

**An Independent Review of World Bank Support to
Capacity Building in Africa:
The Case of Ethiopia**

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Acronyms

ACBF	African Capacity Building Foundation
ADLI	Agriculture Development Led Industrialization
ARM	Annual Review Meeting
AVU	African Virtual University
BoE	Bureau of Education of the Regional States
BoH	Bureau of Health of the Regional States
CAS	Country Assistance Strategy
CBDSD	Capacity Building for Decentralized Service Delivery
CBO	Community Based Organization
CBSPF	Capacity Building Strategy and Program Framework
CHE	Commission for Higher Education
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CSRCB	Civil Service Reform and Capacity Building
CSRPF	Civil Service Reform Program
EMA	Education Media Agency
EMU	Education Media Units
EMCP	Expenditure Management and Control Project
EMPAC	Ethiopian Macroeconomic Policy Analysis Capacity Building Project
ERA	Ethiopian Roads Authority
ERP	Emergency Recovery Project
EPRDF	Ethiopian People's Revolutionary Democratic Front
ERRP	Economic Recovery and Reconstruction Program
ERSC	Economic Rehabilitation Support Credit
ESAC	Ethiopia Structural Adjustment Credit
ESDP	Education Sector Development Program
ESRDF	Ethiopia Social Rehabilitation and Development Fund
ESW	Economic and Sector Work
FHP	Family Health Project
FY	Fiscal Year (of the World Bank July-June)
GDLN	Global Distance Learning Network
GDP	Gross Domestic Product
HSDP	Health Sector Development Program
ICR	Implementation Completion Report
IDA	International Development Association (World Bank)
IDF	Institutional Development Fund (World Bank)
JRM	Joint Review Mission
M&E	Monitoring and evaluation
MCB	Ministry of Capacity Building
MDG	Millennium Development Goal
MOFED	Ministry of Finance and Economic Development
MOP	Memorandum of the President (World Bank)
NCBP	National Capacity Building Program
NOE	National Organization for Examinations
ODA	Official Development Assistance
OED	Operations Evaluation Department of the World Bank
PAD	Project Appraisal Report

PEM	Public Expenditure Management
PER	Public Expenditure Review
PFP	Policy Framework Paper
PIU	Project Implementation Unit
PPD	Policy and Planning Department
PRSP	Poverty Reduction Strategy Paper
PRSC	Poverty Reduction Support Operation
PSCAP	Public Sector Capacity Building Program
PSM	Public Sector Management
PSR	Project Status Report
RFA	Road Fund Administration
RIU	Roads Inspectorate Unit
RRP	Road Rehabilitation Project
RSDP	Road Sector Development Program
RSDPSP	Road Sector Development Program Support Project
RSDP-APL1	Road Sector Development Phase I Project supporting Second Phase of RSDP
SAC	Structural Adjustment Credit
SAL	Structural Adjustment Loan
SAR	Staff Appraisal Report
SDP	Sector Development Program
SIL	Sector Investment Loan
SDPRP	Sustainable Development and Poverty Reduction Program
SWAp	Sector Wide Approach
TA	Technical Assistance
WBI	World Bank Institute

Executive Summary

1. This study of Ethiopia is one of six country case studies undertaken as part of an independent evaluation by the World Bank's Operations Evaluation Department (OED) of the relevance and effectiveness of World Bank support for public sector capacity building in Sub-Saharan Africa over the past ten years (1995-2004). In each case study, particular attention has been paid to the Bank's support for capacity building in four focal areas: education, health, roads and public financial management.
2. Since the regime change in 1991, Ethiopia has returned to democratically elected government, registered steady economic growth and steady, in some cases substantial, improvements in several poverty indicators such as access to education, health and transport infrastructure. These improvements have often been made from a low starting point. Particular gains have been noted in primary school enrolment, access to higher education and primary health services, and size and quality of the trunk road network. Gains in the social sectors have been achieved to some extent at the expense of service quality. Outcomes on income poverty are less clear and suggest stagnation.
3. In the early 1990s, education levels were extremely low and, despite the gains made since then, general educational standards continue to constrain human resource availability in the public sector. Structural reform began in the mid-1990s and its progress has been mixed. Fiscal discipline has been maintained. While a major decentralization reform has been forcefully driven since the mid-1990s, privatization and public service reform have so far shown limited results. The private sector is far from reaching its potential role as the real engine of growth and employment. Similarly, civil society institutions are developing slowly and can play only a minor role in influencing governance and social service delivery. Since 1999, the Government has gradually changed its approach to capacity building. It launched a comprehensive National Capacity Building Program (NCBP), coordinated by a new Ministry of Capacity Building (MCB). While mainly focused on capacity building in the public sector, the NCBP also includes support for capacity building in the private sector and civil society organizations.
4. Since FY1993, the World Bank has committed a total of \$3.1 billion to Ethiopia, currently the fifth largest IDA borrower in the world and the largest in Africa. Some \$1.1 billion of investment lending has been committed in the four sectors examined in this review, of which about 15 percent was allocated to capacity building activities. In addition, the Bank provided some \$254 million in capacity building support through adjustment/budget support, which amounts to almost half of total adjustment lending (as shown in Table 4.5 below).
5. Bank strategy for capacity building was not well articulated until the 2003 Country Assistance Strategy (CAS), in which capacity building is considered a major development theme and the subject of a coordinated set of specific interventions being programmed at \$100 million per year.

6. This review assesses the relevance and effectiveness of Bank support for capacity building in Ethiopia from FY93 through FY04. The assessment is mainly based on lending or grant operations and analytical work undertaken in the four chosen sectors.
7. The Bank's support for capacity building since the mid-1990s has been shaped by three factors: (i) a high degree of government ownership of policies and programs, (ii) a politically driven decentralization process, and (iii) the coordination of donor support through Sector Development Programs (SDP) in three of the four sectors.
8. The Bank's role in the roads sector has been that of a lead donor with substantial influence at all levels of capacity and funding earmarked for specific capacity building activities. In health and education sectors, by contrast, the Bank has fitted its support into a sector program framework with no earmarking of funds for specific activities or inputs. Bank funding has therefore financed activities which other donor agencies did not earmark, especially civil works and to some extent training, and in the education sector, support to higher education. In public financial management, the Bank provided only limited project support until the major Capacity Building for Decentralized Service Delivery (CBDS) project that was approved in FY2003. This project has hardly taken off yet. The substantial Public Sector Capacity Building Project (PSCAP) and Ethiopia's first Poverty Reduction Support Credit (PRSC) were approved in FY04.
9. The Bank has undertaken high quality Economic and Sector Work (ESW) in all four sectors including assessment of capacity constraints, but the analysis has rarely been reflected in the design of subsequent operations. None of the SDPs included strong public sector capacity building components based on the findings of ESW. And there has been no significant country ownership of ten years of Public Expenditure Reviews (PER) conducted by the Bank.
10. Changes in the Bank's involvement in capacity building activities over time have been largely determined by the Government's approach to capacity building and the role it wished the Bank to play. This is reflected in the limited Bank involvement in civil service reform during the 1990s, the learning-by-doing approach to capacity building in the three large SDPs, the lack of technical assistance support in health and education, and limited Government interest in the PERs. Similarly, the recent shift in Bank strategy and recently approved operations in support of capacity building are largely results of the Government's changed focus towards the role of capacity in development and its view of the Bank's potential role as core financier and coordinator of support from other donors.
11. The Bank's capacity building impact has been mainly at the level of institutional restructuring, often implemented through conditions for sector lending or macroeconomic adjustment lending (including general budget support). At the organizational level, Bank support has been limited and its effectiveness uneven across interventions.
12. Substantial training of individuals has been financed in roads and health. The training appears to have been effective in roads (based on numbers trained, completion rates, and the retention of persons trained in positions in the sector). It has not been possible to fully assess effectiveness in health due to lack of information on the

deployment of trained staff and relevance of the training received. Through the SDPs for health and education, the Bank has contributed to expansion of the capacity of training institutions and substantial local training of frontline service delivery personnel.

13. Institutional restructuring and training support have been most successful in institutions that have been relatively unaffected by the decentralization process (roads), whereas capacity gains in health and education have been offset, at least temporarily, by massive changes in staff deployment to lower levels of government.

14. Technical Assistance has been most successful where (i) there are discrete and well defined technical tasks and (ii) the beneficiary organizational unit was equipped with sufficient human resources from the beginning and able to absorb new technological approaches (e.g. the Road Authority's planning and design department).

15. At the sector level, effective support has been provided mainly in roads, and in the one aspect of public financial management, government procurement. In health and education, support has been effective in training of frontline service providers but has had limited impact on sector managers, institutional development, or organizational strengthening. In public sector management, operations have been aimed at bringing about organizational change, but so far little change has occurred. Implementation progress has been poor due to insufficient clarity of capacity development needs and activities at appraisal, combined with low capacity at entry. There has been little learning from the implementation of one operation in the design of subsequent ones, because implementation problems with ongoing projects were not resolved satisfactorily before appraisal of subsequent projects.

16. Success (or failure) of capacity building operations has been dependent on (i) the degree of understanding between the Government and the Bank on capacity needs and measures, (ii) the capacity of the executing agency at entry (for example, in identifying capacity needs and formulating terms of references), and (iii) the Bank's in-house expertise, particularly in the field, to assist executing agencies to address design weaknesses during implementation. Bilateral donors appear better placed to provide capacity building support at the organizational level due to higher personnel-to-funds ratios, greater flexibility in support, and ability to ensure continuity of experts, as required.

17. Overall, reflecting the enhanced treatment of capacity building since the late 1990s, Bank support to capacity building since 1993 is marginally satisfactory.

1. Introduction

Objectives

1.1 This study of Ethiopia is one of six country case studies undertaken as part of an independent evaluation by the World Bank's Operations Evaluation Department (OED) of the relevance and effectiveness of World Bank support for public sector capacity building in Sub-Saharan Africa over the past ten years (1995-2004). In each case study, particular attention has been paid to the Bank's support for capacity building in four focal areas: education, health, roads and public expenditure management.

Methodology

1.2 The Ethiopia study involved document reviews, interviews, and data analysis. The principal documents reviewed are: (i) Country Assistance Strategy (CAS) of 1995, 1997, 2000 Interim Support Strategy (ISS) and 2003; (ii) basic documents for 15 projects undertaken in the four sectors during the period under review; (iii) project documents for related operations such as the public sector reform, structural adjustment lending and PRSC; (iv) core ESW; (v) Bank-managed ESW in the four sectors and on public sector reform; and (vi) material prepared by government or other donors such as independent assessments of the civil service reform program, and joint government-donor reviews of the sector development programs in roads, education and health.

1.3 Representatives of the Government of Ethiopia, the World Bank and donor agencies active in Ethiopia were interviewed during a field mission undertaken between May 11–22, 2004.¹ Lists of individuals interviewed and documents reviewed are provided in Annex A and B, respectively.

1.4 Ethiopia is the largest IDA borrower in Africa and the fifth largest in the world. Few of the operations that have been approved since FY1993 have been completed and closed. Relevant to the four sectors selected for this study, only three structural adjustment operations, one road sector investment loan and one Institutional Development Fund (IDF) grant have been closed and Implementation Completion Reports (ICR) prepared. No closed operations are in the health and education sectors. The large sector investment loans in education and health are being closed during 2004 and 2005, respectively. ICRs will be available towards the end of those years. The review has therefore relied mainly on ongoing project documentation and interviews in Ethiopia in these areas. Also, to supplement the assessment of effectiveness, delivery of support and Bank/borrower performance of Bank operations in the health and education sectors, the review includes two projects completed during the period of review, though approved in the late 1980s.

1.5 This review follows a framework that examines three dimensions of capacity building in the public sector: (i) institutional capacity, that includes policies, procedures,

¹ The OED team for the case study and field mission consisted of Frans Ronsholt and Addis Anteneh.

legislation and the systems of goals and incentives that constitute the “rules of the game”; (ii) organizational capacity, groups of individuals bound together for a specific purpose, with objectives, internal mechanisms, and resources; and (iii) human resource capacity, people with the ability to define objectives, design and manage programs, and raise resources for the delivery of public services.

2. Country Context

Political Developments

2.1 Unlike most African countries, Ethiopia has no colonial history.² Government administrative systems are mostly homegrown, established during the Imperial Government and following the revolution in 1974 by the Marxist ‘Derg’ regime. These systems have been highly centralized and strictly controlled.

2.2 The country nevertheless faces the political challenge of many different tribes in geographical concentrations within the country boundaries. Following the downfall of the ‘Derg’ regime in 1991, a transitional government took power, and in December 1994 Ethiopia adopted a new Constitution, favoring decentralization in nine regional states (regional state councils), defined along ethnic and linguistic lines. Each region has its own government and parliament with substantive decision-making powers, in theory. Most institutions at central and local levels are dominated by the ruling coalition, the Ethiopian People’s Revolutionary Democratic Front (EPRDF), which has so far not been seriously challenged by any legal political opposition. However, ethnic tension exists in a number of regions and presents a risk to the stability and unity of the country.

2.3 A border conflict that erupted into civil war in May 1998 with neighboring Eritrea ended in December 2000, when the two parties signed a peace agreement. Costing 70,000-100,000 lives on each side, the war has had a detrimental impact on Ethiopia’s development, partly due to a shift in donor funding away from economic programs to emergency aid during the war, and partly because the war diverted the attention of the political and top civil service away from development-focused issues.

2.4 Recent measures have been declared by the government to make the political system and public administration more accountable. They include (i) strengthened division of powers between the three branches of government coupled with changes in the constitutions of the major regional states, (ii) devolution of financial power to district (woreda) level since 2002, (iii) comprehensive justice system reform and (iv) efforts to strengthen dialogue with opposition forces. Nevertheless, political governance and accountable administration remain weak. The development of civil society organizations and the political involvement of civil society remain limited.

Socio-Economic Situation

2.5 In 2002, Ethiopia had a population of 69 million people. At \$100 per capita,³ Ethiopia’s average income is among the lowest in the world (less than half of the income

² Except for 5 years of Italian occupation during the 1930s.

³ Ranking 170th out of 177 countries of the United Nation’s 2004 Human Development Index (HDI).

level of most of low-income countries). The economy is highly dependent on low productivity agriculture.⁴

2.6 Despite the war with Eritrea and serious droughts in 1993 and 2000, the economy grew by 5.6 percent per annum on average from 1992-2002 (2.5 percent per capita), driven by growth in non-agricultural and largely monetized sectors. Still, the ability to generate domestic revenue to finance public services remains extremely limited.⁵ While the economic reform program implemented since the beginning of the 1990s has been encouraging, the results on reduction in poverty levels are modest.

