

Level 3: How well AfDB manages its operations in Ethiopia

Chapter 3 examines how well the AfDB is managing its operations in Ethiopia. We assess our progress in strengthening results through the selection, design and supervision of our operations. We review how well we work with the Ethiopian Government and other development partners to increase the effectiveness of our assistance. We also examine how well we draw lessons from past experience, to enable continuous improvement.

We describe how we are embedding inclusiveness into each stage of the project cycle. We also discuss how we ensure that gender equality and climate change resilience are addressed, to achieve more sustainable development impact.

To measure our progress, we use the 16 indicators from Level 3 of our results framework for Ethiopia, together with “stretch targets” for 2016. These data help us check our performance in strengthening results, delivering effective and timely operations and mainstreaming cross-cutting priorities.

Portfolio performance

Over 2011–13, our country allocation for Ethiopia from ADF funds was \$650 million, making it the largest of our country programmes. Our active portfolio by the end of 2014 amounted to \$1.7 billion and consisted of 16 operations: 12 public sector projects, 2 private sector loans, 1 operation from the Africa Water Facility and 1 operation financed by the Climate Investment Fund.

“Ethiopia is one of the largest clients of the African Development Fund, with an allocation of \$650 million between 2011 and 2013”

As Figure 3.1 shows, 40% of our portfolio in Ethiopia was invested in public utilities to promote greater access to rural water supply and sanitation facilities and to expand electricity generation and transmission capacity. The Bank also invested over one-third of the portfolio in transport infrastructure, 5% in the agriculture sector and 15% in multisector programmes, and 6% in the private sector.

In Ethiopia, our priorities are infrastructure, regional integration, governance and private sector development. We identify our new investments through a careful selection process. We ensure that projects are consistent both with our Country Strategy Paper and our East African Regional Integration Strategy, and are aligned to Ethiopian priorities. We are alert to the division of labour amongst international

development partners and ensure that we focus on areas where we hold a comparative advantage, to maximise development impact. As in all the low-income countries in sub-Saharan Africa, we take into account the management for results agenda and seek wherever possible to encourage greater private sector activity.

The average size of our public sector operations in Ethiopia in 2014 is \$140 million, far higher than the \$45 million average project

Figure 3.1 Sectoral distribution of public operations

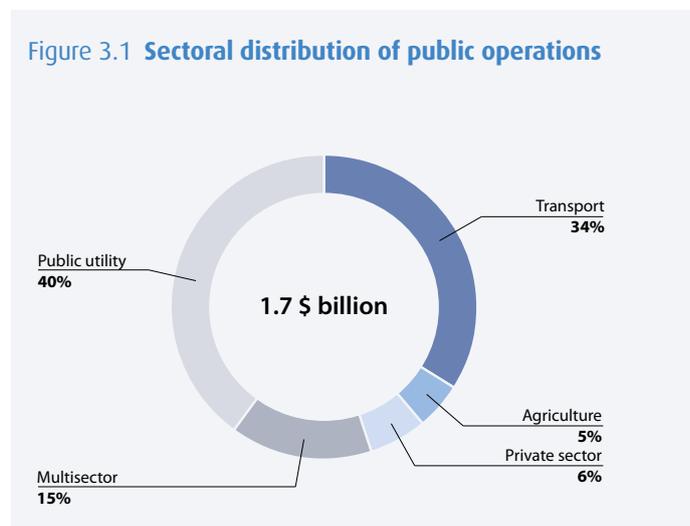


Table 3: **How well AfDB manages its operations in Ethiopia (Level 3)**

This table presents the Bank's progress in achieving its 2016 targets for portfolio management.

- Good progress has been made, and we are on track to meet our target
- Little progress has been made, and we are at risk not achieving our target
- No progress has been made, or we have moved even further away from our target
- Data are not available to measure progress

INDICATOR	ETHIOPIA			ADF COUNTRIES	
	Baseline 2010	Latest 2014	Target 2016	Baseline 2010	Latest 2014
STRENGTHENING RESULTS AT COUNTRY LEVEL					
Portfolio performance					
● Operation formally supervised twice a year (%)	76	100	100	61	65
● Problem projects (%)	0	0	0	6	5
● Projects at risk (%)	26	11	..	22	12.5
● Commitments at risk (%)	15	3
● Disbursement ratio of ongoing portfolio (%)	25	13	22	18	18
Quality at entry					
● Approval to signing (months)	4	2.8	3
● Approval to first disbursement (months)	14	8	9	13	10
● New operations rated satisfactory (%)	100	100	100	78	100
DELIVERING EFFECTIVE AND TIMELY OPERATIONS					
Development and aid effectiveness					
● Development resources recorded on budget (%)	23	48	85	57	51
● Predictable disbursements (%)	58	43	80	54	72
● Number of cofinanced projects	1	4	3
Knowledge management					
● New ESW and related papers (numbers)	3	3	3	52	18
● PCRs rated satisfactory (%)	100	100	100	72	94
● Completed operations with a timely PCR (%)	100	100	100	92	69
GENDER-INFORMED OPERATIONS					
Gender mainstreaming					
● Projects with satisfactory gender-equality outcomes (%)	20	50	71	57	71
● New projects with gender-informed design (%)	100	100	100	61	91

