Ex post evaluation – Ethiopia

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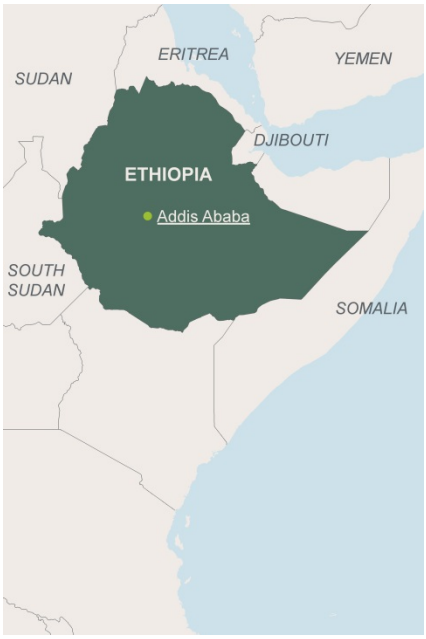
Sector: Urban development and management (43030) and decentralisation and support to subnational government (15112)
Project: Cooperative programme for building capacity in government administration (Urban Development Fund) UDF I and II (2002 65 678 and 2005 65 226*)
Executing agency: Urban Development Capacity Building Office (UDCBO) in the Ministry of Construction and Urban Development



Ex post evaluation report: 2018

		UDF I and II projects (planned)	UDF I and II projects (actual)
Investment costs (total)	EUR million	19.22	19.24
Counterpart contribution	EUR million	4.22	4.25
Financing	EUR million	15.00	14.99
of which BMZ budget funds	EUR million	15.00	14.99

*) Random sample 2016

Summary: The project was an open programme and supported the creation of a demand-oriented Urban Development Fund (UDF), financing 34 infrastructure projects in 11 medium-sized cities in Ethiopia. The investment measures were designed to be relevant for user needs, especially people in lower income groups. This is why the municipalities were able to select from seven different investment types, only some of which generate income of their own. The GIZ supported both the executing agency during the development and implementation of the decentralisation reforms as well as the municipalities as they created their urban development plans.

Development objectives: The objectives of the FC measures were twofold. (1) Material: increase the use of municipal infrastructure and socio-economic services by improving access and quality. (2) Structural: strengthen the capacity of the promoted local governments in planning, implementing and maintaining urban infrastructure (dual modular objective/outcome).

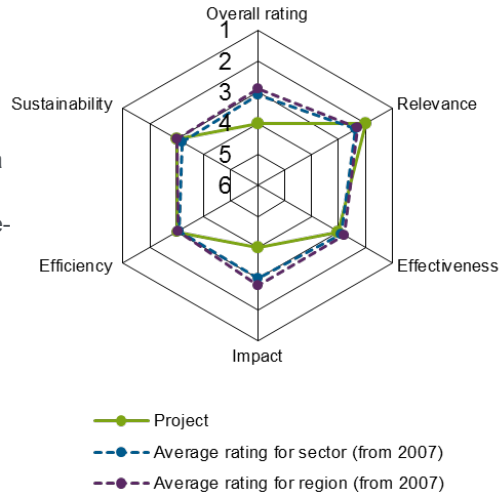
Both ultimate objectives were designed to (1) improve the living conditions of the urban population on the one hand and (2) improve local governance on the other (dual ultimate objective/impact).

Target group: The target group was the population in the selected regional cities (2016: 2.59 million), particularly the poorer segments of the population, which were involved during construction, operation and maintenance.

Overall rating: 4 (both projects)

Rationale: Although the financed infrastructure was heavily used, and operated and maintained properly in some cases, while living conditions were often improved, significant negative impacts on the environment and health must be noted at the developmental impact level for some of the projects. The situation in Ethiopia has worsened overall with regard to governance and decentralisation. The previously identified risks regarding the independence of municipal administrations materialised.

Highlights: The impacts of the various investment types are very conflicting, particularly with regard to solid waste and wastewater: even though the project cities are considerably cleaner than other municipalities, technical flaws mean there are substantial emission and contamination risks. Concentrating on this aspect would probably have led to better results. Only a sector-specific approach (waste management or urban development focusing solely on solid waste and wastewater projects) for large investments combined with national strategies and standards would have been able to supply sustainable solutions for the aforementioned environmental and health risks (integrated waste management including recycling, sewage systems and wastewater treatment plants in major cities and effective regulation of industrial waste).



