The World Bank

Report No: ISR8772

Implementation Status & Results
Ethiopia
Ethiopia - Private Sector Development Capacity Building Project (P050272)

Operation Name:	Ethiopia - Private Sector Development Capacity Building Project (P050272)	Project Stage:	Implementation	Seq.No:	17	Status:	ARCHIVED	Archive Date:	26-Dec-2012

		Country:	Ethiopia	Approval FY:	2005
Product Line:	IBRD/IDA	Region:	AFRICA	Lending Instrument:	Specific Investment Loan
Implementing Agency(ies):					

Key Dates

Board Approval Date	21-Dec-2004	Original Closing Date	30-Jun-2011	Planned Mid Term Review Date	11-Jan-2010	Last Archived ISR Date	31-Oct-2012
Effectiveness Date	15-Jul-2005	Revised Closing Date	31-Dec-2012	Actual Mid Term Review Date	11-Jan-2010		

Project Development Objectives

Ethiopia - Private Sector Development Capacity Building Project (P050272)

Project Development Objective (from Project Appraisal Document)

To improve the enabling environment and institutional capacity for a sustained increase in private sector investment and exports.

Has the Project Development Objective been changed since Board Approval of the Program?

○ Yes ◉ No

Component(s)

Component Name	Component Cost
Component 1: Accelerating the Implementation of Privatization Program	6.14
Component 2: Improving the Business Environment through Implementation of Competition Policy and Accession to WTO	0.96
Component 3: Strengthening the International Competitiveness of the Private Sector and the Capacities of its Representative Organiza	9.19
Implementation	0.70

Overall Ratings

	Previous Rating	Current Rating
Progress towards achievement of PDO	Satisfactory	Satisfactory
Overall Implementation Progress (IP)	Satisfactory	Moderately Satisfactory
Overall Risk Rating	Moderate	Moderate

Implementation Status Overview

This is the last ISR being filed for the Ethiopia Private Sector Development Capacity Building Project (PSDCBP) that has a closing date of 31 December 2012. The PSDCB Project in the amount of US$ 24 million (Credit: SDR 12.7 Million equivalent US$19 million, Grant: SDR 3.4 million equivalent US$5 million) was approved on December 21, 2004, with the financing agreement signed on March 10, 2005. The Project became effective on July 15, 2005.

RELEVANCE: In January 2008, at the request of the Government, the Project was restructured (level one) and project closing date extended. The main impetus was to make the development objective more aligned to the Government's changing policies that placed emphasis on export development and institution building capacity. In November 2008, the original project funds (US$24Million) were reduced to US$17 million, with US$7 million reallocated to an emergency Global Food Crisis Response Project that was prepared to help with the mitigation effort in aid of the Global food crisis. Despite the anticipated reduced activities due to the almost one-third reduction of the total project funds, the results framework was not re-visited. An attempt was made to streamline the results framework in May 2011 as part of the Additional financing operation that did not reach Board approval stage due to failure to reach inconclusive Negotiation. In June 27, 2012, a second 5 months' closing date extension of the project was approved, as part of a level 2 restructuring. The restructuring and closing date extension was expected to help the Project fully utilize the remaining funds, that included close to US$1 million unforeseen foreign exchange savings due to exchange rate fluctuations. The team used this restructuring opportunity to streamline the overdue realignment of the PDO indicators and intermediate result indicators. The changes were undertaken to ensure the continuous relevance of the Project to the Government of Ethiopia's Growth and Transformation Plan (GTP, 2010/11-2014/15) that emphasizes the leading role of manufacturing industry in the overall growth of the economy, and job creation. Progress toward outcomes was captured through increased exports and new jobs indicators. Equally importantly, the restructured project maintained its relevance to the new Ethiopia Country Partnership Strategy for Ethiopia that was approved on 25 September, 2012. A key pillar of the new Ethiopia CPS (FY13-16) is to increase competitiveness and productivity, with the focus on increased competitiveness in the manufacturing sector.

