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Report No. 24418

PROJECT PERFORMANCE ASSESSMENT REPORT

ERITREA

COMMUNITY DEVELOPMENT FUND PROJECT
(CREDIT 2823-ER)

June 24, 2002

Sector and Thematic Evaluation Group
Operations Evaluation Department

Currency Equivalents (annual averages)

Currency Unit at Appraisal (1996) = Ethiopian Birr (ETB)
US$1 = 6.29 ETB

Currency Unit at Close (December 2001) = Nafka (ERN)
US$1 = 9.775 ERN

Abbreviations and Acronyms

ECDF	Eritrea Community Development Fund
ICR	Implementation Completion Report
OED	Operations Evaluation Department
PPAR	Project Performance Assessment Report

Fiscal Year

Government: January 1 – December 31

Director-General, Operations Evaluation	:	Mr. Robert Picciotto
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The World Bank
Washington, D.C. 20433
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Office of the Director-General
Operations Evaluation

June 24, 2002

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: ERITREA: COMMUNITY DEVELOPMENT FUND PROJECT (CREDIT 2823-ER)

Attached is the Project Performance Assessment Report (PPAR) for the Eritrea Community Development Fund project (Credit 2823, approved on February 29, 1996). The credit was closed on schedule on December 31, 2001. The IDA credit amount was SDR 11.8 million (US$17.5 million equivalent) and the credit was fully disbursed. The final project cost was US$50.55 million (appraisal estimate, US$49.68 million) and included co-financing by the Belgians, Dutch, and Italians.

This assessment was undertaken as part of the intensive-learning approach to project completion reporting and benefited from a parallel AFR-OED mission to Eritrea. The assessment does not repeat the ICR. It presents an independent assessment of ECDF's performance and focuses on areas where OED analysis and judgment add to, or differ from, that contained in the ICR.

OED rates project outcome as satisfactory. The project faced a number of difficult issues, however, some of which were beyond the control of the project. Others were project-related and warrant greater attention in the future. Available information raises some questions about the project's efficiency. The satisfactory outcome rating gives the project the benefit of the doubt with regard to efficiency. Institutional development impact is rated as modest, sustainability as non-evaluable, and Bank and Borrower Performance as satisfactory. The project provides important lessons, notably that achieving lasting qualitative improvements in the population's socio-economic condition requires attention to the finer points of development including: quality and depth of community participation; capacity building among key agencies and communities, with attention to ensuring well-defined and coherent institutional relationships and linkages among them; provision of complementary inputs as well as related investments; and adequate financial, technical, and institutional arrangements for sustainability.

Attachment

OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the OED Rating System

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the OED website: http://worldbank.org/oed/eta-mainpage.html).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

This report was prepared by Soniya Carvalho, who assessed the project in July 2001. The report was edited by William Hurlbut, and Romayne Pereira provided administrative support.

Principal Ratings

	*ICR**	*ES**	*PPAR*
Outcome	Satisfactory	n.a.	Satisfactory
Sustainability	Likely	n.a.	Non-Evaluable
Institutional Development Impact	Substantial	n.a.	Modest
Bank Performance	Satisfactory	n.a.	Satisfactory
Borrower Performance	Highly Satisfactory	n.a.	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The Evaluation Summary (ES) s an intermediate OED product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Laura Frigenti	Jacob van Lursenburg	James W. Adams
Completion	Marylou Bradley	Arvil Van Adams	Makhtar Diop

Preface

This is a Project Performance Assessment Report (PPAR) for the Eritrea Community Development Fund project (Credit 2823, approved on February 29, 1996). The credit was closed on schedule on December 31, 2001. The IDA credit amount was SDR 11.8 million (US$17.5 million equivalent). The final project cost was US$50.55 million (appraisal estimate, US$49.68). The project was co-financed by the Belgians (US$3.21 million equivalent), Dutch (US$8.78 million equivalent), and Italians (US$5.98 million). The Italians contributed an additional US$5.0 million to the Fund.

This Operations Evaluation Department (OED) report is based on the Staff Appraisal Report (Report No. 14937, January 30, 1996), review of project files, and discussions with Bank and Borrower staff. It also draws on the Intensive Learning Implementation Completion Report (ICR, Report 22694, January 30, 2002) which was prepared by AFR and for which a parallel AFR-OED mission visited Eritrea between July 14-24, 2001. A stakeholder workshop was held by AFR and attended by OED during this mission to obtain feedback from a wide range of beneficiaries and stakeholders. The workshop was attended by 132 representatives from beneficiary communities, local councils, regional and sub-regional administrations, regional line ministries, sector ministries, private contractors and consultants, ECDF central and regional staff, the Italian and Dutch governments, and World Bank staff. OED gratefully acknowledges the kind cooperation and valuable assistance received from the Bank's ICR team and borrower colleagues.

