



**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**ETHIOPIA**  
**COUNTRY PORTFOLIO REVIEW REPORT**

**COUNTRY DEPARTMENT – EAST  
MARCH 2002**

## TABLE OF CONTENTS

0. Executive Summary	i-iv
1. Introduction	1
1.1 Objectives, Structure and Coverage of the report	1
1.2 Size and Composition of the Cumulative portfolio	1
2. Review of Ongoing Portfolio	2
2.1 Review of each Ongoing Operation	2
2.2 Aging, Potentially Problematic and Problem Projects	15
2.3 Assessment of Supervision Frequency and Quality	16
2.4 Cross-Cutting Issues	16
2.5 General Assessment of Portfolio Performance	17
2.6 Disbursements	19
3. Assessment of Management/Implementation Capacity	20
3.1 Government's Performance	20
3.2 Bank's Performance	20
4. Coordination with Other Donors	21
4.1 Assessment of Government Capacity to Coordinate Donor Assistance	21
4.2 Assessment of ADB Coordination with Other Donors	21
4.3 Assessment of Co-financiers in co-financed Projects	22
5. Loan Repayment and Arrears	22
6. Proactive Management of Portfolio	22
6.1 Potential Future Problems and Solutions	22
6.2 Summary of CPIP/Action Plan	23
6.3 Lessons Learnt for Future Country Strategy Paper and Portfolio Management	23
7. Conclusion and Recommendations	24

### Annexes

1. Summary of Bank Group Overall Portfolio
2. Summary of Bank Group Ongoing Operations
3. Summary of performance Rating by Sector and Projects
4. Project rating Summaries
5. Matrix of Common Problems
6. Matrix of Cross-Cutting Issues
7. Country Portfolio Improvement Plan

## ACRONYMS AND ABBREVIATIONS

ADF	- African Development Fund
ADB	- African Development Bank
AIDS	- Acquired Immunodeficiency Syndrome
AMINA	- African Development Bank Micro-Finance Initiative
APPR	- Annual Portfolio Performance Report
BADEA	- Arab Bank for Economic Development in Africa
BD	- Board Document
CFAA	- Country Financial and Accountability Assessment
CSOs	- Civil Society Organizations
CSP	- Country Strategy Paper
DAG	- Development Assistance Group
DO	- Development Objective
EIB	- European Investment Bank
EPA	- Environmental Protection Authority
ESDP	- Education Sector Development Program
ETB	- Ethiopian Birr
ETCO	- Ethiopia Country Office
GNP	- Gross National Product
GOE	- Government of Ethiopia
GTZ	- German Technical Co-operation
HIV	- Human Immunodeficiency Virus
HSDP	- Health Sector Development Program
ICAO	- International Civil Aviation Organization
ICB	- International Competitive Bidding
IMF	- International Monetary Fund
IP	- Implementation Performance
IT	- Information Technology
I-PRSP	- Interim Poverty Reduction Strategy Paper
M&E	- Monitoring and Evaluation
MoA	- Ministry of Agriculture
MoFED	- Ministry of Finance and Economic Development
MoH	- Ministry of Health
NCBP	- National Capacity Building Program
NDF	- Nordic Development Fund
NTF	- Nigeria Trust Fund
OPEC	- Organization of Petroleum Exporting Countries
OPSD	- Operations Private Sector Department
PBL	- Policy-Based Operation
PER	- Public Expenditure Review
PHC	- Public Health Care
PPP	- Public Private Partnership
PRGF	- Poverty reduction and Growth Facility
RHBs	- Rural health Bureaux
SAL	- Structural Adjustment Loan
SDPRP	- Sustainable Development and Poverty Reduction Program
SMEs	- Small- and Medium-Enterprises
SNNPR	- Southern Nations and Nationality Peoples Region
SPN	- Special Procurement Notice

- TAF - Technical Assistance Fund
- TOR - Terms of reference
- UA - ADB Unit of Accounts
- UN - United Nations
- UNDP - United Nations Development Program

CURRENCY EQUIVALENTS  
(31 December, 2002)

UA 1	=	Birr 10.97
Birr 1	=	UA 0.09
US\$ 1	=	Birr 8.55

## EXECUTIVE SUMMARY

1. **Introduction:** This is the third portfolio review exercise for Ethiopia which represents part of the continuing effort to improve the implementation performance of the Bank Group portfolio in the country. The previous two reviews were undertaken in February 1996 and March 1998 respectively. This report is based on the findings of a Portfolio Review Mission and supervision missions undertaken up to end-December 2002. The report reviews the implementation performance of the Bank Group active portfolio in Ethiopia, identifies the key issues contributing to progress or lack of it and, and based on this, proposes an action plan for remedial measures.

2. **Overall Portfolio:** The Bank Group commenced operations in Ethiopia in 1975 and has, as at 31 December 2002, approved 72 operations amounting to UA 1,122.78 million, net of cancellations. The bulk of the commitments totalling UA 900.12 million (including TAF resources of UA 43.66 million) was from ADF resources, while UA 217.86 million and UA 5.0 million were from ADB and NTF resources respectively. The sectoral distribution of the cumulative Bank Group portfolio in Ethiopia shows that Agriculture is the greatest beneficiary accounting for 29.36% of total commitments net of cancellations, followed by public utilities (22.65%), transport (19.82%), multi-sector (18.76%), social (7.26%) and industry and mining (2.15%). The approved operations comprise 48 projects, 1 line of credit, 2 structural adjustment loans, 20 studies and 1 debt relief operation (supplementary financial mechanism). Fifty-one (51) operations have been completed while 6 were terminated/cancelled.

3. **Ongoing Portfolio:** There were 15 ongoing operations in Ethiopia as at 31 December 2002, comprising 4 operations in the agriculture sector, 4 in the transport sector, 2 in the public utility sector, 2 in the social sector, 1 in the industrial sector, and 2 in the multi-sector. The total commitment on the operations amount to UA 332.44 million of ADF resources, including UA 14.31 million TAF resources. Transport is the largest beneficiary accounting for 24.9% of total commitments (net of cancellations), followed by Agriculture (19.7%); Social (18.6%); Multi-Sector (18.2%); Public Utilities (17.7%), and Industry and Mining (0.9%).

4. **Disbursements:** As at 31 December 2002, the global disbursement/commitment ratio on all operations was about 77%. The highest ratio was achieved in the Multi-sector (90.33%), followed by Agriculture (82.34%), Industry and Mining (81.33%), Public Utilities (76.92%), Transport (71.19%), and Social (36.03%). For the ongoing operations, the disbursement/commitment ratio was 24.55% as at the end of December 2002. Multi-sector also achieved the highest ratio (66.34%) in view of SAL II which is quick disbursing, followed by transport (28.71%), social (15.89%) Agriculture (11.85) and Industry and Mining (3.67%). The low disbursement/commitment ratio on the ongoing operations is due to the fact that most of the operations are relatively young with an average age of 2.4 years. Disbursements are just starting on many of the projects after satisfactory progress on procurement actions. Disbursements are even yet to commence on the two public utility sector projects recently approved.

5. **Portfolio Performance:** Portfolio performance is generally satisfactory. Both the 1999 and 2000 Bank-wide APPR indicated satisfactory portfolio performance with Implementation Performance (IP) and Development Objective (DO) rating indicating no problem projects and high likelihood that all the projects would meet their development objectives. The proportion of projects at risk declined from 36% in 1999 to 25% in 2000, thus indicating improved portfolio performance. This portfolio review report also indicates satisfactory performance, with average portfolio rating of 2.3, with no project rated below 2.0.

There are no problem projects, all projects have a high likelihood of achieving their development objectives, and there are no projects at risk.

6. **Aging, Potentially Problematic and Problem Projects:** There are no aging projects in the portfolio. The oldest project, the Addis Ababa International Airport Development Project, is 6 years old since approval, and is virtually completed. The average age of the projects in the on going portfolio is 2.4 years. There is also no problematic project and project at risk. The implementation progress of two projects (Education III and Primary Health Care), categorized as projects at risk in the 2000 Bank-wide Annual Portfolio Performance Report (APPR) had improved significantly and they are no longer at risk.

7. **Assessment of Supervision Frequency and Quality:** Since 2001, the supervision ratio of 1.5 has been achieved for Ethiopia. All the active projects in the portfolio have therefore been well supervised. In most cases, the skill mix has been appropriate and missions have been helpful in resolving outstanding problems. ETCO has also contributed positively to the effectiveness of supervision mission by enhancing skill-mix and ensuring follow-up of recommendations of supervision missions for prompt implementation.

8. **Cross-Cutting issues:** Cross cutting issues addressed by projects are usually articulated in the appraisal reports and monitored during supervision missions and mid-term reviews. The most important ones are poverty reduction, environmental and social protection, gender equality and governance. Some projects in the portfolio also address, on a limited scale, core labour standard (child labour) and HIV/AIDS pandemic in the context of the social issues. A single project however needs not address all these issues.

9. **Generic Problems:** A few generic problems were however observed, including weak implementation capacity, especially at the regional/district level in view of the decentralisation process, weak communication between the Executing Agencies and the Bank, disbursement delays and prevalence of idle balances on completed projects. The field presence provided by the establishment of ETCO has started to bridge the communications gap and impact positively on portfolio performance while idle balances are being systematically cancelled.

10. **Proactive Management of Portfolio:** As the decentralization process progresses and more sector programs which would be implemented by the regional and district administrations are being developed, the problem of capacity constraint would intensify. Both the Government and the Bank therefore need to take proactive actions by incorporating capacity building into program design. To this end, the Government has prepared the NCBP while the Bank would ensure mainstreaming capacity building into projects and programs within the context of the government NCBP. Also, as part of proactive measures for portfolio management, the Bank Group approved, in December 2001, the MoFED Capacity Building Project aimed at improving project implementation capacity, across sectors, especially at the regional and district levels. The project focuses largely on training and the organization of loan administration workshops at the regional and district levels to produce a critical mass of government officials knowledgeable in Bank Group's procurement and disbursement rules of procedure.

11. To ensure the sustainability of the training program, federal officials are being trained as trainers. The project is being task-managed by ETCO to ensure prompt response to issues and quick problem resolution. To further improve portfolio management, satellite equipment would be installed at ETCO to link it with facilities at the Headquarters, once the Government grants

the required license. As part of pro-active management of portfolio, the Bank would encourage public-private partnership (PPP) in future programs. For example, the fertiliser production project, which may require such partnership, has been identified, given the importance of fertiliser to the Ethiopian economy. Portfolio improvement plan is provided in the body of this report. It focuses on actions aimed at improving delays in fulfilment of loan and grant conditions and project start up, poor procurement performance, disbursement delays, weak communication, weak implementation capacity, and prevalence of idle balances on completed projects.

## **12. Lessons Learnt for Future Country Strategy Papers and Portfolio Management**

The portfolio review indicates five lessons for future country programming (CSPs) and portfolio management. (i) Capacity requirements must be envisaged and planned for at program preparation/appraisal stages to facilitate smooth program implementation. Country programming should also emphasise this issue. (ii) In view of the sector-wide approach adopted by Ethiopia, sound economic and sector work is essential to ensure high quality at entry. (iii) There is an emerging aid delivery modality in Ethiopia emphasising harmonisation of donors' procedures and general budget support, the implications of which future country programming and portfolio management should examine. (iv) The opening of the Ethiopia Country Office has provided local presence and opportunities for day-to-day contacts with the Government, Executing Agencies and donors, thus bridging communication gap, facilitating faster resolution of problems and promoting donor coordination. (v) There is need for selectivity in the Bank Group's interventions, with emphasis on areas where the Bank Group has proven comparative advantage or could develop one, and on fewer large projects to ensure effectiveness of supervision missions and development impact.

**13. Conclusion and Recommendations:** The Portfolio Review exercise revealed a generally satisfactory overall portfolio performance rating of 2.3. However, there are some problems for which a Portfolio Action Plan has been designed. The Bank-wide APPRs also indicated improved portfolio performance in Ethiopia in recent years. The proportion of operations in the portfolio rated as projects at risk declined from 36% in 1999 to 25% in 2000, and the IP and DO ratings implied the absence of problem projects and the high likelihood that all the on going operations would achieve their development objectives. Based on the above findings, the following measures are recommended to further enhance the performance of the Bank Group portfolio in Ethiopia:

- (i) To ensure accountability in the use of Bank Group resources, the Government should ensure compliance of Executing Agencies with the General Conditions attached to the Bank Group loans and grants, particularly the requirement for submission of annual audit reports, which is still a generic problem. The Bank would not hesitate to suspend disbursement in the event of non-compliance.
- (ii) Some of the regional bureaux that would be responsible for the implementation of the sector investment programs and other Bank Group-financed projects lack adequate capacity for project implementation. While recognizing government current efforts at capacity building, this process needs to be intensified and carefully monitored to ensure effective project implementation and the sustainability of project achievements. The Bank Group would participate actively in this process, through the utilization of grant resources.

