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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

ETHIOPIA

Urban Local Government Development Project

Report No. 132824

DECEMBER 27, 2018

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ETHIOPIA

URBAN LOCAL GOVERNMENT DEVELOPMENT PROJECT
(IDA-4456 and IDA-4994)

December 27, 2018

Financial, Private Sector, and Sustainable Development
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Ethiopian Birr (Br)

2008	$1.00	Br 9.20
2009	$1.00	Br 9.93
2010	$1.00	Br 12.70
2011	$1.00	Br 16.63
2012	$1.00	Br 17.29
2013	$1.00	Br 18.28
2014	$1.00	Br 19.16
2015	$1.00	Br 20.21
2016	$1.00	Br 21.19
2017	$1.00	Br 22.40

Abbreviations

APA	annual performance assessment
CBDSD	Capacity Building for Decentralized Service Delivery Project
ESMF	Environmental and Social Management Framework
FY	fiscal year
GIZ	German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
ICR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Independent Evaluation Group
M&E	monitoring and evaluation
MUDHCo	Ministry of Urban Development, Housing, and Construction
PPAR	Project Performance Assessment Report
ULG	urban local government
ULGDP	Urban Local Government Development Project
UIIDP	Urban Institutional Infrastructure Development Program

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: July 8–July 7

Director-General, Independent Evaluation	Ms. Sophie Sirtaine (acting)
Director, Financial, Private Sector, and Sustainable Development	Mr. José Carbajo Martínez
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This report was prepared by Buli Edjeta and Basil Kavalsky, who assessed the project in June 2018 under the guidance of Victor Vergara. The report was peer reviewed by George W. Matovu and panel reviewed by Lauren Kelly. Romayne Pereira provided administrative support.

Principal Ratings

Indicator	ICR	ICR Review	PPAR
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to development outcome	Negligible to low	Negligible to low	Negligible to low
Bank performance	Satisfactory	Satisfactory	Satisfactory
Borrower performance	Satisfactory	Moderately satisfactory	Satisfactory

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

Key Staff Responsible

Management	Appraisal	Completion
Project Team Leader	Rumana Huque	Abebaw Alemayehu
Sector Manager or Practice Manager	Jaime Biderman	Sameh Wahba
Sector Director or Senior Global Practice Director	Kenichi Ohashi	Guang Zhe Chen
Country Director	Guang Zhe Chen	Kenichi Ohashi

IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About This Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank Country Management Unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, country assistance strategies, sector strategy papers, and operational policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared with alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for outcome:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory.

Risk to development outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, and not evaluable.

Bank performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing, toward the achievement of development outcomes). The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Borrower performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Preface

This is the Project Performance Assessment Report (PPAR) for the Urban Local Government Development Project in Ethiopia (P101474; additional financing P125316). The World Bank's Board of Executive Directors approved the project on May 29, 2008, and it closed on December 31, 2014, as planned. The total project cost at appraisal was $208 million, including $150 million of International Development Association (IDA) credit. The actual project cost at project closing was $416 million, including additional financing of $150 million from IDA approved on June 6, 2011.

The project was designed to support the government of Ethiopia's Urban Development and Urban Good Governance Programs, specifically "to support improved performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure by urban local governments." The PPAR was chosen to provide timely inputs into two ongoing Independent Evaluation Group (IEG) evaluations on building urban resilience and strengthening subnational governance.

This evaluative assessment draws on several sources, including a review of World Bank project documentation, and primary and secondary data collected during a field mission to Ethiopia between June 26, 2018, and July 13, 2018. Secondary data include the project's Implementation Completion and Results Report and the monitoring and evaluation reports from the Project Implementation Office, including project performance assessments. Primary data were collected through interviews with city administration officials, the project team, and service users (men, women, and youth). The evaluation mission visited 6 of the 19 cities the project covered: Adama, Bahir Dar, Dilla, Dire Dawa, Hawasa, and Mekele.

IEG thanks the government of Ethiopia, the project implementing agency, development partners, and World Bank staff, whose help made this assessment possible. IEG also thanks the many local government officials whose feedback contributed to the assessment. The World Bank office in Addis Ababa provided excellent support.

Following standard IEG procedures, a copy of the draft report was sent to the relevant government officials and agencies for their review and feedback. No comments were received from the Borrower.

Summary

This is the Project Performance Assessment Report for the Urban Local Government Development Project (ULGDP) in Ethiopia, which was approved by the World Bank's Board of Executive Directors on May 29, 2008, and closed on December 31, 2014. The project's development objective was to support improved performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure by urban local governments across the country.

Ethiopia is one of the least urbanized countries in Africa. With less than 19 percent of its population living in the cities, its urban areas are among the fastest growing in Africa. Ethiopia's urban population is growing at a rate of 3.8 percent per year. The government recognizes the importance of improving delivery of urban services to catalyze opportunities associated with an agglomeration of economic activities in urban areas.

The World Bank started to support Ethiopia on urban development issues after urban local governments were established in 2001 as autonomous administrations. The first World Bank support was in 2003 through the Capacity Building for Decentralized Service Delivery Project (CBDSD; P050938), which centered on helping regions and cities to set up the necessary legislative and fiscal frameworks. It also provided technical assistance to help cities fulfill their functional responsibilities. The CBDSD supported 18 regional capital cities, 3 of the largest cities in each of the four major regions, and Addis Ababa, Dire Dawa, and Harar. The World Bank scaled up CBDSD under the broader Public Sector Capacity Building Program (P074020) in 2004. Under the program, cities' regional bureaus prepared capacity building proposals and presented them to the program for funding. After the CBDSD, the government introduced its ULGDP (P101474) in 2008 to develop the capacity building approach and provide funding for those local governments.