.. = Data not available; AfDB = African Development Bank; ADF = African Development Fund; ESW = economic and sector work; PCR = Project Completion Report.

Source: African Development Bank.

size across Africa. The shape of the Ethiopian portfolio is consistent with our policy to develop fewer, larger projects, putting us in a better position to achieve greater impact and more efficient project implementation.

Our Ethiopian portfolio has been performing very well (see Figure 3.2). We work closely and constructively with the Ethiopian Government and provide careful oversight to project delivery. In 2014, all our **operations were formally supervised twice a year**,¹ compared to 76% in 2010. This is well above the average of 65% across comparable countries. Our portfolio assessment score for Ethiopian projects demonstrates a rising trend in our performance; the score has increased from 2.15 (out of 4) in 2008 to 2.5 in 2010 and 3.1 in 2014.

Close project supervision enables us to identify implementation problems and take action to prevent delays. Our **disbursement ratio** has slipped slightly since 2010 to 13% in 2014, as a result of the launch of some important new projects in the energy and transport areas. We have managed to achieve faster disbursement rates across the portfolio through our choice of disbursement mechanisms: power and road infrastructure operations disburse through direct payments, basic services are funded through a budget support mechanism and the Rural Water Supply and Sanitation Project has been expanded and absorbs finance directly.

We have taken action to ensure a healthy portfolio. We cancelled old and underperforming projects, allocating the balance of funds to new initiatives, and we reduced the number of aged projects. As a result, at the end of 2014 we have **no problem projects** in the portfolio, and our **projects at risk** have decreased from a quarter of the portfolio in 2010 to 11% in 2014. Moreover, our **commitments at risk** have fallen from 15% in 2010 to 3% in 2014.

In addition to our national projects, we have a strong multinational portfolio that is fully aligned to our Regional Integration Strategy Paper for Eastern Africa. In 2014, we had four multinational projects active in Ethiopia—the Drought Resilience and Sustainable Livelihood Project, the Mombasa-Nairobi-Addis Ababa transport corridor, the Ethiopia-Kenya Electric Highway Project, and a fourth that has now reached completion.

Quality at entry

Quality at entry is extremely important to our overall effectiveness, helping us ensure that our projects are well designed and ready for implementation. Quality at entry covers not only technical soundness, but also genuine country ownership of the project design and objectives. In Ethiopia we have rigorously applied our Readiness Filter to measure the quality of concept notes, appraisal reports and loan and implementation conditions (see Box 3.1), to maximise the development impact of our projects.

Although the last Country Portfolio Improvement Plans for Ethiopia highlighted the quality of the portfolio, some areas in need of improvement have been identified. One in particular is project delays: several projects have been held up by delayed Parliamentary ratification, slow recruitment of experts and the need to secure loan approvals from other financiers. To avoid delays, we ensure that our projects have clear monitoring frameworks and milestones and are subject to regular joint assessments with

Figure 3.2 Portfolio performance

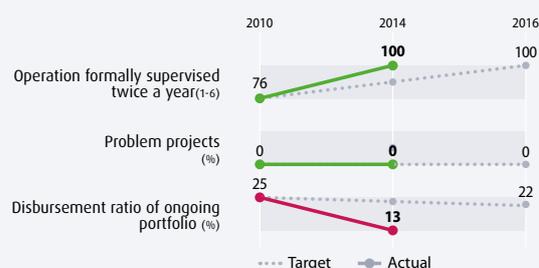


Figure 3.3 Quality at entry



Box 3.1 Improving quality at entry through the Readiness Filter

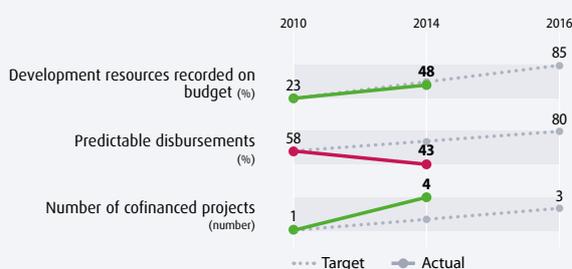
The AfDB's Readiness Filter is a tool or checklist used to verify the quality of concept notes and appraisal reports and decide whether projects are ready for implementation. It helps to ensure our compliance with environmental, social and fiduciary requirements. It enables us to check that appropriate staff have been designated, an implementation plan is in place, counterpart funding from the government is available and bidding documents are ready, before we send a project to the Bank's Board for approval. Since its introduction in Ethiopia in 2010, the Readiness Filter has dramatically reduced the time from Board approval to signing project agreements with the Government.