The ICR is clear, coherent, and well-written, and distills useful lessons of experience. Discussions among ECDF staff, government officials, ICR team, and OED were candid and undertaken in a spirit of learning—in this regard, the Intensive Learning ICR represents best practice. The ICR provides a detailed account of the project experience and achievements, and incorporates OED contributions. This assessment does not repeat the ICR. It presents an independent assessment of ECDF's performance and focuses on areas of additional analysis by OED or where OED's judgment varies from that of the ICR. A forthcoming OED Country Assistance Evaluation covers broader country issues.

Following standard OED practice, copies of the draft PPAR was sent to the relevant government officials and agencies but no comments were received.

1. Background

1.1 The Eritrea Community Development Fund (ECDF) project was a follow-on to the Eritrea Recovery and Rehabilitation project, which piloted the Community Rehabilitation Fund. The ECDF project aimed to achieve a shift from the pilot's emphasis on recovery and rehabilitation to more sustainable development.

1.2 The project's stated objectives were to finance community-initiated subprojects that would: (i) support the rehabilitation and development of basic social and economic infrastructure critical to the improvement and development of the economic and social conditions of the population, especially in the rural and war-devastated areas of Eritrea; and (ii) improve the income-generating capacity of poor people and households. These objectives were to be achieved through three components: financing community-initiated subprojects (81 percent of total project costs); pilot micro-credit for income generation and micro-enterprise development (6 percent of total project costs); and training and capacity building (4 percent of project costs). The remaining 9 percent of project costs would be for project administration.

1.3 The project period was five years from June 1996 (credit effectiveness) to December 2001 (credit closing). In May 1998, there was a border dispute with Ethiopia which later escalated into war. Hostilities ceased in June 2000. The relatively stable periods for the project were June 1996–May 1998 and June 2000–December 2001 (roughly three and a half years).

2. Ratings

Relevance

2.1 ECDF's objectives were overall relevant to the conditions prevailing in the country. However, the relevance of specific aspects of project design (for example, operational strategies for ensuring systematic community participation, or financial, technical, and institutional arrangements for sustainability) could have received greater attention. Greater attention to how ECDF related to existing public sector agencies would have enhanced its institutional relevance.

Efficacy

2.2 *Social and Economic Infrastructure Component (80 percent of total project cost, actual).* This component supported the rehabilitation or creation of significant social and economic infrastructure—44 schools, 38 health facilities, and 7 marketplaces were built; 11 water systems were built and 16 are under implementation; 33 natural resource management projects were completed; and 6 feeder roads were constructed. The ICR notes that infrastructure damaged by the war included 18 schools, 12 health facilities, and 4 water supply systems, amounting to US$3.1 million. The total number of subprojects was far fewer than originally planned: only 184 subprojects (or about 65 percent) were implemented against an original target of 283 subprojects. Of the 184 subprojects, 171 were completed or under implementation, 4 were suspended, and 9 were cancelled. While the project was not formally restructured, the total number of subprojects originally planned for ECDF had been reduced during implementation and some project funds (IDA $3.7 million) were reallocated to provide emergency support for internally displaced persons in sectors such as water supply, make-shift classrooms, and feeder roads (the figure of 184 subprojects mentioned earlier includes subprojects for internally displaced persons). The ICR estimates that 1,142,417 individuals (about one-third of the population) were expected to benefit.

Education facilities accounted for the largest portion of costs (approximately 29 percent), followed by water supply (approximately 22 percent), and health facilities (approximately 18 percent). The "Impact Evaluation of ECDF I" commissioned by ECDF (Main Report, Ecosoc, Woldtam, Gecon, Worku, ECDF, Asmara, Eritrea, 2001) hereinafter called "Impact Evaluation", points to many positive effects: an increase in the number of children attending primary school, reduction in the average travel time to school, decline in the number of episodes in households for specific diseases, improved access to safe water, and employment through marketplaces. But, given data collection and methodological issues, these results should be taken as indicative rather than definitive. Furthermore, it is not clear if these results translated into lasting improvements in the population's socio-economic conditions. The Beneficiary Assessment and stakeholder workshop highlighted issues that raise some question about the extent to which the project resulted in a significant and sustained development impact.

2.3 The ICR reports the quality of works as being satisfactory. Facilities visited during the assessment mission were found to be of satisfactory quality. However, it is not clear if quality of works was good for most ECDF infrastructure or over most of the project period. Participants in the stakeholder workshop pointed out the laxity of consulting supervisors and contractors, which resulted in faulty works. The borrower comments on the ICR also noted that "After the invasion, a very serious shortage of skilled manpower was encountered which affected all sectors of the economy; this contributed to delays in implementation, including a deterioration in the quality of projects."