2.7 The Marxist policies of the 'Derg' regime led to near destruction of the private sector. While the transitional government during 1992-1994 developed policies with substantial elements regarding economic liberalization, commercialization of public sector institutions and revitalization of the private sector, progress in the latter has been slow. Some restrictions on the private sector have been removed and a dialogue between the private sector and government has been initiated.

2.8 Ethiopia confronts a serious lack of skilled manpower. Skills and literacy rates are extremely low. The average Ethiopian has attended less than one year of schooling. In the mid-1990s the general literacy rate was only 30 percent and the enrolment rate in primary education was about 28 percent. In both cases, these indicators entailed substantial gender imbalances to the disadvantage of women and girls.

2.9 Although higher education has existed in the country for centuries and has enabled the country to establish organizations of high international reputation (such as Ethiopian Airlines), only a thin layer of highly skilled persons exist. The university system is extremely small by international standards, with a total enrolment of 35,000 full-time students, representing less than 0.8 percent of the university-aged population. The policies of the 'Derg' regime led to significant migration of highly skilled individuals, which now constitute a diaspora, particularly in the US and in international organizations.

2.10 While the general availability of skilled candidates for recruitment into the public administration has been low, the decentralization process initiated by the new 1994 Constitution has increased the demand for such personnel by a large factor. Regional and woreda administrative institutions and organizations have been created with new and expanded mandates, while provision of sufficient numbers of (and particularly suitably qualified) staff has been inadequate. Transfers of available staff from federal to regional (and later to woreda) level have weakened already strained institutions and particularly affected primary service delivery in health and education. While this can be considered a transitional problem, it highlights the huge need for capacity building to successfully

⁴ Agriculture in Ethiopia accounts for about 50 percent of GDP, 85 percent of exports and more than 80 percent of total employment. Ethiopia has one of the lowest export rates in the world, with coffee being its dominant export crop.

⁵ The domestic revenue effort (at 19 percent of GDP) is respectably high in comparison with other low income countries, but the real value of such revenue transforms into a mere \$19 per capita.

complete state transformation (including the need for both skilled human resources and institutional incentive structures required to retain skilled staff in more remote locations).

The Ethiopian Government's Development Policies and Programs

2.11 The main thrust of the economic policy in the early 1990s was Agriculture Development Led Industrialization (ADLI). Policies were expressed in: (i) Ethiopia's Economic Policy during the Transitional Period (November 1991); (ii) An Economic Development Strategy for Ethiopia (February 1994), and (iii) the EPRDF Five Year National Development Program 1995-2000 (May 1995), which emphasized the role of the private sector in agriculture, transport, and exports, as well as the provision of economic and social infrastructure such as schools, health posts, roads, and clean water supply. Through most of the 1990s, there were annual Policy Framework Papers (PFPs) agreed with the Bank and the IMF, focused on macro-economic stabilization, reforms in investment and banking, and structural reforms including privatization of selected industries and opening of the economy to foreign investment. Further elaboration of these policy priorities along with an increased emphasis on public sector reform and capacity building were set out in an Interim PRSP in 2000 and Ethiopia's first full PRSP in 2002, as discussed in more detail below.

2.12 In the **roads** sector, the government views the 1996 Road Sector Development Program (RSDP) as a priority in meeting the challenges of poverty reduction. Upgrading and extending Ethiopia's poor and sparse road network is crucial for overall development and integration of the country given its dependence on agriculture and widely dispersed population. The 10-year RSDP placed its priority during the first phase of five years on rehabilitation and completion of a core trunk road network (8600 km) connecting the capital, Addis Ababa, with all major regions and high potential areas as well as with the main seaports for exports and imports. This was accompanied by institutional measures aimed at strengthening the capacity of the Ethiopia Roads Authority (ERA), responsible for development and maintenance of the trunk road network. Implementation of a road maintenance initiative would involve a comprehensive road maintenance program to be financed by user fees (mainly fuel levies). These funds would be channeled through a Road Fund, administered by a Board including representatives of the road users.

2.13 Other priorities included the development of the capacity of domestic contractors to participate in construction and maintenance works and of the new Regional Roads Organizations to develop and maintain rural roads. But these latter two objectives were not given equal emphasis during implementation—the first due to slow progress in opening up the economy for private sector development and the second due to lower emphasis on rural roads development compared to rehabilitation of the trunk road network. The proposed cost of RSDP phase I was some \$2.8 billion over five years.

2.14 In the *education sector*, the Government's 1994 Education and Training Policy and Strategy formed the basis for the 20-year Education Sector Development Program (ESDP). During its first five-year phase, the ESDP I aimed at increasing access (notably by increasing primary enrolment rates from 30 percent to 50 percent, increasing girls' enrolment relative to boys', and rural enrolment relative to urban), improving efficiency

(by reducing drop-out and repetition rates), and improving quality (by improving the student-to-book ratio from 5 to 1, improving the curriculum, and increasing teacher training). This was supported by increasing public expenditure in education from 3.8 percent to 4.6 percent of GDP and facilitating private sector and community financing of education. Institutional development activities of the ESDP I would focus on the general planning, financial management, and monitoring and evaluation (M&E) capacities at federal and regional level. They also included strengthening of the capacities of the National Organization of Examination (NOE) and the Education Media Agencies (EMA) to develop secondary school programs, distance learning for teachers, and non-formal/adult education. The first phase of ESDP was expected to cost \$1799 million for the five years.

2.15 In the *health sector*, the 1993 National Health Policy was the basis for formulating the 20-year Health Sector Development Program (HSDP). Institutional reforms to be implemented during the first five-year phase of HSDP included strengthening of the Ministry of Health's Policy and Planning Department as well as regional, zonal and woreda health departments, restructuring of the drug supply corporation PHARMID, training of health personnel in drug supply management, and improving human resource management in terms of career structures and incentives. This was complemented by annual increases in the health budget and implementation of a health care financing strategy. The Government policy also envisaged a greater role for the private sector in health service delivery and financing, within an appropriate regulatory and monitoring framework to ensure coordination of public and private sector activities. The total cost of HSDP I was proposed at \$738 million.

2.16 Reform of *Public Sector Management* was initiated with the launch of the Civil Service Reform Program (CSRP) in 1996, in parallel to the first phase of decentralization to the regions. The CSRP was designed to improve the efficiency, effectiveness, and transparency of public institutions, while seeking to build on the bureaucracy's reputation for discipline and compliance. It included components such as (i) an Expenditure Management and Control Project (EMCP), (ii) Human Resource Management, (iii) top management systems, (iv) ethics, and (v) service delivery. Implementation of the CSRP proved cumbersome, partly due to its attempt to plan the entire process and 'get it right the first time,' and partly because the executing office was understaffed and over-controlled.⁶ Only EMCP made significant progress. The important Human Resource Management component was virtually ignored. This created impatience and frustration within the civil service as well as in the public at large. This initial experience, combined with the capacity problems experienced in implementing the sector development programs in health and education, not least at the regional level, changed the government's approach to reform of public sector management.

2.17 In 2001, the Government launched the comprehensive *National Capacity Building Programme* (NCBP), which is designed to strengthen working systems, improve organizational effectiveness, and rapidly develop human resources in the public sector. A 'super' ministry, the Ministry of Capacity Building (MCB), was established to

⁶ Mid-Term evaluation of CSRP components supported by UNDP, January 2000.

provide policy direction, coordination, and implementation support. Counterpart Capacity Building Bureaus were created in the regions to support capacity building efforts at sub-national levels. Five of the NCBP 14 sub-programs are directly concerned with promoting the durability, efficiency, and accountability of Ethiopia's ongoing public sector transformation process.⁷ The NCBP therefore represents a key pillar of the Government's management strategy for supporting institutional transformation at the federal, regional, and local levels.

2.18 In *public financial management*, the Ethiopian government has a longstanding reputation of a high level of fiscal discipline, both under the current and previous regimes. Fiscal deficits have in general been negligible and budget execution much in line with approved budgets. Misuse of funds and corruption are rated at relatively low levels according to international indicators. Problems are found in the inability to utilize funds allocated and reluctance by civil servants at most levels to take decisions of any financial importance for fear of overstepping authority.⁸ This attitude seriously affects the capacity to implement expenditure programs.

2.19 Other challenges in public financial management have included the shift from defense expenditures towards primary social service delivery and other poverty reducing expenditures, both during the early 1990s and following the end of the Ethiopia-Eritrea War. Most of the responsibilities for primary social service delivery have shifted from the federal government to the regions. This was accompanied by the introduction of block subsidies, initially from federal to regional governments, and in 2002 from regional governments to district/woreda administrations. The decentralization process has created demand for new or enhanced systems to ensure coherence in planning and budgeting as well as consolidation of reporting on budget execution and accounts between the different levels of government. Such systems are yet to be fully developed and implemented.

2.20 These areas of emphasis are reflected in Ethiopia's PRSP, known as the *Sustainable Development and Poverty Reduction Program* (SDPRP), which was issued in July 2002. The PRSP consists of four building blocks: (i) ADLI and Food Security; (ii) Judiciary and Civil Service Reform; (iii) Governance, Decentralization and Empowerment; and (iv) Capacity Building in Public and Private Sectors. The latter three building blocks are seen as 'second generation' reforms, necessary to supplement the economic reform process. They correspond largely to the five core components of the NCBP, mentioned above. The capacity building strategy expressed in the SDPRP emphasizes the need for 'building of capacity to build capacity' and therefore the special attention that must be given to institutions whose primary purpose is capacity building, including universities and colleges, vocational training institutes, and research institutions. The Bank/Fund Joint Staff Assessment of the SDPRP pointed out among others that the SDPRP needed further elaboration in terms of full integration of the consequences of the evolving decentralization process.

⁷ Civil service reform, woreda-level decentralization, municipal management, tax reform and justice systems reform.

⁸ They fear their performance could be negatively evaluated by their co-workers or subordinates through a system that has been established to provide routine control of performance in the public service.

The Role of Donors in Ethiopia

2.21 The World Bank is the largest provider of development aid to Ethiopia. Other important donors in recent years have been the European Commission, the United States, the African Development Bank, and Japan. Together with the World Bank, these donors have accounted for slightly over 50 percent of all development assistance to Ethiopia.

2.22 Recent estimates (2003 PER) underline that sustained economic growth at previous levels combined with a doubling of real aid inflows will allow only a marginal improvement in delivery of public (social) services, and that the ambition of reaching the MDGs will leave a financing gap in the order of \$2.0 billion per year to be filled by further domestic and external resource mobilization. This underlines the key issue of enhancing the capacity of the public sector to manage expanding programs for service delivery, potentially supported by increasing aid flows.

3. Bank Assistance Strategy and Capacity Building Program

3.1 Before the regime change in 1991, the Bank restricted its activities to a core IDA lending program. In 1992, the Bank coordinated a consortium of donors to support the transitional Government's effort to reconstruct war-torn infrastructure and support new policy initiatives through structural adjustment. The country strategy was revised in 1994 after a new government had been democratically elected.

Capacity Building in the Bank's Country Assistance Strategies

3.2 The emphasis on capacity building in the Bank's country assistance strategy has changed significantly over the period under review. The development in overall objectives and themes of the Bank's strategies is illustrated in Table 3.1, along with the program lending envelopes.

Table 3.1: CAS Objectives/Themes and Lending Envelopes

1995 CAS (1996-1998)	1997 CAS (1998-2000)	2000 Interim Support Strategy (2001-2002)	2003 CAS (2003-2005)
CAS Objectives			
Economic growth	Sources of growth		Pro-poor growth
Recovery & Reconstruction		Recovery & Reconstruction	
Structural adjustment			
Agricultural & Natural Resources		Agriculture & Food Security	Reducing vulnerability
Infrastructure	Infrastructure		Infrastructure
Human Resources Development & Social Services	Poverty & Human Development	HIV/AIDS	Human Development
	Policy & Capacity	Institutions, Capacity & Service Delivery	Capacity building & Improving governance
Lending envelope, US\$ mill p.a., base case and (range)			
250-300	400 (up to 550)	Additional 350	500 (275-595)

3.3 The 1995 CAS focused mainly on the capacity to implement Bank financed operations, which at the time were often addressed by having project implementation units (PIU). Constraints in procurement, disbursement, and auditing were often cited as issues that needed to be addressed. Apart from this cross-sector work, the CAS mentioned specific capacity needs analysis only in connection with the social sectors. A program of social sector studies was planned, which addressed the issue of "institutional assessments and capacity building including assessment of the role of the private sector and NGOs." A more thorough analysis of public sector capacity constraints is not included in the 1995 CAS and it did not otherwise specify capacity building objectives.

3.4 A first step towards a more prominent role for capacity building in the Bank's country assistance strategy was the plan in the 1997 CAS to prepare a program of across-the-board capacity building with government, in line with changes in government thinking on the issue. Under the base case scenario, much of the work was intended to take the form of non-lending support⁹ and to be concentrated in private sector and export development, although some emphasis was also given to public financial management in the context of political and administrative decentralization. A regionalization study and annual PERs were expected to contribute to decentralization. In addition, the CAS referred to the use of IDF grants to support civil service reform¹⁰ and a series of measures to address project implementation problems.

3.5 Due to the war, the implementation of the 1997 CAS was interrupted. For the period 2001-2002, an Interim Support Strategy (ISS) was approved mainly to address the emergency needs in the aftermath of the war and a major drought in 2000 while a new CAS was being prepared. The objective of this ISS was to quickly deal with the human, material, and economic destabilization caused by the war and set the economy back on a path of sustainable growth. Four operations were prepared involving \$700m of new IDA credit. At the same time, weaknesses in the management of the current IDA portfolio were tackled and the portfolio restructured, and longer-term assistance provided to address food security, the spread of HIV/AIDS, and systemic weaknesses in Ethiopia's capacity to produce and deliver essential services. The ISS supported a number of studies that addressed institutional and capacity building for service delivery in progress or planned before the war. These included studies on decentralization practices at district and town levels, review of service delivery performance by line ministries and support for the Civil Service Reform Program, which entailed improving incentive structures for civil servants.