The project's relevance of objective is rated **high.** The project objective was highly relevant to country conditions and in line with the government's urban governance and development policies and plans put in place a few years before project approval. The project development objective remained relevant to the government's Growth and Transformation Plan, its growth strategy for the 2010/11 to 2014/15 period. This growth strategy identified local capacity building and governance needs to accelerate economic growth. It was and still is relevant and in line with the government's urban development policies and plans.

Relevance of design is rated **substantial.** The design of the performance-based grants proved to be a powerful and effective incentive to achieve the project objectives. By

linking substantial levels of financing for capital investments to performance-based, institution-building indicators, the project design provided incentives for local participating governments to improve their management and administration capacities. The performance criteria were relevant because they were linked directly to the project's objective of achieving municipal improvements in the planning, delivery, and sustained provision of priority municipal services and infrastructure in urban local governments. The monitoring arrangements developed for the program was a noteworthy feature of the project design. An independent consulting firm contracted by the federal government conducted annual performance assessments to find out whether cities were meeting the institution-building criteria and to assign points that would determine their access to funding. This process enabled rigor and objectivity in implementing the performance-based grant system.

The design had some flaws, however. The decision to include Addis Ababa did not sufficiently consider how such a disproportionately large urban area could be accommodated within the project design (for example, how to incentivize behavior). Furthermore, the design did not incorporate adequate mechanisms to ensure that regional government agencies and municipalities would perform the project tasks. The regional agencies were expected to perform critical tasks (such as implementing environmental and social safeguards, and preparing annual audits of the cities' financial statement and clearing their audit backlogs), but the project did not fund the regional agencies. This hampered those agencies' ability to perform such critical tasks on time. Gender was addressed as part of an overall beneficiary target and not through an explicit gender-based approach.

The project under assessment was the first in a series and, as such, those design flaws are part of a learning process. They were addressed in follow-on operations, which provide for deepening the institution building supported under the project. Despite the challenges, on balance, the innovative use of the performance grant mechanism, coupled with rigorous monitoring, results in a **substantial** rating for relevance of design.

Efficacy is rated **substantial.** Overall, with only minor shortcomings, the targeted urban local governments improved their performance in the planning, delivery, and sustained provision of priority municipal services, including with the support of additional financing. Priorities in the use of funds differed slightly from those anticipated, most notably those related to an increased demand for improved water sources. However, some variation from the original targets was expected because the project design was demand driven. All 19 cities fulfilled the capacity building objectives in eight areas of municipal and urban development. Cities prepared revenue enhancement plans and produced timely external audit reports, which were either unqualified or qualified with minor comments as targeted. Of the 19 cities, 10 prepared plans that would ensure that 85 percent of their infrastructure targets could be financed with their own resources compared with the target of 75 percent of their infrastructure budgets. Seventeen of the 19 cities secured 75 percent of their annual operations and maintenance budgets.

At appraisal, the project did not conduct an analysis of the efficiency of the capacity building activities envisioned. However, the project conducted an ex post assessment of the costs and benefits associated with some of the municipal investments. Specifically, the project evaluated the relative returns of cobblestone roads versus asphalt roads (cobblestone roads represent the largest of total municipal investments—50 percent—under the performance-based grant system). The analysis indicates that the cobblestone roads produced an acceptable economic rate of return of 20 percent and offered considerably more benefits than asphalt did—for example, job creation with 95,000 employments by 2011; and durability (cobblestone's life can exceed 100 years or more and can lower operation and maintenance costs). This assessment also determined that unquantified efficiency gains were achieved through the predictable and transparent rules-based performance system that the project introduced to the local governments. The efficiency gains were realized by allocating fiscal resources only to subnational governments that showed core capacities, including financial management, transparency, and accountability, among other attributes of good governance. Overall, efficiency is rated **substantial**.

Development outcome is rated **satisfactory**. The project objective is rated **high**. Overall design is **substantial** because of the innovative use of performance grants, and the rigorous accountability system that was introduced and has since been scaled and replicated. The overall design rating is substantial instead of high because of identified weaknesses, such as including Addis Ababa without sufficient incentives, and the lack of outreach to regional authorities. Efficacy is rated substantial. With minor shortcomings, the targeted urban local governments improved their performance in the planning, delivery and sustained provision of priority municipal services. All cities met the anticipated performance criteria, except for Addis Ababa. Efficiency is rated substantial because of the effective introduction of a transparent, rule-based system for defining and financing local capital investments, and for the efficiency gains associated with cobblestone road construction in Ethiopia in affordability, durability, operation and maintenance, and job creation.

The performance of both the World Bank and the borrower are rated **satisfactory**. A series of World Bank projects informed quality at entry, reflecting lessons of experience. Supervision was effective because of the World Bank task team leader's sustained presence in the Ethiopia Country Office. The World Bank listened carefully to the concerns of the cities involved and adapted the program to address those concerns. The national government proved willing to depart from the desire that the project cover all cities and allowed a more selective approach that was vital to the project's effectiveness. A key aspect of the satisfactory performance can be attributed to the rigorous performance monitoring system implemented by the borrower. The city governments, except for from Addis Ababa, were motivated and often proactive in seeking support through technical assistance in areas where they lacked the capacity to achieve the expected project outcomes.