- (iii) Given that Ethiopia is one of the largest beneficiaries of ADF resources, the Government should ensure a strong pipeline of projects/programs and timely submission to the Bank Group, so as to strengthen future lending operations and avoid possible problem of lean portfolio, now that many of the old projects have been closed.
  - (iv) The Bank should closely monitor the implementation of the Action Plan presented in Annex 7.
14. The Boards of Directors are invited to consider this Portfolio Review Report on Ethiopia.

# **1 INTRODUCTION**

## **1.1 Objectives, Structure and Coverage of the Report**

There had been two previous country portfolio reviews undertaken for Ethiopia in 1996 and 1998 respectively. This is the third country portfolio review report which represents a continuing effort to improve the implementation performance of the Bank Group portfolio in Ethiopia. This report is based on the findings of a Portfolio Review Mission and supervision missions undertaken up to end-December 2002. This report reviews the implementation performance of the Bank Group active portfolio in Ethiopia, identifies the key issues contributing to progress or lack of it and, and based on this, proposes an action plan for remedial measures. The report is divided into seven sections: introduction, review of ongoing portfolio, assessment of management/implementation capacity, coordination with other donors, loan repayment and arrears, proactive management of portfolio, and conclusion and recommendations.

## **1.2 Size and Composition of the Cumulative Portfolio**

1.2.1 The Bank Group commenced operations in Ethiopia in 1975 and has, as at 31 December 2002, approved 72 operations amounting to UA 1,122.78 million, net of cancellations (see Table 1.1). The bulk of the commitments totalling UA 900.12 million (including TAF resources of UA 43.66 million) was from ADF resources, while UA 217.86 million and UA 5.0 million were from ADB and NTF resources respectively. In addition, Ethiopia has also benefited from a TAF grant of UA 2.30 million for a multi-national operation, the Ethio-Sudan Power Interconnection Systems Study; drought relief of US\$500,000; and US\$350,000 Sustainable Development and Poverty Reduction Program (SDPRP) preparation grant.

Table 1.1  
Ethiopia: The Structure of Bank Group Cumulative Portfolio  
(as at 31 December, 2002)

Sector	No of Operations	Commitment UA million	Percentage Share
Agriculture	27	329.68	29.36
Public Utilities	19	254.30	22.65
Transport	13	222.47	19.82
Social	4	81.48	7.26
Industry & Mining	4	24.17	2.15
Multi-Sector	5	210.68	18.76
Total	72	1,122.78	100.00

1.2.2 The sectoral distribution of the cumulative Bank Group portfolio in Ethiopia presented in Table 1.1 above, shows that Agriculture is the greatest beneficiary accounting for 29.36% of total commitments net of cancellations, followed by public utilities (22.65%), transport (19.82%), multi-sector (18.76%), social (7.26%) and industry and mining (2.15%). The approved operations comprise 48 projects, 1 line of credit, 2 structural adjustment loans, 20 studies and 1 debt relief operation (supplementary financial mechanism). Fifty-one (51) operations have been completed, 6 were terminated/cancelled, while the remaining 15 are ongoing.

1.2.3 There is yet no Bank Group-financed private sector operation in Ethiopia. However, there is a substantial scope for private sector investment given the private sector development focus of the government reform programme. The Bank's Private Sector Department (OPSD) organised a sensitisation/identification workshop in Ethiopia in November 2001. A number of potential viable projects were identified and these are being reviewed for further processing. In addition, OPSD is discussing with private banks in Ethiopia the possibility of assistance in the form of equity participation and lines of credit for on lending to small- and medium-scale enterprises (SMEs). The Bank Group is also assisting Ethiopia with capacity building for its privatisation program and through the AMINA pilot program, the Bank assisted Ethiopia's micro-finance institutions in the area of capacity building.

## 2 REVIEW OF ONGOING PORTFOLIO

### 2.1 Review of each Ongoing Operation

2.1.1 As at 31 December 2002, there were 15 ongoing operations in Ethiopia, comprising 4 operations in the agriculture sector, 4 in the transport sector, 2 in the public utility sector, 2 in the social sector, 1 in the industrial sector, and 2 in the multi-sector. The 15 operations are for a total commitment of UA 332.44 million of ADF resources, including UA 14.31 million TAF resources. The sectoral breakdown of the ongoing operations is presented in Table 2.1. Transport is the largest beneficiary accounting for 24.9% of total commitments (net of cancellations), followed by Agriculture (19.7%); Social (18.6%); Multi-Sector (18.2%); Public Utilities (17.7%), and Industry and Mining (0.9%).

Table 2.1  
Ethiopia: The Sectoral Breakdown of Bank Group Ongoing Portfolio  
(as at 31 December, 2002)

Sector	No of Operations	Commitment UA million	% Share
Agriculture	4	65.56	19.7
Public Utilities	2	58.68	17.7
Transport	4	82.71	24.9
Social	2	61.97	18.6
Industry & Mining	1	3.00	0.9
Multi-Sector	2	60.52	18.2
Total	15	332.44	100.0

2.1.2 Two of the fifteen ongoing projects have not entered into force. These projects in the Public Utilities Sector are: the Rural Electrification and the Harar Town Water Supply Projects. The Rural Electrification Project was approved in December 2001 while the Water Supply Project was approved only recently in September 2002. Some progress has been made on the implementation of the Rural Electrification Project, even though the Loan has not entered into force. The General Procurement Notice (GPN) was published in the Development Business in January 2002 and the loan agreement was signed on 14 March, 2003. The project was launched

in March 2002 and procurement actions on the consultancy services for the supervision of the construction of high voltage substations and distribution networks also commenced immediately after the launching exercise. There are therefore 13 active operations in the portfolio and these are the ones covered by the project-by-project review below.

### **Agriculture Sector**

2.1.3 Over-view: There are four ongoing operations (three projects and one study) in the agriculture sector constituting about 20% of total commitments on all ongoing operations. With the possible exception of the National Livestock Project, which is about four years old after approval, the remaining three operations are at the start-up stage, and are making satisfactory progress on procurement actions. The Life Stock Project, one of the projects in the Bank Group portfolio under the implementation of the regional administrations, is experiencing implementation problem due to capacity constraint at this level of government. Generally, however, all the operations retain a good chance of meeting their development objectives as specified at appraisal.

### **National Livestock Development Project**

#### **Basic Data and Project Objective/Components**

<u>Approved Amount</u> : UA 27.00 million <u>Cancelled Amount</u> : None- <u>Net Commitment</u> : UA27.00 million	<u>Source</u> : ADF	<u>Disbursed Amount</u> : UA 7.50 million (27.78%)
<u>Date Approved</u> : 10/08/98 Date signed: 20/11/98 <u>Entry into Force</u> : 30/06/99	<u>Accounts Audit (years)</u> : 1999 and 2000 <u>Progress Reports</u> : 1999, 2000, 2001 and 2002	<u>Last disbursement deadline</u> : 30/06/03
<u>Date of last supervision</u> 22/02/2002	<u>Implementing Agency</u> : Ministry of Agriculture (MOA)	
<u>Project Objectives/Components</u> : The project aims to achieve sustainable increases in household income and greater food security in smallholder livestock production through greater and more efficient production by expanded use of productive livestock and by providing these with superior health services and improved nutrition to enable them to express their genetic potential. The project consists of (i) livestock production, (ii) animal health, (iii) feeds and nutrition, and (iv) project management		

2.1.4 Implementation Performance: The loan conditions were fulfilled relatively on time and the loan agreement entered into force 11 months after board approval. This is below the average period of over 12 months observed for projects in Ethiopia in the past. The general condition (the reporting covenant) is also being complied with. Procurement performance has been satisfactory. Aspects of the project activities, such as training and procurement of goods and services, have been running smoothly. The AI activity is also running well despite the shortage in AI equipment. Project vehicles have also been procured and are awaiting port clearance. The designs of civil works for various constructions in the regions have been completed and tendering for their construction is in progress. However, the project has been experiencing a number of problems, which is affecting smooth project implementation. These include shortage of AI equipment, shortage of recurrent costs, shortage in qualified staff, lack of eligible sources for supply of exotic forage seeds, shortage of qualified accounting staff and poor reporting system, and low disbursement due to inability of to justify expenditures from the Special Account on time. These factors have not allowed project implementation to move as fast as expected. These problems are being addressed and special attention would be paid to them during the midterm review.

2.1.5 Development Objective: The project retains a good chance of meeting development objectives as defined at appraisal but these could be realized later than expected due to delays in project implementation.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	1	2	2	2

### **Koga Irrigation and Watershed Management Project**

#### Basic Data and Project objective/components

<u>Approved Amount</u> : UA 33.92 million <u>Cancelled Amount</u> : None <u>Net Commitment</u> : UA 33.92 million	<u>Sources</u> : ADF: UA 32.59 million TAF: UA 1.33 million	<u>Disbursed Amount</u> : ADF: UA 0.11 million (0.34%) TAF: UA 0.16 million (12.03%)
<u>Date Approved</u> : 28/06/2001 <u>Date signed</u> : 19/07/2001. <u>Entry into Force</u> : 25/02/2002	<u>Accounts Audit (years)</u> : Not yet due. <u>Progress Reports</u> : None pending	<u>Last disbursement deadline</u> : 30/06/08
<u>Date of last supervision</u> : 18-20 November 2002.	<u>Implementing Agency</u> : Ministry of Water Resources	
<u>Project Objective/Components</u> : The objective of the project is to improve agricultural production in the catchments and command areas of the Koga River valley in a sustainable manner. The project components include: Irrigation development – involving the construction of a storage reservoir on Koga River for the dry season irrigation of 6000 ha of land; Watershed Management – involving the development of efficient rainfed conservation farming on 22,000 ha catchments area; Capacity Building that provides for the training and development of human resources at local, regional and federal levels; and Management and Co-ordination to ensure efficient project implementation and operation..		

2.1.6 Implementation Performance: The loan and grant conditions were met relatively on time and both were declared effective on 4 April and 14 May 2002 respectively, less than 11 months after board approval. Procurement actions have also started and are following Bank Group rules of procedure. Specific procurement packages that have been tendered include the supply of vehicles and motorbikes and housing. The Bank has also approved the short list of seven consultants for the design and construction supervision of Koga dam and irrigation system development. The Executing Agency has completed the evaluation of bids for recruitment of consultants for dam design and the report is being reviewed by the Bank. Disbursement is currently about 0.3% for the loan and 12% for the grant. The project has succeeded in preparing a comprehensive rolling plan for staff training and the Bank has approved the 2002 training programme. Training activities currently being processed for implementation include: The Degree of Masters for 6 officers and the training of Trainers for Extension training. Recruitment of key staff has been finalised at all levels (Ministry of Water Resources, Commission for Sustainable Agriculture and Environmental Rehabilitation and Districts).

2.1.7 Development Objective: The project has a good chance of meeting development objectives as defined at appraisal.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	2	2	2	2.4

### **Pastoral Area Development Study**

#### Basic Data and Project Objective/Components

<u>Approved Amount</u> : UA 710,000 <u>Cancelled Amount</u> : None <u>Net Commitment</u> : UA 710,000	<u>Sources</u> : TAF	<u>Disbursed Amount</u> : Nil (0.0%)
<u>Date Approved</u> : 08/11/2000 <u>Date signed</u> : 11/12/2000 <u>Entry into Force</u> : 26/06/2001	<u>Accounts Audit (years)</u> : Not yet due. <u>Progress Reports</u> : None pending	<u>Last disbursement deadline</u> : 31/12/2003
<u>Date of last supervision</u> Yet to be supervised.	<u>Implementing Agency</u> : Department of Extension services. Ministry of Agriculture.	
<u>Project Objective/Components</u> : The objective of the study is to prepare a medium-term pastoral areas development plan with two priority projects based on a better understanding of pastoral communities of Ethiopia and an increased capacity of the Government. The study will cover all pastoral areas in the Afar, Southern People Nations and Nationalities, Oromiya, Benshangul-Gumuz, Gambella and Somali regions and Dire Dawa. It will assess the current situation, identify gaps and areas requiring attention, and propose remedial actions to be implemented in a planned and systematic manner. The study would be carried out using a participatory approach over 12 months (7 months research and 5 months of review) in 3 phases. The main activities of the study will involve focus-group discussions, household surveys, data collection and analysis, review meetings, report writing and publication		

2.1.8 Implementation Performance: The grant protocol of agreement was quickly signed within one month of board approval and the grant entered into force immediately. Procurement planning and implementation have been very successful. Specific procurement notice was published in the Development Business of the UN on 31 March 2001. This was followed by the approval of a shortlist of consultants, selection and approval of the consulting firm to carry out the study. The contract for the consultancy services of the study was signed on 29 August 2002 and the study has since commenced. Financial flow to the study is guaranteed by the grant and there is no problem of counterpart funding. Disbursement is yet to commence, hence disbursement rate and cost management can not be assessed at this stage.