2.4 *Savings and Micro-credit Program Component (5 percent of total project cost, actual).* The savings and micro-credit component provided a relatively simple savings and lending methodology for the client base it targeted in its solidarity group and individual borrower programs. A total of 146 village banks were established against the original target of 270 village banks. Savings and micro-credit services were provided to 11,800 clients against the original target of 13,500 clients. The ICR noted that the network of autonomous village banks, each with an average of 35 to 80 village members—who elected their own officers, created their own by-laws, and reviewed and approved loan applications—provided a strong foundation for the program. The borrowers were required to belong to a solidarity group that was jointly liable for the repayment of all loans made to individuals in the solidarity group. Flexibility was provided in defining borrower's repayment schedules, between 3 and 12 months. Peer group pressure was effective in promoting and ensuring timely repayment of loan obligations; the repayment rate was over 95 percent.

2.5 With respect to outreach, the ICR team noted that the war exerted a negative overall impact on the planned expansion of the program. More important, the amount of funds budgeted in the project for the pilot proved inadequate and placed a significant constraint on the expansion of membership of village banks. With respect to capacity building, the project financed training activities that consisted of one-day village bank briefing meetings with clients, three-day training for village bank committees, and staff training through short-duration workshops. The ICR team observed that while useful, these training programs were inadequate—training was not viewed as a continuous process and regularly updated to make it more relevant to new and changing requirements.

2.6 With regard to enterprise development efforts, the program helped clients to improve their income by providing access to working capital. The ICR team noted that due to significant shortage of staff and the inadequate training strategies for both staff and clients, the program was not able to take a more proactive posture in addressing enterprise development needs of target client households, not only for the expansion of existing businesses but also for new business activities. The Impact Evaluation shows that most participating villagers had been able to increase incomes, but the extent to which these increases would be sustained over time is not clear.

2.7 *Training and Capacity Building Component (8 percent of total project cost, actual)*[1]. While training, studies, study tours, needs assessments, and evaluations were conducted, the training and capacity building component received low priority and its implementation was disappointing. Significant delays were experienced in the recruitment of key capacity building staff (see "Institutional Development Impact"). In particular, ECDF was not equipped with a well-articulated and structured capacity building and training program at the community level, which affected the quality and scope of community involvement.

2.8 *Poverty Targeting*. ECDF did not use specific poverty targeting criteria such as pre-determined regional allocations based on some measure of poverty. Data on actual targeting outcomes are limited, but available data point to neutral or mildly progressive regional targeting. The four poorest regions (out of a total of six regions in Eritrea) accounted for 54 percent of the population, received 61 percent of ECDF subprojects, and obtained 59 percent of ECDF's investment. ECDF seems to have been especially effective in targeting its resources to the war-torn region of Gash Barka (the third-poorest region), and in minimizing its resources to the richest region of Maekel accounting for 29 percent of the population but only 12 percent of projects and 15 percent of investments. ECDF's reported focus on remote areas could mean that targeting *within* the regions is better, but the extent of remoteness is not known nor is it clear how widely this focus was adopted. However, it is also clear that ECDF has not sufficiently targeted the absolutely poorest region, Debubawi Keyih Bahri; the poorest 7 percent of the population received only 4 percent of ECDF resources. Besides, if the resources going to the poorest three regions are considered, the data show that they got a lower share of investment funds (36 percent) than their population share (37 percent).

2.9 *Monitoring and Evaluation*. While ECDF commissioned the Impact Evaluation, and a Beneficiary Assessment was also undertaken, the project lacked a focus on systematic and regular outcome and impact monitoring. The importance of performance monitoring for ECDF is repeatedly emphasized in the Bank's project documents.

Efficiency

2.10 Available information on the project's efficiency raises some questions. The project financed only about 65 percent of the originally planned subprojects in terms of numbers of subprojects. Whether the volume of infrastructure created is 65 percent less is unclear. Yet, the project spent nearly the same amount of resources as originally planned. The targets were revised in Annual Work Plan and Budget Agreements. The Supervision Mission report of February 28-March 10, 2000 (Table 1) indicates that the Original 1999 Annual Work Plan and Budget was for 121 subprojects, the revised number was 91 subprojects, and the completed number of subprojects as of 12/31/99 was 68 subprojects – i.e., only 75 percent of the revised target was achieved. It is not clear what percentage of the revised overall targets was achieved and whether targets in the Annual Work Plan and Budget were simply chasing actuals. It is clear, however, that the full amount originally planned was spent. Reasons provided by the Region on why fewer subprojects were completed include (i) the remoteness of ECDF subprojects raising construction costs; (ii) adoption of ministry construction standards which were higher than normal; (iii) price escalation due to the war; and (iv) some completed infrastructure having to be repaired because of war damage. Of these reasons, the first two should have been anticipated and the original and revised subproject targets should have reflected them. Whether the remaining two reasons explain a large part of the project cost is unclear.[2]

1. Total actual project costs indicated in this section do not add-up to 100 – the remaining amount is accounted for by project administration.