There was a trade-off in the project between allowing new municipalities to identify investment needs and allocate resources and the simultaneous need to strengthen capacity to support those municipal functions. The World Bank was initially uninvolved in how the performance-based grants would be used at the city level. At first, the World Bank limited its guidance to a list of eligible capital investments and encouraged flexibility so that priorities could be aligned with citizen feedback. This differed from the design that the federal government preferred, which was based on specific infrastructure targets. To reconcile those preferences, the World Bank, at the time of the additional finance, introduced indicators that included projections (for example, for water points and cobblestone roads) although clarifying that these were not rigid targets. However, by the end of the project, design issues that the mission identified had not been resolved (for example, the selection of roads to be rehabilitated in non-poor areas).

Lessons

There is a trade-off between scope and development outcomes in municipal operations that use performance-based grants. It is critical to ensure that funding is sufficient to both incentivize behavior at the city level and offer a meaningful level of technical assistance. The government of Ethiopia often chooses breadth over depth when scoping its operations for reasons related to social cohesion and perceptions related to regional inequality. The ULGDP is an example—it includes all 117 cities with a population of more than 20,000 persons. By contrast, only 18 cities were included in the first project. Such reduced scope was a major success factor that enabled meaningful transfers at a scale that could incentivize transformational behavior. Targeted cities adopted participatory planning, capital and maintenance planning and budgeting, and own-source revenue enhancement, and provided access to all-weather roads. Such outcomes are unlikely if only modest amounts of transfers per city are available.

A one-size-fits-all approach is ineffective in urban development projects that target multiple cities at various stages of development. To achieve development outcomes, the World Bank should instead offer a flexible package of infrastructure, service, and technical support options aligned with clients' differentiated needs. In rapidly urbanizing areas, client needs can evolve and diverge, even during the life of a single project. In Ethiopia, some cities require support that is more sophisticated for city management and advanced infrastructure, which differ from the needs of newly created cities. Such a differentiated approach could have solved the misaligned incentives to reform in Addis Ababa, for example.

Performance-based grants should be considered as a preferred method of intermediating intergovernmental fiscal resources to urban local governments in the context of emerging urban systems. In urban operations, performance-based grants can create a significant level of bottom-up demand for capacity building and governance strengthening that has proven to be more successful in World Bank operations in Ethiopia than supply-led approaches have been. The performance-based payments that the project offered and the associated support and training incentivized cities, regions, and the associated ministry to put needed institutional procedures in place.

Promoting autonomous decision making at the city level although ensuring that operational rules and supervision are in place is a necessary condition to ensuring the intended use of funds in municipal finance projects. In the ULGDP, the World Bank initially decided not to intervene in the fund allocation process, beyond the assignment of broad categories. This approach proved insufficient, however. The World Bank tried to insert more selectivity at the time of additional financing by adding specific indicators, but these fell short of ensuring that the funding was fully allocated as intended (for example, cobblestone roads were sometimes located in relatively upscale or underpopulated areas, and roads were built without proper drainage).

Urban development projects need to balance targeting core city administrative functions as well as improving city management and planning competencies. The ULGDP primarily addressed back office functions—getting systems in place and helping them to function effectively. Consequently, some of the core city management and regulatory functions in the targeted municipalities progressed slowly. For example, in the cities targeted, there was little progress on enforcing building codes, construction quality, integrated drainage, and traffic management. The balance requires designing projects that can emphasize addressing each city's binding constraints.

José Carbajo Martínez
Director, Financial Private Sector, and
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1. Background and Context

1.1 Ethiopia is a large and diverse country.[1] It is located in the Horn of Africa and is a landlocked country with an area of 1.1 million square kilometers—about the size of Bolivia. Its biophysical environment includes a variety of contrasting ecosystems, with significant differences in climate, soil properties, vegetation types, agricultural potential, biodiversity, and water resources. Ethiopia's population of 107 million is richly ethno-linguistic and multicultural.

1.2 Ethiopia experienced strong economic growth in the past decade, with growth rate of 10.3 percent from fiscal years (FY)06–16. A mix of factors made this growth possible: agricultural modernization, the development of new export sectors, strong global commodity demand, a rapidly growing construction sector, and government-led development investments. Private consumption and public investment have driven demand-side growth, with the latter assuming an increasingly important role in recent years. An expansion of the services and agricultural sectors drove growth on the supply side, whereas the industrial sector's role was relatively modest. Inflation has been consistently high, averaging 16 percent between 2006 and 2018.

1.3 The government of Ethiopia is currently implementing its second Growth and Transformation Plan 2015/16–2019/20, which sets a long-term goal for Ethiopia to become a middle-income country by 2023 with growth rates of 11 percent per year during the plan period. To achieve the plan's goals and objectives, the government has followed a developmental state model with in which the government has a strong role in many aspects of the economy. It has set priorities for key sectors, such as industry and agriculture, as drivers of sustained economic growth and job creation. The plan also reaffirms the government's commitment to human development. Development partners' have programs that align broadly with the plan's priorities.

1.4 Ethiopia has made substantial progress on social and human development in the past decade, but it is still one of the poorest countries in the world. The country's per capita income of $706 is substantially lower than the regional average of $1,46 and is among the 10 lowest worldwide. Ethiopia ranks 174 of 187 countries in the United Nations Development Programme's Human Development Index. However, high economic growth has helped reduce poverty in both urban and rural areas. Since 2005, the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 26 percent in 2012/13. However, the absolute number of poor (about 25 million) has remained unchanged during the past 15 years because of high population growth. Ethiopia is among the countries that have made the fastest progress on the Millennium

Development Goals in the past decade, achieving those related to gender parity in education, education access, child mortality, HIV/AIDS, and malaria. The reduction of maternal mortality is still a key challenge.