2.1.9 Development Objective: The study has a good chance of meeting development objectives as defined at appraisal.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	-	2	2	2.5

## Genale Dawa Integrated Water Resources Development Master Plan Study

### Basic Data and Project objective/components

Approved Amount: UA 3.928 Cancelled Amount: None Net commitment: UA 3.928 million	<u>Source:</u> TAF	<u>Disbursed:</u> Nil (0.0%)
<u>Date Approved:</u> 27/09/2001 <u>Date signed:</u> 16/11/2001 <u>Entry into Force:</u> 16/11/2001	<u>Accounts Audit (years):</u> Not yet due. <u>Progress Reports:</u> None pending	<u>Last Disbursement Date:</u> 31 December 2006.
<u>Date of last supervision:</u> N/A	<u>Implementing Agency:</u> Ministry of Water Resources	
<u>Project Objective/Components:</u> The specific objectives of the study are to: (i) prepare a master plan which would contribute to the sustainable development and poverty reduction in the Genale-Dawa river basin and optimum use of all natural, physical, human and animal resources with minimum possible adverse environmental impact; and (ii) preparation of three projects for future financing. The study will be conducted in three phases. During the first phase, the consultant will make a detailed review and analysis of all available information to identify gaps. The second phase will be involve the preparation of the Master Plan while the third phase will focus on the preparation of feasibility reports with respect to three priority agricultural and water resources development projects.		

2.1.10 Implementation Performance: The grant conditions were promptly fulfilled facilitating the entry into force within two months and disbursement effectiveness within eight months after approval. The recruitment of the consultant who will undertake the study is underway. The short listed firms have submitted their proposals and bid opening took place on 20 September 2002. The proposals were evaluated by the Executing Agency and no-objection was granted by the Bank. Financial flow to the study is guaranteed by the grant but disbursement is yet to start.

2.1.11 Development Objective: The study has a good chance of meeting development objectives as defined at appraisal.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	n/a	n/a	2	2.3

## **B. Transport Sector**

2.1.12 Over-view: There are three projects and one study in this sector, accounting for about 25% of total commitments on all ongoing operations. Of the three projects, one is virtually completed, the second has experienced considerable implementation delays due to protracted procurement actions and pre-start off activities, while the third is at the start-off stage with procurement actions progressing well. The Study on its part has faced protracted procurement delays with serious implementation lag. Thus, the overall implementation status is estimated at about 20%. All the operations retain good chances of attaining development objectives as defined at appraisal but for almost all of them, these would be realized later than expected due to implementation delays.

## **Addis Ababa International Airport Development Project**

### **Basic Data and Project objective/components**

<u>Approved Amount:</u> UA 19.50 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 19.50 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA 14.96 million (76.72%)
<u>Date Approved:</u> 31/10/1996 <u>Date signed:</u> 07/12/96 <u>Entry into Force:</u> 11/07/1997	<u>Accounts Audit (years):</u> July 7, 2001 <u>Progress Reports:</u> None pending	<u>Last disbursement deadline:</u> 31/12/02
<u>Date of last supervision:</u> 5-21 December 2002	<u>Implementing Agency:</u> Ethiopian Civil Aviation Authority.	
<u>Project Objective/Components:</u> The ADF-assisted Addis Ababa Airport Project is a component of the Airside Works of the overall Addis Ababa International Airport Development Project, the objective of which is to upgrade the existing infrastructure facilities, improve Nav aids – Communication Systems as per ICAO standards to meet the present and forecast levels of traffic over the next twenty years. The Addis Ababa International Airport Airside sub-project comprises basically, (i) civil works for construction of a new runway of 3800 metre long, five exit taxiways, airfield drainage and top soiling, security fencing and perimeter road; (ii) Supply installation and commissioning of Airside equipment, Navigational Aids, communication and airfield lighting systems; (iii) Construction of new rigid apron of 70.00 sq. metres; (iv) Strengthening and overlay of existing runway, taxiway pavements, (v) Institutional support to Project Management, Consultancy services for supervision of i to iv above and audit of the civil works. The Project is co-financed on parallel basis with the EIB, the Arab Funds, UNDP and the Government of Ethiopia. The ADF financing is limited to civil works of (i) and (iv) and audit services of the works.		

2.1.13 **Implementation Performance:** Loan conditions were met on time facilitating the entry into force of the loan about 9 months after board approval and both procurement and financial performance had been satisfactory. The works contract for the new runway, five exit taxiways, associated drainage structures and top soiling, perimeter road and security fence which constituted the original ADF component (before modification of categories of expenditure to include the strengthening of existing runway and procurement of a new ILS), were awarded in March 1997 with an estimated completion period of 24 months. This was about three months after loan signature and five months after board approval but before the entry into force of the loan due to the Advance Procurement Action approved by the Board. The new runway, exit taxiways, associated drainage structures and top-soiling were substantially completed by February 2001 and were finally taken over by the Executing Agency in February 2002. The perimeter road and security fence were also provisionally completed in February 2002 with defect liability period expiring in February 2003. Non-adherence to implementation schedule was the only problem of the project and this was due to unexpected long rains, difficulties in the execution of new construction works within an operational airport, too optimistic performance forecast by the contractor, inefficient management of manpower and inadequate deployment of machinery at the earlier stages of the contract. Foundation design changes, expedient as a result of the need for a special foundation treatment after the contract was awarded, was also contributory to the delays. The delivered works are however of high quality and met the specified standards. Procurement of the Civil works contract for the overlay of existing runway and taxiway pavement is at contract negotiation stage and it is estimated that the overall project would be completed by June 2003.

2.1.14 **Development Objective:** The project retains a good chance of meeting development objectives as defined at appraisal but these may be realized later than expected due to implementation delays

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	3	2	2	2.6

### Alemgena–Butajira Road Upgrading Project

#### Basic Data and Project objective/components

<u>Approved Amount:</u> UA 18.50 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 18.50 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA 8.44 million (45.62%)
<u>Date Approved:</u> 17/06/98 <u>Date signed:</u> 21/07/98 <u>Entry into Force:</u> 11/02/2000	<u>Accounts Audit (years):</u> July 7, 2001 <u>Progress Reports:</u> None pending	<u>Last disbursement deadline:</u> 31/12/02
<u>Date of last supervision:</u> 5-21 December 2002	<u>Implementing Agency:</u> Ethiopian Roads Authority.	
<u>Project Objective/Components:</u> The objective of the project is to improve the road transport services in the project area by reduction of road maintenance and vehicle operating costs and to promote regional integration. The project components consist of construction works for the upgrading of the existing gravel road to bitumen standard with 7.0 m wide carriageway and 1.5 m. shoulders on either side, supervision consultancy services for the civil works and project audit services.		

**2.1.15 Implementation Performance:** The loan entered into force about 20 months after board approval due to inability to meet loan effectiveness conditions on time. However, other conditions and the general conditions are being met. The contractor for the civil works also commenced activities after over 26 months of loan signature due to protracted procurement action and pre-start off activities. The consulting engineer had fully mobilized key staff and started functioning on site since June 2001 while contractor's mobilization of key personnel and all scheduled equipment for civil works including site camp facilities, installation of crushing plant and bitumen mixing plant have been completed. The contractor started permanent works in May 2001, and based on the revised work program as of end-May 2002, the total cumulative physical accomplishment has been rated at about 23% against a target of 46% (an overall slippage of about 23%) while elapsed time to the end of May 2002 was about 60% of scheduled time. In order to make up for the significant slippage and maintain original completion time of May 2003, the contractor needs to increase current monthly output by about 4% by injecting additional key equipment. The contractor has agreed to this to reduce implementation lag. The Government has also agreed to speed up the hand over of site for borrow areas and quarry sites, which have become constraining to contractor's programming of works. There is a steady flow of financial resources to the project from both the loan and counterpart funds and costs are well managed.

**2.1.16 Development Objective:** The project retains a good chance of meeting development objectives as defined at appraisal but these will be realized later than expected due to significant implementation lag. Project sustainability would be assured by a steady flow of maintenance resources from the Road Fund to the Road Agencies. In addition, technical assistance has been secured to strengthen the capacity of the Ethiopian Road Authority in programming the maintenance of the road net work, using private contractors and a commercialised force account units.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2	3	1	2	2

### Seven Roads Studies

#### Basic Data and Project Objective/Components

<u>Approved Amount:</u> UA 3.40 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 3.40 million	<u>Source:</u> ADF/TAF	<u>Disbursed Amount:</u> UA 0.35 million (10.29%)
<u>Date Approved:</u> 16/12/98 <u>Date signed:</u> 12/02/99 <u>Entry into Force:</u> 10/02/2000	<u>Accounts Audit (years):</u> July 7, 2001 <u>Progress Reports:</u> None is pending	<u>Last disbursement deadline:</u> 31/12/02
<u>Date of last supervision:</u> 5-21 December 2002	<u>Implementing Agency:</u> Ethiopian Roads Authority.	
<u>Study Objective/Components:</u> The objective of the studies are to determine the technical feasibility and economic viability of improving the seven roads in order to lower transport costs sufficiently to meet the needs of the current, planned and future economic and social benefits in the projects areas of influence. The Studies are in three packages – Package “A” consisting of feasibility studies of three roads, Butajira – Hossaina – Sodo, Jimma – Mizan and Wacha – Maji roads; Package “B” consists of the feasibility and detailed engineering studies for Kono – Yabello road and Woito – Omo Rate road; while Package “C” consists of feasibility and detailed engineering study of Sawla – Kako and Keyafer – Namraputh roads		

2.1.17 Implementation Performance: The grant conditions were met over 14 months and the consultancy services for Package “A” roads commenced with the service contract signed only in January 2001. The final reports for Package A1 (Butajira–Hossaina–Sodo), were submitted in June 2001. The services for Package A3 (Wacha–Maji) were also completed in May 2002, and the Package A2 (Jimma–Mizan) is at draft final report stage. The contracts for the Consultancy Services for Packages “B” and “C” roads have been negotiated and signed as at September and June 2002 respectively and the consultants have mobilised for the services. The Study has faced serious implementation lag with the overall implementation status estimated at about 20%. However, the Executing Agency has complied with the Bank Group’s procurement rules of procedure for consultancy services, the grant assures a steady flow of foreign exchange to the project, there is no problem of counterpart funding and cost management has been satisfactory.

2.1.18 Development Objective: The studies are to assist in generating viable projects for implementation under the Road Sector Development Programme (1997–2007). The studies retain a good chance of meeting development objectives as defined at appraisal and one of the study roads has been appraised and is under implementation.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	2	3	2	2	2

## **Butajira–Hossaina–Sodo Road Upgrading Project**

### **Basic Data and Project Objective/Components**

<u>Approved Amount:</u> UA 41.31 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 41.31 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> Nil. (0.0%)
<u>Date Approved:</u> 10/10/01 <u>Date signed:</u> 16/11/01 <u>Entry into Force:</u> 19/03/02	<u>Accounts Audit (years):</u> Not yet due <u>Progress Reports:</u> Not yet due	<u>Last disbursement deadline:</u> 31/12/2008
<u>Date of last supervision:</u> 5-21 December 2002	<u>Implementing Agency:</u> Ethiopian Roads Authority.	
<u>Project Objective/Components:</u> The objective of the project is to reduce transport cost between Butajira and Sodo and to promote market integration between rural and urban areas. The project comprises the following components: i) construction works for the upgrading of gravel surfaced road to a two lane bitumen standard with 7.0 m. wide carriageway and 1.5m wide shoulders on each side for a road length of 189km between Butajira and Sodo; and Consultancy services for Supervision of construction works and for project audit services.		

2.1.19 **Implementation Performance:** The conditions for entry into force of the loan were met within five months of loan approval and the loan entered into force on 19 March 2002. The conditions precedent to first disbursement had also been met and the project is currently at the start up and procurement stages. Procurement actions have been initiated on consultancy of supervision services and the invitation for pre-qualification of contractors was issued in September 2002. So far, procurement actions have respected the Bank Group rules of procedure. Steady flow of financial resources is also assured for the project from the loan, but disbursement is yet to commence.

2.1.20 **Likelihood of Meeting Development Objective:** The project retains a good chance of meeting development objectives as defined at appraisal if momentum of implementation performance is maintained.