2. The ICR reports the appraisal estimate for works to be $25.2 million and the actual to be $30.79 million.

2.11 With respect to overhead costs, the ICR reports ECDF's overhead cost as about 7 percent. Assuming that the same items are included in the cost calculation, this overhead cost is within the range for social funds. The average cost of ECDF subprojects was US$151,700, excluding the costs of related feasibility and design studies. The average cost for completed feeder roads subprojects was higher at US$707,000 excluding the cost of feasibility studies, with remaining roads subprojects estimated to cost US$2.6 million each on average. The ICR notes that given the remoteness of many ECDF investments and ECDF's willingness to go where most contractors would not, and ECDF's use of high quality design standards and materials, it is likely that unit and average costs for ECDF investments may be above average. The ICR presents average sub-project costs for ECDF and line ministries for some types of infrastructure which indicate the two were roughly similar. Compared to appraisal estimates (SAR Annex J, page 1-2 of 4), the actual average cost for standard and junior secondary schools and health centers as reported in the ICR (page 13) was lower, assuming that the same methodology was used to calculate costs. Such cost information is not available for water supply which accounted for approximately 22 percent of total project costs. While in the absence of further information, no definite conclusions are possible about the project's efficiency, a more careful examination of investment size and design in relation to population needs in remote areas and the implication of design choice for operations and maintenance appears warranted in the future. The possibility of over-designed investments or inefficiencies cannot be altogether ruled out.

Outcome

2.12 The overall outcome of the project is rated satisfactory based on the discussion of relevance and efficacy above; this rating gives the project the benefit of the doubt with regard to efficiency. The "Beneficiary Impact Evaluation Study" (ECDF, Woldtam and SDCS Consulting Services, Asmara, Eritrea, 1998) hereinafter called "Beneficiary Assessment," indicates that beneficiaries were generally satisfied with ECDF subprojects. ECDF leveraged significant cofinancing from bilateral donors and was recognized by government and donors for having made an important contribution to population needs in a post-conflict (and even on-going conflict) situation. The project adopted a short-term problem-solving, pragmatic approach and delivered outputs under extremely difficult conditions. However, a number of issues require greater attention in the future, in particular, the need for a strategic, systemic orientation in order to ensure lasting qualitative improvements in living conditions, attention to local capacity and the nature of community participation, and impact monitoring.

Institutional Development Impact

2.13 The project served to bring attention to the importance of community input in local development efforts. It contributed to developing significant capacity in the *ECDF agency,* which adopted a pragmatic and problem solving approach and found creative solutions to technical, logistical, and institutional constraints in a spirit of continuous learning. ECDF staff demonstrated exceptional dedication in the face of difficult war conditions, working beyond normal hours and traveling to risky locations. With respect to the *private sector*, ECDF created demand for and helped expand the private contracting industry, particularly in the construction, consulting, transport, and other small-scale manufacturing and service sectors. At the *central government* level, central standard designs for social infrastructure were improved through modifications developed by ECDF, and the project's emphasis on community contribution was also perceived as a useful lesson by some line agencies. Furthermore, the location of ECDF in the Ministry of Local Government, with ECDF's General Manager also the head of the ministry, may be expected to enhance the chances of learning across the ECDF and the ministry, although the diffusion or internalization of learning within and across agencies cannot be taken for granted.

2.14 There were issues of coordination between ECDF and the line agencies at the *central government level*: while coordination with the Education and Agriculture ministries was generally satisfactory, coordination with the Health and Water ministries was weak and positive synergistic institutional effects can be assumed to have been limited. At the *local government level*, positive impacts may have been expected from the decentralized structure of ECDF management that operated through regional offices located in the regional administration, but these impacts have been modest since key ECDF functions have been centralized in the management office in Asmara. Overall, collaboration between ECDF regional staff and the regional administration in discharging ECDF or other functions warrants strengthening. ECDF did not develop a clear vision of how it would relate to existing institutions in the country, particularly local government – an issue that has received attention in the follow-on project. As the government's decentralization efforts move ahead, far greater coordination with regional councils as well as regional staff of line agencies will be required in allocating and managing ECDF resources/activities.

2.15 At the *community level*, the relatively strong existing community organization benefited the project, but the project does not seem to have significantly strengthened community capacity, its relationship with local government, or increased technical expertise and skills widely at the community level. Implementing projects through the use of turn-key contracts to private contractors (combining labor and material contracts in one) may have come at the cost of limited involvement of communities and lesser community capacity strengthening. The small role played by communities in subproject implementation and monitoring appears to have further reduced the potential for positive institutional development impacts through learning-by-doing. Furthermore, the project's impact on *NGO capacity* was negligible, except in the microcredit component, which worked effectively through an NGO. For the most part, ECDF did not make adequate efforts to tap into, or contribute to, NGO capacity.

2.16 Moreover, the project's *capacity building component* received low priority throughout the project's life. The Capacity Building Officer was recruited late in the project, left a short time later, and was not replaced. Effective implementation of this component could have had an important institutional development impact at various levels, including at the community level where capacity constraints prevented their full participation in subproject implementation and maintenance.