Urbanization within a Decentralizing System

1.5 Ethiopia is one of the least urbanized countries in Africa— less than 19 percent of its population lives in cities. However, urban areas in Ethiopia are among the fastest growing in Africa. The urban population growth is about 3.8 percent per year, and the proportion of urban population is expected to triple by 2037.

1.6 Ethiopia's constitution creates a highly decentralized federal structure. Formally promulgated in 1995 after the end of the military junta (by the Derg), the constitution's decentralization framework presents a fundamental shift from the highly centralized system under the Derg. The federal structure considers Ethiopia's rich ethno-linguistic and multicultural diversity. The constitution recognizes and assigns powers, functions, and revenues between the federal government and the nine member states of the federation.[2] Generally, these entities are called regional governments. In addition, two cities—Addis Ababa and Dire Dawa—are chartered by federal proclamation (law) as state-level city governments.

1.7 The federal constitution formally establishes two government levels, but in practice, Ethiopia has three main government levels: federal, regional, and local government. Each regional government can create its own local government structure, and although there are slight variations in the subregional structures among regional governments, elected *woredas* (district-level governments) form the most prevalent local government level. Regional states are typically subdivided into administrative zones, which are deconcentrated territorial levels. Woredas are generally semiautonomous local government entities that have a separate legal status as corporate bodies with their own political leadership (council) and their own budget accounts. The woreda council members are elected directly to represent each *kebele* (ward) in the district. In practice, the terminology used to designate local governments varies: some use the term *woreda* strictly to refer to rural districts, whereas others also consider district-level urban units to be woredas.

1.8 Regional governments have the power to create urban local governments (ULGs). There are 117 ULGs in Ethiopia with populations of more than 20,000 (excluding Addis Ababa as the primate city with a population of more than 3 million). City administrations manage ULGs, and they have a long list of mandates and responsibilities that includes both the woreda-level functions (which are concurrent state functions) and city affairs of delivering services and providing urban infrastructure. The distinction between state and municipal functions is a unique feature of the expenditure assignments in Ethiopia that has important implications for the delivery of infrastructure and services to citizens is the distinction between state and municipal functions. State functions include most social services such as education and health, among others, and municipal functions comprise most infrastructure and other services such as urban transportation, urban roads, solid waste management, and slaughterhouses. In urban areas, ULGs administer both functions. State functions are delegated from regional governments to ULGs, and municipal functions are considered ULGs' exclusive functions. This conceptual distinction has important funding implications that affect service and infrastructure delivery directly: ULGs generally receive transfers in the form of block grants or allocations from regional governments to fund state functions. However, they are expected to fully fund their municipal functions from municipal revenues.

1.9 To meet these municipal functions, ULGs are largely enabled to set their own local tax rates within the context of regional law and raise revenues. However, these revenues are simply not enough to contribute significantly to meeting the growing costs of infrastructure, operations, and maintenance associated with the rapid urbanization in the country (about 3.8 percent per year). Given the consistent increase in the number of Ethiopians living in cities and the lack of municipal revenues to meet the growing financing needs, significant gaps have emerged in access to basic services and infrastructure in cities. This prevents cities from maximizing the potential productivity and agglomeration effects and limits their ability to contribute to economic growth.

1.10 The Ethiopian government is fully aware of cities' importance to the country's growth, and it prioritizes urban as an important sector in overall economic growth. Government's effort to anchor urban in its core policy and strategy notes started with the issuance of its first Urban Development Policy Note in 2005, and then continued with its recognition of the urbanization agenda in the second Poverty Reduction Strategy Paper and later in the Growth and Transformation Plan for 2010-2015. The government further elaborated the importance of urban governance under the Ministry of Urban Development, Housing, and Construction's (MUDHCo). The Ministry aims to provide strategic guidance to city governance and management and align urban governance with overall national policies. Collectively, these policy measures mark a robust focus on urban-based industrialization complemented by a growing service sector, and a focus on urban centers to stimulate overall development.

Role of the World Bank in Supporting Decentralization and Urban Local Governments

1.11 The World Bank and the international development community have been supporting the government's decentralized service delivery framework and policy and its focus on and support to urbanization. The World Bank has been supporting the government's efforts to build capacity across the country's ULGs to enable them to meet their responsibilities effectively. This partnership was conducted through a series of projects, starting with the 2003 Capacity Building for Decentralized Service Delivery Project (P050938) and the 2004 Public Sector Capacity Building Program (P074020). In this context, the government introduced its Urban Local Government Development Program (ULGDP; P101474) in 2008.

1.12 The ULGDP is one of the government's key tools for implementing its overall development strategy as framed under the Growth and Transformation Plan and the Ethiopian Cities Prosperity Initiative. The strategies and the program collectively mark an important shift in focus from rural-based agricultural growth, which has been the focus of development in Ethiopia, to a more urban-based industrialization complemented by a growing service sector and a focus on the urban growth centers to stimulate overall development. ULGDP's geographic scope has comprised the country's 18 most populous urban centers and its capital, Addis Ababa.[3] This scope marked the first phase of the approach and strategy. The second ULGDP (ULGDP II), from 2014 to 2018, covered 44 cities, whereas the most recent incarnation of the program, the Urban Institutional and Infrastructure Development Program (UIIDP; approved in 2018) covers all 117 cities in Ethiopia with a population of more than 20,000 people.[4]

2. Relevance of the Objectives and Design

2.1 The project development objective was "to support improved performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure by urban local governments."