EFFICACY: Based on the October 2012 implementation support mission, the Project made satisfactory progress towards achieving the Project Development Objectives (PDO) of (i) increase in number of private sector jobs created in the participating firms (component 3);(ii) increase in private sector investments as captured by increase in total value of PE assets transferred to private sector ownership (component 1); and (iii) increase in value of exports in participating firms in the ECF matching grants program (component 3). In all three cases the targets were overachieved. According to the agreed upon results framework, the increase in private sector jobs was targeted to be at least 10% from the baseline; however the actual increase was registered at 39%. Privatization and Public and Private Enterprises Supervising Agency (PPESA) targeted to privatize 55% of the asset values of the 55 SOEs slated for privatization in the PAD. To date, in terms of asset values, the privatized entities account for over 71% of the total asset value of the 55 SOEs. Lastly the increase in value of exports was targeted to be at least 25%; while the actual increase was registered at 29%. It may be noted that progress under component 2 did not fare as well. As this was a small component, it did not have a major impact on the overall performance of the project. Moreover, as part of the second restructuring, funds were reallocated from this slow moving component two (Business environment) to the well-performing component 3 (Strengthening international competitiveness of the private sector) to maximize impact.

EFFICIENCY: The team commissioned a retrospective impact evaluation (IE) for the ECF component - representing the largest part - in the Project. Based on the findings of the IE study (DFID-Covey International, April 2012) the efficiency of the Project (from 2008- February 2012) was assessed. According to this study, the gross annual turnover impact of ECF is estimated at $35.4 million. This translates into a positive net present value (NPV) of $29.5 million and a benefit to cost ratio of 6.04. The NPV for the ECF not only far exceeds the NPV projection for the ECF component (i.e. US$9.3 million) but also for the overall project that stood at US$22.6 million that was presented in the original PAD.

PROJECT-END DISBURSEMENT RATE TO BE REVISITED: The current disbursement rate - around 94 percent of the total project funds - is expected to be revised downward by the time the Project closes. This is primarily due to a refund of close to USD 2 million that is expected back in the designated account against a withdrawal application made towards Voluntary Retrenchment Program (VRP) payments (component 1). The history to this was that Public Servants Social Security Agency (PSSSA) requests PPESA based on detail listings and calculations for payments to employees to be retrenched. The PPESA requests the projects PCU for the same amount and the PCU transfers funds to the PPESA for the amount requested and requests WA for the same amounts for fund replenishment. Thus the funds were transferred from PCU to PPESA and PPESA will then transfer the same amounts as requested to PSSA. Now, when it comes to actual payments the PSSA determines payment to employees a different amount based on a different calculation and started paying the retrenched employees. The reason for this is programmatic in nature . This has resulted in an overall lesser amount of payments. Thus this saving (or what is referred to over payment to PPESA) amounting close to USD 2 million was later on refunded back to PPESA by PSSA. This amount was also reflected in the period ended July 7 2011 VRP audit report. Bank notified the Project team to refund this back to the Designated account for eventual refund back to the Bank. Thus, this resulted also in an adjustment in the records of the project.The refund to the designated account is currently proceeding. Given that the Project is closing on 31 Dec. 2012, at this late stage, we do not envisage this money being utilized.

FIDUCIARY MANAGEMENT:

With regard to the Financial Management, the FM rating has been downgraded during this period from satisfactory to moderately satisfactory (MS). But the FM risk rating remains the same as M (moderate). The main reason being the fact that a refund of close to USD 2 million will be made as a result of money left over from VRP payments. The financial audit and VRP audit of the year ended July 7, 2012 is progressing well and the deadline for submission of the report is January 7, 2013. The project's last audit covering the period 10 months from July 8 2012 up to the disbursement deadline date (April 30 2013) is due 6 months after the closing date (i.e. it should be submitted to the Bank by latest date of June 30 2013).