2.17 In light of the above shortcomings and the institutional issues surrounding the sustainability of benefits (discussed in the section "Sustainability"), a substantial institutional development impact rating (as in the ICR) cannot be justified. To qualify for a substantial rating by OED, the project would have had to make a "significant" contribution to the country's ability to effectively use its human, financial, and natural resources. On the other hand, a modest rating is appropriate for a project that increases, to a limited extent, the country's ability to effectively use human, financial, and natural resources. This assessment rates the institutional development impact of the project as modest.

Bank Performance

2.18 Bank Performance is rated as satisfactory, as it is in the ICR. The Bank demonstrated remarkable flexibility and responsiveness to unexpected country circumstances and maintained continuity and dedication throughout. According to ECDF staff, they enjoyed close cooperation with Bank staff and valued the Bank's pragmatic and adaptive task management. The Bank-ECDF relationship provides a model for other projects. Some issues that could have received greater emphasis are as follows. Greater attention to the project's efficiency was warranted. In addition, the systematic monitoring of outcomes, including of outcomes related to institutional capacity building, should have received greater priority. Although the Bank did take actions to address this issue and ensured that ECDF commissioned the Beneficiary Assessment and Impact Evaluation, an outcome-based monitoring system was not effectively internalized into the project's operations. Furthermore, greater attention to how ECDF related to, and coordinated with, central and local government, and higher priority to capacity building efforts would have benefited the project. Finally, the Bank did well to promote the use of existing community structures; however, given varying levels of participatory decision-making among these structures, the Bank should have made a more proactive effort to encourage ECDF to adopt mechanisms to deepen and broaden community participation. A number of these issues are receiving attention in the follow-on project.

Borrower Performance

2.19 The government's strong commitment to the project was demonstrated, inter alia, by the regular and timely payment of contributions, in some cases exceeding originally planned contributions. The project unit's strong leadership, the commitment, dedication, and continuity of ECDF staff, and their diligence in undertaking project activities despite security risks are commendable. ECDF was notable in its ability to continue operations with resourcefulness and agility despite war-related shortages of labor and materials, adopting a learning approach. This led to the ECDF supporting other Bank-financed projects, something not originally anticipated. Nevertheless, weaknesses in the monitoring and evaluation system, the neglect of the capacity building component, and inadequate attention to institutional issues (see sections "Institutional Development Impact" and "Sustainability"above), lead this assessment to a satisfactory Borrower Performance rating, rather than a highly satisfactory rating (as in the ICR).

Sustainability

2.20 The project's performance on sustainability, at least before and after the war, should be assessed in light of the project's aim, noted in the Staff Appraisal Report: "The follow-up program will be implemented under the name 'Eritrea Community Development Fund' to emphasize that the fund will focus on sustainable development interventions, shifting from the emphasis on recovery and rehabilitation of the pilot phase" (SAR, page 15). While no hard evidence is available, based on the Beneficiary Assessment and field visits during the assessment mission, ECDF-financed facilities, especially schools, appear to be operating, staffed, and equipped, although with shortages. Given the overall satisfaction of communities with these investments, the routine maintenance of the facilities may be assumed to be favorable. The greater concern is the ongoing running and periodic maintenance of facilities. This requires substantial input from regional administrations and communities, but their capacity cannot be automatically assumed, and in fact, remains a critical, neglected issue. Although the project identified broad issues for sustainability, the financial, institutional, and technical mechanisms for ensuring continued management and maintenance have not been put in place, and the planned training and capacity building activities have fallen far short of targets at every level. Consequently, the sustainability of project facilities over their operational life (estimated by ECDF at 10 to 20 years, depending on the type of infrastructure) is not yet fully assured.

2.21 The project's Mid-Term Review mission noted that the sustainability of program activities had come up as a "critical issue" in many of the studies and workshops recently undertaken (Management Review of SCP and subsequent Workshop; Beneficiary Assessment; Social Infrastructure Review; Progress Reports). These studies include recommendations which address the question of institutional capacity, since sustainability has been directly linked to the institutional capacity of the communities, the line ministries and the private sector to maintain and professionally run the facilities financed by ECDF. The Beneficiary Assessment emphasized that, although there is participation in the funding and implementation of the project, the role of the communities in maintenance and running of the facilities will require further strengthening (noted in the Aide-Memoir, ECDF, Mid-Term Review Mission, December 7-17, 1998, page 3), pointing to uncertainties about the sustainability of benefits.

2.22 Community participation and voice in the selection, design, and implementation of subprojects are important for ensuring ownership of the investments and their operation and maintenance. While efforts had been made to improve community participation in water subprojects through, for example, hiring consultants with social/management skills to work with communities and recently through the Transitional Management Team (see Box), there is need to consolidate and sustain these efforts and scope for much greater effort in the other sectors. Sustainability will depend on how consistently and well the various measures are implemented – an issue that is difficult to pre-judge.

Box: Enhancing Sustainability of Water Investments

There has been a positive learning experience in ECDF's water supply activities over the years with increasing attention to the sustainability of the investments. The importance of community mobilization and training have been recognized, and efforts have been made to improve.