3.6 The 2003 CAS gives greatly enhanced emphasis to capacity building as a central theme of the strategy with numerous related objectives and substantial allocation of Bank financial support. The focus is on building capacity in the institutions that are critical to the functioning of the state. Also, the design of the Bank's capacity building support is articulated in far more detail than in former CASs. Specifically, the CAS identifies sectors for capacity building according to existing incentives for change. It also indicates that support will be demand driven, delivered by the Government on a competitive basis, and designed to help build a dynamic knowledge economy. This change in focus from capacity building for project implementation to a focus on the capacity of core state institutions is consistent with the Bank's change from project lending towards increased funding through sector-wide programs and budget support (PRSC).

⁹ This realization was a result of the failure to agree with the government on the two major adjustment-lending operations (SAC II and SAC III) foreseen in the 1995 CAS. These SAC operations did not materialize partly because the government believed it received sufficient balance of payments finance from the IMF and the European Commission, and partly because the Bank's major policy agenda to be promoted through these operations concerned private sector development where the government and the Bank faced major differences of opinion over the scope and speed of liberalization and private sector involvement in the economy.

¹⁰ This appears to be hindsight since the only IDF grant made for that purpose was approved in 1996.

3.7 The program of lending operations in the 2003 CAS directly related to capacity building is comprehensive and includes in the selected sectors for this study: (i) a capacity building program for the private sector with direct links to the road sector through development of the domestic construction industry; (ii) a program for post-primary education; and (iii) the Public Sector Capacity Building Program PSCAP, covering four essential functions of governance and public sector management, including public financial management. Capacity building interventions are similarly foreseen for rural development, safety nets, risk prevention and mitigation as well as civil society. Direct links to the PRSC (budget support) are also demonstrated in the CAS for all sectors.

3.8 Three particular developments distinguish this CAS from previous ones: (i) improving governance has become a specific theme for Bank assistance, supported by all Bank instruments; (ii) capacity building projects have become one of four distinct Bank instruments accounting for 20 percent of program resources; and (iii) the contributions of the WBI have been integrated into the CAS in order to demonstrate the complementary nature of WBI activities to the lending program. Yet, while the 2003 CAS includes an extensive listing of strategic objectives agreed with the government, the objectives are stated in general terms and may be difficult to measure.

Lending and Grants for Capacity Building

3.9 The World Bank has committed a total of \$3.1 billion to Ethiopia since FY1993, currently the fifth largest IDA borrower in the world and the largest in Africa. Some \$1.1 billion of investment lending has been committed in the four sectors examined in this review, of which \$173 million (16 percent) was allocated to capacity building activities. In addition, the Bank provided some \$641 million in adjustment/budget support of which \$254 million (43 percent) has been for support of capacity building measures. These capacity building commitments are presented in more detail in Table 4.5 below and the accompanying footnote 19 describes how the estimates were made.

3.10 The aggregate capacity building estimates covers large sector differences. On the one hand, capacity building components in the roads and health sectors are in the order of 2-3 percent of sector investments. The same level would apply in the education sector, if the support for expanding and strengthening general training institutions were excluded. On the other hand, virtually all investments in public sector management (and hereunder public expenditure management) can be seen as having capacity building objectives, whether provided as investment loan/grant, adjustment loan/grant or analytical work. The costs of capacity building components in other sectors are about 10 percent of lending/grants, significantly higher than in the roads, education and health sectors.

3.11 The Bank's support in the roads, education and health sectors has followed similar patterns. There were projects approved in the late 1980s, which continued operating into the mid (roads) to late (health and education) 1990s. A Road Rehabilitation Program was approved in 1992 at which time a pilot project for community participation in provision of social sector infrastructure was also initiated. From 1997, the Bank support to all three sectors has taken the form of general contributions to a multi-donor

financed SDP, but with one major difference. Bank support to the Roads SDP is earmarked, including specific interventions financed and monitored by the Bank, whereas in Education and Health SDPs, the Bank support is not earmarked and in principle is available for any type of expenditure to be determined in the course of implementation. None of these SDPs supported operations that had been closed at the time of this review. Support for the second phase of each SDP had reached different stages (RSDP support approved in 2003, ESDP support preparation to be finalized in 2004, and HSDP support would cease in 2005 and be replaced by components of PRSCs). In addition to these program operations, the Bank has supported reconstruction and rehabilitation of infrastructure (roads, schools and health facilities) after the war periods in the early 1990s and in 2001-02.

3.12 Bank support for public financial management entails a substantial series of analytical work (PER, Country Financial Accountability Assessment/CFAA and Country Procurement Assessment Report/CPAR) and a significant part of the triggers/actions for structural adjustment lending and the recent PRSC I. In addition, PEM has also been supported by a series of TA loans and grants, starting with a small IDF grant in 1996 and including the recent \$100 million PSCAP credit. Moreover, it has constituted an important component of the civil service reform program, launched in 1996.

3.13 Some contributions to capacity building are impossible to quantify such as institutional or organizational changes, which have been negotiated as prior actions for an investment loan appraisal or effectiveness, or Bank financial contribution to sector investment in general which has been instrumental in promoting such institutional changes. This is the case in the roads sector. In the education and health sectors, such contributions have also been made, but at a much more modest level. Most of the financial assistance to public sector and financial management has been expressed as conditions in SALs and PRSCs.

3.14 The actual program of Bank operations for the selected sectors in general and capacity building in particular reflects the intentions of the CASs, though there are some notable exceptions. The structural adjustment credits foreseen in the 1995 CAS (expected to become the vehicle for inter alia implementing PER recommendations) did not materialize. The lending operations for capacity building noted in the 1997 CAS were launched late due to slow progress in preparation during the Ethiopia-Eritrean War, and the major capacity building intervention, the CBDS project, was approved only in 2002.

4. Assessment of Bank Support to Capacity Building

4.1 The following assessment of the relevance, effectiveness, delivery of support, and Bank and borrower performance in capacity building is mainly based on the lending/grant operations and analytical work undertaken in the four focus sectors.

Relevance

4.2 **Criteria.** The criteria used to assess the relevance of Bank support include judgments of (i) the alignment of the Bank's sector and project goals with national priorities and strategic objectives, (ii) the quality of the diagnosis of commitment, needs, institutional capacity and arrangements, and (iii) the quality of the design of interventions (their clarity, feasibility and likely impact).

Overall assessment

4.3 The overall relevance of Bank support to capacity building is rated as *marginally satisfactory*, which reflects both enhanced attention to capacity constraints since the late 1990s and variation in that attention across the four sectors.

Alignment

4.4 The scope and nature of capacity building support expressed in the CASs are, for the most part, well aligned with the Government's recognition of capacity issues and strategies for addressing them. Until the late 1990s the Government mainly focused on the human resource development aspect of capacity building, particularly for frontline service staff, and this is reflected in the 1995 CAS and in the support to SDPs. The focus on an across-the-board capacity building plan in the 1997 CAS coincides with new Government thinking in the area, resulting in the NCBP in 2001. The 2003 CAS has fully taken on board the Government NCBP and programmed significant support accordingly.

4.5 An important shift in dialogue between the Bank and the Government took place during 1998-99 when the Government shared its Capacity Building Strategy and Program Framework (CBSPF) with the Bank. The subsequent Bank mission to Ethiopia and high level retreat with the Prime Minister on the issue of capacity building (June 1999), led to understanding between the parties on the Government's desires for support and the Bank's potential role in this. In particular, the Government sought a central Bank role in supporting the overall CBSPF, covering civil service training, tertiary education and the capacity to implement the decentralization reforms (rather than maintaining the Bank's emphasis on public financial management). It also sought Bank coordination of renewed donor support (largely frozen during 1999 due to the War).¹¹ The development of project/program support for a Global Distance Learning Network 2001 (GDLN), the CBDS 2002, the PSCAP 2004, the Post-Primary Education Project (still under

¹¹ Minutes from GOE/Bank meeting of July 3, 1999.

preparation) as well as the overall focus on capacity building in the 2003 CAS were responses to the discussions during 1998-99.

4.6 Alignment of the Bank's individual operations with the Government's policies and programs has been high, notably in roads, education and health, where the Bank has fully supported the Government's SDPs. In education and health, the Bank's support is fully integrated into sector development programs. In the roads sector, the Bank has retained specifically identified components of capacity building for support both in the RSDPSP and the more recent RSDP-APL1.

4.7 In public sector and financial management, the degree of alignment with government policies and priorities has shifted over time. After an initial alignment of objectives in the early 1990s, differences of opinion between the Bank and the new government emerged in the mid-1990s. The Bank was not involved to any significant extent in civil service reform at that time because of differences in perspective between its focus on retrenchment of the civil service and the Government's focus on decentralization and other needs for an enlarged service. Also, the Government did not seek Bank support for its Expenditure Management and Control Project, and was little interested in PER exercises until the late 1990s. But, as indicated above, the alignment of objectives and level of interaction has increased markedly since 1999 and the introduction of the Government's NCBP.

Diagnosis

4.8 The relevance of the Bank's capacity building support has been undermined, however, by the lack of a comprehensive assessment of capacity gaps and capacity building needs for the operations supported by the Bank in Ethiopia, particularly up until 2001. This is not to say that such assessments have been entirely ignored, but rather that the depth of the assessments have been highly variable and that the extent to which results of the assessments have been incorporated into the design of operations generally has been limited in all sectors.

4.9 The lack of capacity building focus in the 1995 CAS is understandable, considering that the CAS draws substantially on the Bank's 1993 study *Ethiopia: Towards Poverty Alleviation and a Social Action Program*, which only includes scant reference to public sector management problems and virtually ignores education and training. The most specific analysis of capacity constraints is found in the 1996 Transport Sector Memorandum, which thoroughly addresses institutional issues in the road sector as well as human resource constraints to implementation of the RSDP, with proposals for alternative solutions to these constraints. The Social Sector Note from the same period is less detailed, although it raises relevant capacity building issues and warns of consequences of not adequately addressing them.

4.10 Identification of capacity constraints and identification and prioritization of capacity development needs vary widely between sectors. In the roads sector, capacity constraints and needs for development have been comprehensively dealt with in PADs for the three major operations (1992, 1997 and 2003) especially on institutional and

organizational aspects of capacity. Overall, there has been comprehensive analysis of all aspects of capacity building throughout the period under review in the roads sector with concrete proposals on how to address them.

4.11 In health and education, capacity constraints are considered in the Social Sector Note of 1996, but it only identifies constraints in broad terms. It does not go into much detail in any of the sectors at institutional, organizational or human resources levels. The Note simply recommends that institutional capacity assessments be undertaken of the center and regions to determine recruitment and training needs, but this was never comprehensively done. The PADs for the two operations launched during the review period, therefore, are not specific on what capacity building should be done or how. Recently, much more intensive work has been initiated on capacity building issues in the two sectors with special studies on human resource needs and human resource management in health, and on institutional capacity constraints and development in the higher education system.

4.12 In public financial management, the Bank did little capacity building analysis until the 1999 PER, which focused specifically on capacity building in public expenditure management. Still, while good analysis and relevant recommendations are made in the report, the recommendations are neither prioritized nor set in a specific timeframe. Moreover, the lack of Government interest and involvement in the PER exercises meant that good diagnostic work had little practical value, except as a basis for the donors in their dialogue with the Government.

4.13 From 2000, substantial analytical work has been carried out with Bank support on the effect of decentralization on district and municipal administration, and central government relations with regional administration. These assessments have been comprehensive and of high quality (Regionalization Study, Woreda Studies, Municipal Assessment). The PADs for the adjustment operations in 2001 and 2002 include increasingly thorough analysis of capacity issues in PFM, with the PRSC I PAD in 2004 being most comprehensive. Even so, prioritization of capacity development is still not well defined.

4.14 At the central level, civil service reform has been subject to limited analytical work, and the Bank has not taken comprehensive steps to fill this gap in spite of the support given to reform through two major operations approved in 2002 and 2004. As the CSRP constitutes a major element in the Bank's recent support operations to public sector management, weakness in diagnosis of public sector management is a conspicuous shortcoming.¹²

¹² The UNDP's evaluation of its support to the CSRP offers some diagnosis, but is rather brief and does not cover all aspects of the program. However, it does point to the serious issue of non-implementation of a human resources component of the program.

Design of operations

4.15 On the whole, the design of capacity building interventions has been inadequate. The weakness in design has been mainly due to: (i) shortcomings in the scope and quality of analysis of capacity constraints and capacity building needs, (ii) disagreements between the Bank and Government on the measures to be taken, and (iii) lack of coordination with other donors. In the roads sector, Bank operations have outlined specific capacity building activities to be supported. In the Road Rehabilitation Project (RRP) these were well designed with the exception of the activities in financial management. In the RSDPSP, institutional changes were well-aligned during negotiations, based on an institutional restructuring plan agreed with the Government, and organizational change was addressed to a limited extent, though the main component funded by the Bank (Roads Inspectorate Unit) lacked government ownership.

4.16 In contrast, the design of capacity building measures in the education and health sector development programs have been weak due partly to insufficient diagnostic work and partly to the Government's decision to address capacity constraints as they appeared in implementation and in this way "learn by doing." In particular, the Government rejected any substantial TA inputs for the education and health SDPs. The Bank's related support operations do not define any capacity building components other than those established for the program as a whole. Capacity building activities to be funded specifically from Bank resources would be defined as-you-go. This design feature made the Bank support flexible, but also entirely dependent on the overall design of the respective SDPs, which were not strong in terms of capacity building elements.

4.17 In public financial management, design problems have resulted from disagreements with the Government on measures required and the lack of capacity needs assessments—notably of constraints to capacity at entry of executing institutions—leading to overly ambitious objectives and unrealistic implementation timeframes in the TA operations such as CSRCB and CBDSD. Also, design of the two SAL operations, ERSC and ESAC, lacked government ownership.

