Report Number : ICRR14257

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 12/03/2013		
Country :	Ethiopia			
Project ID :	P074020		Appraisal	Actual
Project Name :	Public Sector Capacity Building Program Support Project (PSCAP)	Project Costs (US$M):	397.8	262.8
L/C Number :	C3899	Loan/Credit (US$M):	100.00	129.5
Sector Board :	Public Sector Governance	Cofinancing (US$M):	297.8	133,3
Cofinanciers :	UNDP, CIDA, SIDA, DFID, Italy, EU, Ireland	Board Approval Date :		05/11/2004
		Closing Date :	07/07/2009	12/31/2012
Sector(s):	Sub-national government administration (60%); Central government administration (30%); Law and justice (10%)			
Theme(s):	Municipal governance and institution building (20% - P); Tax policy and administration (20% - P); Public expenditure; financial management and procurement (20% - P); Decentralization (20% - P); Administrative and civil service reform (20% - P)			

Prepared by :	Reviewed by :	ICR Review Coordinator :	Group :
Nestor Ntungwanayo	Fareed M. A. Hassan	Christopher D. Gerrard	IEGPS2

2. Project Objectives and Components:

a. Objectives:

The objectives of the project were to (i) improve the scale, efficiency, and responsiveness of public service delivery at the federal, regional, and local level; (ii) empower citizens to participate more effectively in shaping their own development; and (iii) promote good governance and accountability. [Project Appraisal Document (PAD), p. 2]. A similar description of project objectives was provided in the loan agreement [Development Credit Agreement (DCA), p. 17.]

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

The project had two main components, one implemented at the federal level, and a second one at the regional level. The two components had similar sub-components to be implemented at federal and regional levels. Hereunder are described the objectives of the main and sub-components, as well as costs at appraisal, and actual costs (all costs for sub-components were provided after ICR submission).

(i) **Component I: Federal PSCAP: $20 million at appraisal, with actual costs of $37.9 million**
This component supported federal level activities across each of the six sub-programs including those

capacity building activities for which there are scale and network economies, including the ones that required national level prototyping. The component was required to include basic program support activities to ensure effective implementation

(ii) Component II: Regional PSCAP: $80 million at appraisal, with actual costs of $91.6 million
This component constituted the bulk of the Program and was designed to empower regions to adapt and implement national reform and capacity building priorities envisaged under PSCAP's six subprograms in a manner that is efficient, accountable, and sustainable.

[redacted]

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Total costs of the project were estimated at $397.8 million at appraisal, with specific contributions expected from the borrower ($137.5 million), other donors ($160.3 million), and the Bank ($100.0 million). The Bank's contribution was an IDA special investment credit approved on May 11, 2004 in an amount of $100.00 million and made effective on November 22, 2004.

An IDA Additional Financing (AF) credit of $50 million was made effective in July 2010 and aimed at closing the financing gap created by budget shortfalls on funds expected from the borrower's and other donors' contribution, and the redeployment of $20 million from the project to respond to a food crisis in Ethiopia in 2009. Other amendments to the original project included the extension of the closing date from July 7, 2009, to December 31, 2012, and the establishment of a level of certainty and predictability in project finances for lagging regions.

In February 2012, there was a final restructuring of the loan to reallocate the equivalent of $10 million from the regional component to the federal component to help manage procurements of capital intensive systems on behalf of the national government that were implemented country-wide. The project was closed on schedule on December 31, 2012 with an actual disbursed amount of $262.8 million, of which $129.5 million came from the Bank, $67.8 million from the borrower, and $65.5 million from other donors.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Relevance of objectives was high.

This project was underpinned by lessons learned from the Bank's ESW and Ethiopia's experience in building capacity, and from international experience. It was predicated on displayed commitment and leadership by the Government in pursuing the project objectives, and the support of a group of donors willing to support state transformation in Ethiopia.

Capacity building across the public, private, civil society, and higher education sectors was a key pillar of Ethiopia's poverty reduction strategy, the Sustainable Development and Poverty Reduction Program (SDPRP) adopted in 2002. As an integral part of the SDPRP, the Government responded with the launch of a comprehensive homegrown National Capacity Building Program (NCBP) as a multi-sectoral, inter-governmental program response to the capacity building demands of rapid transformation. The Ministry of Capacity Building, was established in 2001 to provide policy direction, coordination among other partner institutions as well as monitoring and oversight of capacity building efforts.