Operations and maintenance of the water supply subprojects were an issue both during the pilot ECRF phase (Beneficiary Assessment) and in the first year of completed ECDF-financed subprojects ("Despite initial expectations that regional administration would provide back-up support to community-managed water supply schemes, capacity at the regional level remains limited and in several communities capacity built through the project has been eroded" Project Status Report 4/03/2000). In early 2001, the Transitional Management Team (TMT) was contracted to provide training and technical support to clusters of completed water schemes for one year. ECDF also undertook to finance two years worth of spare parts for these water supply projects. These promising measures are expected to improve operations and maintenance of ECDF-financed water supply subprojects in the near term, but do not address the longer-term operations and maintenance issue. ECDF has supported the formation of water committees in several communities—where these are operating effectively, routine maintenance can be expected to be handled by communities themselves. Periodic maintenance requires greater technical and financial resources and cannot be assumed to be effectively addressed unless the capacity of regional administrations to undertake this function is significantly strengthened.

The consultants hired by ECDF for feasibility studies and for supervision are expected to possess technical as well as social skills. They are expected to promote community participation, support community mobilization, and assist the community in the formation of committees. A further measure was planned by ECDF whereby it would recruit a social/capacity building consultant specializing in water projects; but this has not yet happened. The TMT is also expected to have technical as well as social experts. The TMT appears to be playing a useful role, but the Water Ministry considered the TMT's technical skills stronger than its social/management skills. The Impact Evaluation noted that building social (community mobilization/training) and technical consultancies into one contract with the latter as the team leader appear to have undermined the sustainability issue and put more attention on delivering projects than on the continued use of the facilities. It recommended that the supervising engineers and social consultants should work with equal status and report to ECDF independently (page 81–82). The community mobilization, community participation, and community training aspects of ECDF's water supply activities need to be strengthened.

Source: OED Assessment Mission, July 2001.

2.23 In addition to the ownership and willingness of different actors to sustain investments, sustainability requires that the relevant actors have the financial, managerial, and technical *capacity* to operate and maintain the infrastructure. According to the Impact Evaluation, "due to the prevailing level of poverty, communities' ability to raise adequate funds for major maintenance is limited...the institutionalization of repair and maintenance works, as well as the possible introduction of user fees needs to be investigated" (Impact Evaluation, page 15).

2.24 At the *central government level*, the annual work programming mechanism whereby ECDF approves projects once annually and obtains approval of the line agencies helps to avoid surprises for the latter in terms of their recurrent cost obligations. However, the country lacks a formal budgeting process, and government officials met during the assessment mission indicated that line ministries provide their approval to ECDF-selected subprojects based on a notional budget, leaving open the possibility that they are unable to cover recurrent financing for all ECDF-selected subprojects should the actual budget they receive fall short of expectations. With respect to ECDF-ministry coordination, that between the ECDF and Education and Agriculture Ministries (for natural resources management activities) appeared to be good at the investment planning level. This augurs well for these line ministries meeting their recurrent cost obligations relating to ECDF-financed investments. Coordination between the Health and Water Ministries has been much more problematic. The country has a severe shortage of doctors, and ECDF-financed health centers have not been spared these shortages. Other shortages also exist: "Households and all community members have much better access to health facilities as compared to conditions prior to ECDF projects. However, patients continue to ignore health stations and health clinics and visit higher level facilities because there is either lack of equipment and/or manpower (Foro and Kudo Buor – health clinics), or absence of drugs to treat common ailments (Metkel Abiet – health station) the community faces. For example, in the latter snakebite is as common as malaria and yet the health station does not have anti-venom and/or qualified staff and equipment to diagnose it" (Impact Evaluation, pages 56-57). Addressing some of these issues will require systemic reforms (outside and beyond ECDF, but ideally concurrent or preceding ECDF activities) including public expenditure allocation and management reforms, or enhancing the stock of trained personnel.

2.25 At the *ECDF level*, in response to early maintenance issues that became apparent in water supply and road subprojects, ECDF has established the Transitional Management Team to provide training and technical support to clusters of completed water schemes for one year, ECDF is financing two years worth of spare parts for the water supply schemes, and ECDF is contributing US$750 per kilometer of feeder road to cover 90 percent of the maintenance cost. These short-term measures promise to ensure facility use and maintenance, but do not solve the longer-term operations and maintenance problem. Sustainability of benefits will depend on the kinds of longer term solutions adopted and their effectiveness both of which are not currently known. Furthermore, ECDF did not have a mechanism for post-handover engagement with the community, and did not systematically monitor the state of the operations and maintenance of ECDF-financed facilities. Through the retention fee system for contractors, ECDF is aware of the physical state of the infrastructure one year after its completion—this opportunity could also be used to monitor operations and maintenance one year after completion, although sustainability problems are not likely to show up in the initial years and post-completion technical, management, or financial advice and training may also be needed. A number of measures being taken in the context of the follow-on project are likely to contribute to greater sustainability, but in the absence of any implementation experience so far, it is difficult to rate sustainability.