### **Summary of Performance Rating**

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	-	-	2	2.7

## **C. Social Sector**

2.1.21 **Over-view:** The ongoing portfolio contains two social sector projects approved within the context of the social sectors (education and health) development programs after mid-1998. Both projects constitute about 19% of commitments on all on-going operations. Being the first generation of sector development programs in Ethiopia and also within the Bank, both parties have experienced teething problems in implementing the projects. The regional and district level administrations implementing the projects lack adequate implementation capacity. Capacity constraints have also been observed at the levels of the central administration (public works) and the private contractors. The Borrower and Executing Agencies, on the other hand, have complained of the Bank's inflexible procurement procedures and lack of delegated approval authorities to the Ethiopian Country Office (ETCO) on procurement and disbursement issues. Following the improvement workshop held in Addis Ababa in September 2000, the implementation of both projects has improved in terms of both procurement activities and disbursements.

## **Education III Project**

### **Basic Data and Project objective/components**

<u>Approved Amount ADF:</u> UA. 32 million <u>Approved Amount TAF:</u> UA. 0.3 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA. 32,300 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> ADF: UA 7.20 million (22.5%) TAF: UA 0.00 (0.0%)
<u>Date Approved:</u> 10/09/1998 <u>Date signed:</u> 20/11/1998 <u>Entry into Force:</u> 19/07/00	<u>Accounts Audit (years):</u> None submitted yet <u>Progress Reports:</u> Quarterly Progress and Mid-Term-Review Reports are regularly submitted.	<u>Last disbursement deadline:</u> 31/02/04
<u>Date of last supervision</u> 14-24 November 2002:	<u>Implementing Agency:</u> Ministry of Health	
<u>Project Objective/Components:</u> Within the Education Sector Development Programme (ESDP), the project aims at: (i) expanding access and equity in primary education and (ii) improving the quality and efficiency of primary education provision. These objectives will be achieved through three main components, namely: (i) Development of Primary Education, (ii) Institutional Development (with local In-Service Training in the field of the Education Management Information System, or EMIS) and (iii) Project Support to the Secretariats of the CJSC, at MOE, and the RSCs, at the REBs.		

2.1.22 **Implementation Performance:** Loan took a long time (over 22 months) to enter into force. However, following this start-up delay, project implementation has successfully commenced, and increased in intensity. Currently, GOE and the Bank have processed, for publication in the UN Development Business, specific procurement notices (SPNs) on construction, covering over 350 out of the 770 Primary Schools. Subsequently, a total of 101 contracts, covering 120 Primary Schools, have been approved and work is already underway at most of the concerned sites. In addition to the civil works tenders, the Bank has also processed, for publication in the UN Development Business, several GOE SPNs for the supply of furniture and equipment to project facilities under construction in the eleven administrative Regions. Finally, the TOR for the EMIS training component is being finalised. Disbursement/commitment ratio was estimated at 22.5% as at 31 December 2002 and is expected to improve significantly as construction works progress.

2.1.23 The mode of procurement prescribed for civil works at appraisal for the Education III Project was ICB, with 10% domestic or 7.5% regional preferences and the one for the furniture category was also ICB, but with 15% domestic and 10% regional preferences. However, in view of field experiences in the implementation process, the Board approved in July 2002, the introduction of defined thresholds for procurement of the two categories under the Project Loan. The objective of the proposal is to bring much needed acceleration and improvement in the implementation process of the Project.

2.1.24 **Development Objective:** Prospects for the project to meet the development objectives as defined at appraisal are good. However, it is likely that the achievements of such objectives would be delayed given that the implementation of the project is behind schedule.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	3	2	2	2	2

### **Primary Health Care (PHC) Services Project**

#### Basic Data and Project objective/components

<u>Approved Amount:</u> UA 29.67 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA29.67 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA 2.65 million (8.93%)
<u>Date Approved:</u> 26/11/98 <u>Date signed:</u> 12/12/98 <u>Entry into Force:</u> 22/09/99	<u>Accounts Audit (years):</u> Not submitted yet. <u>Progress Reports:</u> None pending	<u>Last disbursement deadline:</u> 31/12/04
<u>Date of last supervision:</u> 16-30 October, 2002	<u>Implementing Agency:</u> Ministry of Health	
<u>Project Objective/Components:</u> The ADF-assisted Primary Health Care (PHC) Services Project is a subset of the Health Sector Development Programme (HSDP), the objective of which is to develop a health system that provides comprehensive and integrated health care services, but which emphasises PHC. Towards this end, the PHC Services Project will improve delivery of basic health services in Amhara, Oromia, and Southern Nations, Nationalities and Peoples Regions. The project components are: (i) Health Facilities - construction/upgrading/rehabilitation of health centres and health posts (ii) Human Resource Development – external fellowships for key MOH and Regional Health Bureau staff who are involved in the planning, management and delivery of health care services		

2.1.25 Implementation Performance: The loan took 13 months to become effective for disbursement. Entry into force was attained three months earlier. Initial delays arose from the fact that the Executing Agency, the Ministry of Health (MOH), had little understanding of Bank procedures. However, the first disbursement was effected in November 2000. Tenders were launched early in 2001 for the construction of new health facilities in the 3 regions. The first batch of tender evaluation reports (from Amhara Region) was approved by the Bank in June 2001 and several contracts had since been approved, totalling more than US\$5 million (about 27% of expected). It is in the area of human resource development (Component II) that difficulty is still being encountered. With the administration of fellowships now decentralised to the regional level in the face of capacity constraints and poor information network, the RHBs are not readily able to place candidates for external training. However, the SNNPR has moved further than the other regions and has succeeded in placing candidates for short-term training. The courses have already commenced. Disbursement/commitment ratio estimated at about 9% is still low, but is expected to improve significantly as construction works get underway.

2.1.26 Development Objective: The project retains a good chance of meeting development objectives as defined at appraisal but these will be realized later than expected due to delays in implementation.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	3	2	2	2	2

## D. Industry and Mining Sector

### Privatisation Technical Assistance Project

#### Basic Data and Project objective/components

Grant Amount: UA 3.0 million	Source: TAF	Disbursed: UA 0.11 million (3.67)
<u>Date Approved:</u> 08 November 2000 <u>Date signed:</u> 08 March 2001 <u>Entry into Force:</u> 08 March 2001	<u>Accounts Audit (years):</u> Not yet due. <u>Progress Reports:</u> None pending	<u>Last Disbursement Date:</u> 31 December 2003.
<u>Date of last supervision:</u> 05 August 2002	<u>Implementing Agency:</u> Ethiopian Privatisation Agency	
<u>Project Objective/Components:</u> The project aims at strengthening the capacity of the Ethiopian Privatisation Agency to effectively implement the second phase of the privatisation program, thereby enhancing the capacity of the private sector to contribute to economic growth and poverty reduction in the long run, through employment generation. The project has six main components: (i) transactions support, (ii) institutional support, (iii) public awareness promotion, (iv) post-privatisation monitoring and impact analysis, (v) environmental audit, and (vi) EPA operating support.		

2.1.27 Implementation Performance: This is the only remaining ongoing operation in the industry and Mining sector and it accounts for about 1% of total commitments on all on going operations. The grant entered into force four months after board approval and all conditions, including conditions for disbursement effectiveness and other conditions, were fulfilled on time within 10 months of grant approval. However, project start up was delayed due to the crises within the EPA triggered by the arrest and detention of its Board Chairman, some board members and the General Manager on corruption charges. The situation has however stabilised and this has improved the environment for project implementation. The Board has been reconstituted and a new Board Chairman and an Acting General Manager have been appointed. Procurement performance has been generally satisfactory and the Executing Agency adheres to the Bank's procurement rules of procedure. Steady flow of foreign exchange is assured for the project through the ADF grant, counter part fund is readily made available through the annual budget, and cost management has been satisfactory. The first disbursement into the special account was effected in April 2002. The disbursement/commitment ratio (about 3.67%) is low but is expected to improve significantly now that the procurement action on transaction preparation component, which represents about half of the grant, has been concluded. The Information Technology (IT) equipment and software procured under the grant had been installed. The procurement actions for the consultancy services for the environmental audit training had also been concluded. Overall implementation performance has been satisfactory.

2.1.28 Development Objective: The project is likely to meet its development objective. In particular, the project would contribute to capacity building for privatisation and environmental audit in Ethiopia.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	2	2	2	2.4

## F. Multi-Sector

2.1.29 Over-view: The ongoing portfolio contains two projects whose impact would be cross-sectoral; hence they are multi sector projects. They account for about 18% of commitments on all on-going operations. The operations focus on policy reforms and capacity building. The implementation of both projects, approved in the last quarter of 2001, is progressing satisfactorily. The SAL II is a quick disbursing loan, which has had about 67% of the commitment disbursed.

### Structural Adjustment Loan II

#### Basic Data and Project objective/components

<u>Grant Amount</u> : UA 60.0 million	<u>Source</u> : ADF	<u>Disbursed</u> : UA 40.0 million (66.7%)
<u>Date Approved</u> : 18 October 2001 <u>Date signed</u> : 16 November 2002 <u>Entry into Force</u> : 18 March 2002	<u>Accounts Audit (years)</u> : Not yet due. <u>Progress Reports</u> : None pending	<u>Last Disbursement Date</u> : 31 December 2003.
<u>Date of last supervision</u> : None Yet	<u>Implementing Agency</u> : Ministry of Finance and Economy	
<u>Project Objective/Components</u> : The project aims at assisting the Government to restore macroeconomic stability and promote equitable economic growth and poverty reduction in line with the international development goals. Specifically, the loan will provide balance of payments support to Ethiopia for the implementation of its reform program outlined in the I-PRSP. In addition to the support for the agreed macroeconomic framework, the ADF support concentrates on other three key policy areas namely, agricultural development and food security, public expenditure policy and management, and legal and judicial system reform.		

2.1.30 Implementation Performance: The loan conditions were met on time and the loan project entered into force within five months and became disbursement effective within seven months. The first tranche of UA 40 million (about 67% of the commitment) was disbursed into the Special Account in May 2002. Thus, a steady flow of foreign exchange to the country is assured by the loan. The utilisation of the first tranche and compliance with the procurement rules of the Bank Group would be verified during the mid-term review. The quick fulfilment of the first tranche conditions is however an indication of a good implementation of the agreed policy measures supported by the loan. Furthermore, the successful third review of the PRGF arrangement by the IMF, a component of the overall program, is an indication that Ethiopia is on track in the implementation of its reform program.

2.1.31 Development Objective: The focus of the program is on poverty reduction, the likelihood of the project meeting its development objectives is therefore high and the benefits are also likely to extend beyond the project life. In the context of progress towards the attainment of the millennium development goals, the average GDP growth rate of about 6.3% achieved by Ethiopia during 2000/01 and 2001/02 is consistent with the annual growth requirement of 5.7% indicated in the Sustainable Development and Poverty Reduction Program (SDPRP) for reducing poverty by half by 2015.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	n/a	2	2	3	2.5

### **(ii) Capacity Building to the Ministry of Finance (MoFED)**

#### Basic Data and Project objective/components

<u>Grant Amount:</u> UA 519,171	<u>Source:</u> TAF	<u>Disbursed:</u> UA 0.15 million (28.9%)
<u>Date Approved:</u> 15 December 2001 <u>Date signed:</u> 15 January 2002 <u>Entry into Force:</u> 15 January 2002	<u>Accounts Audit (years):</u> Not yet due. <u>Progress Reports:</u> None pending	<u>Last Disbursement Date:</u> 31 December 2004.
<u>Date of last supervision:</u> Continuous field supervision and follow up by ETCO	<u>Implementing Agency:</u> Ministry of Finance and Economic Development	
<u>Project Objective/Components:</u> The project seeks to build project implementation capacity in the public sector. In particular, the project will strengthen the capacity of relevant Federal Ministries (including MoFED in which the ADB Desk is located), which coordinate development projects, and regional Bureaux, which implement the projects, so that these government organs could effectively coordinate, implement and monitor development projects and programs. The project has two main components namely, human resource development and logistical support for the coordinating Federal Ministries.		

2.1.32 Implementation Performance: The grant entered into force within one month of board approval after the signing of the grant protocol of agreement. The conditions for disbursement effectiveness and the other condition were also quickly met thus facilitating the first disbursement into the Special Account (29% of commitment) by mid-August 2002, eight months after grant approval. Financial flow to the project is assured by the grant and the Government is also meeting its counterpart fund obligation. The Executing Agency is proceeding rapidly with the implementation of the main component of the project, the human resource development component, starting with the train-the-trainers study tour of the Bank by 12 staff of the federal ministries in August 2002 and the commencement of the short term training program abroad. The Executing Agency has adhered to the procurement rule of procedure of the Bank.