The PSCAP served as one of the three multi-sectoral programmatic instruments to support Ethiopia within the Bank's 2003-05 CAS, on top of the PRSC series, and the Local Investment grant program. The PSCAP was based on IDA's strategic decision to help the Government clarify the rules of the games for large-scale capacity building support, and strengthen Ethiopia's inter-governmental fiscal system.

This project was inspired by the national poverty strategy and aimed at addressing country priorities in building domestic technical capacity, and was at the core of the Bank's CAS for Ethiopia. The project objectives remained valid at the project closure, as the Government committed to pursue the reform program on own resources.

b. Relevance of Design:

Relevance of design was substantial.

The results framework of the project was developed in the Annex I of the PAD on pp. 50-54. The results matrix was strong and detailed. It delineated the results chain of the operation from the project components, through the project outputs, the outcomes and the development objectives. However, the results chain had two weaknesses: (i) it didn't have baseline data nor the target indicators at the closure of the project, (ii) while the first project restructuring provided some progress toward outcome, the omission of initial target indicators was not totally corrected. Furthermore, the project design was complex with too many components (14) and too many sectors in the Bank-supported program (6) as well as multiple levels of governments and implementing agencies such as the Ministries of finance, capacity building, justice and so on. With some 16 PDO indicators and over 27 intermediate indicators, the project was very complex to manage.

4. Achievement of Objectives (Efficacy):

Objective I: To improve the scale, efficiency, and responsiveness of public service delivery at the federal, regional, and local level: Substantial

Progress towards the first objective when the project closed was as follows:

Predictability and adequacy of financial resources flows had increased as the variation between budgeted and actual expenditures narrowed to 4% between 2004 and 2012, and the domestic revenue transfer from the federal state to the regions increased from 51.6% in 2004/05 to 79.9% in 2012/13.

Revenue performance and fiscal autonomy were enhanced as illustrated by (i) an increased own revenues and unconditional transfers as a share of total expenditures at sub-national levels, and (ii) an achieved nationwide tax collection target for 2011/12 of 112%. Nominally, this has increased 5 times and doubled in real terms. The tax to GDP ratio improved from 11.6% in 2004/05 to 12.4% in 2012.

Regarding the enhanced incentive environment for public servants, the project had no activity that was directly related to improving incentives to civil servants. However, the age decompression ratio was 1:9.8 in 2004/5; using the civil service base salary, wage decompression ratio was 1:32.6 in 2011/12, which shows that salary for skilled staff has improved relative to the non-skilled state employees.

Toward improved quality and efficiency of operations: (i) 88% of the local jurisdictions surveyed in 2011 are providing basic services (health, education, agriculture and water supply) as a result of the devolution of power, thus improving access to services & responsiveness through participatory planning, and (ii) the reduction in unit cost for 3 sectors has been achieved. Although reduction has not been achieved for primary health & education, there has been significant improvement in the number of health workers, teachers & textbooks, and (iii) average processing time for tax collection was reduced to 15 minutes, and for opening files in courts to 24 minutes, and the average clearance rate for courts nationwide has increased to 98%.

In summary, predictability and adequacy of the government's financial resources significantly improved, revenue performance and fiscal autonomy at sub-national levels was enhanced, and quality and efficiency in the provision of basic services at sub-national levels were scaled up. However, while wage decompression improved, the incentive environment for public servants stagnated.

Objective II: To empower citizens to participate more effectively in shaping their own development: High

Toward the above objective, inclusiveness and transparency of planning and prioritization processes were stepped up through: (i) civil society involvement in plan preparation and monitoring that has become an established practice through its membership in the Village Inspection Team and consultation with CSOs and private sector at federal level, and (ii) voluntary biannual public meetings on preparation and execution of plan and budget that has become an established practice at the village level, and production of annual public performance/audit reports to the federal, regional & local councils.

In all, empowerment of citizens has improved through increased civil society participation and consultation at the federal level, and establishment of new public meetings devoted to gathering inputs from citizens and production of audit reports at all levels of government.