2.26 At the *regional administration level*, capacity for periodic maintenance and technical support to communities for operations and maintenance appears weak or virtually non-existent. Yet, it is this level that will be increasingly responsible for these functions as decentralization progresses.

2.27 At the *community level*, ECDF projects in the various sectors appear to have established project committees and community contributions have been made (averaging 7 percent, possibly higher in some sectors especially if time and other contributions are monetized), but the extent to which project committees are effectively managing operations and organizing facility repairs varies widely. The Beneficiary Assessment found that community contributions were affected as breadwinners were sent to the front lines and that contributions were rarely sufficient to cover the basic running costs, basic maintenance, and repairs. Apart from the war, the Beneficiary

Assessment also noted that the widespread poverty levels and the inadequate mobilization and promotional activities were explanatory factors. These factors create uncertainties for the sustainability of project benefits.

2.28 The ICR notes that sustainability from a broader macro perspective is considered uncertain. The consequences of the conflict, the shortage of manpower, and the deteriorating situation in the country pose risks that may not lead to the full and satisfactory achievement of the government's decentralization, including the full devolution of responsibilities for program implementation to the local level.

2.29 Overall, given uncertainties about some of the conditions for sustainability, the effectiveness of some sustainability measures adopted, questions about the government's decentralization process, and disruption caused by the war, this assessment rates sustainability as non-evaluable, but contrary to the ICR's rating of likely.

3. Lessons

3.1 The project provided many lessons that are outlined in the ICR. Several of these reflect discussions during the parallel AFR-OED mission, including the important role of ECDF in Eritrea's post-conflict situation. The focus here is on four of those lessons that are especially relevant for achieving lasting qualitative improvements in the population's living standards.

3.2 **Lesson 1:** *Building on existing institutional structures is good practice, and allowing existing village councils and regional administrations to elicit and screen community demand offers many advantages. However, depending on the nature of existing structures, they may need to be supported by explicit measures to ensure their effective, inclusive, and participatory functioning, for example, through information dissemination and knowledge-sharing, or more structured training in specific activities and functions.*

3.3 ECDF uses existing village, sub-regional, and regional institutions to achieve community participation, with its own community mobilization and outreach being more limited. While ECDF has made some efforts to support and enhance the operation of these structures, a concerted and systematic effort at community mobilization and participation was absent. The project lacked a coherent operational strategy for ensuring inclusive decision-making. The Mid-Term Review for the pilot project had noted that the various structures of participation mandated by the government, in particular the various subcommittees at the village level (e.g., for agriculture, education, health, and social affairs), were overly limited in their functions and operational capacity, often simply relaying information to the local administration. The paper "Future Directions of ECDF" (Eritrea Community Development Fund, Future Directions of ECDF, ECOSOC, WOLDTAM, GECON Consultancy Services, Asmara, Eritrea, March 2000) hereinafter called "Future Directions of ECDF paper," also noted that much remained to be done with regard to promoting active participation of communities and more support from stakeholders. Furthermore, an ethnographic study for Eritrea noted that an integral part of the new development strategies in Eritrea "is to sustain and enhance national sentiments created during the liberation war by disentangling the closely knit rural communities, dismantling their corporate character, and linking the individual citizen directly to the state apparatus in order to foster an all-embracing notion of national identity."[3] Under the circumstances, this assessment observes that pressures on ECDF against using the "community" as

3. "Mai Weini: A Highland Village in Eritrea," Kjetil Tronvoll, The Red Sea Press, Inc., 1998.

the unit of decision-making are likely to have been significant -- with obvious implications for the seriousness and depth of community participation.

3.4 **Lesson 2:** *Physical output targets may get emphasized over longer-term, less visible objectives like institutional development and sustainability unless clear mechanisms and incentives are in place. The trade-offs need to be confronted in the project design stage and the hierarchy of objectives needs to be defined and established up front. Insofar as sustainability and institutional development impact are important objectives of the project, explicit measures are needed to compensate for the natural bias toward maximizing immediately visible and more easily measurable results. Performance indicators are a useful tool to signal the outcomes valued by the project.*

3.5 ECDF's capacity building component received low priority throughout the project's life. The Capacity Building Officer was recruited late in the project, left soon after, and the position has been vacant since. Effective implementation of this component could have had an important institutional development impact at various levels. It would also have helped to define institutional relationships and establish linkages between the ECDF's organizational structures and those of the government, both at the central and local level.

