Ex post evaluation – Ethiopia

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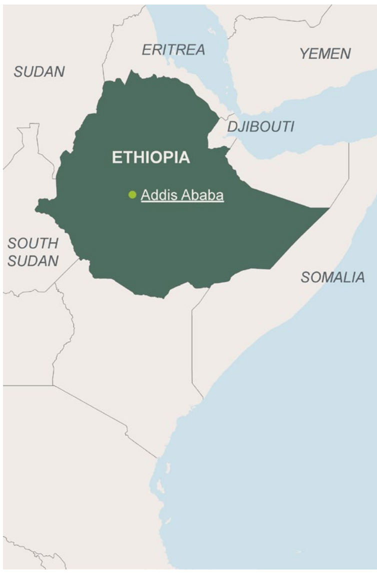
Sector: 43010 Multisector aid
Project: Securing basic social services (co-financing Protection of Basic Services 2, PBS 2), FC phases III and IV, BMZ No. 2008 65 105* / 2011 65 497*
Executing agency: Ethiopian Ministry of Finance



Ex post evaluation report: 2018

		PBS phase 2 Planned	PBS phase 2 Actual
Investment costs (total)	USD million	2,706.00	3,762.00
Counterpart contribution	USD million	1,428.00	1,750.00
Funding	USD million	1,278.00	2,012.00
of which BMZ budget funds	EUR million	55.00	50.00

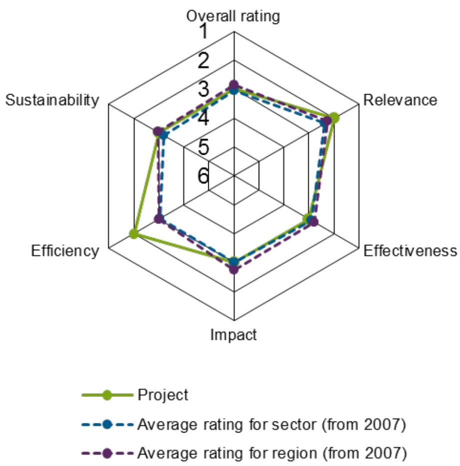
Summary: PBS was a multilateral trust fund managed by the World Bank in which 11 donors participated in phase 2 (PBS 2). It financed the nationwide running costs for social sectors and agriculture at subnational levels (regional and district levels). The FC funds evaluated here co-financed PBS components (A1) financing of basic social services at district level, (A2) strengthening investment opportunities at district level (building capacity) and (C2) strengthening social accountability by supporting civic participation and civil society organisations. The first component was financially the largest and was designed to co-finance what is known as the Ethiopian government's Federal Block Grant. Federal block grants are financial allocations by national governments for regions and districts so that they can fulfil their tasks in accordance with the constitution. The PBS funds for this component were only allowed to be used for running costs (salaries, operating costs and maintenance) in the promoted sectors even though the federal block grant could be used flexibly.

Development objectives: The objectives of the project were to (i) increase use of a qualitatively improved range of primarily basic social services and (ii) improved administrative and fiscal capacities at the district level (including transparency and social accountability). With this goal, the programme was designed to contribute to improving living conditions for the population and to decentralisation (overarching development policy objective).

Target group: Target group of the German contribution to PBS 2 was mainly the rural population of Ethiopia, especially the poor segments of the population. The intention was to improve services and participatory opportunities and also to increase the efficiency and transparency of administration.

Overall rating: 3 (both projects)

Rationale: By improving basic social services, the project contributed to making key progress on improving the social Millennium Development Goals and with regard to eradicating poverty. The positive impacts that PBS had on improving transparency and civic participation in the districts are overshadowed by domestic political conflicts and the wavering commitment of the national government to the decentralisation process. It was also not possible to sufficiently strengthen the municipal governance capacities. This is why the impacts from the measures in the area of decentralisation are only sustainable to a limited extent. In view of the conflict environment, a structured do-no-harm approach and taking better account of possible risks regarding target achievement should have been expected.



Highlights: Satisfaction with and use of social services have increased through more civic participation. When compared to the funds used (0.5% of PBS 2 funds), the components for improving social accountability were able to achieve noteworthy successes. Against the backdrop of a lack of tradition in democratic accountability, support from the government for this component was surprising as well.