Relevance of the Objective

2.2 The project's objectives were highly relevant to the country's growth strategies. The project objective responded to the urgent need to build capacity in Ethiopia's newly organized ULGs. The specific objectives were aligned with the government's Urban Development Policy issued in March 2005, its Plan for Accelerated and Sustained Development to End Poverty, the Urban Development Program, and the Urban Good

Governance Programs launched in 2006/07. The Urban Development Program included initiatives aimed at improving the delivery of urban-based public services (such as infrastructure, municipal services, and housing) and providing jobs. The Urban Good Governance Program supported initiatives aimed at promoting the institutional and organizational aspects of urban governance. The project development objective also remained relevant to the government strategy for the 2010/11 to 2014/15 period. They remained aligned to the government's Growth and Transformation Plan that identified the need for building capacity and deepening good governance to accelerate economic growth.

2.3 The project development objective was also well aligned with the World Bank's Country Assistance Strategy for 2008–11 that identified the need for accelerating growth in Ethiopia through, among other things, supporting urban development. It also remained aligned with the preceding Country Partnership Strategy (FY13–16) that identified the need for the following: (i) increasing productivity and competitiveness of the industrial and service sector through building the capacity of ULGs in the areas of planning and budgeting; (ii) increasing government effectiveness through capacity building at the decentralized level, and strengthening government accountability and transparency; and (iii) through greater public participation in policy making.

2.4 Therefore, the relevance of objective is rated **high.**

Project Design, Dates, Costs, and Implementation Arrangements

Project Design

2.5 The project comprised two components or parts: performance grants, and implementation support. ULGDP provides grants to 18 ULGs and Addis Ababa based on their performance against a range of key urban institutional areas, such as participatory budgeting, fiduciary management, social and environmental systems management, and others. The local governments receive funds from the program based on their performance and use these funds on urban infrastructure, such as urban roads, solid waste management, drainage, water supply, and others.

2.6 **Component 1.** Performance grants ($203 million at appraisal; $403 million actual, with additional financing). The component supported a grant transfer mechanism to Ethiopia's ULGs in the form of a conditional, specific-purpose grant fully integrated within the intergovernmental fiscal framework. It supported 19 ULGs, including Addis Ababa, Dire Dawa, and four regional capitals. About 5 million people live in the 19 cities (42 percent of Ethiopia's urban population).

2.7 **Component 2.** Implementation support ($3 million at appraisal; $9 million actual, with additional financing). The component supported project management and technical support, including a monitoring and evaluation (M&E) system, annual ULG performance assessments, training, and technical assistance in environment and social management, procurement, financial management, and other areas. The component was designed to strengthen MUDHCo's capacity and targeted ULGs to effectively execute their responsibilities.

2.8 The project was approved on May 29, 2008, and became effective on September 1, 2008. Total project costs were $416 million. At appraisal, total project costs were $208 million. The government provided $58 million, and the World Bank and the International Development Association provided $150 million. Half the government's contribution was from regional governments, and the other half was from the cities. On July 5, 2011, the World Bank's Board of Directors approved $150 million in additional financing for the ULGDP, and the government provided another $58 million. At that time, the project had consistently satisfactory Implementation Status and Results Reports. The aim of the additional financing was to begin to assist another 18 cities to take part in a second round (a follow-on project). The additional financing doubled the project financing to $416 million. No changes were made in the project's overall design, financial management, disbursement arrangements, procurement arrangements, funding allocations, or closing date.

Table 2.1. ULGDP Costs and Financing by Component ($, millions)

Components	Original Cost	Changes with Additional Finance	Revised Cost	Actual or Latest Estimate	Percentage of Appraisal
Performance grants	203	200	403	407	100
Implementation support	3	6	9	9	100
Unallocated	2	2	4	0	100
Total project costs	208	208	416	416	100

Relevance of the Design

2.9 The project's implicit theory of change was that incentives provided through access to relatively substantial amounts of funding for infrastructure investment and job creation would induce urban administrations in Ethiopia to take the decisions and allocate the staff resources required to build the institutions needed for sustainable urban development. This was a necessary, but not sufficient condition. The urban authorities also needed to develop the capacities required to plan and manage urban development, and the project provided funding for access to implementation support and capacity building.

2.10 The design's central feature proved to be a powerful and effective incentive to achieving the project objectives. By linking relatively substantial performance grants for funding capital investment to the achievement of a set of institution-building indicators, the project created the potential for a quantum advance in the participating cities' management and administration.

2.11 The level of financing available to cities according to the project design (except for Addis Ababa) was appropriate to incentivize local behavior. Most local governments were starved for resources at the time of project design, and they lacked the means to adequately engage the local population in the selection of investments and to respond to local needs meaningfully.

2.12 The specified performance criteria (were also relevant because they would contribute to improving performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure in ULGs). These performance criteria included timely submission of progress reports to regions, timely submission of annual updates of three-year rolling plans and annual economic plans, achievement of annual targets in revenue generation and implementing accounting system improvements, and disseminating information on budgets.

2.13 The program's monitoring arrangements were a particularly noteworthy feature of the design. The device of an annual performance assessment (APA) conducted by an independent consulting firm contracted by the federal government has proven very effective. The APA is a detailed and time-consuming assessment that requires the consultants to access more than 70 data points. All parties take the APA very seriously. Cities scrutinize the ratings and appeal to the steering committee if they feel there are misinterpretations or that factors were not considered adequately, and the committee reviews these appeals carefully.