2.1.33 Development Objective: The project is likely to achieve its development objective. Particularly, the emphasis on training and institutional development and beneficiary participation would ensure project sustainability beyond the life of the project.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	2	2	2	2.4

## **2.2 Aging, Potentially Problematic and Problem Projects**

There are no aging projects in the portfolio. The oldest project, the Addis Ababa International Airport Development Project, is 6 years old since approval, and is virtually completed. The average age of the projects in the on going portfolio is 2.4 years. There is also no problematic project and project at risk. The implementation progress of two projects (Education III and Primary Health Care), categorized as projects at risk in the 2000 Bank-wide Annual Portfolio Performance Report (APPR) have since improved significantly and they are no longer at risk.

### **2.3 Assessment of Supervision Frequency and Quality**

Since 2001, the supervision ratio of 1.5 has been achieved for Ethiopia. All the active projects in the portfolio have therefore been well supervised. A few examples are as follows: (i) the Life stock project had been supervised five times since approval. The skill mix has been appropriate (livestock expert and agricultural economist) and the missions have been helpful in resolving outstanding problems. (ii) The Addis Ababa International Airport has had eight field supervision missions since approval, with two supervision per year in 2001 and 2002. The skill mix of the missions includes transport economist, transport engineer, financial analyst and environmentalist; and had been appropriate and helpful in resolving issues of project implementation performance. (iii) The Seven Roads Studies had four field supervision missions undertaken in 2001 and 2002. The skill mix of the missions included a transport economist, a transport engineer and a gender specialist, and the supervision missions had been helpful in resolving issues of study implementation. (iv) The Education III and the Primary Health Care Projects have had at least, one full supervision and one follow-up mission conducted annually since 1999. The skill mix was appropriate (an education/health expert and an architect/engineer) proved to be useful in improving the implementation status of the projects. In addition, a Workshop for Improving the Performance of the two Social Sector projects was held in Addis Ababa in September 2002 and it further assisted in improving implementation performance. ETCO has also contributed positively to the effectiveness of supervision mission by enhancing skill-mix and ensuring follow-up of recommendations of supervision missions for prompt implementation.

### **2.4 Cross-Cutting Issues**

2.4.1 Cross cutting issues addressed by projects are usually articulated in the appraisal reports and monitored during supervision missions and mid-term reviews. The most important ones are poverty reduction, environmental and social protection, gender equality and governance. Some projects in the portfolio also address, on a limited scale, core labour standard (child labour) and HIV/AIDS pandemic in the context of the social issues. A single project however needs not address all these issues.

2.4.2 Poverty reduction: In line with the poverty reduction focus of the ADF lending policy every operation in the portfolio addresses poverty reduction. For example, the Life Stock Development Project aims at enhancing the incomes of rural livestock keepers and creating employment in the communities. In the context of the Addis Ababa International Airport Project, employment was generated for women that provided the labour for the top soiling contract, thus addressing poverty issues. In the context of the civil works contract of the Alemgena-Butajira Road Upgrading Project, 120 local personnel were employed among which 35 were women and on the average about ETB 600,000.00 has been paid monthly as wages for labour. The Education III and Primary Health Care Projects intimately address poverty reduction by focusing on primary education and primary health care. With the Education III Project, thousands of children, essentially from rural areas would be accommodated in the 770 primary schools to be constructed under the project while the Primary Health Care project would provide health facilities for the rural population.

2.4.3 Environmental and Social Protection: Consistent with their environmental categorisation, every project in the portfolio addresses environmental concerns and sometimes social concerns. For example, in the context of the National Livestock Development Project, measures are being implemented to mitigate negative environmental and social consequences including encouraging producers to market unproductive animals in their herds, training of farmers on the use of

acaricides and other drugs and safe handling of milk from animals before consumption. Other measures include the planting of forages and other fodder trees to counter erosion and improve the availability of grazing land for livestock. In the same vein, the Addis Ababa International Airport Project made adequate provision for compensation to be paid to families that were displaced. Environmental mitigation measures implemented included protective ditches, box and pipe culverts to channel storm water across the runway, taxiway and perimeter road to near by streams and wadies. Borrow areas were also reinstated in conformity with surrounding landscape and top soiling was done with grassing of the shoulders of the runway and taxiways. Within the Alemgena-Butajira Road Upgrading Project, environmental mitigation measures are being implemented including sprinkling of water along deviation roads and construction of stretches in order to minimize dust related health hazards to vicinity communities. The institutional mechanism for compensation for people whose crops and property are temporarily affected is in place, but the adequacy of the amount involved has raised some concerns. HIV/AIDS awareness, which is a line item in the contract, is also being undertaken through distribution of pamphlets and organization of lectures delivered by local doctors invited to the camp from time to time. By expanding children enrolment in schools, the Education III Project would help to minimise child labour. The Privatisation Technical Assistance Project is assisting to build local capacity for environmental auditing.

**2.4.4 Gender Mainstreaming:** One of the requirements of the Bank Group Gender Policy is to mainstream gender concerns into projects and programs. For example, the National Livestock Project provided for recruitment of Gender Experts in each of the regions and Monitoring and Evaluation (M&E) Officers who would collect disaggregated data on gender aspects. A consultant has reviewed the M&E process and recommended implementation strategies. In the context of the civil works contract of the Alemgena-Butajira Road Upgrading Project, 35 of the 120 local personnel employed are women. Under the Education III Project, special emphasis has been put on the enrolment of girls and the training of female primary school teachers as required by the Loan conditions. In the context of the Privatisation Technical Assistance Project, both male and female staff are being targeted for in the environmental training and privatisation process.

**2.4.5 Governance:** Promoting good governance is one of the mandates of Bank Group in its new vision. One of the operations in the portfolio (SAL II) addresses this issue. The loan supports a program that addresses issues related to good governance, namely, legal and judicial reforms; enactment of anti-corruption legislation and setting up of anti-corruption commission; and accountability by clearing the backlog of un-audited government accounts. Specifically, the loan supports enactment of a new penal code, procedure code, commercial code and law of succession, to make them conform with the provisions of the 1995 constitution. It also facilitated the reduction of the backlog of un-audited government accounts from five to two years.

## **2.5 General Assessment of Portfolio Performance**

**2.5.1 Overall assessment:** Portfolio performance is generally satisfactory. Both the 1999 and 2000 Bank-wide APPR indicated satisfactory portfolio performance with Implementation Performance (IP) and Development Objective (DO) rating indicating no problem projects and high likelihood that all the projects would meet their development objectives. The proportion of projects at risk declined from 36% in 1999 to 25% in 2000, thus indicating improved portfolio performance. This portfolio review report also indicates satisfactory performance, with average portfolio rating of 2.3, with no project rated below 2.0. There are no problem projects, all projects have a high likelihood of achieving their development objectives, and

there are no projects at risk. Further elaboration of portfolio performance is given below focusing on the individual rated indicators namely, compliance with loan/grant conditions, procurement performance, financial performance, activities, output performance, impact on development and generic problems.

**2.5.2 Compliance with Loan/Grant Conditions:** The Average Rating for compliance with loan/grant conditions is 2.5 implying a satisfactory performance. Above-average rating was recorded for the Agriculture Sector (3.0), Industry (3.0) and Multi-Sector (3.0), while below average rating was recorded for the Transport Sector (2.3) and Social Sector (1.0). These ratings are explained in part by the time it took loans and grants to enter into force. The average time for the portfolio is 9.1 months, with lower period recorded in the agriculture sector (6.3 months), Industrial sector (4.0 months), and multi-sector (3.0), and longer period recorded in the Transport Sector (12.0 months) and the Social Sector (17.5 months). The reasons for the delays in entry into force in the Transport and Social sectors are explained in the project-by-project review above.

**2.5.3 Procurement Performance:** Procurement performance is generally satisfactory with an average rating of 2.5 recorded and no sector recording below average rating. The average sectoral ratings are as follows: Agriculture (2.5); Transport (2.5), social (3.0), Industry (3.0) and Multi-sector (3.0). Executing Agencies generally respected the Bank's procurement rules of procedure. This has been facilitated by the intensification of the Loan Administration Workshops organised once a year, the launching of new projects of new projects which normally involves procurement experts, and the day-to-day contact with Executing Agencies by the Ethiopia Country Office (ETCO).

**2.5.4 Financial Performance:** Financial performance is rated in terms of foreign exchange flow to the project, availability of counterpart funds and cost management. The average financial performance rating is 2.1, implying a satisfactory performance, and no sector is rated below 2.0. Foreign exchange resource is assured for the projects/studies by the loans and grants, though the level of disbursement flow varies from project to project; there were no problems of counterpart funds; and cost management has been satisfactory. Undisbursed balances on completed projects are also being systematically cancelled. Only four completed operations still have undisbursed balances namely, Road Maintenance and Rehabilitation Project (UA 5,144,539.62); Biklai Phosphate study (UA 1,384,069.98); Finchaa Sugar Project (UA 248,915.96); and Amibara II Drainage Study (UA 178,749.37). Notices had been given to the Government for the cancellation of these idle balances.

**2.5.5. Activities and Output Performance:** The general performance in terms of Activities and Output is also satisfactory, with the rating of 2.0 recorded in all sectors, except the transport sector which was rated 1.7, due to the poor activity/output performance of the Alemgena-Butajira Road Project where physical accomplishment was about 23% against a target of 46% (an overall slippage of about 23%) and elapsed time to the end of May 2002 of about 60% of the scheduled time. This below average activity/output performance of the transport sector brought down the overall portfolio average for this performance indicator down to 1.9.

**2.5.6 Impact on Development:** The average rating for this performance indicator was 2.5 (with no sector rated below 2.0), thus implying a high likelihood that all the projects would meet their development objectives. The critical aspects rated are: the likelihood that projects would meet their objective as defined at appraisal, the likelihood that benefits will be realised and sustained beyond the investment stage of the project, the likely contribution of the project

towards an increase in institutional capacity, and expected rate of return, where applicable. beyond the investment stage of the project. Since this performance indicator speculates on expected future results, the rating cannot but be subjective.

**2.5.7 Generic Problems:** A few generic problems are also observed, including weak implementation capacity, especially at the regional/district level in view of the decentralisation process, weak communication between the Executing Agencies and the Bank, disbursement delays and prevalence of idle balances on completed projects. The field presence provided by the establishment of ETCO has started to bridge the communications gap and impact positively on portfolio performance while idle balances are being systematically cancelled.

## **2.6 Disbursements**

As at 31 December 2002, the global disbursement/commitment ratio on all operations was about 77% (see Table 2.1). The highest ratio was achieved in the Multi-sector (90.33%), followed by Agriculture (82.34%), Industry and Mining (81.33%), Public Utilities (76.92%), Transport (71.19%), and Social (36.03%). In terms of ongoing operations, the total disbursement/commitment ratio was 24.55% as at the end of December 2002 (see Table 2.2). This low disbursement/commitment ratio is due to the fact that the on-going operations are relatively young with an average age of 2.4 years. Moreover, disbursements are just starting on many of the projects after satisfactory progress on procurement actions. Disbursements are even yet to commence on the two public utility sector projects recently approved. In terms of sector disbursement performance, Multi-sector also achieved the highest ratio (66.34%) in view of SAL II which is quick disbursing, followed by transport (28.71%), social (15.89%) Agriculture (11.85) and Industry and Mining (3.67%). In view of the young age of the projects in the ongoing portfolio, the prospects of higher future disbursement/commitment ratios in all sectors are bright as procurement actions progress and the projects mature.

**Table 2.1**  
**Status of Global Disbursement by Sector (as at 31 December 2002)**

Sector	Commitment UA million	Disbursement (UA million)	Commit/Disb. Ratio
Agriculture	329.68	271.46	82.34
Public Utilities	254.30	195.62	76.92
Transport	222.47	158.37	71.19
Social	81.48	29.36	36.03
Industry & Mining	24.17	19.90	81.33
Multi-Sector	210.68	190.31	90.33
Total	1122.78	865.02	77.04

**Table 2.2**  
**Disbursement Profile of Ongoing Portfolio (as at 31 December 2002)**

Sector	Commitment UA million	Disbursement (UA million)	Disb/Commitment. Ratio
Agriculture	65.56	7.77	11.85
Public Utilities	58.68	0.00	0.00
Transport	82.71	23.75	28.71
Social	61.97	9.85	15.89
Industry & Mining	3.00	0.11	3.67
Multi-Sector	60.52	40.15	66.34
Total	332.44	81.63	24.55

### **3. ASSESSMENT OF MANAGEMENT/IMPLEMENTATION CAPACITY**

#### **3.1 Government's Performance**

Government's performance in providing necessary support for project management is adjudged to be generally satisfactory, especially in providing counterpart funding for projects. However, the decentralisation process resulting in the shifting of project/program implementation in a number of sectors namely, agriculture, education, health and water supply, to the regional administrations, has exposed serious capacity bottleneck in Ethiopia. This is in view of the weak implementation capacity at this level of government. Realising the seriousness of the capacity problem, the Government has recently established a Ministry of Capacity Building and has also prepared a comprehensive National Capacity Building Program (NCBP). The program would cover all tiers of government: federal, regional and district levels as well as the private sector and civil society organizations (CSOs). National capacity for poverty analysis has also improved in the process of the preparation of the Sustainable Development and Poverty Reduction Program (SDPRP). The Welfare Monitoring Unit in the Ministry of Finance and Economic Development (MoFED) is responsible for poverty analysis and monitoring.