3.6 **Lesson 3:** *Maximizing development impact requires that the necessary complementary inputs, including "software," be in place. Unless holistic investments are provided development impact is likely to be compromised. For example, health clinics without safe water supply or water investments without sanitation cannot be expected to maximize health benefits. This calls for better design and implementation and may necessitate coordination between different service delivery agents. Similar observations have been made in other OED assessments (e.g., Brazil Low Income Areas PPAR, and Abidjan Environmental Protection PPAR).*

3.7 The need for holistic investments in ECDF has been noted in a number of sectors. With respect to health facilities, the "Future Directions of ECDF" paper noted the importance of ensuring complementary investments such as the provision of water facilities, electricity, sanitation, and waste disposal infrastructure. The Beneficiary Assessment also found that health centers lacked their own water source or pipe-connected water system. With respect to water supply subprojects, these have lacked proper drainage facilities or sanitation components or have provided water without cattle troughs, reducing the health benefits from water provision. With respect to schools, the Beneficiary Assessment found that some schools lack water and latrine facilities and the absence of fences is also common. The existence of facilities lacking critical complementary inputs was reiterated at the stakeholder workshop and observed during field visits conducted for this assessment.

3.8 **Lesson 4:** *Ensuring sustainable service flows over the operational life of the investment requires that (i) capacity building measures are well-articulated and defined collaboratively at the outset, proactive implementation is undertaken, and there is systematic follow-up on results; and (ii) institutional, financial, and technical mechanisms for operations and maintenance are in place at all relevant levels. Sustainability of investments should not be thought of at the end of the project, but rather as the justification of the project up front. Training and the establishment of sustainability mechanisms should be pursued early and vigorously during the execution of the project. In addition, continued engagement with the community in the post-completion phase of the project in order to provide technical assistance and training as operations and maintenance issues arise and close monitoring and follow-up on recurrent costs can also enhance sustainability.*

3.9 In the absence of adequate sustainability arrangements to ensure that communities and other responsible entities had the ability to undertake the necessary maintenance activities, the continued flow of benefits from ECDF investments cannot be taken for granted. The Beneficiary Assessment noted for the health sector, "the transfer of responsibility from ECDF to the community or the regional administration is too loose to ensure its sustainability. Most of the health stations and centers are already showing wear and tear. Consequently, the local administrations have already been overwhelmed by maintenance costs. The ministry of Health is already showing some uneasiness about the maintenance costs." The education sector seemed to perform better on ensuring sustainability. Water supply and sanitation investments faced several sustainability issues that ECDF is addressing, some using innovative measures.

Annex A. Basic Data Sheet

COMMUNITY DEVELOPMENT FUND PROJECT

Key Project Data (amounts in US$ million)

	Appraisal estimate	*Actual or current estimate*
Total project costs	49.68	50.55
Loan amount	17.5	16.06
Cofinancing	20.12	17.87
Date physical components completed	12/31/2001	12/31/2001
Economic rate of return	126	na

Staff Inputs

Stage of project cycle	*No. of Staff weeks*	*US$('000)*
Identification/Preparation	83.5	198.6
Appraisal/Negotiation	77.8	224.6
Supervision	189.0	878.8
ICR	12	62.1
Total		

Mission Data

Stage of project cycle	*Month/ year*	*No. of persons*	*Specialized staff skills represented a/*	*Performance rating: Implementation Status*	*Performance rating: Development Objectives*	*Types of problems*
Identification/Preparation						
Identification: February 13, 1995		14	TTL,MFS(2) CONS, LEG, DO, A, IS, RWSS(2), ESS, RE, CBS, MDC			
Preparation: March 23, 1995		14	Same as above			
Appraisal/Negotiation						
Appraisal: June/July 1995		17	TTL, PA, MFS (2), NRM, LEG, OA, IS, ENV, RWSS, FMS, ECON, CBS, RE, CDS, HS, DO			
Negotiations: December 8-12, 1995		5	TTL, PA, DO, MFS	HS	HS	
Board: February 29, 1996						
Supervision Project Launch: June 25-July 19, 1996		4	TTL, PROC, E/SMCP, VB-CONS	S	S	
November 25 December 5, 1996		12	TTL, ENV, OA, RWSS (2), OO, A, RE, DR (4)	S	S	
June 25 – July 12 1997		12	TTL, ENV, IS, RWSS, MFS, A, FR, SS, DR (4)	S	S	
December 1-18, 1997		9	TTL, ES, IS, A, RWSS, MFS, RE, DR (2)	S	S	
Mid-Term Review: December 7-17, 1998		10	TTL, SS, ES, ECON, A, OA, RWSS, RE, MFS, OO	S	HS	
July 5-10, 1999		10	TTL, ES, SS, OO, RWSS, ECON, RE, DR (3)	HS	HS	

Stage of project cycle	*Month/ year*	*No. of persons*	*Specialized staff skills represented a/*	*Performance rating*		*Types of problems*
				Implementation Status	*Development Objectives*	
February 28 – March 10, 2000		11	TTL, OO(2), ES, RE, A, SS, ECON, RWSS, DR (2)	S	S	
January 8-31, 2001		12	TTL, OO(2), ES, SS, A, RE, ECON,LFSS, RWSS, FMS, DR	S	S	
ICR July 12-27,2001		6	OO, MFS, SPS, SIF, EO, DR	S	S	

A=Architect, CBS=Capacity Building Specialist, CONS=Consultant; DO=Disbursement Officer; DR-Donor

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