2.14 Perhaps understandably for the first project in a series, the focus of the project's results framework tends to be on the achievement of particular outputs rather than on the quality of those outputs. The design had two weaknesses in this context: It included Addis Ababa without sufficient thought to how such a disproportionately large urban area could be accommodated within the project design (if at all), and it did not incorporate adequate mechanisms to ensure that the regional government agencies and municipalities could perform the project tasks.

2.15 The sheer size of Addis Ababa meant that even with an allocation of $20 million, the per capita allocation was much smaller than that of the other cities included in the project. There was also a mismatch in the capacity of Addis Ababa compared with the other cities. The federal government was insistent that Addis Ababa be included, but the World Bank preferred a program focused on secondary cities. The Implementation Completion and Results Report (ICR) is candid about this shortcoming, noting, "One aspect of the design that negatively affected implementation was the inclusion of Addis Ababa in the project. Addis Ababa has far larger own-source revenues than any of the other cities participating in the project, and the funds available to it under the ULGDP did not provide a sufficient incentive to bring about significant change with the city administration. Moreover, Addis Ababa, as a federally chartered city, is a different type of local government than the smaller cities participating in the project, with a different institutional structure and much more complex infrastructure needs." Addis Ababa consistently scored relatively poorly in the APAs by failing to prepare a comprehensive capital investment program or asset management plan, and it did not qualify for additional funding beyond its initial allocation. Addis Ababa was dropped in the second ULGDP.

2.16 The ULGDP was passed through regional budgets, but it went directly to cities, and the regional authorities had no role in its allocation. Interviews with the project team showed that this was done because of concern about the potential for regions to intervene in city-level decision making. However, this failed to consider that the cities in some areas depend on regional authorities for the program's success. This was particularly true for the Office of the Regional Auditor General, on which the cities relied for external audits—a project indicator. In addition, the regions were expected to support the cities in areas such as mobilization of own-source revenues, but they were not funded to take an active role. Funding for this purpose was included in the successor project, ULGDP II, and the regions—many of which had multiple cities included in ULGDP II—set up coordination units and mobile teams to support capacity building. These units and teams continue to provide support and are also doing so under the UIIDP.

2.17 The project tried to address gender issues in several areas, such as a requirement that 50 percent of beneficiaries should be women. This has some symbolic value, but it is obviously achieved automatically by any activities that serve the entire population. No programs target women specifically. Requirements for women to be a significant proportion of those who take part in the prebudget and postbudget consultations are more useful. For example, in Dila at the inception of the project only 25 percent of participants were women and at closure it was about 45 percent. Generally, women's participation consists of meetings with women's associations. The requirement that 30 percent of workers on cobblestone roads be women is another of the project's important areas of gender engagement. The project could have been more proactive in staffing the ULGDP coordination units and the provision of opportunities for training. In the five cities that the evaluation team visited, only two women were among the 50 staff members the team met.

2.18 Overall relevance of design is **substantial** because of the innovative use of performance grants, and the introduction of a rigorous accountability system that has since been scaled and replicated. The rating is substantial, not high, because of identified weaknesses, including incorporating Addis Ababa without sufficient incentives and the lack of outreach to regional authorities.

Implementation

2.19 This project was the first time that the World Bank supported ULGs in Ethiopia in a decentralized manner. As such, there was a trade-off in the project between allowing new municipalities to identify needs and allocate investments and the simultaneous need to strengthen capacity to support these municipal functions.

2.20 The World Bank was initially uninvolved in how the performance-based grants would be used at the city level. At first, the World Bank limited its guidance to a list of eligible capital investments and encouraged flexibility so that priorities could be aligned with citizen feedback. This differed from the design that the federal government preferred, which was based on specific infrastructure targets. To reconcile these preferences, the World Bank, at the time of the additional financing, introduced indicators that included projections (for example, for water points and cobblestone roads), clarifying that these were not rigid targets.

2.21 The evaluation supports the project's basic philosophy of letting cities select investments based on consultation with residents and focusing on the management of deal regulation and maintenance issues at the systemic level rather than the individual investments level. The World Bank introduced some exceptions, such as excluding asphalt roads, but this was done to promote employment through the choice of cobblestone roads. In the context of more advanced urban systems and in similar projects, the World Bank could add requirements on the density of houses, shops, and populations served along the road. The assessment documented the practice of requiring copayments by wealthier beneficiaries (for example, businesses and hotels benefiting from the upgrading), but the project documentation did not codify it well.

Safeguards Compliance

2.22 This project was classified as a category B project under OP/BP 4.01 Environmental Assessment. In addition, it triggered two safeguard policies: Physical Cultural Properties (OP 4.11) and Involuntary Resettlement (OP 4.12). An Environmental and Social Management Framework (ESMF) was prepared to address potential negative impacts. The framework included establishing clear procedures and methodologies for environmental and social assessment; specifying appropriate roles and responsibilities for managing and monitoring environmental and social concerns; determining the training, capacity building, and technical assistance needs to implement the ESMF's provisions; and providing practical information resources for implementing the framework. A Resettlement Policy Framework was also developed as a separate document. The ICR notes that cities experienced problems in applying the ESMF and made occasional mistakes categorizing them in the early years of implementation, but these issues were resolved. At project closure, performance in meeting the project's safeguard requirements was deemed satisfactory.

2.23 Regarding an Inspection Panel complaint involving a different project (the Protection of Basic Services Project), the World Bank put an extremely rigorous framework in place for resettlement that was applied to all projects, including ULGDP. This essentially brought the cities' full investment program (not just the ULGDP-supported part) into the safeguard framework. The evaluation team interviewed the city officials responsible for implementing the resettlement and environmental safeguards and found that these policies were well understood and being implemented effectively.