Rating according to DAC criteria

Overall rating: 4 (both projects)

Ratings (both projects)

Relevance	2
Effectiveness	3
Efficiency	3
Impact	4
Sustainability	3

The UDF II project is designed to expand UDF I. Due to various delays, the measures planned in UDF I were not able to be implemented in the target period. The project was extended by three years and the German financing share was increased by EUR 3 million so that the planned investment measures could be completed. Accordingly, both projects were evaluated together ex post.

General conditions and classification of the project

In the context of the project a very wide variety of project types and associated individual measures were piloted in several phases, which made evaluation more difficult.

Relevance

In Ethiopia, the staff, administrative and financial capacities of the local authorities at the time of the project appraisal in 2003 were still very weak as national development programmes primarily concentrated on rural areas. Even though the share of urban residents was still relatively low at 16%, the urbanisation rate of 5-6% p.a. was considerably higher than the overall growth of the population. This posed major challenges for cities to meet the increasing demand for social-economic infrastructure and public services. Decentralisation and urban development thus also gained significance in the eyes of the Ethiopian government, and the cities gained more autonomy and direct responsibility. Based on these decentralisation efforts, the UDF design and its measures were geared towards both high infrastructure needs and local capacity bottlenecks, also setting up a fund as a financial transfer mechanism with the potential to initiate financial decentralisation.

The national Poverty Reduction Strategy Papers (PRSP, 2002), the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2007) and subsequent national Growth and Transformation Plans GTP I (2010/11–2014/15) and GTP II (2015/16–2019/20) emphasise the objective of increasing the income of medium-sized cities and give priority to all UDF investment types: these included landfills and wastewater treatment plants to eliminate pervasive urban disposal problems and the very low number of paved urban roads and drainage systems, which intensify the negative effects of seasonal flooding. The construction of sturdy market booths had the potential to significantly increase municipal income and thus cities' financial capacities. However, from today's perspective, it would have been more developmentally worthwhile to concentrate on a few easily implemented infrastructure types instead of managing seven investment types that were technically very ambitious in some cases.

Although the decentralisation process was initially defined as one of the pillars of the PRSP (2002), it gradually lost importance in subsequent strategy papers and is not even mentioned once in the current GTP II. However, the relevance of the UDF design for urban development has been documented by the large World Bank programmes that are still active today (Urban Local Government Development Project — ULGDP I and II), for which the UDF is seen as a pilot project for municipal infrastructure projects. The investments implemented there are not yet close to covering the needs of the urban population and its uncontrolled growth and are still in place today.

From today's perspective and also from an urban development angle, we thus consider the measures to be extremely relevant, even if decentralisation is no longer in line with the national priorities.

Relevance rating: 2 (both projects)

Effectiveness

The dual targets typical for governance projects include increasing use of municipal infrastructure and socio-economic services by improving access and quality (material target) on the one hand, and strengthening the capacity of the promoted local governments in planning, implementation and maintenance of urban infrastructure (structural target) on the other. Achieving the target that the ex post evaluation (EPE) is based on can be summarised as follows:

Indicator	Status PA, Target value PA	Ex post evaluation
(1) The established infrastructure is used as intended.	0, at least 70% of the expected users	100% (exceeds the planned capacity in some cases).
(2) The established infrastructure is acceptably maintained according to the operating and maintenance concepts.	0, to 75%	Roads, drainage systems, markets, rehabilitation of landfills: 90% Landfills, wastewater treatment plants, slaughterhouses: 25%
(3) The number of investment projects implemented by the municipalities themselves as the developers has increased.	on average <1 p.a. (2005), N/A	2012: average 35.3 2015: average 51.8*
(4) The annual municipal investment budgets are implemented and reflect the priorities of urban development plans.	N/A, in 80% of the cities	100% **

*Capital Investment Plans from the five municipalities observed (2009–2015), **Final inspection report from the ULGDP I (2015)

Results concerning material target: the planned infrastructure capacities were structurally implemented up to a degree of 94% on average according to the final inspection report, the output therefore meets expectations. The indicator for infrastructure use (indicator 1) was met up to about 100% in all of the visited locations, but use even exceeded the structural capacities in some cases (landfills, slaughterhouses), which has a negative effect on efficiency and sustainability.

The results for the operation and maintenance indicator (indicator 2) varied widely, both among the municipalities and between the infrastructure types: during the field visits it was determined that the maintenance of roads, drainage systems, markets and rehabilitated landfills was acceptable overall; they are operational, relatively clean, some had been further expanded, and damage that had occurred in the interim was visibly repaired.