Rating according to DAC criteria

Overall rating: 3 (both projects)

Ratings (both projects):

Relevance	2
Effectiveness	3
Efficiency	2
Impact	3
Sustainability	3

General conditions and classification of the project

PBS 2 is the second phase of the multi-donor project entitled "Protection of Basic Services" directed by the World Bank. Components A1 (financing running costs for social services for districts using the national payment transfer system), A2 (pilot component for local investments) and C2 (transparency and social accountability) were co-financed with FC funds in the context of phase III and IV of the FC project. Further components of PBS 2 include C1 (strengthening the public finance and contract award systems) and one component each for procuring medical goods as well as improving follow-up systems and data quality. Since the individual components are related with regard to impact, and the financial flows cannot be controlled, this EPE examines the overall multi-donor programme, but mainly focuses on the FC-promoted components. The projects under both BMZ numbers (Federal Ministry for Economic Cooperation and Development) are evaluated together.

Relevance

The PBS project aimed to tackle the main barriers to development in Ethiopia and supported the national development agenda in priority areas. Due to its strong focus on development since the 1990s, Ethiopia has been able to make considerable progress on the MDGs for eradicating poverty, achieving universal primary education, reducing child mortality and combating HIV/AIDS. However, Ethiopia was still far behind in regional comparisons at the time of the project appraisal due to its low starting level. To strengthen access to basic services at a decentralised level, PBS thus financed the areas of social development, strengthening capacity, and governance for the development plan entitled national "Growth and Transformation Plan I" (2010/2011–2014/2015) focusing on the priorities of the partner country. To meet the objective of eradicating poverty, the focus on the rural population was important and correct as these people are much more affected by poverty than the urban population (34% vs 24%, as of 2010).

Due to differences between donors and the Ethiopian government in 2005 – mainly concerning governance and human rights issues – the budget assistance previously granted was ended and PBS was introduced as basket funding in its place. This instrument was able to channel expenditures to the areas of poverty eradication and the decentralised level, and was thus able to send a political signal – without endangering achievement of the Millennium Development Goals (MDGs) by an important source of financing suddenly drying up. In the context of Ethiopia's continued dependence on donor funds to cover the running costs, the PBS focus on financing running costs for basic services is still understandable today. In view of the political events and opportunities after 2005, the PBS project followed the right approach overall in continuing to play a key role in supporting the achievement of the MDGs and simultaneously strengthening the country's contract award and financial systems. This approach was also used to exploit the limited leeway in the area of governance. At the same time, the country's high donor dependency[1] was counteracted in the long run by the fact that Ethiopia was obligated to steadily increase its share in financing the running costs for subnational levels.

[1] According to a report from the Oakland Institute (2013), Ethiopia received an average of USD 3.5 billion in development assistance between 2007 and 2011. This corresponds to 50-60% of the Ethiopian national budget.

Furthermore, the configuration of the PBS project complied extensively with the Paris criteria for effective development cooperation. Due to the exemplary implementation of these guidelines, PBS was presented as a model project within the context of the fourth High Level Forum in South Korea (Busan) in 2011.

However, one significant challenge for the PBS project was that the financing and contract award systems that were supposed to be used exhibited extreme weaknesses and were associated with high fiduciary risks. The PBS project faced this challenge with a sound approach by reinforcing structures with measures such as introducing an IT-based accounting system and systematic advanced training courses. The PBS control mechanisms, like the quarterly and semi-annual financial reports, as well as the annual audits and progress reviews were intended to reduce fiduciary risks and thus facilitated support across the country's systems.

From today's perspective, the risks originating from the government's village development programme[2] were not taken into sufficient account in the programme concept. Due to the timeframe and regional overlap, and the similar objectives for the PBS project and the village development programme (improved access to basic services), a risk analysis should have been performed during the project appraisal and appropriate do-no-harm measures implemented.

In summary, it is clear that the programme followed the right approach to create important conditions for reducing poverty and for participatory development in Ethiopia. The instrument of basket funding and its design were in line with the principles of effective development cooperation and the approach was appropriate in view of the political situation in 2005 and the termination of budget assistance. However, against the background of the difficult governance situation, a better appraisal of the social risks like the ones originating from the village development programme would have been expected. The overall relevance is thus assessed as good.

Relevance rating: 2 (both projects)

Effectiveness

At outcome level, the dual objectives underlying this EPE pursue the sectoral objective (i) of increased use of a better quality range of basic services focusing on social sectors (education, health, but also agriculture) and (ii) the structural objective of improved administrative and fiscal capacities at district level (including increased transparency and social accountability).