PROCUREMENT MANAGEMENT:
All the planned procurement activities have been completed. The PCU has been exerting all the efforts for the successful implementation of the planned procurement activities; however, there have been some challenges at the PCU in efficiently coordinating and supervising the procurement activities and contract implementation of all other implementing Agencies (IAs) as the PCU is was not adequately staffed to supervise the activities of all the other IAs. The Findings of the last Post Procurement Review (PPR) report shows that there were procedural gaps associated with procurement capacity limitations in the IAs and there is still were weakness in institutionalizing good practices of public procurement management and performance. The lesson learnt is that there should have been a qualified and dedicated Procurement and contract expert in PCU, who could coordinate and assure the quality of procurement and contract administration by the other entire participating project implementing Agencies (AAU, ECF, PPESA and MoTI). The Bank team would like to comment that the Borrower needs to institutionalize the good practices of public procurement not only for the implementation of Bank financed project but also for all its permanent operations and sustain the capacity gained during this project implementation. In this context, the Bank needs to provide regular procurement training to Govt. team. The overall procurement performance of the Project (PSDCBP) may be rated as MS.

Locations

No Location data has been entered

Results

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Increase in number of private sector jobs created in participating firms and targeted sectors (target: at least 10%)	☐	Percentage	Value	1917.00	39.00	10.00
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		Actual (Previous) was 41 as at 12/31/2011. Note: Unit of Measure was changed from text to percentage unable to enter Actual (Previous).	
Increase in proportion of total value of PE assets transferred to private sector management and ownership (target: 27% by year 3 and 55 %by yr5)	☐	Text	Value	0	71%	55%
			Date	30-Jun-2012	19-Oct-2012	31-Dec-2012
			Comments			
Increase in value of exports in participating firms and targeted sectors, at least 25% increase in exports and/or at least 10 firmsstarting to export as a result of the support	☐	Text	Value	Zero	29%	25%
			Date	30-Jul-2009	19-Oct-2012	31-Dec-2012
			Comments	These figures relate to the targeted sectors of leather tannery, shoes, agro-processing, horticulture		

Direct Project Beneficiaries (number), of which female (%)	☐	Percentage	Value	0.00	60.40	50.00
			Date	19-Oct-2012	19-Oct-2012	31-Dec-2012
			Comments		These figures relate to Component 3	

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Component One: IR1. Number of PEs sold to the private sector (target: 10 p.a. n the 2004/05-2008/09 period)	☐	Text	Value	0	31	10 per year
			Date	28-Oct-2005	19-Oct-2012	31-Dec-2012
			Comments			
Component Two: IR1: Revised competition policy enacted with framework for fair trade practices and anti-trust separate from anti-dumping and consumer protection frameworks.	☐	Text	Value	Yes/No	Yes	Yes
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments			
Component Two: IR2: Establishment of independent competition authority and secretariat with wider representation by public and private sector specialists and other stakeholders.	☐	Text	Value	Yes/No/Partially	Partially	Partially
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		Revised competition Proclamation under implementation; Competition Authority setup; Authority has hired staff some of whom have already started assigned duties. Case hearings still not commenced.	
Component Two: IR3: Studies on Ethiopia WTO Accessions prepared, disseminated to, and discussed by, WTO Task Force.	☐	Text	Value	Yes/No	Yes	150
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		Three studies on WTO accession impact assessment, for the financial, telecommunications and transport sectors had been conducted. Third working party discussions have been conducted	

Component Two: IR4: Number of matching grant support given to private firms for export expansion (target: 150)	☐	Text	Value	0	162	150
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		162 grants were awarded.	
Component Two: IR5: Number of start-ups established through business plan competition each year (target 20 each in round 1 and 2)	☐	Text	Value	0	13 in round 1 12 in round 2 16 in round 3	10 in round 4
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		Thirteen startups in round 1 and 12 start-ups in round 2 and 16 start-ups from round three were established through business plan competition	
Component Two: IR6: Proportion of startups established through business plan competition that survive after one year in operation,.Target 70%	☐	Text	Value	0	80%	70%
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments		Proportion of start-ups: 65% from round 1 and 80% in round 2 and 3 respectively have survived the first year of operation. 15 winners from round two and 16 from round three had collected the bank loan. Out of these 5 from round two and 2 from round three have settled their bank loan and collected the award respectively. 5.3 80% of businesses survived for two years from the Round 1; and 90 % from round 2. The performance of round three are yet to be seen	