4.18 The recent PRSC I has, however, learned from these problems and adopted a new approach based on implementation of actions prior to Bank approval of support. Also, the recently approved PSCAP, to be coordinated by the new Ministry of Capacity Building (MCB), has introduced a new approach which relies on a flexible demand-driven funding mechanism to be managed by the Ministry of Finance and Economic Development and integrated with the country's inter-governmental financial transfer arrangements. But the technical content of the program remains to be filled in. Capacity building interventions were supposed to be prototyped and piloted under the CBDSD, which has not taken off. Regional capacity building plans for the initial stage appear superficial. The countrywide capacity needs assessment, which will assess capacity at entry (a critical issue for emerging regions and remote woredas), is taking place after Bank approval of the operation. Also, officials in many of the project's beneficiary organizations do not fully understand the role of the MCB and the corresponding Regional Bureaus for Capacity Building, and how they should link with these coordinating bodies in policy and operational matters (other than in requesting funds). A

resource strong and flexible financial framework for implementation of the Government's NCBP has been created, but much preparatory work remains to be done prior to disbursement in order to ensure effectiveness and efficiency of the operation.¹³

4.19 Both the PSCAP and the 2003 CAS have been prepared in parallel, but lack an approach to dealing with capacity at entry problems. While sectors and organizations will be competing for funding with one another, limited existing capacity may make some of them unable to develop competitive proposals for capacity building under a demand driven approach, unless they receive targeted upfront assistance.

Effectiveness

4.20 **Criteria:** The assessment of effectiveness of capacity building interventions includes the following elements: (i) capacity building achievements against objectives where specified, and (ii) indicators of sector performance during the period.

Overall assessment

4.21 The overall achievement of capacity building objectives in Ethiopia is rated as *marginally satisfactory*. Achievement of the Bank's operational capacity building objectives has been rated satisfactory in the roads sector (see Box 4.1), with the exception of the Roads Inspectorate Unit. It is rated marginally satisfactory in public financial management, education and health. Only in roads has capacity building support been effective on all three dimensions of institutional, organizational, and human resource capacity. In the education and health sectors support has been effective primarily at the human resource level, whereas in public financial management the support has been effective primarily on the level of institutional change. The capacity building objectives of Bank projects are detailed in Annexes C and D.

¹³ Recognizing this, the PAD refers to the operations as a 'learning-by-doing' process with needs to revise plans continuously over the initial 2-3 years.

Box 4.1: Good Practice—Capacity Building in the Roads Sector

The most noticeable capacity building achievements in Ethiopia, which have been in the roads sector, illustrate a number of key features of effective capacity building support.

- The Bank had a proven approach to the road sector institutional framework (the RMI), which it fully shared with other donors to the sector.
- The Government considered road sector development one of its top priorities, and agreed with donors on sub-sector priorities (trunk roads).
- There was clear division of labor in the support given by the donor group and hardly any element of capacity building was ignored (private sector development was an exception).
- A full range of support instruments were used by the Bank and the donor group (ESW, long term and short term TA, training, and conditionality for funding).
- Technology and systems introduced successfully at the organizational level represented well-tested approaches.
- The relevant sector institutions (ERA and RFA) were sufficiently small and isolated administratively to allow for introduction of staff benefits that could motivate and retain most skilled workers. They were also virtually unaffected by decentralization.
- The Bank has had unusually high continuity in task management in the sector.

Achievement of capacity building objectives

4.22 The Bank's greatest impact on capacity building has been at the level of institutional restructuring, implemented through conditions for sector lending or macroeconomic adjustment lending for which the Bank has greater leverage than other donor agencies.

4.23 **Institutional Development.** Bank operations included a wide range of institutional change objectives in all sectors, though they were less clear in the health and education sectors than in public financial management and the roads sector. Most of the objectives in the roads sector have been achieved or are making good progress (reorganization of ERA, Road Fund, and enforcement of axle load limits). In public financial management, the objectives achieved in the early to mid 1990s (SAC I) mainly concerned preparation of studies and plans. Few of those studies and plans have had much direct impact on government actions and performance during the rest of the 1990s. Since then the most striking achievement has been in strengthening government procurement systems. Even if real progress on implementing procurement legislation and reorganization has been recent, much of the preparatory work had already started with the revised CSRCB project in 1999.

4.24 The Government has implemented four institutional reform actions recently under PRSC I, but it remains to be seen if there will be a real impact or they will have the same fate as similar measures under two preceding adjustment loans—implemented according to the letter but not intent. In the education sector, capacity building objectives have generally not been substantially achieved, a main reason being that even now

identification of capacity constraints and development needs have not been addressed fully. The health sector has achieved institutional restructuring in the pharmaceutical sub-sector.

4.25 **Organizational change.** At the organizational and systems level, Bank support has been limited and its effectiveness variable. The success of the interventions has been highly dependent on (i) the capacity of the executing agency at entry to identify capacity needs and formulate Terms of References and (ii) the Bank's in-house expertise, particularly at the resident mission, to assist executing agencies to address design weaknesses during implementation. Bilateral donors appear better placed to provide capacity building support at the organizational level due to higher personnel-to-funds ratios, more flexibility in the support, and ability to ensure continuity of experts, where and when required.

4.26 Objectives for organizational change in Bank-funded operations have been less comprehensive than institutional and human resource objectives, with the exception of the roads sector. The establishment of new engineering systems within ERA for planning and resource management (pavement management system, resource management system, and road classification system and design manuals) has mostly been successfully implemented and proven durable. In public financial management, one (revised) objective of an organizational nature was implemented with Bank assistance (a procurement manual under CSRCB), while another was achieved (reduced delay in closure of government accounts and audit), but due to support provided by other donors. In the health and education sectors, organizational objectives supported through the SDPs have been achieved only to a modest extent, again with the pharmaceutical sub-sector as a possible exception.

4.27 **Human resource development.** The Bank's portfolio has included objectives for human resource development in the roads, education and health sectors, but not in public financial management (and not in general public sector management). The objectives have been most explicit in the health and education sector development programs.

4.28 **Technical assistance** inputs have been significant only in the roads sector, but even in that sector their impact has been mixed. The Bank provided TA support for the establishment of a resource management system, pavement management system, new standard specifications and design manuals, the Roads Inspectorate Unit (RIU), and for the improvement of the financial management system. No evidence was available on the scope and impact of the TA for the resource management system. Although for pavement management and design of specifications/manuals, the scope was substantial and the assistance effective. There are also indications that these systems continue to be utilized by local staff long after the departure of the TA personnel. TA support to financial management had limited impact, while support to the RIU was substantial and effective but failed to create sustainable capacity due to fundamental flaws in the institutional role and organizational line of reporting of the unit. The Bank has financed limited TA support in public financial management. This has mainly involved short inputs to help with reform of government procurement systems (e.g. drafting legislation), which was

effective. Also, a technical adviser was funded to help in civil service reform, who arrived in early 2004 (too recently for any assessment of effectiveness).

4.29 The Bank has funded overseas *training* activities in the roads and health sectors. This training appears to have been effectively delivered, though its impact on improved public sector performance has not been routinely tracked. Some local, on-the-job training has been provided on procurement and to a more limited extent in other areas of public sector management, including sector management in health and education. But as no comprehensive records are available, this training could not be clearly identified or assessed.

4.30 On-the-job training has also been part of the technical assistance responsibility for most of the Bank's contributions to organizational change (such as the introduction of new management systems) and has generally been delivered as planned, though what was expected by the technical assistance staff has not always been well specified.

4.31 Notably, a combination of overseas and on-the-job training in the roads sector appears to have had a significant impact on staff skills in a wide range of units within the Ethiopian Roads Authority. While there was a high loss of overseas trainees during the early to mid 1990s from failure of trainees to return to Ethiopia, the situation has changed dramatically since the late 1990s. Interviews provided a generally positive assessment of staff retained either in the public institutions targeted or in the construction and consulting service industry working for the beneficiary institutions. Reasons include: (i) more satisfying working conditions and career prospects in a sector receiving top government priority and heavy donor support as well as substantial institutional and organizational changes; (ii) higher pay for professionals compared to other public service areas; and (iii) rapidly increasing opportunities for private sector employment due to the massive capital development and recurrent maintenance programs.

4.32 In the education and health SDPs, expansion of training institutions and local training courses constituted important capacity building achievements directed at front-line service delivery staff. In the education SDP, the overall training objectives were largely achieved for teachers, but not for sector management personnel. And in the health SDP, overall quantitative training objectives were achieved, but with both over- and under-achievement of targets for particular categories of staff. In the health sector, the interviews did not provide a clear picture of the effectiveness of overseas staff training specifically financed by the Bank and no tracer studies were identified. However, the lack of a comprehensive training plan and the unsettled issue of the service delivery package for the sector make it likely that training in health was of limited effectiveness.

4.33 The procurement capacity of public institutions has been repeatedly mentioned as a constraint in the CASs since the mid-1990s. Bank staff has conducted training in procurement in all sectors on a number of occasions. Such training has rarely been a direct part of projects and has mainly been concerned with the use of Bank procedures. Though it has improved government capacity to implement Bank operations, it has only marginally improved the public sector's general procurement capacity. The latter has increasingly become the focus of Bank support with its shift towards reliance on

government procurement systems under sector wide support and budget support operations.

Factors of success

4.34 The factors that have influenced the degree of achievement of capacity building objectives in Bank operations are set out in the Table 4.1. It indicates that limited agreement between the Bank and the Government on capacity building measures has been a decisive factor in the lack of substantive achievements in public financial management despite the substantial analysis carried out. The modest achievement of capacity in education, health, and public sector management (civil service reform) was influenced by factors such as inadequate analysis, low capacity at entry, leadership problems, inadequate staff motivation and institutional instability.

Table 4.1: Factors Determining Achievement of Capacity Building Objectives

Factor	Roads	Education	Health	PEM	PSM
Scope / quality of analysis	6	4	4	5	4
Agreement on capacity building needs	5	3	3	2	5
Capacity at entry	5	3	3	5	2
Leadership	5	5	2	5	2
Staff motivation measures	5	4	3	4	3
Institutional stability	5	3	3	5	3
Overall achievement of objectives	5	3	3	3	2

Note: A 6-point rating scale is used where 1 represents low performance and 6 represents strong performance. This table does not take into account PSCAP, which has not yet taken off.

Indicators of sector performance

4.35 In the **roads sector**, the RDSP specified two indicators for measurement of increased road density (all categories of road). In both cases, the targets were exceeded as shown in Table 4.2. Also the condition of the paved network is shown to be improving. This is creditable performance with striking improvements in recent years as some of the major rehabilitation contracts are completed. The sector institutions’ ability to manage an increasing portfolio of contracts has no doubt been an important contribution to the results. Conversely the condition of gravel roads shows less improvement over the same period. No quantified assessment of the condition of the rural earth road network is available, but anecdotal evidence suggests that there has been little progress, if any.

Table 4.2: Service Improvements in the Roads Sector

Indicators	Baseline 1996/97	Target 2002/03	Achievements 2002/03
Road density (km road per 1000 sq. km)	21	28	30
Road density (Km road per 1000 population)	0.43	0.46	0.53
Paved Roads (percent of network)			
- Good condition	22	n.a.	43
- Poor condition	55		34
Graveled Roads (percent of network)			
- Good condition	20	n.a.	31
- Poor condition	50		43

Source:

4.36 The access to **education** (primary, secondary, and higher) has improved substantially since the early to mid 1990s as suggested by Table 4.3. With this impressive increase in primary school coverage, it has also been possible to increase the share of qualified teachers, but the total number of teachers has not kept pace with enrolment. The ratio of student to class size has consequently increased significantly. There has therefore been a trade off with the quality of education. Most quality indicators for primary education show no improvement or a small deterioration, with the exception of the decline in the repetition rates for girls which is far better than the target. The quantitative capacity of the higher education system has also increased dramatically, but no qualitative indicators were available.

Table 4.3: Service Improvements in the Education Sector

Indicators (percent, unless other stated)	Baseline 1996	Target 2001/02	Achievement 2001/02
• Primary gross enrolment, grade 1-8	30.1	50.0	61.6
• Qualified teachers, grade 1-4	85	95	95.6
• Average repetition rate, girls			
• Ratio of primary school students to class size	53	50	73
• Share of girls in primary enrollment	38.0	45.0	41.4
• Average repetition rate, grades 1-8	10.5	6.4	10.4
• Average dropout rate, grades 1-8	15.8	4.2	16.2
• Higher education student intake (numbers per annum)	7-8,000	NA	25,000 (2004)

Source: ESDP II, Joint Review Mission, November 14, 2003.

4.37 Performance indicators for the **health sector** have, for the most part, been achieved, as shown in Table 4.4. The non-achievement of the HSDP outcome for life expectancy at birth could well have reasons beyond the scope of the general health service system (e.g. HIV/AIDS and food insecurity).

Table 4.4: Service Improvements in the Health Sector

Indicator	Baseline 1997	Target 2002	Achievement 2002
Health Status			
• Life Expectancy at Birth, years	52	58	52
• Infant Mortality Rate per 1000	110-128	90-95	97
• Maternal Mortality Rate per 100,000	1400	871	500-700
Health Services			
• PHC Coverage	45%	55-60%	61%
• DPT3	67%	70-80%	52%
• CPR	8%	15-20%	17%
• Ante Natal Care	25%	35-50%	35%
• Population per trained nurse	14,000	NA	4,883

Source: HSDP, Final Evaluation, March 3, 2003, volume 1.

4.38 Measuring improvement in **public financial management** is problematic as it is not a sector delivering a well-defined set of services to the public. Efforts are being made among international donor agencies¹⁴ to agree on a set of relevant indicators, but this is a recent development¹⁵, and thus, there has been no coherent and continuous monitoring of performance in Ethiopia. This problem is also highlighted by the lack of quantification of the numerous outcome/impact and output indicators listed for PSCAP (no baselines or targets). Nevertheless, a few indicators can illustrate development in Ethiopia since the mid-1990s, such as:

- The Government's domestic borrowing has remained low (except for 2-3 years during the Ethiopia-Eritrean War) and indicates fiscal balance after donor grants and concessional international borrowing.
- Recurrent budget execution has remained much in line with the approved budget, actual expenditure for most of the large sectors are in the 95-100 percent range.
- Delays in closing government accounts has reduced from 4 years during the mid-1990s to 12 months now, thereby providing an instrument for holding the Government accountable for implementation of the budget. The Auditor General's opinions on the government accounts have not improved during the period, but this could well be associated with strengthening the capacity of the audit office¹⁶.
- Recurrent expenditure allocations to social sectors as a percentage of the budget have improved, but not as much as the donors would have wished (ref. PER reports). Quality of the expenditure in the social sectors show deteriorating trends with

¹⁴ This is the aim of the Public Expenditure and Financial Accountability program funded by the Bank, European Commission, UK and Switzerland, based in World Bank HQ.

¹⁵ The Bank's monitoring of the HIPC Expenditure Tracking indicators is also a recent development having been approved by the Board in 2002 and currently undergoing the second annual reporting exercise.

