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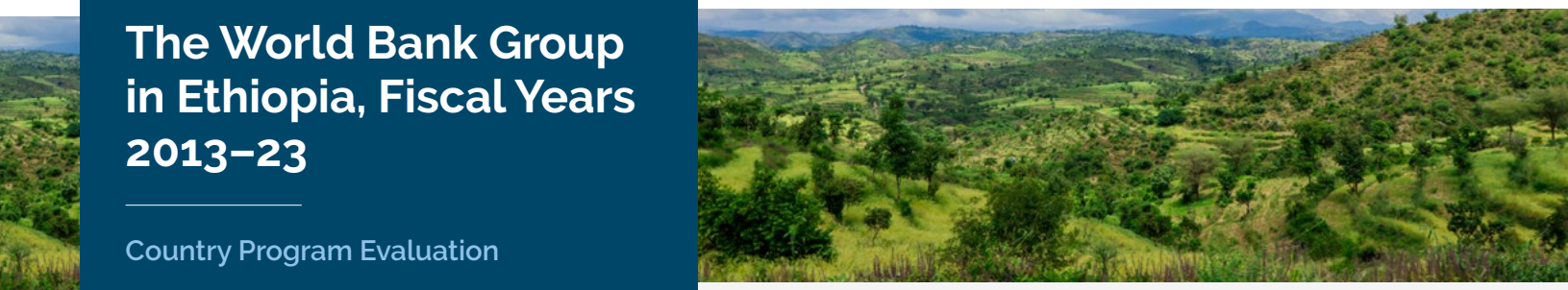
The World Bank Group in Ethiopia, Fiscal Years 2013–23

Country Program Evaluation



This evaluation assesses the World Bank Group's support to Ethiopia from FY 2013 to FY23 and aims to inform the Bank Group's ongoing engagement in Ethiopia.

Findings

The Bank Group's country engagement demonstrated **resilience** in a changing context and achieved important outcomes. However, at times, the World Bank traded candor on transformational reforms for remaining engaged in Ethiopia's policy dialogue.

The Bank Group's financing to Ethiopia nearly doubled over the evaluation period, with **limited strategic adjustments**, despite escalating conflict and rising macroeconomic imbalances, which increased the risks to the portfolio and reduced its effectiveness.

The shift to faster-disbursing modalities and the high proportion of additional financing provided resources for poverty alleviation during crises, but it also limited the World Bank's opportunities for **course corrections**.

The World Bank approved several development policy operations, which had notable reform success; however, some of this success was undermined by slower-than-anticipated reform momentum and policy reversals in the short term. Program-for-Results operations helped support social programs. Yet a more candid assessment was needed to evaluate how fiscal and macroeconomic challenges could affect the long-term success of these programs until larger economic issues were addressed.

Lessons

- The World Bank should seek to **balance** closed-door policy discussions with contributing to an open policy discourse. It should also actively identify and manage risks, particularly around critical economic reforms that, if delayed, could prove more costly in the long term.
- Conducting regular strategy and program reviews and actively managing risks can create opportunities for **strategic corrections and adaptation**, particularly during times of portfolio expansion and emerging economic challenges and conflict.
- The Bank Group should ensure that adequate **monitoring and evaluation systems** continue to be in place so that support for government-driven priorities remains consistent with, and can adapt to, the Bank Group's mission of reaching targeted populations with the greatest development needs.
- The Bank Group needs to **consider how its interventions help address and interact with macroeconomic imbalances**, including exchange rate misalignment, financial repression, and sustainable debt levels. The choice of World Bank financing instruments should involve considerations of the instruments' **consistency and sustainability** in the face of such imbalances.

Methodology

This evaluation used a theory-based contribution analysis and a mixed methods design to triangulate findings from multiple evidence sources, including portfolio review, document reviews, semistructured interviews, survey of project teams covering 48 unique projects, and geospatial analysis.