Indicator	Status PA, Target value PA	Ex post evaluation
(1.1) Net school enrolment rate, years 1-8 (%) (1.2) Gender parity index (GPI) (years 1-4) (%) (1.3) Pupils per teacher (years 5-8) (1.4) Qualified primary school teachers (%)	2007: 79; 2015: 100 2007: 0.53; 2015: 1 2011: 51; 2017: under 41 2011: 47.2; 2018: 95	Narrowly missed*. 2015: 96.9 On track* 2012: 0.93 Achieved: 2017: 36 On track. 2017: 93.4
(1.5) Child vaccination rate (penta-3) (%) (1.6) Births attended by qualified health personnel (%)	2007: 76.8; 2015: 96 2007: 16.4; 2015: 60	Narrowly missed. 2015: 94 Not achieved. 2016: 27.7

[2] In 2010 the Ethiopian government introduced the "village development programme" with a duration of three years in the relatively thinly settled regions of Afar, Benishangul-Gumuz, Gambella and Somali. The objective was to improve the situation for providing basic services to the local population. In addition, the sometimes very dispersed population was resettled into village-like congregations in order to provide the corresponding services more effectively. In 2012, members of the Anuak people in Gambella submitted a complaint to the World Bank that the PBS project was contributing to the activities of the village development programme, in particular, to involuntary resettlements for the benefit of investors. (See part I, p. 5).

(1.7) Productivity of most important food crops (q/ha)	2007: 15; 2015: 22	Narrowly missed. 2015: 21.5
(2.1) Publication of the budget and expenses (% Woredas) (2.2) Residents who report basic knowledge about the Woreda budget (%) (2.3) Residents who report that Woreda officials actively sought the opinions of the people in their Kebele to improve the quality of basic services (%)	2007: 70; 2017: 100 2007: 9; 2018: 25 2007: 52; 2018: 55	Achieved: 2017: 100 Achieved. 2016: 25 Achieved. 2017: 55

*) On track means: positive trend with a high probability of target achievement.

The table regarding target achievement shows that most of the indicators developed positively, even if half of the target values (which were overly ambitious for the most part) were not achieved.

In the area of education (indicators 1.1–1.4) all of the recorded developments are positive. The target of increasing the net school enrolment rate to 100% was only narrowly missed with a target achievement of 97%. No current data about the target year is available with regard to indicators 1.2 and 1.3. Due to the high target values so far, it is probable that the target was achieved. The results were mixed in the healthcare sector. The target of improving child immunisation was only narrowly missed by 2%. However, the percentage of births attended by qualified health personnel was only close to 30% in 2016, which was far below the target.

The targets at the structural level (indicators 2.1–2.3) were achieved completely, even if the inclusion of residents in budget planning/performance of social services (indicator 2.3) only showed marginal improvement.

Given the low starting situation and Ethiopia's generally very ambitious targets, the target achievement at the outcome level is assessed as satisfactory.

Effectiveness rating: 3 (both projects)

Efficiency

Financing the project as a multilateral trust fund led to gains in efficiency during the execution for both partners and donors. Joint use of the national payment system and universal reporting mechanisms reduced transaction costs for the executing agency when compared to individual measures. The World Bank and the PBS office in particular also showed an efficient approach when managing the trust fund and coordinating donor contributions.

There were few indications of a low absorption capacity given the donors' high willingness to provide funding. This was also due to the fact that the PBS project primarily financed running costs, in particular salaries.

The allocation efficiency can generally be viewed as positive in view of the multi-sectoral PBS focus on the national priorities. However, it would have been more efficient to limit the projects to the three sectors (education, health, agriculture) for which 97% of the funds were used instead of dividing the limited resources among five sectors (education, health, agriculture, water, road construction). Interdependencies like those between health and improved access to drinking water and wastewater disposal could also have been better ensured by coordinating with existing programmes. Within the education sector, there are signs of inadequate allocation efficiency: while there was a considerable lack of teachers at the lower primary school levels with 59.4 pupils per teacher (as of 2013/2014), the ratio in the upper primary schools levels of 36 pupils per teacher (as of 2017) was below the benchmark for developing countries recommended by UNESCO. The resources could have been distributed more efficiently here.

Gains in efficiency and a high degree of predictability for the funds was primarily due to the structure as a multilateral trust fund, with strong participation from state-owned partners. The low transaction costs have to be weighed against suboptimal allocation efficiency to some extent. Nonetheless, no other instrument would have been able to achieve a similarly wide-ranging effect with comparable transaction costs. So the efficiency is assessed as good overall.

