful learning instrument moving forward.

1.3 Gender issues were only taken up in one context and it is not clear how much gender and socio-economic impact analysis had been done prior to the Bank operations or during them.

1.4 We were somewhat surprised that the possible impacts of poor of resources were not even mentioned in this long report. It would be important to analyze how possible

fraudulent practices impact the Bank operations.

1.5 Finally some of the sectoral analysis provided in the report is biased and this could be explained again by the limited number of person consulted in QH as well as in the field that have been directly involved in this operation.

2 Content of the CAE

2.1 With regard to the content, we feel the constraints under which the country assistance was delivered ought to have been more clearly presented and given prominence. As the report in many places mentions the capacity problems in Ethiopia (esp. other than the federal level) it would have been good to include some analysis how other donors tackle these same problems. In particular in those sectors where the Bank under-performed (notably the social sector and agriculture) the experience of other development partners would have been useful in putting the Bank's performance in perspective. In this regard, it is worthwhile noting that the World Bank also encountered difficulty delivering its assistance to the social sector because of weak institutional capacity at the local level, especially in financial management (including procurement). The difference is that the World Bank was able to respond to these challenges in a timely manner. Moreover, the World Bank adopted a flexible pragmatic approach which allowed them to make the necessary adjustment in the delivery of its assistance for the Education Sector Development and the Health Sector Development Programmes which were co-financed with the Bank.

2.2 We note that the period covered by the evaluation was extended to include the 2005-2009 CSP. The earlier document that we had reviewed did not cover the most recent CSP, which is still under implementation. Consequently some of the information provided for the period 2005-2009 especially regarding sector performance is misleading as discussed in the next section.

3 Assessment of Social Sector Performance

3.1 The report provides detailed information on the social sector and mainly blames the poor performance of these operations on poor design and inflexible business process. The report fails to explain the lengthy process undertaken by the Bank to try and restructure this operation. It also fails to indicate the contribution of the Government to this negative outcome from refusing to have a PSU, to not acknowledging the need for continuous training to be able to implement the operation in a decentralized framework. From 2002 onwards a series of actions showing great flexibility (from changing threshold for disbursement to extending date of last disbursement to allow for the purchase of 28 project vehicles stuck in the Djibouti Port) were undertaken to accelerate disbursement. Project Management was delegated to ETFO only in 2004, and not much progress was made since partly for the reason raised in the report, but also because of the reluctance of the Government to implement corrective measures despite concerted effort by the Bank Group

4 Response to the Recommendations

4.1 The CT agrees with the recommendations, some of which are generic to the extent that they apply to other Bank country operations and are being addressed through the ongoing internal reforms, including quality assurance processes, strengthening of country teams, and an enhanced focus on country operations through adoption of KPIs.

4.2 The Bank is still only half way in its decentralization process and experiences from other Agencies that already have delegated such authorities and transferred relevant staff to field offices should be looked into. The Bank has already started taking steps to address the weaknesses in delivery of Bank highlighted in the CAE for Ethiopia. However, we note that not all of them have been reflected. One important step is the strengthening of the Ethiopia Field Office staffing. Enhanced capacity of ETFO will enable the Bank to be more effective and visible in country dialogue and in providing quality implementation support services to the Government. The Country Economist and Agriculture Sector Specialist are now based in Addis Ababa and the Bank has recruited a Public Financial Management Expert and a Procurement Officer and additional sector specialists. There are also plans to delegate Task Management Responsibilities for some of the projects in the portfolio with clear technical supervision from sector colleagues in HQ. These recent initiatives need to be reflected so that the CAE is more forward looking.

4.3 We agree that the Bank needs to be more selective in the choice of areas. Indeed this is also the position of the Government. During the ADFX and ADF XI cycles the Bank's project intervention has been limited to infrastructure where the Bank is considered to enjoy a comparative advantage.

4.4 We agree the Bank has been weak in policy dialogue. Efforts are underway to strengthen this aspect of the Bank's country programme. In fact in some of the sectors such as roads and agriculture, the Bank is already active in working groups. Until recently the Bank chaired the Monitoring & Evaluation Working Group and is now assuming co-chairmanship of the PBS, currently the largest donor programme in Ethiopia.

4.5 With respect to analytical work, OREB is in the process of developing a medium term programme of studies, some of which will be conducted jointly with other development partners, and will focus on understanding better the drivers of growth.

4.6 The results orientation is also being enhanced. The CSP Mid-Term Review currently under preparation will provide an opportunity to further strengthen the result framework of the assistance strategy to enhance measurability of key indicators (e.g in the area of governance). We have also agreed with the Government that supervision missions and annual country portfolio dialogue will focus more on results. The implementation of these recommendations will be reflected in the CSP Mid-Term Review currently under preparation.