By contrast, the landfills, wastewater treatment plants and slaughterhouses in the visited locations were only operated and maintained according to the requirements in 25% of the cases, which does not appear to be acceptable: waste collection and wastewater transport still function in the case of solid waste and wastewater management, which increases the visible cleanliness of the municipalities, but waste is no longer sorted and the monitoring of solid and liquid waste for disposal is equally overlooked. The visited communities invested significant amounts of their own funds in operating and maintaining their landfills. But operation and maintenance are underfunded in general, and there is a lack of machines and technical operating staff. The households generating the waste only pay charges for waste collection, but not for operating the landfill sites. Structural deficiencies coupled with errors in operation like insufficient

wastewater monitoring and the lack of waste sorting mentioned above as well as a lack of protective clothing for waste collection workers cause substantial environmental and health risks for employees and the local population. Slaughterhouse operations are also flawed. One study (2013) about the slaughterhouse in Adama found numerous flaws both in construction and operation. These have not been remedied in the meantime, as the mission determined on site. Usage charges are determined by the regional authorities and are too low to support sustainable maintenance. According to statements from the interview partners, relevant manuals are used for operation and maintenance, although these were often not presented to the mission.

Results concerning the structural indicators: the amount of overall municipal financing and staff is inadequate with respect to the high rate of urbanisation. In some instances staff turnover is high, and there is also simultaneously a lack of institutionalised task delegation and training. This threatens to destroy the success of the administrative capacities that have been established in some locations. Nevertheless, the capacities of the local authorities have increased significantly with regard to planning, construction and maintenance of urban infrastructure (project objective). In particular, this is demonstrated by the strong increase in the number of investment projects municipalities implement themselves as developers (indicator 3), though this can mainly be ascribed to the ULGDP loans from the World Bank, which all UDF cities profit from to date. Implementation of an annual investment budget that reflects the priorities of urban development planning (indicator 4) is a prerequisite for access to ULGDP investment loans. As these make up a large share (40-60%) of the available investment budget, all target cities adhere to this requirement according to the Final Report for the ULGDP I.

Effectiveness rating: 3 (both projects)

Efficiency

The specific investment costs are typical for the industry (EUR 102,000 per km of drainage, EUR 269,000 per km of paved road, EUR 1,600 per market booth, EUR 60 per m^3 of wastewater treatment plant) except for the landfills, which at EUR 8 per m^3 are far above the reference value of EUR 2. Overall, the estimated total costs were only exceeded by 8% according to the final inspection report. Given the delays to implementation and the added costs as a result, this small budget overrun should be considered positive (both of the last projects only began operating in 2016, the average period exceeded was 11 months). The delays were caused due to participative planning processes, the awarding of construction contracts and the provision of municipal counterpart contributions. Due to acceptable cost controlling and the implementation speed which increased during the course of the project, the production efficiency of the project is deemed to be satisfactory.

The cities which selected simple or homogeneous investment types (streets, drainage systems, market booths), achieved the highest efficiency during implementation. The approach the city of Bishoftu selected when choosing to expand its central market with additional market booths in four consecutive phases can be viewed as the best practice here.

In comparison, the complexity of the problems in solid waste and wastewater management far exceeded the cities' capacities to successfully overcome all challenges. Two of the three sites visited were evaluated as inadequate upon inspection: to some extent, the wrong location and technical design were selected, which considerably reduce the planned operational life and are associated with significant environmental risks.

Since the World Bank, as the only other donor in this sector, created a specific fund mechanism (credit-based) for its programme, the UDF (grant-based) was not able to establish itself as a long-term financing mechanism for municipal investments as planned. In retrospect, a simple project approach would have been more efficient.

Due to the improved living conditions from the financed infrastructure for the growing target group, and the replication of UDF investment types by the ULGDP, the allocation efficiency of the project is still viewed as satisfactory despite the problems in the solid waste and wastewater sectors mentioned above.

Efficiency rating: 3 (both projects)

Impact

The dual overarching development goal of the project defined for the purposes of the EPE is (I.) a significant improvement in the living conditions of the urban population and (II.) improved local governance that reinforces the decentralisation process.

Indicator	Status PA, Target value PA	Ex post evaluation
(1) Share of the urban population living in poverty	approx. 35%, N/A	approx. 26%
(2) Environmental and health risks have not increased significantly	N/A	Not achieved (landfills, wastewater treatment plants, slaughterhouses). Achieved (roads, drainage systems, markets)
(3) Improved resident satisfaction with the municipality's services	N/A	Average +13.3% between 2007 and 2010*.
(4) The municipality's own incomes have increased overall (adjusted for inflation).	N/A	Average +23% between 2009 and 2015 **.
Assumption: regional and central governments respect the selected self-governance and do not interfere in the municipalities.	Achieved in part, achieved.	Not achieved.