Financial Management and Procurement

2.24 At appraisal, the World Bank deemed the government's financial management systems satisfactory. The Financial Management Action Plan outlined several actions to strengthen the project's financial management, such as the preparing financial management guidelines, recruiting a qualified accountant, and providing training on project financial management issues to staff. The cities complied with the World Bank's policies, and except for the qualified audit covering the financial year that ended on July 7, 2014, all other audits for the project were unqualified.

2.25 The MUDHCO and some cities had difficulties in complying with the World Bank's procurement procedures, particularly in the early years of implementation, and this led to some ineligible expenditures and delays in executing some activities. However, by the end of the project, the ministry and cities' procurement arrangements were deemed satisfactory.

3. Achievement of the Objectives

3.1 The project development objective was to "support improved performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure by the recipient's urban local governments." It was structured to be achieved through capacity building and capital investments.

Capacity Building

3.2 Improved performance was measured through a set of monitored targets that cities needed to achieve as a condition to access funding. Each year, MUDHCo contracted consultants to conduct an independent assessment to find out whether cities had met the target, and to assign points that would determine their access to funding on either a regular or accelerated schedule. The summary table of performance is presented in appendix C. Among these targets were preparing capital investment plans, conducting participatory planning processes, preparing three-year rolling budgets, and updating infrastructure asset inventories. On project closure, the ULGDP local governments (except for Addis Ababa) were incorporated into the ULGDP II, which used Program-for-Results disbursement-linked indicators (appendix D). Although the ULGDP and ULGDP II indicators are not perfectly aligned, they provide strong continuity in the reform and capacity building process.

Capital Investments

3.3 A wide range of infrastructure that could be funded based on municipal needs, according to the performance grant awards. These included urban roads, bridges, pavements, and pathways; drainage; street lighting; markets; slaughterhouses; solid and liquid waste management; public toilets; parks and beautification; and sheds for small and medium enterprises (appendix B provides examples). Asphalt roads and municipal administrative buildings were the only major exceptions. The decision to disallow asphalt roads was intended to focus construction on cobblestone roads, which were less costly and could be built with greater labor inputs than asphalt roads could by using workers instead of machines to crush and shape cobblestones, for example. However, not all the infrastructure was labor-intensive. Street lighting, for example, had a relatively small labor component.

Envisioned Outcomes

3.4 For the participating cities, the expected outcomes of the project were (i) effective and responsive planning to meet service delivery priorities identified by citizens (allocative efficiency or participation objective); (ii) improved financial management and mobilization of own resources, and more effective operations and maintenance of infrastructure assets (sustainability objective); (iii) improved dissemination of budgets, plans, and performance measures to the public (accountability objective); and (iv) effective implementation of capital investment plans (service delivery improvement objective).

3.5 Not all the outcomes can be fully attributed to this project in considering the complementary urban sector activities by the World Bank and by the German Agency for International Cooperation (GIZ) in Ethiopia. Although the project activities could have improved urban planning and urban service delivery, urban sector activities financed by the World Bank in Ethiopia (Capacity building for Decentralized Service Delivery Project) and by GIZ in the context of the Urban Governance and Decentralization Program also influenced the outcomes.

Outputs

3.6 The project outputs were ambitouos and provided a strong foundation for the development of Urban Local Governmetns

- 19 Urban Local Governments (ULG) submitted approved Capital Investment Plan
- 17 citizens groups in ULG's participated in the Capital Investment Planning Process as compared to the target of 19.
- All 19 UGLs prepared three-year rolling budgets, annual financial reports in the required format,
- Revenue enhancement plans and infrastructure asset inventories that were updated annually, as targeted.
- 870 kilometers of non-rural roads were constructed as compared to the revised target of 1,000 kilometers.
- 647 kilometers of drainage systems were constructed as compared to the target of 900 kilometers.
- 131 improved community water points were constructed or rehabilitated under the project as compared to the target of 10.

- 35,600 persons were provided with access to improved water sources as compared to the target of 2,500.
- 85 million people, of which 50% were female beneficiaries, benefited from the project, as targeted.
- 1.5 million people were provided with access to all season roads within a 500 meter range, as targeted.

Outcomes

3.7 Overall, within the context of the project, ULGs improved their performance, in the planning, delivery, and sustained provision of priority municipal services with only minor shortcomings, doing so with additional financing. Generally, priorities differed slightly from those anticipated, most notably in the increased demand for improved water sources. The following outlines the outcomes.

- Twenty-six new cities met the access criteria for a potential second project compared with the revised target of 14.
- All 19 cities prepared the revenue enhancement plans for investing in urban infrastructure through raising revenue from own sources. Of the 19 cities, 10 prepared plans that would ensure that 85 percent of their infrastructure targets could be met through their own sources compared with the target of 75 percent of their infrastructure budgets.
- Nineteen ULGs produced timely external audit reports that were either unqualified or qualified with minor comments, as targeted.
- Seventy-five percent of the annual operations and maintenance budgets was met in 17 cities compared with the target of 19 cities.

3.8 The project showed successful achievement of all outputs and outcomes after project closure, which mostly led to the achievement of improved performance of the participating local governments in the planning, delivery, and sustained provision of priority municipal services and infrastructure. Therefore, the achievement of objective is rated **substantial**.

4. Efficiency

4.1 The project appraisal document did not provide estimates of economic or financial rates of return of investments. ULGDP was a framework project, and the specific investments were not known project preparation. For the ICR, with project and without project scenarios were calculated for cobblestone roads built in nine of the participating cities, in which 1.5 million people live. The ICR's calculations were based on capital and maintenance costs and associated benefits.