¹⁶ Information from interviews with the government officials in November 2003.

increasing proportions for personnel costs and less funding for materials, while the share of administrative spending in both sectors have been increasing.¹⁷

4.39 In aggregate, there have been impressive improvements in performance of service delivery in terms of physical access in roads, health and education. Quality of service has improved mainly in roads (condition of network), with some deterioration seen in education. The developments in public financial management are more mixed.

4.40 There is a high degree of correlation between effectiveness of Bank support and performance of the sectors, but it is not possible to directly attribute sector performance to the Bank's support. The existence of large sector development programs, and particularly the agreement on priorities and means in the roads sector, could explain some of this correlation. In the PFM area, no sector development program approach has been established and there have been frequent disagreements between the Government and the donors (including the Bank) on issues and priorities.

Future prospects

4.41 In terms of the future, several initiatives have been taken to implement the capacity building strategy spelled out in the 2003 CAS. In the education sector, a new operation for capacity building in post-primary education is in an advanced stage of preparation, and in the roads sector, a new operation has been launched in 2003. Similarly the major PSCAP project has been prepared and approved recently. Capacity building objectives in the roads sector (possibly also in education) as set out in the 2003 CAS are likely to be achieved in the relatively short term, building on the substantial experience gained in the sector over the past decade.

4.42 On public sector reform, prospects are more uncertain. The institutional destabilization created by the massive decentralization reform, lack of results from pilot capacity building activities under CBDS, and the lack of a clear approach to deal with insufficient capacity at entry suggest that PSCAP could take a long time to deliver expected results. Moreover, it will be hard to say when the objectives have been achieved since baselines and targets for the objective indicators have not been specified. Where capacity gains have been achieved with Bank support, they appear likely to be sustained. The achievements in the roads sector appear technically, financially and organizationally sustainable. Since 2001, the procurement reform also appears to receive full government support, which will be the main determinant for sustainability. In other areas, the capacity gains achieved so far have been limited.

¹⁷ It should be noted that desirable levels, trends, and trade-offs in such expenditure indicators are not universally agreed and the Ethiopian government could argue that it has made the best choices in a number of cases.

Delivery of Support

4.43 **Value for Money:** The cost of capacity building consists of the costs of training, technical assistance, studies, and macroeconomic (budget) support.¹⁸ The latter constitutes the largest part of the support actually committed, as shown in Table 4.5 below. Based on actual unit costs of training provided, indications are that value for money has been obtained in relation to most overseas training (local inputs under HSDP and ESDP cannot be assessed), and the same can be said about the studies and technical assistance provided (TA almost exclusively in the roads sector).

4.44 The delivery of Bank support to capacity building has varied widely across the sectors. In roads, the allocation of funds has been in appropriate proportion to the objectives and utilization of funds largely in line with plans. Basically, value-for-money has been secured. In the health and education sectors, it is not possible to identify the Bank's financial support specifically to capacity building (with the exception of ESW and overseas training in health), as Bank funding has provided general support to a SWAp type approach and no records are available to identify the use of Bank funds.

4.45 In public financial management, most of the funds utilized so far have been macro/budget support triggered by policy and process conditionality. Large amounts have been disbursed in exchange for fairly limited results (if studies and plans are considered intermediate steps towards results), partly due to repeated financial support for the same actions since 2001. The substantial amounts of macro-economic support do not appear to have 'bought' much influence as actions the Government wished to implement have been done anyway, while those the Government did not see as priority have been delayed and been subject to repeated support under follow-up projects (ERSP, ESAC, and PRSC). The actions that consisted of plans and studies alone may have been expensively bought (SAC-I), considering there was little follow-up on recommendations for even five years after implementation. The support to the PER must also be considered relatively inefficient, with repeated issues reflected in social sector expenditure allocations and management. The major lending operations approved since 2002 have not yet taken off and do not include detailed budget breakdown, so no assessment can be made.

4.46 Support to the HSDP and the ESDP as well as the design of first CBDS and then the PSCAP all feature substantial innovation, but for the reasons given above, it is not yet possible to assess if this is bringing about improved cost-effectiveness.

4.47 **Utilization of Funds:** Funds provided for capacity building in the roads sector have been utilized to about 80 percent of budgets, while funds provided as macro-economic support were fully disbursed (though no tranches were specifically for public sector and/or expenditure management). Project support for public sector management (three projects) has continuously experienced poor or seriously delayed utilization. In the health and education sectors, the projects from the late 1980s were slow disbursing, the worst case being the Education VII Project, which reached 90 percent disbursement only

¹⁸ There may have been other types of inputs under CBDS and PSCAP but this was not specified in project budgets and, therefore, cannot be ascertained until the projects have been implemented.

after redesign and a five year extension period which included abandoning several capacity related components. Disbursement under the health and education SDPs has been faster, though still subject to delays. However, this SDP expenditure concerns not only capacity building. A measure for capacity building expenditure is impossible since the Bank did not earmark any funds for such activities.

4.48 **Management Arrangements:** Project management has been well integrated into structures of the government since the mid-1990s. Project implementation units have been virtually absent (except in emergency recovery projects where capacity building and sustainability have not been important objectives). The large sector development programs in roads, education, and health, supported by the Bank, have all relied heavily on ordinary (though sometimes enhanced) government structures. TA inputs to management of these programs have been extremely limited. Though this is good for government ownership and experience gained from learning-by-doing, the downside has been low implementation capacity, which has led to delays in overall program implementation by 1-2 years (20-40 percent). In public sector management operations, the lack of management capacity at entry and the lack of upfront mitigating provisions have led to even longer than expected implementation delays (of the ongoing CBDS) or only partial implementation (of the closed CSRCB).

4.49 **Commitments for Capacity Building Components:** Another way to measure delivery of support is to estimate the cost of capacity building components (equipment, training, technical assistance and activities that directly strengthen public sector capacity) in individual investment and adjustment loans, as shown in Table 4.5.¹⁹

¹⁹ Project documents do not provide a routine breakdown of the costs of capacity building activities supported as parts of project components. Therefore, two methods were developed and used to make a trial estimate of aggregate costs of investment and adjustment loans. For investment loans, capacity building support was estimated by summing the costs of activities—such as TA, training, consultancies, studies, and equipment and materials—designed to strengthen government functions (not including costs for direct frontline service delivery, such as construction of schools and clinics). For adjustment operations, the estimate is based on calculating the number of conditions or actions directed to achieving specified capacity building objectives (such as strengthening policy and budget formulation, administrative systems, or legislation, as distinct from quantitative targets for revenue generation and expenditure) as a percent of the total number of actions and equivalent total amount of lending.

Table 4.5: Commitments for Capacity Building Components (US\$ million)

Year	Project	Investment Loans		Adjustment Loans	
		Total Commitment	Capacity Building Cost (% commitment)	Total Commitment	Capacity Building Cost (% commitment)
Roads					
1992	Emergency Recovery Credit (total 150 m)	49.4	4.2 (9%)		
1993	ER Road Rehabilitation	96	4 (4%)		
1998	Ethiopia Road Sector Dev. Program Support	309.2	2.8 (1%)		
2001	Emergency Recovery Project (total 230 m)	86	0 (0%)		
2003	Road Sector Dev. APL 2	126.8	5.2 (4%)		
Health & Education					
1996	Social Rehab. (ESRDF) (total 120 m): H&E component	84	3.9 (5%)		
1998	Education Sector Dev. Program Support	100	17.6 (18%)		
1999	Health Sector Dev. Program Support	100	4.1 (4%)		
1993	ESRDF Supplemental (total 28.3 mill): H&E component	19.8	0 (0%)		
PSM/PEM					
2001	Global Distance Learning	4.9	4.9 (100%)		
2002	Capacity Building for Decentralized Service Delivery	26.2	26.2 (100%)		
2003	Public Sector Capacity Building	100	100 (100%)		
Macroeconomic Support					
1993	SAC – I			250.7	62.7 (25%)
2001	Eco. Rehab. Support Cr.			150	64.5 (43%)
2002	Ethiopia SAC			120	49.2 (41%)
2004	PRSC I			120	77.1 (64%)
	TOTAL	1102.3	172.9 (16%)	640.7	253.5 (43%)

4.50 *Usefulness of Various Capacity Building Tools:* Table 4.6 shows the use of various capacity building tools. The tools have not been used evenly in the selected sectors, except for ESW, which has been applied in all sectors to a significant extent. In the roads sector, all tools have been applied, whereas PFM has been supported almost

exclusively by balance of payments and budget support conditionality and ESW (except procurement reform). The social sectors were supported mainly by studies and training (studies constituted the only earmarked support given since the mid-1990s).

Table 4.6: Use of Capacity Building Tools

Sector	TA	Training	ESW/Studies	Support conditionality
Road	Substantial	Substantial	Modest	Substantial
Education	None	Uncertain ^c	Substantial ^a	Negligible
Health	None	Substantial	Substantial ^a	Modest
Public Expenditure Management	Modest ^b	Modest	High	High

a. Including PER work focused on the social sectors. Funds have been committed under the CBDS and PSCAP, but are not broken down by nature of support and have for the most part not been utilized.

b. On procurement. Some inputs under CBDS started in 2003/04 but not quantified.

c. No records available. Indications are that the Bank funded some local training

4.51 *Usefulness of Different Bank Instruments:* The instruments used by the Bank include (i) investment lending, (ii) adjustment lending, (iii) technical assistance lending, (iv) IDG grants, and (v) analytical work.

4.52 Investment lending has funded effective training activities in roads, and substantial training of front-end service delivery staff in health and education. In addition, the instrument has been used to promote institutional reform in the roads sector by tying appraisal and effectiveness of the large, and much desired by government, civil works program to agreed reform measures. Investment lending has also been instrumental in delivering organizational change in the core institution of the roads sector.

4.53 Investment lending to finance sector-wide investment programs helped to ensure appropriate funding of all aspects of the respective SDPs. However, the Bank's ability to influence the direction, scope and quality of capacity building activities has been reduced under this type of financing.

4.54 Adjustment lending (including PRSC budget support grants) has had mixed success. Indications are that supported actions were implemented only where the implications of the actions agreed (studies and plans) were limited, or where the Government would have implemented the actions irrespective of the financial support offered (though it is difficult to assess if the negotiations with the Bank on these arrangements have focused the Government on important changes it would otherwise have ignored or delayed).

4.55 TA projects have proven difficult to implement with serious start up delays. Only one objective (CSRCE) has been achieved, and that was an objective introduced by a re-design. It could well be that the experience is a function of these instruments being applied only in relation to public sector management reform, rather than the nature of the

instruments themselves. However, TA projects have been significantly hampered by limited capacity at entry.

4.56 Use of the IDF grant instrument for the CSRCB seems to have been a convenient choice that allowed the Bank to stay engaged in civil service reform, a core reform area, in a situation where the Government neither wanted a dominant role of the Bank, nor wanted to take IDA loans for TA activities. Therefore, the significance of this IDF for future lending operations was far greater than indicated by the insignificant amount involved (compared to other Bank operations). But the opportunity this project offered was undermined by an over-ambitious design and weak supervision by the Bank.

4.57 Analytical work has been effectively undertaken, generally with high standards, and clearly linked to Bank objectives under lending/grant operations. However, capacity building aspects have not always been given sufficient emphasis in this work, and the findings and recommendations made on capacity building have had limited impact on Government decisions and little influence on design of capacity building components of the credit operations in health and education. The experience in the roads sector is somewhat better as the 1996 Transport Sector Memorandum did influence the design of support to the RSDP, though mainly at the institutional level. On the other hand, analytical work (PER, CFAA, CPAR, Woreda and Municipal Studies) have been instrumental in designing the Bank's adjustment lending/grant operations in regards to capacity building in public sector and public expenditure management.

4.58 **Donor Collaboration:** Ethiopia is a pilot country for donor coordination and harmonization under many initiatives such as the Special Program for Africa (with focus on macroeconomic and budget support) and the OECD Harmonization Initiative. Also the Bank's support since 1996 to the three service providing sectors has been within the framework of sector development programs agreed among all important donors in the respective sectors. It is therefore not surprising that donor collaboration in Ethiopia is as good as it gets in Africa. Significant progress has been made in ensuring regular coordination between the government and all donors at the sector level, establishing joint preparation and review missions for SDPs and more recently for budget support. This is not to say that collaboration is always perfectly arranged and smoothly implemented. Some donors (e.g. USAID in education and WHO in health) still maintain specific interests, disagree on modalities, fail to deliver agreed contributions on time, or have objectives partly outside the agreed frameworks. But the Bank has also had difficulties in aligning itself with harmonized procedures and has run supervision/review missions separate from (and therefore duplicating) agreed joint sector missions. However, overall, the direction in collaboration is encouraging.

4.59 **Utilization of Local Capacity:** The use of local expertise outside the public sector has been limited to (i) consultancy as part of studies and (ii) engineering consultancy as sub-contractors for design and supervision of major road works funded by the Bank. The extent to which the Ethiopian private sector and NGOs have been able to participate has been restricted by the near destruction of these sectors under the Derg regime and hesitant government facilitation of and support for private sector development and civil society institutions.

5. Bank and Borrower Performance

5.1 In general, the changes to the Bank’s involvement in capacity building activities over time have to a large extent been determined by the Government’s approach to capacity building and the role it wished the Bank to play. This is reflected in the limited Bank involvement in civil service reform during the 1990s, the learning-by-doing approach to capacity building within the three large sector development programs, and the limited Government interest in the PER work. Similarly, the recent shift in Bank strategy and approved operations in support of capacity building is largely a result of the Government’s change in its approach to capacity building and its view of the Bank’s potential role as core financier and coordinator of support from the donor community. Overall, the performance of both the Bank and the borrower is *marginally satisfactory*.

5.2 The table below indicates OED ratings of Bank and borrower performance for the implementation of projects as a whole, not for capacity building per se. Although capacity building was not an explicit objective of most of these projects, capacity building activities represented over a third of total commitments.