Context

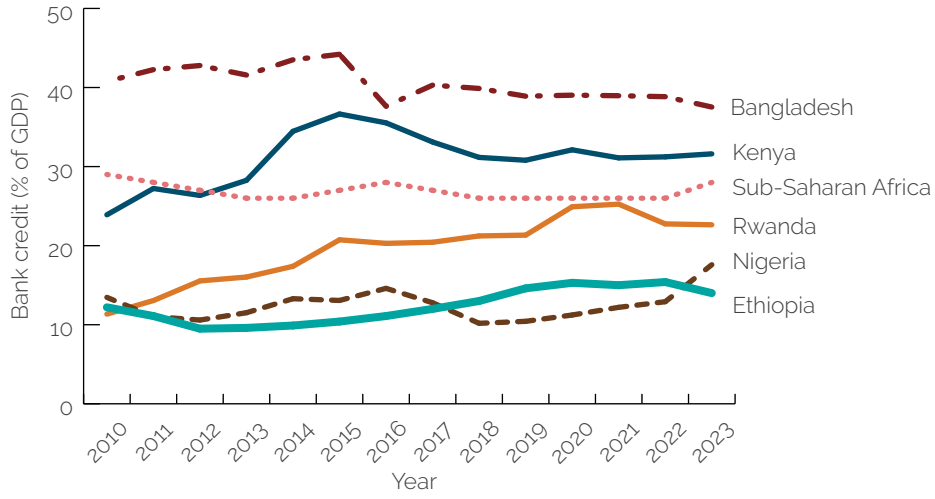
The evaluation covered two Bank Group strategies and two government administrations, divided into three periods:

- **High economic growth and increasing macroeconomic imbalances (FY13–18):** Ethiopia experienced high growth, but macroeconomic imbalances increased along with challenges in private sector development. Because of differing diagnoses of the macroeconomic situation, the Bank Group and the government focused on pragmatic collaboration in areas of mutual agreement.
- **Reform (FY19–20):** The Bank Group quickly adapted to support government programs, such as private sector support, but the country faced several challenges, including the start of COVID-19 and a locust outbreak.
- **Conflict and economic crisis (FY21–23):** The Bank Group was less able to adapt during this period. It tried to address humanitarian challenges in Tigray by shifting to third-party implementation and monitoring with limited effectiveness.

Expanding Ethiopia's Private Sector

- The Bank Group adapted its engagement to help improve the business environment and conditions for trade, but effectiveness was limited in a less conducive reform environment.
- The World Bank's Ethiopia Growth and Competitiveness development policy operation series and the International Finance Corporation's advisory work helped Ethiopia **improve its business climate**, but the short reform period was quickly interrupted by a period of conflict and economic crisis.
- Support to improve Ethiopia's conditions for **trade** exceeded targets but was delayed because of the conflict and a deteriorating macroeconomic context.
- The scope to scale up access to **finance was limited** because key constraints to private sector participation in the financial sector remained unresolved.

Comparison of Bank Credit to the Private Sector



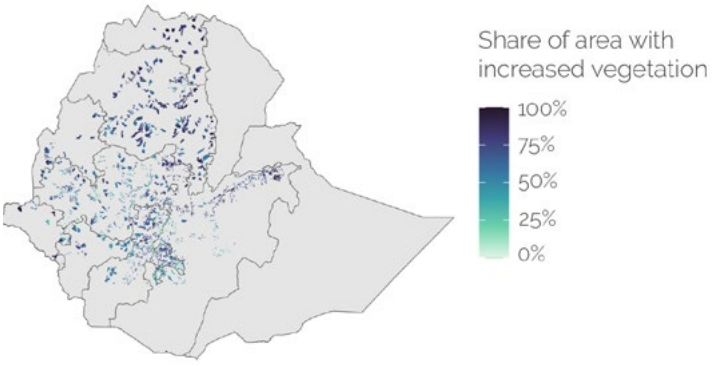
Sources: Independent Evaluation Group; Haver Analytics; World Development Indicators.

Building Ethiopia's Climate Resilience

The Bank Group's strategies supported the government's commitment to climate resilience in three areas: sustainable land management, agriculture practices, and safety nets.

- The World Bank's support for social safety nets **moderately improved food security and climate resilience** but faced sustainability challenges.
- The World Bank dramatically **expanded the geographic area** under sustainable land management in Ethiopia.
- The World Bank's **agricultural investments improved climate resilience**, but the focus on small-scale irrigation projects prevented the notable expansion of irrigated land.

Share of Areas of Watersheds Benefiting from the World Bank Sustainable Land Management Interventions with Increased Vegetation Cover



Source: World Bank Group.