#### **3.2 Bank's Performance**

The Bank's performance is also adjudged to be generally satisfactory. The improved portfolio performance is due to increased contacts with the Executing Agencies through more frequent supervision and follow-up missions than in the past and local presence of the Bank through ETCO. As section 2.3 above shows, the composition of supervision missions had appropriate skill mix and they had been helpful in resolving issues relating to project implementation performance. Executing Agencies however still complain that the Bank does not promptly respond to communications from them, especially on issues relating to approvals for tender evaluation and processing of disbursement applications. Government has acknowledged that the presence of ETCO has been useful in bridging the communication gap; it is however of the opinion that the Office should be better staffed and delegated appropriate authority regarding approvals for certain levels of procurement and disbursements.

## **4. COORDINATION WITH OTHER DONORS**

### **4.1 Assessment of Government Capacity to Co-ordinate Donor Assistance**

4.1.1 The Multilateral Co-operation Department of MoFED co-ordinates all external assistance delivery to Ethiopia and clears all project proposals forwarded to donors to ensure their conformity with national development goals and priorities. The MoFED has been effective in performing this task when aid resources are channelled directly through the Ministry (Channel 1). The Government has however complained that MoFED is often unable to track aid resources in the budget when they go through channel 2 (directly to the sector ministries) and channel 3 (directly to government agencies or the regional administrations). This is why the Federal Government has requested all donors to channel their aid resources through channel 1 so as to be able to account for all aid resources in the budget.

4.1.2 To foster effective aid coordination, a series of regular in-country meetings are held periodically between the development partners resident in Ethiopia and with the Government. These include the periodic meetings of the Ambassadors Group, the Development Assistance Group (DAG) and the DAG sub-groups on fertilizer, food security, social sectors and private sector development. The bi-annual review meetings on SDPs, notably road, education and health, to discuss implementation issues are also an important aid co-ordination forum. Also, the Government holds quarterly bilateral meetings with individual partners to review their portfolio in the country. Aid co-ordination is also being undertaken in the context of the annual Public Expenditure Reviews (PERs). In an effort to improve the effectiveness of development aid, the Government and its partners are set to prepare new coordination arrangements and harmonization of official development assistance. The Government has, in particular, called on donors to move towards direct budget support as such an approach is expected to increase the predictability of aid flows, reduce transaction costs and enhance budget management. While most donors recognized the advantage of direct budget support, they have stressed the need to strengthen financial management capacities at the different levels of government. A recent Country Financial Accountability Assessment (CFAA) identified some weaknesses in this regard, which need to be addressed. Capacity limitations are especially more pronounced at lower levels of government – regions, zones and Woredas.

### **4.2 Assessment of ADB Coordination With Other Donors**

The Bank Group coordination with other donors had been quite effective, especially with the World Bank, in the context of the Memorandum of Understanding between the two institutions. The preparation/appraisal of the Structural Adjustment Loan (SAL II) and the sector programs (roads, education and health) were closely coordinated with the World Bank and other development partners. The Bank Group played a lead role in mobilizing resources for the Addis Ababa International Airport Development Project now almost completed. The project is co-financed with the European Investment Bank (EIB), the Kuwait Fund, the Arab Bank for Economic Development in Africa (BADEA), the Nordic Development Fund (NDF), the OPEC Fund and the United Nations Development Program (UNDP). The privatisation Technical Assistance Project was also co-financed with the World Bank and the GTZ. The Bank Group has also been participating in the bi-annual reviews of the sector programs and the annual expenditure review exercise. ETCO also participates effectively in-country coordination fora under the aegis of the Development Agency Group (DAG) and its sub-committees. As a matter of principle, the Bank Group preparation/appraisal and supervision missions also normally touch base with other development partners in Ethiopia.

### **4.3 Assessment of Co-financiers in Co-financed Projects**

A number of the Bank Group's operations in Ethiopia are being co-financed with those of the other development partners. In general, the performance of co-financiers in the co-financed projects has been satisfactory. For the sector programs (education, health and roads), the various donors provide a team of technical experts for pre-appraisal activities, thus providing critical background documentation for project appraisal by the individual donor's projects. Also, before the bi-annual reviews of the sector programs, donors financed technical experts that prepared the progress reports, which form the basis of the reviews. In the context of Structural Adjustment Programs, both the World Bank and the IMF shared their appraisal reports with the Bank, when joint appraisal mission was not feasible.

## **5. LOAN REPAYMENT AND ARREARS**

Ethiopia has been current in its loan repayment obligations to the Bank Group despite its high debt burden. Ethiopia is also current on its capital subscriptions. This has permitted the much-needed continuity in the Bank Group operations in the country. Ethiopia has expressed its determination to continue to meet its repayment obligations to the Bank Group in a timely manner.

## **6. PROACTIVE MANAGEMENT OF PORTFOLIO**

### **6.1 Potential Future Problems and Solutions**

6.1.1 As the decentralization process progresses and more sector programs are being developed namely, the rural transport and travel program, the water sector development program and the agriculture sector development programs, which would be implemented by the regional and district administrations, the problem of capacity constraint would intensify. Both the Government and the Bank therefore need to take proactive actions by incorporating capacity building into program design. To this end, the Government has prepared the NCBP while the Bank would ensure mainstreaming capacity building into projects and programs within the context of the government NCBP.

6.1.2 As part of proactive measures for portfolio management, the Bank Group approved, in December 2001, the MoFED Capacity Building Project aimed at improving project implementation capacity, across sectors, especially at the regional and district levels. The project focuses largely on training and the organization of loan administration workshops at the regional and district levels to produce a critical mass of government officials knowledgeable in Bank Group's procurement and disbursement rules of procedure. To ensure the sustainability of the training program, federal officials are being trained as trainers. The project is being task-managed by ETCO to ensure prompt response to issues and quick problem resolution. To further improve portfolio management, satellite equipment would be installed at ETCO to link it with facilities at the Headquarters, once the Government grants the required license. As part of proactive management of portfolio, the Bank would encourage public-private partnership (PPP) in future programs. For example, the fertiliser production project, which may require such partnership, has been identified, given the importance of fertiliser to the Ethiopian economy.

## **6.2 Summary of CPIP/Action Plan**

Portfolio improvement plan is presented in annex 7. It focuses on actions aimed at improving delays in fulfilment of loan and grant conditions and project start up, poor procurement performance, disbursement delays, weak communication, weak implementation capacity, and prevalence of idle balances on completed projects.

## **6.3 Lessons Learnt for Future Country Strategy Papers and Portfolio Management**

6.3.1 The portfolio review indicates a number of lessons for future Country programming (preparation of country strategy paper) and portfolio management. Ethiopia adopted sector development programming approach and decentralisation of program implementation without due regard to the enormous capacity requirements of these processes. This has led to the initial problems the country has experienced with the management of its first generation of sector development programs implemented by the regional administrations. This points to an important lesson for both the government and donors alike that capacity requirements must be envisaged and planned for at program preparation/appraisal stages to facilitate smooth program implementation. Country programming, at the Bank Group level, must also therefore emphasise capacity building at all levels of Government.

6.3.2 The second lesson learnt is the need to ensure high quality at entry in the process of program preparation and appraisal. In the context of sector development programs, this would require putting emphasis on economic and sector work (sector reviews and sector studies) in the process of country programming and program preparation. This would facilitate identification of sector constraints, which need to be addressed upfront at the appraisal stage to smoothen program implementation. Quality at entry also extends to the identification of appropriate procurement modes at the appraisal stage to prevent cumbersome procedures, which could derail program implementation. In this context, another important lesson for the Bank is the need for re-examination of its procedures to take cognisance of emerging aid delivery modalities, which is increasingly moving from project approach to sector-wide approach and may subsequently extend to direct budget support. There is also an increasing call by governments and donors in Ethiopia alike for harmonisation of donors' procedures to lessen the burden on government agencies that now have to cope with different donors' procedures. There is a concerted effort among donors, in the context of the SPA, to push the harmonisation issue. These are pertinent developments, which the Bank Group would take due cognisance of in country programming and portfolio management.

6.3.3 The fourth lesson is the relevance of local presence for sound portfolio management. Before the re-establishment of ETCO in September 2000, Bank Group's contacts with the Government, Executing Agencies and donors resident in Ethiopia, were limited to those provided by the visiting missions. The re-opening of the Country Office has provided opportunities for day-to-day contacts with the Government, Executing Agencies and donors, thus bridging communication gap and facilitating faster resolution of problems as well as promoting donor coordination. However, to be effective, ETCO needs to be granted more delegated authority, especially on procurement and disbursement issues, in the context of a revised bank-wide delegation of authority matrix. Once ETCO's satellite facilities are installed, this process would be facilitated.

6.3.4 The fifth lesson for country programming and future portfolio management is the need for selectivity in the Bank Group's interventions, with emphasis on areas where the Bank Group has proven comparative advantage or could develop one, and on fewer large projects rather than numerous small ones. This would facilitate better portfolio management and improve the effectiveness of supervision missions, which could then concentrate on fewer operations.

## **7. CONCLUSION AND RECOMMENDATIONS**

7.1 The Portfolio Review exercise revealed a generally satisfactory overall portfolio performance rating of 2.3. However, there are occasional problems, indicated in the Action Plan (Annex 7), which would require monitoring by the Bank Group and the Government. The Bank-wide APPRs has also indicated improved portfolio performance in Ethiopia in recent years. The proportion of operations in the portfolio rated as projects at risk declined from 36% in 1999 to 25% in 2000, and the IP and DO ratings in both years were 0% respectively, implying the absence of problem projects and the high likelihood that all the on going operations would achieve their development objectives.

7.2 Based on the above findings, the following measures are recommended to further enhance the performance of the Bank Group portfolio in Ethiopia. These are in addition to the project specific actions indicated in the review of the on-going operations in chapter 2 above.

- (i) To ensure accountability in the use of Bank Group resources, the Government should ensure compliance of Executing Agencies with the General Conditions attached to the Bank Group loans and grants, particularly the requirement for submission of annual audit reports, which is still a generic problem. The Bank would not hesitate to suspend disbursement in the event of non-compliance.
- (ii) Some of the regional bureaux that would be responsible for the implementation of the sector investment programs and other Bank Group-financed projects lack adequate capacity for project implementation. While recognizing government current efforts at capacity building, this process needs to be intensified and carefully monitored to facilitate effective project implementation and the sustainability of project achievements. The Bank Group would participate actively in this process, through the utilization of TAF resources.
- (iii) Given that Ethiopia is one of the largest beneficiaries of ADF resources, the Government should ensure a strong pipeline of projects/programs and timely submission to the Bank Group, so as to strengthen future lending operations and avoid possible problem of lean portfolio, now that many of the old projects have been closed.
- (iv) The Bank should closely monitor the implementation of the Action Plan presented in Annex 7.