¹ A green bullet indicates good progress has been made, and we are on track to meet our target. A red bullet indicate that no progress has been made, or we have moved even further away from our target.

Level 3: How well AfDB manages its operations in Ethiopia

the executing agencies. By strengthening our project and contract management capacity, we have become more efficient in procuring goods and services, processing requests for payments and ensuring the sound financial management of our projects.

Figure 3.4 Development and aid effectiveness



We use a number of indicators to measure quality at entry. As Figure 3.3 shows, all of our **new operations were rated satisfactory**, reflecting the strong commitment of our country team and their strong relationships with their national counterparts. The time elapsed from **approval to signing** fell from 4 months in 2010 to just 2.8 months in 2014, well ahead of our target of 3 months. In the meantime, the time from approval to first disbursement has decreased from 14 months in 2010 to 8 months in 2014.

Development and aid effectiveness

Because the Ethiopian Government has strong national systems to manage international donor resources, we have been able to

make good progress against the Paris Declaration indicators on aid effectiveness over the last few years. The share of our **development resources recorded on budget** increased from 23% in 2010 to 48% (see Figure 3.4), largely because of our budget support for the Government's Basic Services Programme. In addition, in 2014 43% of our assistance has **predictable disbursements**, which is slightly below our score in 2010.

The Bank is an active partner on aid coordination and uses its technical skills to support policy dialogue

The Bank is also working in a more collaborative way with other development partners. The **number of cofinanced projects** increased from just one project in 2010 to four in 2014. In addition, we are undertaking more joint missions with development partners, up from four in 2011 to six in 2014. These are significant improvements, with the potential to substantially increase the impact of our projects for the intended beneficiaries.

Partnership and dialogue: a trusted partner

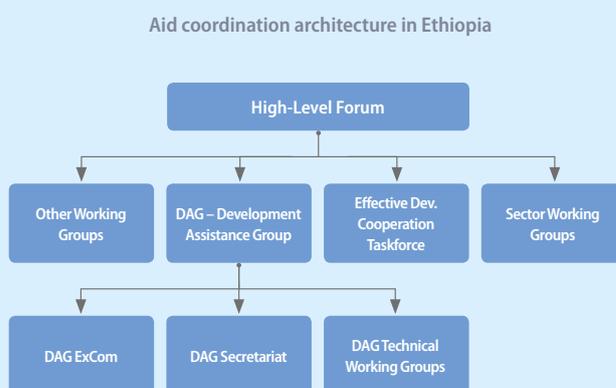
Our presence in Ethiopia has transformed our capacity to engage actively with the Government and other development partners. We are a trusted partner of the Government and the international community. We cochaired the Development Assistance Group of bilateral and multilateral donors in 2011–13 (see Box 3.2), and we participate in eight of its sector working groups: transport, energy, agriculture, water and sanitation, education, social protection, public financial management and private sector development. We are also a member of the Aid Effectiveness Task Force convened by the Government.

Box 3.2 Development Assistance Group

Ethiopia has a strong architecture for aid coordination. The annual High Level Forum provides a platform for formal dialogue between Government and development partners on policy issues. In recent months, it has also held discussions on private sector development, the Commune Development Program, civil society, aid effectiveness and resilience. Underneath that is the Effective Development Cooperation Taskforce, chaired by the Ministry of Finance and Economic Development, with a remit to promote improved aid practices.

In 2013 the AfDB co-chaired Ethiopia's Development Assistance Group, a group of 24 development partners meeting together in a range of working groups. The aid coordination architecture in Ethiopia has recently been redesigned to promote greater Government involvement in sector discussions, so that aid can more effectively support Government priorities.

Source: Development Assistance Group Annual Report 2013/2014.



With our specialist skills and our knowledge of the country and the region, we are able to play an active role in these groups, helping to ensure that all development assistance to Ethiopia is complementary. In particular, we play a leadership role on infrastructure development and regional integration, linking up with key African institutions such as the African Union.