Objective III: To promote good governance and accountability: Substantial

Progress toward improved transparency and accountability was reflected in the status of the following outcome indicators:

An independent assessment of the civil service reform noted that given the very low civil service salaries & declining public sector real wages, in the absence of the reform, it was probable that petty corruption would have been much higher;

An increase in the number of formal, social, and mobile courts as well as the introduction of e-litigation have improved access to justice. The number of courts increased from 850 to 942, an additional 15,452 social courts were re-established to handle small claims, and mobile benches were introduced in 4 regions. Over 36,000 cases were e-litigated through video-conferences in 7 regions and at the federal level.

The Judicial Administration Commission is now independently organized, judge nomination has become fully merit-based and the legal education was reformed to include exit exams, on-the-job training before joining the workforce and curriculum was revised. The right to information was enacted and the Office of the Ombudsman was designated as the implementer of the Act. In addition, information officers are in place in all offices including district managers who provide information and address complaints.

In conclusion, there was measurable change in modernizing the justice system through better infrastructure, e-litigation and merit-based staffing and on-the-job training, increased independence of, and access to the courts, and improvement in dispute resolution mechanisms. However, the evidence showing change related to the degree of corruption was lacking in the ICR.

5. Efficiency:

Efficiency was modest.

A quantitative analysis of the economic return was not applicable for this project. Nevertheless, there were operational and administrative efficiencies and shortcomings that were linked to the design choices and project implementation approaches.

On the positive side, efficiency in the project implementation can be illustrated by the ICR evidence provided below: (i) use of public sector training institutions has increased in-house trainers from different organizations through training of trainers and establishing courses for critical skills in the public

sector; (ii) establishment of courses on urban management, tax and customs in Ethiopia has reduced the cost of training overseas significantly; (iii) investment in video-conferencing infrastructure made by the project has resulted in important savings by allowing meetings and training sessions to happen in duty stations; (iv) savings have been made from automation of services and processes, (v) centralization of capacity building activities requiring national level prototyping at the federal level has brought about significant savings by leveraging the relatively high skilled labor at the federal level for complex prototypes and creating consistency across tiers of government; and finally (vi) the latest Interim Financing Report (IFR) reported that operational costs for the project were 7.6% of total costs. This is relatively good performance, particularly given its outreach in terms of sectors, implementing agencies and different tiers of government.

On the negative side, the project lacked proper and detailed budgeting and costing. The initial PAD had no budgets for sub-components. Envelopes of $80 million and $20 million were earmarked to fund the federal and regional portions of the project, respectively. The two restructuring instances were not used to correct this weakness. Actually, the last restructuring that reallocated $10 million was an illustration of the absence of a budgeting and costing effort in the design and implementation of the project. Even the ICR didn't account for the use of resources at the sub-component level.; estimates were provided on request after issuance of the ICR.

On balance, efficiency of this project is rated as modest, mainly because of total absence of budgeting, costing and reporting at the sub-component level.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Outcome was satisfactory

The relevance of objectives was **high**, because the project was informed by lessons learned from the Bank's ESW and Ethiopia's and international experience in building capacity. The project was also inspired by the national poverty strategy, aimed at addressing country priorities in building domestic technical capacity, and was at the core of the Bank's CAS for Ethiopia. The relevance of design was **substantial**, because while the results matrix was strong and detailed, the framework didn't have baseline data or information, or target indicators. Furthermore, the project was very complex to manage. Achievement of first objective was **substantial** because predictability and adequacy of the government's financial resources significantly improved, revenue performance and fiscal autonomy at sub-national levels was enhanced, and quality and efficiency in the provision of basic services at sub-national levels were scaled up. However, while wage decompression improved, the incentive environment for public servants stagnated. Performance toward the second objective was **high**, because empowerment of citizens has improved through increased civil society participation and consultation at the federal level, and establishment of new public meetings devoted to gathering inputs from citizens and production of audit reports at all levels of government. Achievement of the third objective was **substantial**, as there was significant change in modernizing the justice system through better infrastructure, e-litigation and merit-based staffing and on-the-job training, increased independence of, and access to the courts, and improvement in dispute resolution mechanisms. However, the evidence showing change related to the

degree of corruption was lacking in the ICR.

Efficiency of the project was modest. While there were operational and administrative efficiencies, there was total absence of budgeting, costing and reporting on the sub-component level of the project.

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Risk to development outcome is rated as moderate

The government expressed its willingness and commitment to continue working on public sector capacity building and governance issues with its own resources and grants. There is significant demand, especially from the regions where 80% of resources were spent, for sustaining and expanding public services. Therefore, there will be tremendous pressure on the government to come up with adequate resources to meet this demand after the closure of the project. The issue is whether the government will be able to meet the demand without additional support from development partners.