7.3 The Boards of Directors are invited to consider this Portfolio Review Report on Ethiopia.

ETHIOPIA  
SUMMARY OF BANK GROUP OVERALL PORTFOLIO  
As at 31 Dec 2002

No	YEAR APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	NET			PERCENT DISB	LOAN CLOSING DATE	STATUS OF PROJECT
					LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA			
<u>AGRICULTURE</u>										
1	1975	Southern rangeland Livestock	ADF	20-02-1976	4.59	4.59	0.00	100.00	30-Jun-94	Completed
2	1977	Amibara Irrigation	ADF	18-08-1977	4.25	4.25	0.00	100.00	31-Dec-87	Completed
3	1979	Finchaa Sugar Study	ADB	16-05-1979	4.85	4.85	0.00	100.00	31-Dec-85	Completed
4	1980	Wush Wush Tea	ADF	12.12.1980	7.36	7.36	0.00	100.00	31-Dec-95	Completed
5	1981	Addis Ababa Fuelwood	ADF	25-06-1982	6.62	6.62	0.00	100.00	31-Dec-94	Completed
6	1982	Bebeka Coffee Plantation	ADB	06.05.1982	10.00	10.00	0.00	100.00	31-Dec-94	Completed
7	1982	Agriculture Line of credit	ADF	02.08.1983	7.33	7.33	0.00	100.00	30-Jun-90	Completed
8	1984	Gelena irrigation	TAA	05.11.1984	1.10	1.10	0.00	100.00	11-Jul-95	Completed
9	1984	Dairy Rehabilitation & Dev.	ADF	28.01.1985	5.01	5.01	0.00	100.00	31-Dec-95	Terminated
10	1985	Small-scale irrigation	ADF	09.05.1985	5.36	5.36	0.00	100.00	31-Dec-95	Terminated
11	1985	Awash Basin Water Supply	TAA	09.05.1985	1.19	1.19	0.00	100.00	30-Jun-94	Completed
12	1985	PADEP (Sidamo/Gamo/Gofa)	ADF	07.05.1986	5.44	5.44	0.00	100.00	31-Dec-95	Terminated
13	1986	Tepi Coffee Development	ADB	24.04.1987	4.68	4.68	0.00	100.00	31-Dec-98	Completed
			ADF	24.04.1987	16.05	16.05	0.00	100.00	31-Dec-98	Completed
14	1987	Amibara Drainage I	ADF	27.08.1987	14.78	14.78	0.00	100.00	31-Dec-97	Completed
15	1988	Finchaa Sugar Project	ADB	25.04.1989	78.25	78.00	0.25	99.68	31-Dec-99	Completed
			ADF	14.02.1989	14.46	14.46	0.00	100.00	31-Dec-99	Completed
16	1989	South East rangelands	ADF	01.12.1989	18.28	18.28	0.00	100.00	31-Dec-00	Completed
17	1989	EVDSA Institutional Building	TAF	01.12.1989	2.56	2.56	0.00	100.00	31-Dec-93	Completed
18	1989	Wush Wush II	ADF	14.02.1990	6.42	6.42	0.00	100.00	30-Jun-99	Completed
19	1990	Meat Plan Feasibility Study	TAF	21.02.1991	1.02	1.02	0.00	100.00	31-Dec-97	Completed
20	1991	Omo-Ghibe Master Plan Study	TAF	31.12.1991	5.07	5.07	0.00	100.00	31-Dec-97	Completed
21	1991	Birr-Koga Irrigation Study	TAF	24.12.1991	2.48	2.48	0.00	100.00	31-Dec-97	Completed
22	1992	Amibara Drainage II Study	TAF	22.01.1993	0.54	0.36	0.18	66.67	31-Dec-95	Completed
23	1997	National fertilizer Project	ADF	21.02.1998	36.43	36.43	0.00	100.00	30-Jun-02	Completed
24	1998	National Livestock Dev. Project	ADF	10.09.1998	27.00	7.50	19.50	27.78	30-Jun-04	On Going
25	2000	Pastoral Area Development Study	TAF	15-12-2000	0.71	0.00	0.71	0.00	31-Dec-02	On Going
26	2001	Koga Irrigation Project	ADF	19-07-2001	32.59	0.11	32.48	0.34	31-Dec-06	On Going
			TAF	19-07-2001	1.33	0.16	1.17	12.03	31-Dec-06	On Going
27	2001	Genale-Dawa Master Plan Study	TAF	16-11-2001	3.93	0.00	3.93	0.00	31-Dec-06	On Going
<u>TRANSPORT</u>										
28	1977	Jimma-Chida Road	ADF	13.12.1977	6.45	6.45	0.00	100.00	16-Jul-85	Completed
29	1980	Rural Roads (Sidam, Bale)	ADF	22.06.1980	7.11	7.11	0.00	100.00	30-Jun-85	Completed
30	1981	Rural Roads (Gondar and shoa)	ADF	30.12.1981	10.94	10.94	0.00	100.00	31-Dec-97	Completed
31	1984	Gore-Tepi Road	ADF	10.02.1984	15.69	15.69	0.00	100.00	31-Dec-94	Completed
32	1989	Assab Port Development	ADF	29.05.1989	8.58	8.58	0.00	100.00	31-Dec-94	Terminated
33	1989	Road Maintenance & Rehabilitation	ADF	01.12.1990	43.75	38.61	5.14	88.25	31-Dec-01	Completed
34	1990	Ethiopian Airlines Infra. Dev. Proj.	ADB	14.03.1991	24.55	24.55	0.00	100.00	31-Dec-98	Completed
35	1992	Addis Ababa Airport Study	TAF	22.02.1992	1.93	1.93	0.00	100.00	31-Dec-95	Completed
36	1992	Chida-Sodo Road	ADF	14.04.1992	20.76	20.76	0.00	100.00	31-Dec-98	Completed
37	1996	Addis Ababa Airport Infra. Dev	ADF	20-12-1996	19.50	14.96	4.54	76.72	31-Dec-01	On Going
38	1998	Alemgena-Butajira Road Upgrading	ADF	21-07-1998	18.50	8.44	10.06	45.62	31-Dec-02	On Going
39	1998	Seven Road Studies	TAF	16.12.1998	3.40	0.35	3.05	10.29	30-Jun-02	On Going
40	2001	Butajira-Hossaina-Sodo Road Project	ADF	16-11-2001	41.31	0.00	41.31	0.00	31-Dec-08	On Going

ETHIOPIA  
SUMMARY OF BANK GROUP OVERALL PORTFOLIO  
As at 31 Dec 2002

No	YEAR APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	NET			PERCENT DISB	LOAN CLOSING DATE	STATUS OF PROJECT
					LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA			
<u>PUBLIC UTILITIES</u>										
41	1975	Addis Ababa Sewerage I	ADF	16.01.1976	4.60	4.60	0.00	100.00	31-Dec-79	Completed
42	1979	Rural Electricity	ADB	16.05.1979	1.50	1.50	0.00	100.00	30-Jun-84	Completed
			NTF	16.05.1979	5.00	5.00	0.00	100.00	30-Jun-84	Completed
43	1979	Assab Water Supply	ADF	27.02.1980	6.13	6.13	0.00	100.00	31-Dec-90	Completed
44	1986	Power transmission Lines	ADB	24.04.1987	9.37	9.37	0.00	0.00	30-Jun-98	Completed
		(Electricity IO)	ADF	24.04.1987	24.90	24.90	0.00	100.00	30-Jun-98	Completed
45	1979	Addis Ababa Sewerage II	ADF	16.05.1979	6.63	6.63	0.00	100.00	30-Jun-94	Completed
46	1982	Six Centers Water Supply	ADF	02.03.1983	13.58	13.58	0.00	100.00	31-Dec-97	Completed
47	1983	Eight Centers Water Supply	ADF	04.05.1984	11.60	11.60	0.00	100.00	31-Dec-97	Completed
48	1984	Telecommunications I	ADB	05.11.1984	24.01	24.01	0.00	100.00	31-Dec-95	Completed
49	1985	Chemoga-Yeda Hydro Study	TAA	07.05.1986	0.55	0.55	0.00	100.00	30-Jun-94	Completed
50	1989	Five towns Water Supply	TAF	29.05.1989	1.44	1.44	0.00	100.00	31-Dec-95	Completed
51	1989	Addis Ababa Master Plan	TAF	01.12.1989	1.09	1.09	0.00	100.00	30-Apr-97	Completed
52	1990	Aleltu Hydro Feasibility Study	TAF	21.02.1991	1.58	1.58	0.00	100.00	30-Jun-98	Completed
53	1991	12 Towns Waer Supply Study	TAF	19.03.1992	1.79	1.79	0.00	100.00	31-Dec-97	Completed
54	1992	Addis Ababa Water III Study	TAF	12.05.1993	2.39	2.39	0.00	100.00	31-Dec-99	Terminated
			ADF	12.05.1993	3.05	3.05	0.00	100.00	31-Dec-99	Terminated
55	1992	Telecommunications II	ADB	14.04.1993	23.79	23.79	0.00	100.00	30-Jun-02	Completed
			ADF	14.04.1993	3.44	3.44	0.00	100.00	30-Dec-02	Completed
56	1992	Nothern Ethiopian Power trans.	ADF	14.04.1993	20.11	20.11	0.00	100.00	31-Dec-98	Completed
			TAF	14.04.1993	26.72	26.72	0.00	100.00	31-Dec-98	Completed
57	1993	Hydro-Power feasibility Study	ADF	06.09.1994	2.35	2.35	0.00	100.00	30-Jun-01	Completed
58	2001	Rural Electrification Project	ADF	14-03-2002	37.67	0.00	37.67	0.00	31-Dec-05	On Going
59	2002	Harar Water & Sanitation	ADF	Not yet signed	19.89	0.00	19.89	0.00	31-Dec-09	On Going
			TAF	Not yet signed	1.12	0.00	1.12	0.00	30-Jun-94	On Going
<u>SOCIAL</u>										
60	1983	Primary Teachers & Sec. Education	ADF	13.06.1983	14.98	14.98	0.00	100.00	31-Dec-95	Completed
61	1992	Basic Educ., Tech. & Voc. Training	ADF	22.01.1993	4.53	4.53	0.00	100.00	31-Dec-99	Completed
62	1998	Education III	ADF	19-09-1998	32.00	7.20	24.80	22.50	31-Dec-04	On Going
			TAF	19-09-1998	0.30	0.00	0.30	0.00	31-Dec-04	On Going
63	1998	Primary Health Care	ADF	26.11-1998	29.67	2.65	27.02	8.93	31-Dec-04	On Going
<u>INDUSTRY AND MINING</u>										
64	1987	Legal Dembi Gold Project	ADB	19.11.1987	16.55	16.55	0.00	100.00	31-Dec-95	Completed
65	1989	Lega dembi Gold Study	TAF	30.01.1990	2.02	2.02	0.00	100.00	31-Dec-99	Completed
66	1993	Biklai Phosphate Study	TAF	26.01.1994	2.60	1.22	1.38	46.92	31-Dec-01	Completed
67	2000	Privatisation Technical Assistance	TAF	15-03-2001	3.00	0.11	2.89	3.67	31-Dec-03	On Going
<u>MULTI-SECTOR</u>										
68	1992	ERRP	ADF	14.05.1992	86.62	86.62	0.00	100.00	31-Dec-97	Completed
69	1993	SAL I	ADF	09.07.1993	63.54	63.54	0.00	100.00	30-Jun-96	Completed
70	1998	Supplementary Financing Mechanism	ADF	Not signed	0.00	0.00	0.00	0.00	31-Dec-99	Cancelled
71	2001	SAL II	ADF	16-1-2001	60.00	40.00	20.00	66.67	30-Jun-94	On Going
72	2001	Capacity Builing of MoFED	TAF	15-01-2002	0.52	0.15	0.37	28.85	30-Jun-94	On Going
<u>Total</u>					<u>1122.78</u>	<u>865.02</u>	257.76	77.04		

ETHIOPIA  
SUMMARY OF BANK GROUP'S ON GOING OPERATIONS

ANNEX II

As at 31 Dec 2002

No	YEAR APPROVED	PROJECT	SOURCE OF FUNDS	DATE SIGNED	NET LOAN AMOUNT Million UA	DISB AMOUNT Million UA	UNDISB AMOUNT Million UA	PERCENT DISB	LOAN CLOSING DATE	STATUS OF PROJECT
<u>AGRICULTURE</u>										
1	1998	National Livestock Dev. Project	ADF	10.09.1998	27.00	7.50	19.50	27.78	30-Jun-04	On Going
3	2000	Pastoral Area Development Study	TAF	15-12-2000	0.71	0.00	0.71	0.00	31-Dec-02	On Going
3	2001	Koga Irrigation Project	ADF	19-07-2001	32.59	0.11	32.48	0.34	31-Dec-08	On Going
			TAF	19-07-2001	1.33	0.16	1.17	12.03	31-Dec-06	On Going
4	2001	Genale-Dawa Master Plan Study	TAF	16-11-2001	3.93	0.00	3.93	0.00	31-Dec-06	On Going
<u>TRANSPORT</u>										
5	1996	Addis Ababa Airport Infra. Dev	ADF	20-12-1996	19.50	14.96	4.54	76.72	31-Jun-02	On Going
6	1998	Alemgena-Butajira Road Upgrading	ADF	21-07-1998	18.50	8.44	10.06	45.62	31-Dec-02	On Going
7	1998	Seven Road Studies	TAF	16.12.1998	3.40	0.35	3.05	10.29	30-Jun-02	On Going
8	2001	Butajira-Hossaina-Sodo Road Project	ADF	16-11-2001	41.31	0.00	41.31	0.00	31-Dec-06	On Going
<u>PUBLIC UTILITIES</u>										
9	2001	Rural Electrification Project	ADF	14-03-2002	37.67	0.00	37.67	0.00	31-Dec-06	On Going
10	2002	Harar Water & Sanitation	ADF	Not yet signed	19.89	0.00	19.89	0.00	31-Dec-07	On Going
			TAF	Not yet signed	1.12	0.00	1.12	0.00	31-Dec-07	On Going
<u>SOCIAL</u>										
11	1998	Education III	ADF	19-09-1998	32.00	7.20	24.80	22.50	09-Sep-02	On Going
			TAF	19-09-1998	0.30	0.00	0.30	0.00	09-Sep-02	
12	1998	Primary Health Care	ADF	26.11-1998	29.67	2.65	27.02	8.93	31-Dec-04	On Going
<u>INDUSTRY AND MINING</u>										
13	2000	Privatisation Technical Assistance	TAF	15-03-2001	3.00	0.11	2.89	3.67	31-Dec-03	On Going
<u>MULTI-SECTOR</u>										
14	2001	SAL II	ADF	16-1-2001	60.00	40.00	20.00	66.67	31-Dec-03	On Going
15	2001	Capacity Building of MoFED	TAF	15-01-2002	0.52	0.15	0.37	28.85	31-Dec-05	On Going
<u>Total</u>					<u>332.44</u>	<u>81.63</u>	250.81	24.55		