* GIZ Urban Governance and Decentralisation Programme **Capital Investment Plans for the five evaluated municipalities (2009–2015)

A very heterogeneous picture emerges due to the different infrastructure types. On the one hand, numerous individual projects made a visible contribution to reducing poverty (indicator 1): according to statements from focus group participants and personal observations, around 500 to 1500 jobs were created per city in the five visited cities (trade, waste collection, cleaning roads, drainage systems and marketplaces, road construction and maintenance, gardening and security, slaughterhouses), transport costs were reduced, city districts increased in value due to road construction and the rehabilitation of solid waste dumps. The interview partners also emphasised the positive effects of the individual investment types on general living conditions: the drainage systems prevent or reduce flooding and, together with waste collection, contribute to reducing the health effects of seasonal flooding on the population, primarily reducing malaria and diarrhoeal diseases.

On the other hand, significant environmental and health risks (indicator 2) were observed in the projects visited in the solid waste and wastewater sector and in the slaughterhouse. These project types made up around 48% of the investment volume and around 37% of the infrastructure measures. The positive effect of the solid waste and wastewater management on the health and income of poorer population groups would have been the highest for all investment types if these had been competently planned, built, operated and maintained. As this was not the case according to our own observations at the visited locations, it may be possible that private companies disposing of wastewater free of charge and subject to inadequate monitoring, for example, is contaminating the ground water and rivers, leading to consequences like increased cancer risks in the long term. The health of the waste collectors is put at risk due to the emissions observed and the insufficient protective measures.

According to statements from municipal employees, the majority of the visited cities believe they are increasingly exposed to environmental pollution and its negative effects, and by their own estimations they

do not have sufficient funding or capacities to overcome the complex challenges in this area themselves in view of accelerated urbanisation and industrialisation, while at the same time dealing with an ineffective national drive towards restructuring.

According to statements from the interview partners, the experiences of the UDF as a pilot for municipal investments were used in the same cities for the subsequent ULGDP programmes by the World Bank, but initially without taking sufficient consideration of the aforementioned environmental and health risks. The high number of investment types was due to the programme's nature as a pilot programme. Only the most successful types were to be selected for subsequent projects, but this did not happen.

Local government leadership also developed inconsistently: according to the GIZ Citizen Satisfaction Survey, the population's satisfaction with municipal services (indicator 3) increased in all target cities between 2007 and 2010 by an average of 13.3%. However, conversations conducted locally suggest that the citizens' satisfaction with municipal services (in the area of sanitation in particular) and with respect to local governance has since decreased overall. The visited cities' incomes have increased by an average of 23% (indicator 4) since the project appraisal after adjustment for inflation.

But the main assumptions for the project success were not fulfilled: the ongoing commitment of the national government to the decentralisation process and the non-interference of national and regional governing levels in municipal governance (flawed effective collective bargaining autonomy, monopolisation of the political landscape, redistribution of land and restricting freedom of the press). This development is also reflected in the Freedom House index for political rights. This figure declined from 5 (partly free) in 2002 to 6.5 to 7 ("smallest degree of freedom) (Freedom House).

Despite the improvements to living conditions achieved with the majority of infrastructure types, the effect is assessed as unsatisfactory overall due to the significant environmental and health risks and the deterioration of governance.

Impact rating: 4 (both projects)

Sustainability

Although the original aim of establishing the UDF as a sustainable financing mechanism for municipal investment was not achieved, the target cities' own incomes increased overall, and maintenance measures were able to be determined. The replication of nearly all infrastructure types by the ULGDP and its strong usage increased the medium-term sustainability of the project. The investments in the area of solid waste and wastewater management even led to the formulation of a national waste management strategy in 2016. However, according to statements from the local interview partners this has yet to be implemented consistently.

The pilot implementation of UDF investments was expanded to 44 municipalities within the framework of the ULGDP, which facilitated the achievement of the project objectives but simultaneously made it more difficult to evaluate sustainability. The ULGDP created a risk of donor dependence via high investment amounts and maintenance financing. This risk is expected to be reduced in later phases by increasing the counterpart contributions. Further sustainability risks include high staff turnover, inefficient knowledge management due to flawed documentation and the inability to cover costs with user charges in some cases, which is due to the cities' lack of collective bargaining autonomy, amongst other factors. The required evidence of operational and maintenance financing using separate accounts did not result in visible advantages.

From today's perspective and despite the aforementioned risks, the sustainability is still considered satisfactory due to increased municipal budgets and heavy usage of the promoted infrastructure.

Sustainability rating: 3 (both projects)

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

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

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

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

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

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

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

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

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

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