The ability of the public sector to motivate and retain well qualified professionals is weak, with the resultant staff turnover. The government has introduced a number of human resource management (HRM) rules and regulations recently, but it is too early to gauge their impact on staff retention. The study on staff turnover currently being undertaken by the World Bank, at the request of the Government, will provide information and options to the Government in dealing with the problem.

The government has signaled that it is still committed to supporting the program after the Bank's support stopped in December 2012 and has allocated budget resources to support project reforms, in addition to appointing a Deputy Prime Minister to coordinate the reform agenda. Moreover, resources from the donor community are still available in the account that funded the reform program, this indicating that there is a good starting point to safeguard project outcomes and move ahead with the reform agenda.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

Quality at entry was satisfactory

A rich body of analytical work in the Bank's country program underpinned the identification of the PSCAP. The project built on lessons learned from Bank's ESW and Ethiopia's experience in building capacity in the public sector, and from international experience as well.

The project was in harmony with the national poverty strategy (SDPRP) and aimed at addressing country priorities in building technical capacity in the public sector, and was at the core of the Bank's CAS for Ethiopia.

During preparation and appraisal, the Bank took into account the adequacy of project design and all major relevant aspects, such as technical, financial, economic, and institutional, including procurement and financial management.

Major risk factors and lessons learned from other earlier projects in building capacity in the public

sector were considered and incorporated into the project design. Project preparation was carried out with an adequate number of specialists who provided the technical skill mix necessary to address sector concerns and a good project design.

However, the absence of budget and costing of project sub-components was a shortcoming at this phase of the project preparation.

Quality-at-Entry Rating : Satisfactory

b. Quality of supervision:

The ICR reported on four key areas that were covered by the Bank's supervision work:

Monitoring and problem identification and coordination : The project was adequately supervised and closely monitored through regular administrative procedures such as implementation support missions and several independent reviews and studies. The Bank's procurement and financial management staff worked with implementing agencies' staff to explain the rules and procedures to be applied during project implementation, with regard to procurement of goods and works, and selection of consultants, accountants and auditors. The task team regularly alerted the Government of Ethiopia and implementing agencies about issues found during project execution, and facilitated prompt corrective action.

Generating knowledge for learning and informing implementation: A number of independent assessments and in-depth reviews on the overall program and specific elements of the reform were conducted to bring experiences from other countries to strengthen the program implementation. The team has also supported the establishment of training on procurement of goods and consultants with the Ethiopia Management Institute using the PSCAP Facility to ensure ownership and sustainability of training.

Fostering ownership and coordination: The team helped in establishing a "PSCAP Managers' Network" to stimulate dialogue and decision making by creating a forum for mutual responsibility and accountability among important actors, including the political and technical staff involved in the program as well as donors. The team was inclusive in the way it did their business. The relationship between the Government of Ethiopia, the Bank and donors was managed as per the signed MOU among themselves.

Strengthening results orientation: The task team focused on the project's development impact. Despite the large number of indicators, the team was able to collect the necessary data to measure achievement of results. The team continuously supported the government to make use of results-oriented participation and performance agreements that linked the activities to the outputs and outcomes.

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government included 4 cabinet ministries (Finance, Communication, Urban development, and Justice), the Federal Supreme Court, the Revenue Authority, and sub-national governments at regional and district levels. Given the project's complexity, the responsibility of coordinating all these actors and managing procurement, financial management and M&E was daunting and as a result the project implementation had a slow start in the initial years, but picked up speed after the mid-term review.

Since project preparation, the government demonstrated commitment to the project and consistently maintained it throughout the implementation. In particular, the Government was committed to ensuring sustainability of the capacity development activities because it understood that it was the best way of ensuring continued social and economic development. Government officials worked closely with the Bank's project team on a continual basis, and cooperated fully with the task team.

The government disbursed only US$67.8 million against a pledged amount of US$137.0 million, but this had no significant impact on the achievement of the project objectives and outcomes as compensation came from other sources of funding and the additional World Bank financing. The government remained committed to supporting the program after the Bank's support stopped in December 2012 and has allocated budget resources to support project reforms, in addition to appointing a Deputy Prime Minister to coordinate the reform agenda.