**Annex III**  
**Summary of Performance Rating by Sector and Projects**

Sector/Projects	Loan Conds.	Procur. Perform.	Financial Perform	Activities & Output	Impact On Dev.	Overall Eval.
<b>Agriculture Sector</b>						
National Livestock Dev. Project	3	2	2	2	2	2.0
Koga Irrigation Project	3	3	2	2	2	2.4
Pastoral Areas Dev. Study	3	3	3	2	2	2.6
Genale-Dawa Master Plan Study	3	2	-	-	2	2.3
<b>Average</b>	<b>3.0</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.3</b>
<b>Transport Sector</b>						
Addis Ababa Int. Airport Dev. Project	3	3	3	2	2	2.6
Alemgena-Butajira Road Project	2	2	3	1	2	2.0
Seven roads Study	1	2	3	2	2	2.0
Butajira-Hossaina-Sodo Road project	3	3	-a	-	2	2.7
<b>Average</b>	<b>2.3</b>	<b>2.5</b>	<b>3.0</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>
<b>Social Sector</b>						
Education III Project	1	3	2	2	2	2.0
Primary Health care Services Project	1	3	2	2	2	2.0
<b>Average</b>	<b>1.0</b>	<b>3.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Industrial Sector</b>						
Privatisation technical Assist. Project	3	3	2	2	2	2.4
<b>Multi-Sector</b>						
Structural Adjustment Loan II	3	n/a	2	2	3	2.5
Capacity Building to the MoFED	3	3	2	2	2	2.4
<b>Average</b>	<b>3.0</b>	<b>3.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.5</b>	<b>2.5</b>
<b>Overall Average</b>	<b>2.5</b>	<b>2.7</b>	<b>2.3</b>	<b>1.9</b>	<b>2.1</b>	<b>2.3</b>

**Code**

3 = Highly Satisfactory

2 = satisfactory: Occasional Problems – Bank should monitor

1 = Unsatisfactory: Problems – Bank should monitor closely but no immediate action is required

0 = Highly Unsatisfactory: Serious problems – Bank action required

**PROJECT RATING SUMMARIES**

**A.1: National Livestock Development Project**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	2
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	2
2. Procurement of goods and services	-	2
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	2
2. Availability of local currency	-	2
3. Disbursement flows	-	1
4. cost management	-	2
5. Performance of co-financiers (where applicable)	-	-
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	-	2
2. Performance of consultants or technical assistance	-	2
3. Performance of contractors	-	2
4. Performance of project management	-	3
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	2
3. Likely contribution of the project towards an increase in institutional capacity	-	2
4. Expected rate of return	-	2
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.0
2. Trend Over Time	-	2.0
<p>Code:     3 = Highly Satisfactory                      2 = Satisfactory: Occasional Problems: Bank should monitor                      1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                      0 = Highly unsatisfactory: serious problems: Bank action required</p>		



**A.3: Pastoral Areas Development Study**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>	-	
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	2
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	-
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	3
3. Disbursement flows	-	-
4. cost management	-	-
5. Performance of co-financiers (where applicable)	-	-
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	-	2
2. Performance of consultants or technical assistance	-	3
3. Performance of contractors	-	-
4. Performance of project management	-	-
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	3
3. Likely contribution of the project towards an increase in institutional capacity	-	2
4. Expected rate of return	-	-
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.6
2. Trend Over Time	-	2.6
<p>Code:     3 = Highly Satisfactory                   2 = Satisfactory: Occasional Problems: Bank should monitor                   1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                   0 = Highly unsatisfactory: serious problems: Bank action required</p>		



**B. 1: Addis Ababa International Airport Development Project**

Project Performance Indicators	Previous Report	Current Report
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	3	3
2. Compliance with general conditions	3	3
3. Compliance with other conditions	-	3
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	3	3
2. Availability of local currency	3	3
3. Disbursement flows	2	3
4. cost management	2	3
5. Performance of co-financiers (where applicable)	-	-
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	2	2
2. Performance of consultants or technical assistance	2	2
3. Performance of contractors	2	2
4. Performance of project management	2	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives		
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	2	3
3. Likely contribution of the project towards an increase in institutional capacity	2	3
4. Expected rate of return	2	2
<b>F. <u>Overall Assessment</u></b>		
1. At Present	2.4	2.6
2. Trend Over Time	2.4	2.5
<p>Code:     3 = Highly Satisfactory                  2 = Satisfactory: Occasional Problems: Bank should monitor                  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                  0 = Highly unsatisfactory: serious problems: Bank action required</p>		



**B.3: Seven Roads Studies**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	-	1
2. Compliance with general conditions	-	1
3. Compliance with other conditions	-	-
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	2
2. Procurement of goods and services	-	-
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	3
3. Disbursement flows	-	3
4. cost management	-	3
5. Performance of co-financiers (where applicable)	-	-
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule		1
2. Performance of consultants or technical assistance	-	2
3. Performance of contractors	-	-
4. Performance of project management	-	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	2
3. Likely contribution of the project towards an increase in institutional capacity	-	2
4. Expected rate of return	-	2
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.0
2. Trend Over Time	-	2.0
<p>Code:     3 = Highly Satisfactory                   2 = Satisfactory: Occasional Problems: Bank should monitor                   1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                   0 = Highly unsatisfactory: serious problems: Bank action required</p>		





**C.2: Primary Health Care Services Project**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	-	1
2. Compliance with general conditions	-	1
3. Compliance with other conditions	-	2
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	2
3. Disbursement flows	-	1
4. cost management	-	2
5. Performance of co-financiers (where applicable)	-	2
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	-	1
2. Performance of consultants or technical assistance	-	2
3. Performance of contractors	-	2
4. Performance of project management	-	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	2
3. Likely contribution of the project towards an increase in institutional capacity	-	-
4. Expected rate of return	-	-
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.0
2. Trend Over Time	-	2.0
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		

**D.1: Privatisation Technical Assistance Project**

Project Performance Indicators	Previous Report	Current Report
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	3
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	3
2. Procurement of goods and services	-	3
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	2
2. Availability of local currency	-	2
3. Disbursement flows	-	1
4. cost management	-	2
5. Performance of co-financiers (where applicable)	-	3
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	-	2
2. Performance of consultants or technical assistance	-	-
3. Performance of contractors	-	-
4. Performance of project management	-	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	2
3. Likely contribution of the project towards an increase in institutional capacity	-	2
4. Expected rate of return	-	-
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.4
2. Trend Over Time	-	2.4
<p>Code:     3 = Highly Satisfactory                  2 = Satisfactory: Occasional Problems: Bank should monitor                  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                  0 = Highly unsatisfactory: serious problems: Bank action required</p>		

**E.1:SAL II**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	-	3
2. Compliance with general conditions	-	3
3. Compliance with other conditions	-	3
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	-	-
2. Procurement of goods and services	-	-
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	-	3
2. Availability of local currency	-	-
3. Disbursement flows	-	2
4. cost management	-	2
5. Performance of co-financiers (where applicable)	-	-
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	-	2
2. Performance of consultants or technical assistance	-	-
3. Performance of contractors	-	-
4. Performance of project management	-	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	-	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	-	3
3. Likely contribution of the project towards an increase in institutional capacity	-	3
4. Expected rate of return	-	-
<b>F. <u>Overall Assessment</u></b>		
1. At Present	-	2.5
2. Trend Over Time	-	2.5
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		



## ETHIOPIA : Portfolio Review - Matrix of Common Problems

	Nat Livestock Devt	Pastoral Area Devt Study	Koga Irrigation Project	Genale-Dawa master plan study	Addis Airport Development Project	Alemgena Butagira Rd Upgrading	Seven Roads Study	Butajira-Hossaina Rd Project	Education III	Primary Health Care	SAL II	Privatization Tech Assist	Capacity Building Project for MoFED	Frequency
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<u>Generic Problems</u>														
Weak Procurement Performance	X			X		X	X							4
Poor communication between the Bank and Executing Agencies and within tiers of Government	X	X							X	X				4
Delays in fulfilment of loan and grant conditions						X	X		X	X				4
Delays in project execution	X						X							2
Disbursement delays	X		X		X	X			X	X				6
Weak implementation capacity	X								X	X				3
Poor quality at entry/inadequate preparation									X	X				2
Weak PMU Performance							X							1
Inadequate Counterpart Funding	X													1
Poor performance of contractors/consultants							X							1
Political instability and unusual economic situation												X		1

## ETHIOPIA : Portfolio Review - Matrix of Common Problems

	Nat Livestock Devt	Pastoral Area Devt Study	Koga Irrigation Project	Genale-Dawa master plan study	Addis Airport Development Project	Alemgena Butajira Rd Upgrading	Seven Roads Study	Butajira-Hossaina Rd Project	Education III	Primary Health Care	SAL II	Privatization Tech Assist	Capacity Building Project for MoFED	Frequency
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<u>Cross-Cutting Issues</u>														
Poverty Reduction	X	X	X	X	X	X	X	X	X	X	X	X	X	13
Environmental and Social Protection	X	X	X	X	X	X	X	X	X	X	X	X		12
Gender Mainstreaming	X	X	X	X	X	X			X	X	X	X	X	12
Capacity Building			X		X				X	X		X	X	6
HIV/AIDS						X				X				2
Core Labour Standard (Child Labour)									X					1
Regional Integration					X									1
Governance											X			1

**Annex VII**  
**Country Portfolio Improvement Plan**

Issues/Problems	Actions by the Government	Actions by the Bank
Delays in fulfilment of loan and grant conditions and project start up.	MoFED to closely monitor fulfilment of loan and grant conditions with Executing Agencies.	ETCO to follow-up fulfilment of loan and grant conditions with MoFED and Executing Agencies.
Poor Procurement Performance	Executing Agencies should respect Bank Group's rules of procedures and seek ETCO's assistance as necessary.	(i) Bank to intensify loan administration workshops. (ii) ETCO to verify procurement documents before they are sent to the Bank. (iii) Task Managers to act promptly on tender documents and no objection requests.
Disbursement Delays	Executing Agencies to fill procurement applications properly and attach the correct documentation and seek ETCO's assistance as necessary.	(i) ETCO to verify disbursement applications before they are sent to the Bank. (ii) The Disbursement Division to act promptly on disbursement applications.
Weak Communication	Government to approve the license for the installation of the Bank's satellite equipment to facilitate linking ETCO with facilities at the Head quarters. Executing Agencies to take maximum advantage of ETCO's presence.	(i) Bank to take steps to install the satellite equipment as soon as license is approved. (ii) ETCO to closely follow-up issues raised by supervision missions. (iii) Task Managers to promptly respond to communications from Executing Agencies.
Weak implementation capacity	Government to intensify the process of capacity building at the regional and district levels through the National Capacity Building Program.	Bank to ensure that capacity building is an integral part of approved projects and programs.
Prevalence of undisbursed balances on completed projects.	(i) Government to respond promptly to cancellation notice and avoid the tendency of keeping undisbursed balances due to pressure from Executing Agencies and Sector Departments since commitment charges are charged on undisbursed balances and they damage the health of the portfolio.	(i) Bank to send notice of cancellation for idle loan balances and ensure that balances already cancelled are deleted from disbursement ledgers (ii) The Disbursement Division to ensure that cancellation advice are promptly sent to MoFED Multilateral Department in addition to the Investment and Credit Department.