Table 5.1: OED Evaluation of Bank and Borrower Performance

Project	Bank Performance	Borrower Performance
Seventh Education Project	Unsatisfactory	Unsatisfactory
Family Health Project	Satisfactory	Satisfactory
Roads Rehabilitation Project	Satisfactory	Satisfactory
ERRP, Roads Component	Highly Satisfactory	Highly Satisfactory
Structural Adjustment Credit	Satisfactory	Satisfactory
Economic Rehabilitation Adjustment Cr.	Satisfactory	Satisfactory
Ethiopia Structural Adjustment Credit	Satisfactory	Satisfactory

5.3 Across sectors, the Bank’s performance has been strongest in roads and weakest in education. In the roads sector, Bank performance has been strong in almost all aspects, although supervision related to capacity building activities under the RSDPSP was inadequate due to failure to foresee and address completion and sustainability issues of two capacity building components aimed at the organizational level. As a result, one activity came to an early halt and was rescued by another donor, while the other component built an institution, which at the end of Bank support produced outputs not used by others than the donor community and was on the verge of collapse with the departure of the TA team and their financial resources. Largely these were design errors not mitigated during implementation.

5.4 The weaker performance in the education sector reflects OED’s overall project ratings of the Education VII Project as unsatisfactory as well as the Bank’s failure to ensure that capacity building issues were adequately addressed in the final design of the Government’s ESDP during project preparation and negotiations (and therefore in the design of Bank support). Even with a ‘learning-by-doing’ approach by the Government

and its reluctance to accept TA inputs, it should have been possible to prepare a more specific capacity building component with related monitoring indicators. A similar concern relates to the HSDP support in the health sector, though here capacity building measures are somewhat more specific and attempts were made in preparing capacity building plans.

5.5 The Bank's performance in the areas of public sector and PFM has varied considerably across interventions. While in stronger relation to the SAL/PRSC operations, quality at entry was inadequately addressed in most TA and investment loans/grants (such as CSRCB and CBDSD). The Bank did not address the lack of government involvement and ownership of ten years of continuous PER exercises. In addition, the Bank's performance in relation to the recent SAL operations (ERSC and particularly ESAC) was rated 'barely' satisfactory by OED's ICR reviews.

5.6 Preliminary assessment of the Bank's performance in preparation of PSCAP is mixed. There is no doubt that the Bank has put substantial efforts into the design phase of this huge capacity building operation, over several years, and may possibly be seen as the Bank's current flagship in capacity building efforts in Africa. Lessons from earlier operations have been taken into account in the design of the financial management arrangements. Nevertheless, interviews with government representatives and other donors give strong indications that, in spite of all these efforts, the process has been pushed too fast by the Bank, with the result that the technical aspects of the operation are not well defined and the capacity of the institutions meant to define them during implementation not sufficiently assessed. Unless the Bank addresses these issues during the initial stages of implementation, effectiveness and efficiency of this large operation are seriously at risk.

5.7 Borrower performance has also been stronger in roads than in health, education, or public sector and financial management. In education, borrower performance was weak in the Education VII project, but improved in the larger and more recent EDSP operation. In public sector and financial management, there have been repeated problems in implementation, related to shortcomings in the quality of design. In the health sector, borrower performance has been seriously affected by a protracted decision making process on service standards under decentralization, which has influenced progress on planning and implementing capacity building measures. A particular feature of borrower performance has been strong ownership by the Government of its policies and programs, but there has not always been an easy relationship with the Bank and other donors.

5.8 An important issue is the Government's general reluctance to explicitly address capacity problem in the public sector in relation to the three SDPs in roads, health and education and its preference for a learning-by-doing approach without a comprehensive plan up front (except for human resource development for front line service staff). By adopting a learning-by-doing approach with identification of problems and solutions as and when problems occurred, the Government has ensured a high level of ownership and on-the-job experience, but has implicitly accepted that the programs would be implemented at a slower pace. With the parallel decentralization process taking away skilled and experienced staff from the central planning and program management units in

education and health, technical assistance could have had an important capacity enhancing effect, but more likely as gap filling than sustainable capacity building at the organizational or human resource levels.

5.9 At the overall level of capacity building for public service delivery, the Government's more recent approach since 1998-99 has been highly satisfactory. Its own conceptualization of a national strategy and program framework for capacity building has been farsighted, and its dialogue with the Bank since 1999 appears constructive and provides a solid basis for preparation of lending operations. Problems have occurred mainly in relation to the slow implementation of the projects such as CBDS.

6. Conclusions

6.1 The Bank's contributions to public sector capacity building in Ethiopia since the mid-1990s have been strongly influenced by three factors: (i) the government's high degree of ownership of its policies and programs; (ii) the politically-driven decentralization process; and (iii) the coordination of donor support through sector development programs in key sectors. Overall, the effectiveness of its support in the four sectors examined in this review has been marginally satisfactory, reflecting both enhanced attention to capacity needs since the late 1990s and variation in the treatment of constraints across sectors.

6.2 While the emphasis on public sector capacity building increased substantially in the 1997 and, especially, the 2003 CAS reflecting government capacity building priorities and programs, weaknesses in underlying diagnosis of capacity needs and design of capacity building interventions have undermined the effectiveness of individual interventions—with notable variation across sectors. Bank support has been most effective in the roads sector, where efforts built on a proven sector framework, priority attention by government, and well-integrated treatment of institutional, organizational, and human resource capacity needs. Support in the other three areas of health, education, and public sector management have been considerably less effective, although in health and education the enhancement of training institutions and local training constitutes an important capacity building achievement. The main conclusions that emerge from the findings of this review are as follows:

6.3 **The definition of 'Capacity Building' needs to be refined and generally accepted by the Bank, borrower (at all levels) and preferably, other development partners.** The first thing that comes to mind about capacity building for many public sector officials is physical capacity building—including buildings, equipment, vehicles, furniture, etc. At individual levels, it is training. In the broadest sense of building capacity for development (social, economic, and political), all developmental activities in public service delivering sectors could be considered as part of a capacity building exercise.

6.4 This study distinguishes the recurrent delivery of services to the public on the one hand, and the development of institutions, organizations and human resources that enables the public sector to formulate policies, mobilize resources, and plan service delivery as well as manage, monitor and account for implementation of such policies and plans, on the other hand. In operational terms, even this distinction opens the door for significant interpretation of what belongs to one or the other group of functions, not least when it comes to human resource development. The Bank should provide guidelines on how to estimate costs of capacity building. The problem of definition leads on to the ability to estimate capacity building costs or magnitude of support provided through individual operations. The Bank therefore needs to elaborate on a definition that will create a common understanding of what capacity building means. The sharing of such a definition with other development agencies becomes important in SWAs and similar jointly funded programs where program objectives, funding breakdowns and monitoring arrangements are shared.

6.5 To be effective, capacity building needs to be seen as a strategic objective of the Bank and managed as such. The limited capacity building results in Ethiopia in the past are, partly, a consequence of the failure of the Government and the Bank to treat it as a strategic objective, with the appropriate diagnosis, specification of expected results, implementation support, monitoring indicators and evaluation. The efforts in individual projects did not build on the essential interrelationships among them. The changes in approach to capacity building in Ethiopia since 2001 offer hope of radical improvements in this respect, but the 2003 CAS is still not clear on how capacity building is defined and how planned operations under the general objective of capacity building will be different from or interact with operations focused on the individual sectors. Indicators of progress towards capacity building objectives also need to be formulated.

6.6 Diagnostic work needs to be better focused on assessing capacity gaps and development needs. Failure to adequately address capacity issues in operations in Ethiopia has largely been a result of: (i) a lack of a serious needs assessment to determine the content and form of capacity building activities and (ii) a lack of Government appreciation that a comprehensive capacity building program was needed, covering all three dimensions (institutional, organizational and human resource). As a result both the education and health sector development programs have focused mainly on the human resource aspects, and even then in health, the focus was on producing training outputs that were not in line with demand. These shortcomings might have been averted, if the diagnostic work had more clearly determined the capacity gaps and presented the likely consequences for service delivery of not addressing them.

6.7 Capacity building activities must be driven by institutional and organizational demands of beneficiaries. Capacity building activities in Ethiopia have often been influenced mainly by outsiders' perception (by government institutions and/or donors whose priorities may not match those of the service recipients or "customers") of what was needed (e.g. PER work) or by the interests of individual public servants (e.g. staff training opportunities). The Government's preferred approach of learning by doing under the three SDPs has led to identification of demand-driven capacity building activities, but the lead time for planning, financing and implementing those activities resulted in late implementation (or in education, typically to non-implementation so far).

6.8 Design of capacity building operations must comprehensively address the capacity at entry for adequate implementation. The principal shortcoming of several operations was the failure to assess properly the existing capacity to carry out capacity building activities and to design the interventions accordingly. This has particularly been a problem in relation to general public sector management reform since the launch of the civil service reform in 1996. The tendency to either try to do too much with existing capacity, or a failure to boost the capacity of implementing agencies to match expected output, have inevitably resulted in implementation frustration and perceptions of "failure," even when real, though, modest achievements were made.

6.9 The role and objectives of technical assistance should be defined better and monitoring arrangements established in each case to ensure that objectives are achieved or that problems in delivering the objectives are addressed before it is too

late. TA staff can perform several different roles such as filling gaps in qualified manpower for line functions, providing in-service training to line function staff or providing advice as an external expert, as well as supplementing the financing donor's country staff with an interface to the government system and provision of a line of information flow. Whatever the reason for deploying technical advisers, the purpose must be clear and agreed and it must be ascertained that advisers deliver as intended. Several TA staff mentioned that the services they actually provide did not match the intent in the terms of reference. It is easy to discard TA on the grounds that it does not deliver, but reasons for unsuccessful TA operations can often be found among the following: (i) the recipient institution does not see the need for the TA staff and therefore decides to sideline them (i.e. the purpose is not agreed), (ii) the recipient institution is short of staff and decides that the TA staff provides convenient gap filling in line functions so that the skilled staff of the organization can be transferred to other functions in need (i.e. a purpose of skills transfer cannot be achieved), or (iii) the counterpart staff provided to work with the TA staff has poor qualifications, is poorly motivated, or is too transitional to be able to absorb the knowledge and continue functioning effectively after the departure of the TA. The high turnover of staff, particularly at the regional level, presents an impediment to efforts at capacity building originating from TA, but the adverse effects of this can only be minimized if the counterpart is related to the organizational structure of the institution rather than to individuals. One way to monitor TA implementation and its quality is to create a small reference group through which the individual TA would clear all substantial outputs.

6.10 Support for capacity building in sector-wide programs and programmatic lending should be separately identified and monitored. There are inherent problems of building capacity at all levels through sector development programs and unearmarked support that is further exacerbated when the approach develops into a SWAp with pooled donor funding or budget support. Traditionally, much capacity building was done informally by experienced Bank staff working closely with technical counterparts over an extended period of time on specific issues (for example, roads). The sector wide or programmatic approach diminishes these opportunities, for several reasons. First, the dialogue shifts from the technical level to the policy level. Second, there is less project supervision of specific investment activities. The Ethiopia health and education SDPs illustrate these issues.

6.11 In a SWAp or SDP lending operation, a separate budget line could be set aside for capacity building, allowing for the specific activities to be defined as implementation progresses. With the PRSC, the support for capacity building is presumable provided through the PSCAP operation. But this needs to be better operationalized, which is possible once a national capacity needs assessment has been completed and the corresponding development needs agreed with the Government.

6.12 The Bank should limit its direct involvement in capacity building support to activities for which Bank staff can provide sufficient time, technical expertise, and continuity. The success or failure of capacity building activities in roads seemed strongly correlated to such characteristics of inputs from Bank supervisory staff. This should not stop the Bank from providing more general funding of capacity building activities (for

example, through SWAs), but in that case it would be important to ensure that a lead donor has been identified who would maintain the on-going interaction with the government authorities responsible for implementation of capacity building measures.

6.13 The Bank should ensure that capacity building objectives established in operations are based on solid technical approaches, proven in a similar institutional environment. Some capacity building objectives in Ethiopia were not achieved because it was not clear to the Government exactly how they could be implemented. Integration of the recurrent and development budgets is one such objective, for which operational guidelines and successful examples are missing. Examples of how this has been achieved in similar environments where substantial parts of the development budget are donor-financed, using different procedures, classification of expenditures and accounting systems would have been useful.

6.14 Training programs need to be followed up by tracer studies to establish effectiveness. In spite of substantial support given to training by Bank-financed operations, no tracer study was undertaken. Thus it was difficult to establish if the training was effective and whether trainees (i) actually completed the courses and obtained the degree/certificate, (ii) returned to the sponsoring government organization after end of training, and if not where they went and for what reason, or (iii) were assigned positions and tasks through which they could make immediate use of new skills acquired.

6.15 Capacity building through relevant objectives/actions in macro-economic support operations should be clearly linked to the amount of support offered by the Bank. So far, such capacity building objectives/action have not been successful and have involved delays and non-implementation of actions without consequences for the borrower. More and smaller tranches specifically focused on each of the components, or variable size tranches decided on the basis of the degree of implementation of actions for each tranche could be considered as alternative approaches.

6.16 The objectives of the capacity building dimensions of AAA should be more concisely determined and agreed with the Government prior to implementation. The experience with the PER for instance shows that AAA work can go on for a protracted period without having a significant impact on building government capacities because of a lack in clarity and common agreement on its purpose.