Government Performance Rating	Satisfactory

b. Implementing Agency Performance:

Implementing Agency Performance Rating :	Not Applicable
Overall Borrower Performance Rating :	Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The results framework was comprehensive and comprised project components, outputs and outcomes, and the development objectives. However, the results chain didn't have baseline data or target indicators at the closure of the project. While the first project restructuring provided some progress in this regard, this initial omission was not corrected.

The absence of costs and budget for sub-components in the PAD precluded the possibility to monitor and analyze the use of planned resources.

b. M&E Implementation:

The project was adequately supervised and closely monitored through regular administrative procedures such as implementation support missions and several independent reviews and studies.
A number of independent assessments and in-depth reviews on the overall program and specific elements of the reform were conducted to bring experiences from other countries to strengthen the program implementation.

The team also used the mid-term review to effectively address the key challenges around planning, M&E as well as procurement management. In addition, the task team was proactive in conducting supply and

demand side surveys to stay relevant to the issues that are important to the citizens and local governments. The team, however, missed the opportunity to streamline the indicators on incentives during the preparation of the additional financing credit.

c. M&E Utilization:

Despite the large number of indicators, the team was able to collect the necessary data to measure the achievement of results. The team continuously supported the government to make use of results-oriented participation and performance agreements that linked the activities to the outputs and outcomes.

The task team regularly alerted the Government of Ethiopia and implementing agencies about issues found during project execution, and facilitated prompt corrective action.

M&E Quality Rating : Substantial

11. Other Issues

a. Safeguards:
None

b. Fiduciary Compliance:

At the initial stage of the project, there were delays in submitting audit reports and an audit was qualified once. The audit report for the year ended July 7, 2007 was submitted to the Bank after eight months of delay and was qualified due to the failure to observe cut-off dates, recording expenditures in the wrong financial year, and due to large advances and payables. However, for the subsequent years, the timeliness of submitting audit reports improved (ICR, para. 52). The project's external audits from time to time reported weaknesses in the internal control systems, and annually the project worked towards fixing these weaknesses. Areas of weaknesses were mostly systemic, with the exception of weak monitoring of advances, non-existence of internal audits, and poor coordination between implementing agencies (ICR, para. 117).

In the area of procurement, some of the major problems which were encountered included lack of procurement personnel at all levels, low level of salary structure, and the consequent high level of staff turnover, as well as lack of familiarity with the Bank's procurement rules and procedures. At the initial stage of the project, the procurement aspect of the project was characterized by a considerable delay in the procurement processing of the ICB contracts. After the mid-term review, several measures were taken to improve the project procurement performance.

c. Unintended Impacts (positive or negative):
None

d. Other:
None

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	

Bank Performance :	Satisfactory	Satisfactory	
Borrower Performance :	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

Key lessons from the implementation of the project were laid out in the ICR as summarized below:

(i) Appraisal of Bank's projects has to first seek a high degree of alignment with government priorities and securing political buy in. Much energy has to be invested in project design, and in the early days of the project, to understand the government's vision and thereby secure a high degree of alignment, and in continuing to secure political commitment to the program.

(ii) Bank's future operations require more attention to sub-national governments because this is where the bulk of services delivery takes place. Reform has been sequenced differently in different regions to reflect context. The program has also been able to support the decentralization process much more effectively. At the same time, the Bank and other donors have been able to gain a better appreciation of the individual dynamics of each region, and better focus their support.

(iii) The 'learning by doing' approach is a pragmatic approach to reforms. Sequencing reforms so that the more institutionally advanced regions undergo certain activities in advance of other regions has been successful. This arrangement has allowed developing regions to 'twin' with their more developed neighbors so that mentoring support can be given practitioner to practitioner.

(iv) Complex design with multiple sectors and implementing agencies as well as multiple donors make implementation support and monitoring very challenging. While this approach has worked well in Ethiopia, it was contrary to lessons learned from many other projects whereby simplicity of design is more recommended. While it worked in Ethiopia, it might not work elsewhere, especially without strong political leadership.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR was comprehensive and sufficiently informative. It provided detailed information related to the project preparation, implementation and the results framework. The ICR was specific as regards to the results chain from components, to expected outputs and outcomes, and the performance toward the project objectives. However, data and information related to costing and budget for sub-components were lacking, making it difficult to have a precise idea of the costs and efficiency of the capacity building

effort.

a.Quality of ICR Rating : Satisfactory