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Component Two: IR7: University (FBE) curriculum revised and adopted.	☐	Text	Value	Yes	Revision of curricula for the MBA Program and MSc in Accounting and finance have been completed, approved and implemented. Undergraduate and postgraduate programs in finance have been completed and will be adopted/ implemented this academic year. Revision ofcurriculum for MSc program in Management science is underway;	Yes. Approved and Adopted
			Date	01-Apr-2008	19-Oct-2012	31-Dec-2012
			Comments			
Component Two: IR8: Number of graduates in regulatory economics and international trade programs in year 3 and year 4 (target: 20)	☐	Text	Value		41 students graduated in Year 3 and 4 in International Trade and Regulatory Economics/ Competition Policy	20 (yr 3) and 40 (yr 4)
			Date	01-Apr-2008	19-Oct-2012	29-Dec-2012
			Comments			

Data on Financial Performance (as of 20-Nov-2012)

Financial Agreement(s) Key Dates

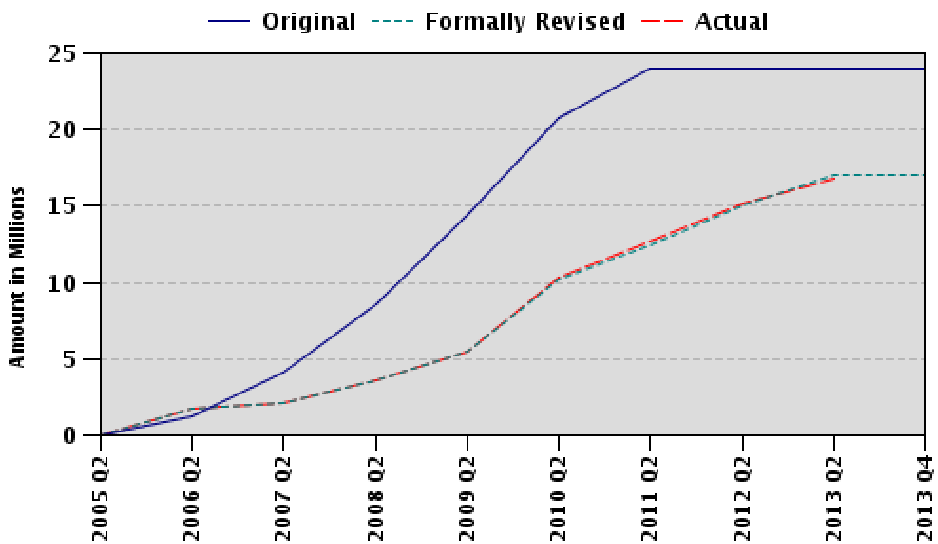
Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P050272	IDA-40270	Effective	21-Dec-2004	10-Mar-2005	15-Jul-2005	30-Jun-2011	31-Dec-2012
P050272	IDA-H1410	Effective	21-Dec-2004	10-Mar-2005	15-Jul-2005	30-Jun-2011	31-Dec-2012
P114843	TF-93486	Closed	13-Feb-2009	16-Feb-2009	16-Feb-2009	03-Nov-2011	03-Nov-2011

Disbursements (in Millions)

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P050272	IDA-40270	Effective	USD	19.00	13.00	6.00	12.55	1.17	97.00
P050272	IDA-H1410	Effective	USD	5.00	4.00	1.00	4.19	0.00	105.00

P114843	TF-93486	Closed	USD	0.24	0.10	0.14	0.10	0.00	100.00

Disbursement Graph



Key Decisions Regarding Implementation

This is the last ISR for the Project that is closing on December 31, 2012.

Restructuring History

RVP Approved on 01-Apr-2008, Level two Approved on 27-Jun-2012

Related Projects

P114843- PHRD Ethiopia: Cluster Development Program