Efficiency rating: 2 (both projects)

Impact

Looking at the overarching developmental impacts, the project aimed to (i) contribute to improving the living conditions (sectoral objective) and (ii) contribute to the decentralisation in the fiscal and administrative areas (structural objective). The target achievement is assessed using the following indicators:

Indicator	Status PA, Target value PA	Ex post evaluation
(1.1) MDG 1 — Percentage of people living below the national poverty line (%)	2007: 33.8 2015: 22.2	Narrowly missed. 2015: 23.4%*
(1.2) MDG 2 — Primary school completion rate (year 8) (%)	2007: 44.9 2015: 95.5	Not achieved. 2015: 54.4
(1.3) MDG 4 and 6 — Child mortality under 5 years old (per 1,000 births)	2007: 97.1 2014/15: under 67	Achieved. 2015: 61.3; 2016: 58.4
(1.4) MDG 5 and 6 — Maternal mortality (per 100,000 births)	2007: 654 2014/15: 267	Not achieved. 2015: 353
(1.5) Residents' satisfaction with living conditions (% that estimate them to be average or better)	2009: 43.2 No targets.	2017: 80.5
(2.1) Transparency of budgetary relations between levels of government – proxy for decentral capacity increase**	N/A	Improved.

*) Estimated based on growth elasticity of poverty (Growth and Transformation Plan II)**) This indicator takes into account the degree of transparent and compliant allocation of funds for subnational levels, the reliability of fund allocation and financial, consolidated reporting from subnational levels to the central government.

The sectoral measures contributed to improving achievement of the MDGs — even if it was not possible to achieve all target values. With regard to the development of poverty and child mortality in particular, there were considerable improvements and the targets were (nearly) achieved. In terms of the completion rate for primary schools and maternal mortality there were positive developments, but the targets were clearly not achieved. Even if the target of a 96% completion rate was very ambitious, the slow progress towards that goal indicates that the quality of education is still low. The moderate success in reducing maternal mortality is mainly attributed to the elevated percentage of high-risk births (77% (2016), EDHS 2016). Even if structurally weak regions and the poorest sections of the population benefited disproportionately from the projects (WB 2014), severe regional differences still exist. Overall, the improvement of at least the social MDGs can be plausibly attributed to the contribution made by the high percentage of PBS 2 used for financing personnel for basic services (54%).

The changes in the area of decentralisation are deemed positive based on the indicators. However, broad decentralisation efforts on the part of the state are not discernible: e.g. the government cancelled pilot component A2, which would have helped the districts execute infrastructure investments themselves.

One unintentional negative impact stems from the allegations connected to the village development programme the Ethiopian government started in 2010. In 2012, members of the Anuak people in Gambella submitted a complaint regarding forced resettlements taking place in favour of private investors, without improving access to basic services or agricultural capabilities (The Inspection Panel, 2014). The PBS project is complicit as it financed the infrastructure as well as the administrative staff who were part of the village development programme. The World Bank's Inspection Panel Report was not able to confirm the allegations of misuse of funds, but found that the World Bank's auditing duties regarding social risks were not fulfilled.

The PBS project made a positive contribution to the sectoral objectives, but can only be evaluated as positive to a limited extent with regard to the decentralisation targets. Due to the lack of any conflict sensitivity, it is possible that the project contributed to destabilisation (village development programme). Overall, the impact is therefore only just rated as satisfactory.

Impact rating: 3 (both projects)

Sustainability

The Ethiopian government continues to pursue policies that are extremely relevant for poverty issues. Poverty-relevant expenditures have been around 12% of GDP since 2010 and the expenditures for subnational levels have increased five-fold from around EUR 204 million (2005) to around EUR 1 billion (2012), while the state's own contribution significantly increased at the same time. So it seems that the financing for running expenses in the social sectors is ensured at the subnational levels on a sustained basis. To a certain extent, this is also due to the favourable macroeconomic environment overall in Ethiopia (strong growth, improved tax revenue, lower inflation level). The government still appears to be committed to improving the transparency and robustness of its financial and contract-award systems. The government thus proves overall that it feels a high sense of responsibility for its development agenda and the PBS priority areas.

However, there is no recognisable, continued commitment on the part of the government to the decentralisation process and avoiding getting involved in municipal management. Despite federalism as well as administrative and fiscal decentralisation, the governing party controls policy and the economy. Furthermore, the leeway for democracy and plurality continues to shrink. Among other factors, the lack of an inclusive, functioning democratic system, corruption and clientelism, as well as (forced) resettlements in the context of government programmes are important causes of Ethiopia's continued fragility (joyn-coop PCA 2017).

The sustainability of the impacts is also at risk due to high staff turnover, mainly caused by low wages and the lack of a maintenance budget.

The ability for the project to be integrated into investment programmes or policy-based lending approaches like those currently being implemented by the World Bank is positive. Also, the PBS focus on increasing poverty-relevant and decentralised state expenditures in the long term promotes sustainability. So sustainability is rated as satisfactory.

Sustainability rating: 3 (both projects)

Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).