“Through improved land management and local infrastructure, the Bank is helping vulnerable communities adapt to a changing climate”

A good example of coordination is the way we have used our expertise and our convening power to facilitate the design of and agreement on the Mombasa-Nairobi-Addis Ababa transport corridor. We engaged at the Ministerial and Permanent Secretary level with the Ethiopian and Kenyan Governments, undertook a joint mission to support project preparation and established a Corridor Development Commission. These initiatives facilitated agreement between the two Governments on key design and implementation issues, including on the development of an efficient and effective one-stop border crossing.

Knowledge management

An important element of our support to Ethiopia is the production of high-quality knowledge products that contribute to national development policy. In 2014, we produced 3 **new economic and sector work study**, in line with our target. The studies focused on public-private partnerships and on the the areas of transport and energy.

We use Project Completion Reports (PCRs) to capture experiences and lessons from finished projects to inform new programming. In 2014, all PCRs were delivered in a timely way and were rated satisfactory (see Figure 3.5).

Gender and climate-informed operations

In Ethiopia, in line with the Bank’s Strategy 2013–2022, we are increasing the focus on inclusiveness in our programming. Our aim is to enhance the capabilities and opportunities of different groups across society, so that they can become involved in and benefit from our operations. We have produced a checklist to help us promote inclusiveness through all aspects of the project cycle (see Box 3.3).

In particular, we are giving high priority to gender issues, in line with our Gender Strategy. In 2014, half of our **projects had satisfactory gender-equality outcomes**, which compares with just 20% in 2010 (see Figure 3.6). Looking forward, all of our **new projects have a gender-informed design**, which is slightly above the average for comparable countries. For example, for the new phase of our Drought Resilience and Sustainable Livelihoods programme, we have

mainstreamed gender in our business, financial management and leadership training. We are helping women to expand their productive activities and livelihood opportunities.

We are also addressing the root causes of vulnerability to climate change, to help communities become more resilient. Through integrated land management, ecosystem management and local infrastructure, we are helping people adapt to the impacts of climate change and develop sustainable livelihoods. Our new Green Growth Framework provides guidance to our staff on facilitating

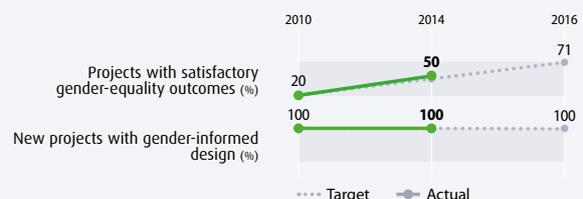
Box 3.3 The AfDB’s Inclusiveness Checklist

AfDB in Ethiopia has developed an Inclusiveness Checklist to ensure that the benefits of our operations are shared as broadly as possible. The idea emerged from our Country Portfolio Performance Review in December 2013, as a way of ensuring that cross-cutting priorities from Ethiopia’s GDP and from the Bank’s own Strategy 2013-2022 are properly addressed. The checklist stresses the importance of quality engagement with beneficiaries throughout the programme cycle. Our supervision missions now set aside enough time for interaction with beneficiary communities. Staff are encouraged to document the contribution of Bank operations to improving the lives of community members, particularly women and girls. This contribution is captured in the form of “human interest stories,” which help to keep the needs and priorities of beneficiaries in clear view as our interventions develop. In the coming period, we will promote increased and better use of the checklist by project implementation units.

Figure 3.5 Knowledge management



Figure 3.6 Gender mainstreaming



Level 3: How well AfDB manages its operations in Ethiopia

Africa's gradual transition to green growth, and we have been fully supportive of the Ethiopian Government's commitments to move to a green economy. One key route for implementation is our work with the Climate Investment Fund, under which planned investments include renewable energy projects such as the wind farm at Asselaor and the Corbetti geothermal project.

Conclusion

The AfDB's Ethiopia portfolio is in robust shape. Working in close partnership with the Ethiopian Government, in recent years we have implemented a range of measures to increase the efficiency and effectiveness of our operations. To design high-quality projects and maximise development impact, we have developed criteria

to become increasingly selective about our projects. Because our portfolio now has fewer, larger projects, we are able to focus more effort on implementation challenges. Our operations are subject to robust quality-at-entry checks and regular supervision, resulting in fewer implementation bottlenecks and a steady improvement in the quality rating of the portfolio. We have increased our use of country systems and the predictability of our funding, in line with our aid effectiveness commitments. We have also established the Bank as a trusted partner of Government, working closely with other development partners to promote the coherence of international development assistance.

In the next chapter, we look at efforts to build the Bank's own capacity in our Ethiopia office. ■



The Bank's investments have contributed to a significant expansion in Ethiopia's road infrastructure over recent years. From 2005 to 2013, the Bank has contributed to constructing, rehabilitating or maintaining nearly 400 km of roads.