Annex A: List of Interviewees

Government Officials

Ministry of Capacity Building:

State Minister for Capacity Building
Director, Civil Service Reform Program Office
Director, District Level Decentralization

H.E. Hailemeleket Georgis
Kumlachew Aberra
Worku Yehualshet

MOFED:

Head, Multilateral Cooperation Department
Multilateral Cooperation Department
Multilateral Cooperation Department
Director, Budget Department
Head, Budget Department Admin & General Services
Head, Inspectorate Department
Director, Government Procurement
Head, Counterpart Fund Accounting Unit

Fisseha Aberra
Ato Dejene
Dr. Tesfaye
Melaku Kifle
Demelash Alem
Almaz Abebe
Tsegaye Abebe
Tesfaye Berhanu

Ethiopia Roads Authority:

General Manager
Deputy General Manager, Human Resources and Finance
Manager, Planning and Programming Division
Head, Road Inspectorate Unit

Zaed Wolde Gabriel
Gelaso Borie
Bekele Negussie
Tesfay Ayele

Ministry of Health:

Planning and Budgeting Department
Head, Human Resources & Training

Demis Tassew
Yohannes Tadesse

Ministry of Education:

Head, Planning and ESDP Secretariat
Civil Service Reform Program Office
Head, Higher Education Department

Sitotaw Yimam
Sileshi Legesse
Tinsae Gebre Giorgis

Others:

State Minister for Infrastructure
General Manager, Road Fund Administration
Agriculture Head, Oromiya Region Civil Service Reform Office

H.E. Haile Asegede
Desalegn Denbu
Dereje Dajne

Bank Country Office

Senior Country Operations Officer and Portfolio Manager
Senior Public Sector Specialist
Lead Highway Engineer
Lead Specialist Health
Senior Health Specialist
Senior Operations Officer, Education
Senior Financial Management Specialist

Herbert Acquay
Navin Girishankar
John Riverson
Anwar Bach-Baouab
Gebreselassie Okubagzhi
Getahun Gebre
Eshetu Yimar

Bank Headquarters

Ethiopia Country Program Coordinator AFCET
Senior Education Specialist AFTH3
AFTPR

Jill Armstrong
Gary Theisen
Rogerio Pinto

Representatives of International Development Agencies

UNDP, Assistant Resident Representative Governance
European Commission, Head of Economic & Social Sectors
UNICEF Representative
UNICEF Representative
Irish Embassy, Development Attaché
Ireland Embassy, Health Advisor
Netherlands Embassy, First Secretary Education
Canadian Embassy, First Secretary Cooperation

Jamshed Kazi
Tom Vens
Bjorn Ljungquist
Alex de Waal
Aiden Fitzpatrick
Seid Mohamed
Mieke Vogels
Jacynthe Rivard

Others

Project Manager, Restructuring of ERA
Deputy Team Leader, ERA DMO Capacity Building Project
Institutional Expert, ERA DMO Capacity Building Project
Chief of Party, Decentralization Support Activities Project
Chief Technical Adviser, Civil Service Reform Program
Public Expenditure Management Adviser, IMF East Afritac

Ben van Ampting
Alec Patterson
Paul Nicholson
Steve Peterson
William Kleiman
Duncan Last

Annex B: Documents and Projects Reviewed

A. Projects (FY)

Sectors			
<i>Roads</i>	<i>Education</i>	<i>Health</i>	<i>PFM/PSM</i>
Roads Rehabilitation Project (1992)	Seventh Education Project (1988)	Family Health Project (1988)	Structural Adjustment Credit I (1993)
Emergency Recovery Reconstruction Program (1992)	Education Sector Development Program (1998)	Health Sector Development Program (1998)	Economic Rehabilitation Adjustment Credit (2001)
Road Sector Development Project (1998)			Economic Structural Adjustment Credit (2002)
Economic Recovery Program (2001)			Capacity Building for Decentralized Service Delivery (2003)
Road Sector Development Phase (2003)			PRSC 1 (2004)
			Public Sector Capacity Building Program (2004)

B. Bank Country Assistance Strategy, Poverty Reduction Strategy Papers, and Analytical Reports (FY)

Country Assistance Strategy (CAS)	Poverty Reduction Strategy Papers (PRSP)	Analytical & Other Reports
1995 CAS	Interim PRSP (01/2000-03/2002) & Joint Assessment Vol. 1 (2001)	Transport Sector Memorandum (1997)
1998 CAS	PRSP & Joint Assessment Vol. 1 (2003)	Improving Transport to Reduce Poverty (2004)
CAS: Interim Support Strategy (2001)	First Annual PRSP Progress Report & Joint Assessment (2004)	Higher Education Sector Work (2004)
2003 CAS		Paramedical Manpower Study (2003)
		Public Expenditure Policy for Transition (1994)
		Public Expenditure Review (1997)
		Country Procurement Assessment Report (1998)
		Review of Public Finances (1998)
		Country Economic Memorandum (2000)
		Public Expenditure Review (2000)
		Woreda Study (2002)
		Municipal Decentralization in Ethiopia: A Rapid Assessment (2002)
		Issues in State Transformation: Decentralization, Delivery, and Democracy (Concept Note), (2003)
		Country Procurement Assessment Report (2002)
		Ethiopia Public Expenditure Review (2002)
		Ethiopia Country Financial Accountability Assessment (2003)
		Ethiopia Public Expenditure Review: Emerging Challenge (2004)
		Toward Poverty Alleviation and a Social Action Program (1993)
		Assessment of Selected Road Funds in Africa
		OED Review of the PRSP Project, Ethiopia Case Study and Desk Review
		OED Ethiopia Country Assistance Evaluation
		State Transformation and Capacity Building in Ethiopia (Quarterly Newsletter)
		Wage Rates and Job Queues: Does the Public Sector Overpay in Ethiopia?
		Regionalization (2000)

Annex C: Capacity Building Objectives and Achievements of Projects in Focus Sectors

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis from OED Team
ROADS				
Emergency Recovery and Reconstruction Program	Institutional/Organizational	Identify ERA's contract management needs and proposed institutional setup and system	Formed the basis for the re-establishment of the Contract Administration Division in ERA.	No assessment
	Organizational	Establish a resource planning system	Maintenance resource planning in ERA was improved.	No assessment
Road Rehabilitation Project	Institutional	Implement the axle load control system	The equipment for the weighbridges was bought, but the ICR does not comment on the planned TA input. ERA has assumed responsibility for enforcing the legal limits on axle loads and some progress was made in reducing overloading.	Though it has taken a long time to become effective, the axle load control system is now being gradually introduced with clear penalties for overloading and has been accepted by all stakeholders.
	Organizational	Establish a pavement management system (PMS) to program maintenance of the paved road network	Development and implementation of PMS and Road Functional Classification System have enhanced the capacity of ERA to better plan and manage the road network.	Since its introduction, the PMS has been effectively used by ERA staff to date (though it is now in need of software upgrading).
	Institutional/Organizational	Re-establish ERA's design department as well as preparation of new design manual and new standard specifications for roads	The design standards and technical specifications were developed and the manual prepared. ERA's capacity in designing road projects has substantially improved.	No assessment
	Human Resources	Train ERA staff in all relevant subjects	Forty-three staff from ERA and RRAs were trained in line with the plan. No assessment made of the impact.	Training has been helpful in strengthening the technical capacity of ERA and much of the trained staff has been retained by ERA to date.

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis from OED Team
RSDP Support Project	Institutional	Establish a Roads Inspectorate under ERA	PSR Assessment: The RIU Unit has developed guidelines for (i) functions and administrative procedures of the Unit, (ii) sector studies inspection, (iii) major works inspections, and (iv) maintenance works inspections. Short-term local and foreign training along with long-term postgraduate studies for five ERA staff has been provided. The Unit has carried out inspections on ongoing road contracts.	The Roads Inspectorate Unit was established (with 75 percent of planned staff strength). Inspections carried out by RIU were good quality, but mainly done by TA team. The ERA Board receiving reports never tabled them or acted upon them. RIU's sustainability questionable as operational budget was entirely provided by TA contract and now discontinued. The RIU's functions overlap with those of ERA Internal Audit and Road Fund Administration.
	Organizational	Improve ERA's financial management	PSR Assessment: TA support was effectively concluded with the consultant leaving in place of ERA's chart of accounts. ERA's audited accounts have been brought up to date.	The objective was met, but Bank funded consultant only partially completed assignment and left in connection with a dispute with ERA on software selection. GTZ took over TA support and completed the work.
	Institutional	Implement a Road Fund to support road maintenance programs	PSR Assessment: RF collections increased from ETB 160 million in 1997 to ETB 260 in 2002. Utilization increased from ETB 60 million to ETB 236 over the same period. Reasons for under-utilization are inadequate road maintenance capacity and focus on new construction rather than maintenance.	Road Fund and its administration established as part of RSDP preparation supported by Bank-Government policy dialogue. The RF is fully supported by government and has provided adequate financing (compared to utilization capacity)
Economic Recovery Program		No capacity building objectives		

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis from OED Team
APL Phase I Support for RSDP II	Institutional	Commercial system of management adopted by ERA with devolution to District Maintenance Organizations		No assessment made. Partly covered by objectives below.
	Organizational	Commercially oriented DMO Units delivering cost effective maintenance services		No Bank support identified.
	Organizational	Develop the capacity of RRAs and woredas for decentralized implementation of improvements to rural transport infrastructure, services and facilities		No assessment. Support in Inception phase.
	Institutional	Develop of public-private partnership in delivery and management of road network and services		Measures being taken by both government and Bank to facilitate domestic private contractor participation in bidding for IDA financed contracts. Support by training of ERA staff in procurement/ contract management.
	Institutional	Strengthen management and financing of maintenance		No assessment. Support in procurement stage.
	Organizational	Strengthen ERA's capacity in the areas of project planning, procurement, design reviews and approval, contract management, administration, social-environmental mitigation		No assessment. Support in preparation/procurement stage.
	Organizational	Improve environment and road safety management of the network		No assessment. Support in preparation/procurement stage.

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review
EDUCATION			
Seventh Education Project	Institutional/ Organizational	Improve management capabilities of relevance for MoE to implement project	Little impact on MoE capacity. ICR: planning and management capacity of MoE actually weakened. Support for EMIS was taken over by other donors.
	Institutional/ Organizational	Develop institutional capacity of the Commission of Higher Education/CHE	No impact
	Human Resources	Train MOE and CHE personnel according to an established plan	No impact on capacity building of MoE or CHE—only short-term training for limited staff in the PPD for managing project.
	Organizational/ Human Resources	Introduce innovative experimental short cycle programs at AAU	AAU established short courses for Human Resource Economics and Economic Policy Analysis, but failed to establish programs for Educational Management and Planning for Regional Government.
	Organizational/ Human Resources	Meet high level manpower requirements for managers and accountants	AAU managed to expand intake and reduce attrition rates. It failed to establish an MBA course. Three Ph.D. candidates sent abroad for studies in accounting and management.
	Institutional/ Organizational	Reform degree level teacher training	AAUs Faculty of Education took over degree level teacher training in 1997.
	Institutional/ Organizational/ Human Resources	Strengthen capacity to implement national examinations	National Organization for Examinations (NOE) established and equipped, bringing all examination related responsibilities under one authority. Four staff trained abroad, but no TA engaged for on-the-job training as planned.
ESDP I 1997-2002	Institutional	Implement decentralized education management functions at central, regional, zonal and woreda levels	Decentralization to regions effective to woredas partially effective due to admin staff vacancies of 50 percent in many woredas and high staff turnover in remote locations.
	Organizational / Human Resources	Strengthen regional capacity to adapt national policies and norms; reduce regional differentials in capacities in all areas	Training in education planning and management provided. Some regions (e.g. SNNPR) have developed own guidelines. Significant regional capacity differentials remain.
	Organizational / Human Resources	Improve capacity of central EMA and Regional EMUs for distance education	Capacity strengthened. 21,000 school teachers using distance education (in 2003) for obtaining diploma.

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review
ESDP I ²⁰ 1997-2002	Organizational / Human Resources	Strengthen MOE capacity to carry out research and policy development	The ability of the MOE Policy and Planning Department to prepare the ESDP II bears witness to improved capacity. Research capacity remains limited due to staff shortages in MOE. Policy studies and related analysis done mainly by consultants financed by Bank and EU.
	Organizational / Human Resources	Improve the planning and finance management capacity of MoE, including computerized accounts system and training in finance and procurement procedures	Training in procurement and finance management provided. Improvements noted, but planning and budgeting calendars not fully adhered to by federal and regions. Still no uniform classification and procedures that allow information to be consolidated in a routine manner across woredas and regions and with the federal level (it is anticipated this will be rectified with roll out of the new government chart of accounts and budget classification under EMCP in 2004/05).
	Organizational / Human Resources	Strengthen M&E capacity at all levels including management of information flows and quality of data analysis	Improvements made and annual education statistics booklet being prepared. However, capacity in MOE to collect, analyze, report and disseminate educational statistics remain critically weak.
	Organizational / Human Resources	Improve capacity in central ICDR and regions for curriculum reform and development	No assessment
	Organizational / Human Resources	Ensure that newly created NOE can effectively manage public examinations and has related research capacity	No assessment
	Human Resources	Increase capacity of teacher training institutions, colleges and faculties of education	Partly achieved. Two new Teacher Training Colleges established. Training of primary school teachers has achieved the target of 95 percent of teachers being qualified, but has been unable to produce enough teachers to cope with rising enrolment.

²⁰ The objectives in the table are spelled out in the Bank's PAD for ESDP support May 1998 and in the Ministry of Education's ESDP Action Plan June 1999.

Project	Capacity Building Category	Objective	Achievement of objectives (Based on JRM and PSR 2003 and interviews)
	Human Resources	Improve teacher retention through periodic salary review and incentive packages for remote locations	Incentive package introduced and retention improved.
ESDP II	Institutional/ Organizational	Identify capacity building needs and means for improved management of a much wider and diverse phase of the education sector project	ARM/JRM continued to identify capacity development needs in the absence of more comprehensive needs assessment work recommended by donors. Government transfers of capacity building responsibility to new MCB under the PSCAP. The “prototype capacity development matrix” for education sector remains too generic.
	Institutional	Devolve responsibility to Woredas for operational planning, budget allocation and budget control. Establish Woreda Education and Training Boards for resource management including teachers	MoE responsibility for higher education, and Regional and Woreda responsibility for secondary, primary and non-formal education determined. Block grant system to woredas introduced. Woreda Education and Training Boards established. Financial management guidelines produced in some regions. Decentralization of budgets to woredas increasing difficulty in obtaining expenditure data.
	Institutional	Establish Kebele Education and Training Boards and Parent-Teacher Associations for links to communities	PTAs established and taking on many functions but not properly trained. Block grant system to schools not implemented in many locations due to lack of financial management capacity at school level.
	Institutional	Participation of local communities, private sector and NGOs in educational planning & management	Increased community participation and open promotion of private sector and NGO participation, ‘MoE Guidelines 2002’. ²¹
	Institutional	Improve coordination and harmonization of Government-donor activities and procedures	ESDP secretariat as a functioning unit under MoE to facilitate work for ARM/JRM and studies and technical studies. Pooled TA fund established in 2004. No other pooled arrangements in place yet.
	Human Resources	Train for education managers and project associated staff at all levels	Prototype Capacity Development Matrix developed but not yet considered satisfactory. Customized WBI course ‘Strategic Choices of Education Reform’ (SCER) developed as concept but not yet offered.

²¹ Guideline 2002 = “Guideline for Organization of Educational Management, Community Participation and Educational Finance (August 2002)”.

Project	Capacity Building Category	Objective	Achievement of objectives (Based on JRM and PSR 2003 and interviews)
HEALTH			
Family Health Project	Organizational/ Human Resources	Support the ID of the central MoH through strengthening its PPD and 5 key units (after 1994 restructuring)	Restructuring of the project substantially changed the scope and coverage of its capacity building goals, as primary emphasis was given to the construction of physical facilities (health stations, health centers).
	Human Resources	Train personnel (partly funded by the WB)	Imbalance between expanded facilities on the one hand and availability of trained manpower and budgetary resources for operations on the other hand, resulted in the continued shortage of personnel to run health services and funding to utilize the established training facilities.
HSDP	Institutional	Implement Health Care Financing Strategy to improve sector efficiency and generate additional revenue for direct financing of sector	Did not formulate a cost sharing strategy and did not implement scheme. Draft legislation for a Health Fund was prepared but not approved. As decisions were not taken, the Health Care Financing initiative stayed at the analysis stage.
	Institutional	Restructure of the health services into a four-tier system that is managed in a decentralized, participatory and efficient manner Sub-objectives included:	The HSDP framework for planning and management has been used at federal and regional level, but not at zonal, woreda and health facility levels. Target setting at the latter levels not linked to strategy, activity and resource planning. The four-tier system was not instituted as per plan.
	Institutional	*Devolve management authority and responsibility to lower levels	Health service management capacity has not improved as envisaged. Many MOH posts have remained vacant for long periods, and four major regions instructed to transfer 40-60 percent of staff to lower levels. No improvement at all in emerging regions.
	Human Resources	*Establish service standards for NGO and private sector health institutions *Improve skills in policy formulation, planning and budgeting, financial management, and program implementation, M&E for staff in MOH, regions and partially for lower levels	Communities are represented in regional, zonal and woreda councils, but community co-management of facilities appears to be a forgotten objective. HSDP I did not formulate a strategy for participation of private sector and NGOs in health service provision and did not take these non-public actors into account in service planning (other than including an NGO representative in the CJSC).
	Organizational	*Revise 23 training curricula to include management subjects	Management training limited and has virtually ceased. Health service management not included in pre-service training curricula.
	Institutional/ Organizational	Strengthen pharmaceutical sub-sector regulation and management to ensure regular availability and rational use of safe and affordable drugs	Drugs Administration and Control Department reorganized into autonomous agency under MOH. Pharmaceutical Administration and Supply Services reorganized out of involved MOH department. Its procurement capacity assessed in 2002 to be able to undertake international procurement complying with acceptable standards. Development of standardized procurement and logistics procedures to satisfy government and ALL donors' requirements, not achieved, but preparatory steps taken.

Project	Capacity Building Category	Objective²²	Achievement of Objectives (Based on HSDP I Final Evaluation 2003²³)
	Institutional/ Organizational	Strengthen health sector monitoring through improved collection and documentation of health information	The HMIS system has made little progress due to lack of a national HMIS strategy, the existing being too ambitious and lack of staff resources for implementation (only 1 of 5 positions in HMIS unit filled). However, the few reports produced by HMIS are not being properly used for policy and planning purposes.
	Human Resources	Develop an acceptable number and mix of health personnel who are properly and appropriately trained, deployed, managed and retained	<p>Training capacity expanded and strengthened:</p> <ul style="list-style-type: none"> • 2 existing institutions started diploma/degree courses; • 4 new schools established; • 6 institutions rehabilitated and 2 expanded; • Training materials, teacher training and curricula revisions. <p>Large numbers of staff trained. Staff remuneration is considered adequate due to salary increases and incentive schemes. Exceptions are doctors and management staff that leave remote locations. However, HR planning and management remains critically weak, leading to over-production of some cadres, gross shortages of others, serious mal-distribution of staff between and within regions. Complex staff categories in nursing and mid-wifery not resolved. Regional Training Centers were closed down due to staff deployment and reorganization of RHBs.</p>

²² Objectives as presented in the Government's HSDP Program Action Plan October 1998 and the Bank's HSDP support PAD September 1998.

²³ Report on the Final Evaluation of HSDP I, 3rd March 2003

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis by OED Team
PUBLIC FINANCIAL MANAGEMENT				
Structural Adjustment Credit	Institutional	Complete civil service review as agreed in the PFP	Completed with 28 months delay.	No assessment
	Institutional	Initiate first round of public expenditure review and implementing its recommendations in the government budget of 1994/95 and introducing a three-year rolling public investment program	The PER condition was met. The FY95 budget incorporated all specific measures agreed at the completion of the PER 1994. The Government adopted a 3-year PIP as the main instrument for ensuring an appropriate balance between different categories of expenditure, improving predictability of resource availability and improving selection of investment projects.	PIP continued to function as a government instrument until recently, when the SDPRP is providing a new framework.
	Institutional	Strengthen auditing and accounting capabilities based on an agreed action plans for computerization of core economic agencies and statistical offices	Completed prior to Board approval	No assessment
Civil Service Reform and Capacity Building	Institutional/Organizational	Objective as revised in 1998: Revise procurement legislation and directives, finalize an applications manual and start preparation of a consolidated procurement code	<i>ICM</i> : Planned activities were completed (except not the procurement code), including seminars for officers and trainers, training materials and equipment purchases.	The project did not originally have this objective, which essentially implemented most of the recommendations of the CPAR 1998, but impact was not noted until 2003.

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis by OED Team
ERSC	Institutional	Multi-year planning and budgeting functional at the federal and regional levels	The intent of the component has not been advanced despite the eventual compliance with most of the credit's prior actions	Carried over to ESAC
	Institutional	Improve predictability and timely availability of funds by adhering to firm financial calendar	The intent of the component has not been advanced despite the eventual compliance with most of the credit's prior actions	Carried over to PSRC I
	Institutional	Integrate capital and recurrent spending budgets	The intent of the component has not been advanced despite the eventual compliance with most of the credit's prior actions	Carried over to ESAC
	Organizational	Improve timeliness of accounts preparation, reporting and audit for increased transparency	The modest prior actions related to closure of federal and regional accounts as well as federal audits were carried out without delays. Government has since moved well beyond ESAC targets	Carried over to ESAC
	Organizational	Improve financial information management system (FMIS) for efficient public expenditure management	No specific comments made	Little progress made. Mainly supported by studies and piloted by the EU.
ESAC	Institutional	Introduce medium-term planning and budgeting at the federal and regional levels	The intent of the component has not been advanced despite the eventual compliance with most of the credit's prior actions	

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis by OED Team
ESAC	Institutional	Integrate budgeting and planning of recurrent and capital expenditure	The intent of the component has not been advanced despite the eventual compliance with most of the credit's prior actions	
	Organizational	Improve monitoring of financial management practices through timeliness of accounts preparation and auditing	The modest prior actions related to closure of federal and regional accounts as well as federal audits were carried out without delays. Govt. has since moved well beyond ESAC targets	
CBDS	Institutional	Improve prioritization of public expenditures at the federal level and in participating local governments		No impact of project to date
	Institutional	Increase cost-efficiency and financial sustainability in participating federal and regional ministries, agencies and bureaus and local governments		No impact of project to date
PRSC I	Institutional	MOFED issuance of directive on financial calendar as well as related Cabinet approval of MEFF for 2004/05-2006/07 and MOFED issuance of indicative planning figures for federal subsidy and specific purpose grants to regions		Completed by government prior to PSRC I Board presentation
	Institutional	Issuance of circular on devolution of procurement responsibilities from MOFED to federal budgetary institutions		Completed by government prior to PSRC I Board presentation

Project	Capacity Building Category	Objective	Impact Analysis from ICR and OED Review	Impact Analysis by OED Team
PRSC - I	Institutional	Adopt new chart of accounts by Regional Cabinets for four regions		Completed by government prior to PSRC I Board presentation
	Institutional	Enable legislation to assign expenditure and revenue responsibilities to municipalities enacted in 4 regions and Addis Ababa		Completed by government prior to PSRC I Board presentation.
PSCAP	Intuitional & Organizational & Human Resource	Improve Expenditure Management and Control (with 8 sub-objectives each to be applied at federal and regional levels)		
	Intuitional & Organizational & Human Resource	Improve accountability and transparency (with 4 sub-objectives each to be applied at federal and regional levels)		Bank project not yet effective
	Intuitional & Organizational & Human Resource	Build capacity for woreda planning and financial control (with 3 sub-objectives)		Bank project not yet effective
	Intuitional & Organizational & Human Resource	Two sub-objectives under Urban Management Reform		Bank project not yet effective

Annex D: Capacity Building Objectives and Achievements in Projects Outside Focus Sectors

Project Details				Timing		Institutions receiving assistance	Type of Support	Amount of Support (\$ m)		Institution al Impact
No.	Name	Type	Amt.	Apvl.	Exit			Planned	Actual	
P000758	Calub Energy Development Project	IDA Credit	74	Feb 94	Dec 00	Ministry of Mines and Energy; Poverty Alleviation Credit Scheme	Consultancies and training	8.9	3.7	Modest
P000752	Seed Systems Development Project	IDA Credit	22	Apr 95	Sep 02	National Seed Industry Agency; Ethiopia Seed Enterprise; Alemaya University of Agriculture; Institute of Agricultural Research; Ethiopian Standards Authority; Regional Agricultural Bureaus; (Private sector producers / traders)	Training and TA	13.8	9.0	Modest
P000753	Fertilizer Sector Project	IDA Credit	120	Apr 95	Jun 02	Ministry of Agriculture; National Fertilizer Industry Agency; Ethiopia Quality and Standards Authority; Extension services and cooperative retail network	Short-term TA, in-country training, overseas study tours, fellowships management and accounting systems	5.3	8.6	Modest
P073307	Calub Energy Development	IDA Credit	44	May 01	FY02					Modest
P000764	Water Supply Development & Rehab.	IDA Credit	35.7	Mar 96	Jun 00	Ministry of Water Resources; Regional Water Dev Bureaus; Addis Ababa water & Sewerage Authority	Studies, TA, and training,	12.2		Substantial

Project Details				Timing		Institutions receiving assistance	Type of Support	Amount of Support (\$ m)		Institutional Impact
No.	Name	Type	Amt.	Apvl.	Exit			Planned	Actual	
P000736	Energy II Project	IDA Credit	200	Nov 97	Jan 04	Ministry of Mines and Electricity; Ethiopian Electric Power Corporation EEPCCO	Study tours, TA, studies, training, and regional framework implementation	5.1		No assessment
P000733	Agricultural Research and Training	IDA Credit	60	May 98	Mar 05	Ethiopian agricultural research Organization; Alemaya University of Agriculture; various research centers	TA and training	21.7		No assessment
P050342	Women's Development Initiatives Project	IDA Credit	5	Jul 00	Aug 05	Women's Affairs Office and Bureaus Other stakeholders	Capacity building, IEC and M&E	1.5		No assessment
P073196	Emergency Demobilization & Reintegration	IDA Credit	170.9	Nov 00	Dec 03	Project management units		21		No assessment
P069886	Ethiopia Multi-sector HIV/AIDS Project	IDA Credit	59.7	Aug 00	Jan 04	National AIDS Council; various government agencies; (NGOs, private sector and CBOs)	Training and consultancies for implementation management	10.2		No assessment
P067084	Emergency Recovery Project	IDA Credit	excl roads 144; (total 230);	Nov 00	Dec 03	Federal and regional PIUs; unspecified assistance to woredas and lower admin level	Consultants, equipment, training, and vehicles—for PIU. None for roads	2.4 1.6		No assessment
P057770	Cultural Heritage	IDA Credit	5.0	Mar 02	Jan 07	Authority for research and conservation of cultural heritage (NGOs, and individual artisans)	Workshops and training; technical and business advice to artisans	5		No assessment

Project Details				Timing		Institutions receiving assistance	Type of Support	Amount of Support (\$ m)		Institutional Impact
No.	Name	Type	Amt.	Apvl.	Exit			Planned	Actual	
P052315	Conservation and Sustainable use of medicinal plants	IDA Credit	2.6 GEF grant - 1.8	Jan 01	Jun 05	Institute of Biodiversity Conservation and Research, and others	Institutional strengthening, HRD and project M&E	0.8		No assessment
P050383	Food Security Project	IDA Credit	85	May 02	Jun 09	4 regions, plus woredas and kebeles	Grants to woredas, regions and federal ministries	17.52		No assessment
P049395	Energy Access Project	IDA Credit	132.7	Jun 02	Dec 07	EEPCO; Ethiopian electric agency; Proposed Rural Electrification Secretariat; (Private sector enterprises; Farmers associations)	Institutional capacity including contingencies	6.1		No assessment
P081773	Emergency Drought Recovery Project	IDA Credit	60	Mar 03	Jun 06	Ministry of Rural Development, Food Security Department (PIU); Regional and woreda level (unspecified, insignificant)	TA	1.1		No assessment
P076735	Water Supply & Sanitation	IDA Credit	100	FY04		Not analysed	Not analyzed			No assessment
TOTAL			1.35 billion					138 million		

Annex E: OED Ratings on Completed Projects in Ethiopia

Project	Outcome	Institutional Dev.	Sustainability	Borrower Performance	Bank Performance
<i>In the four sectors selected for this study:</i>					
SAC - I (*)	Satisfactory	Modest	Likely	Satisfactory	Satisfactory
ERRP (*)	Highly Satisfactory	Modest	Likely	Highly Satisfactory	Highly Satisfactory
Education VII	Unsatisfactory	Negligible	Uncertain	Unsatisfactory	Unsatisfactory
Family Health	Marginally Satisfactory	Modest	Likely	Satisfactory	Satisfactory
Road Rehabilitation	Satisfactory	Substantial	Likely	Satisfactory	Satisfactory
ERSC (*)	Marginally Satisfactory	Modest	Likely	Satisfactory	Satisfactory
ESAC (*)	Marginally Satisfactory	Modest	Likely	Satisfactory	Satisfactory
<i>In other sectors:</i>					
Second Addis Ababa Urban Development	Unsatisfactory	Modest	Unlikely	Satisfactory	Mixed
Calub Energy Development	Unsatisfactory	Modest	Unlikely	Unsatisfactory	Unsatisfactory
Seed Systems Development	Marginally Unsatisfactory	Modest	Likely	Satisfactory	Mixed
Fertilizer Sector project	Unsatisfactory	Modest	Unlikely	Satisfactory	Unsatisfactory
Water Supply Development and Rehabilitation	Marginally Satisfactory	Substantial	Likely	Satisfactory	Satisfactory

(*) Only part of the operation covered one of the four focus sectors.