Cost-Effectiveness of the Capital Investments

4.2 The project spent $79.6 million to build 3.7 million square meters of cobblestone roads in the nine towns, for a unit cost of about $22 per square meter. The average unit cost for maintenance during the assumed 20-year life of the road is estimated at $14.69 per square meter (based on Ethiopia's road fund allocation for gravel road maintenance). The unit costs of the cobblestone roads are considerably lower than those of similar-size asphalt roads, and they create similar benefits with lower maintenance costs.

Table 4.1. Cost of Cobblestone Roads versus Asphalt Roads in Selected Cities

City	Cobblestone Road Cost (ETB per square meter)	Asphalt Cost (ETB per square meter)
Adama	400–500	1,430
Hawassa	320	1,090
Axum	300	1,000
Mekelle	320	1,300

Source: Arpeds Consulting 2011.
Note: ETB = Ethiopian birr.

4.3 The main benefits of cobblestone roads were (i) reductions in the cost of motorized transportation (for example, bus fares and haulage fees), (ii) value of time saved in travel because of faster transit speeds, and (iii) reduced vehicle operating costs for private vehicles because of improvements in the road quality. A discount rate of 10.23 percent was used, which is the rate that the Ministry of Finance and Economic Development uses as a proxy for the opportunity cost of capital in Ethiopia, consistent with the 10–12 percent notional figure used for evaluating World Bank-financed projects.

4.4 The main assumptions of the cost effectiveness analysis are as follows: (i) The capital costs are incurred between 2009 and 2014; (ii) the lifetime of the roads is 20 years with zero residual value at the end; (iii) maintenance takes place every year on 10 percent of the road's length; (iv) the total maintenance costs remain constant in real terms over the life of the roads; (v) increasing populations and rising incomes cause the number of vehicles using the roads to grow by 7 percent a year for the next 20 years; (vi) the cost of a trip by motorized transportation is 10 percent lower with the project than without it; (vii) travel time per person averages 15 minutes less per day with the project than without it; and (viii) vehicle operating costs for private vehicles are 15 percent lower with the project than without it.

4.5 Based on these assumptions, the cost-benefit analysis for the cobblestone roads sub-projects yields a net present value of $31.1 million and an economic rate of return of 20 percent.

Unquantified Benefits

4.6 The assessment determined that there were unquantified efficiency gains achieved by introducing a predictable and transparent rules-based performance system to local governments. Additionally, unquantified benefits were associated with the cobblestone roads, including job creation (accounts were made available but not consistently tracked). The cobblestone roads transformed access roads into all-weather roads, which represents an important efficiency gain for a population that tends to travel on foot and by nonmotorized vehicles (an estimated 65 percent of trips are on foot and with a donkey-drawn cart).

4.7 This project showed that urban development projects need to track the economic activity associated with infrastructure investments. Properties that became more accessible increased in value, and the improved drainage systems that were built along the roadsides reduced the costs of repairing roads, structures, and property. The total nonquantified benefits are likely to be significant. The cobblestone roads were built primarily in the city centers and have transformed neighborhoods that were once hard to reach into lively business districts. The resulting increase in land values is another significant indicator of impact that could have been monitored. It would be useful to reflect this in the ICR for ULGDP II.

4.8 In ULGDP, some of the cities had data on the development of commercial establishments resulting from construction of cobblestone roads, and this would have been a useful addition to the cost-effectiveness assessment. In addition, some analysis for the other types of investment could have been undertaken. The ICR for ULGDP II (the follow-up) should attempt quantification based on empirical evidence of the efficiency and cost-effectiveness of a sample of project investments rather than basing it on assumed values and the procedures used.

Administrative Efficiency

4.9 The administration of certain aspects of the project had minor shortcomings, such as delays in recruiting consultants for undertaking APAs, which resulted in an initial delay in making disbursements to cities. However, given the APAs' technical complexity, it was critical to ensure that the consultants had the capacity to perform the assignment. The lack of a system for financing the regional government agencies, as discussed in project design, hampered the agencies in performing project tasks, such as on-time auditing of the cities' financial statements. Delays were effectively overcome despite this. Suboptimal staffing and turnover at the MUDHCo meant that the ministry could not provide as much support to the cities as required.

4.10 Efficiency is rated **substantial.**

5. Ratings

Outcome

5.1 The project's overall development outcome is rated **satisfactory**. The project objective is rated **high**. This was a transformational project that helped city administrations provide services to residents accountably, transforming Ethiopia's main urban agglomerations into cities. Overall design is substantial because of the innovative use of performance grants, and the rigorous accountability system that was introduced and has since been scaled and replicated. The rating is substantial, not high, because of identified weaknesses, including incorporating Addis Ababa without sufficient incentives and the lack of outreach to regional authorities.

5.2 Efficacy is rated **substantial**. Within a relatively brief period, participating cities had put key building blocks in place for effective city management. These included participatory and transparent capital investment plans and budgets, revenue enhancement plans, operation and maintenance budgets, and timely, up-to-date external audits with minor qualifications, at most. All cities except Addis Ababa met the anticipated performance criteria. At the same time, the visible expansion of infrastructure that the project made possible contributed to economic vibrancy, though this was not documented well. Efficiency is rated **substantial** because of the effective introduction of a transparent, rule-based system for defining and financing local capital investments, and for the efficiency gains associated with cobblestone road construction in the Ethiopian context (affordability, durability, operation and maintenance, and job creation).

Risk to Development Outcome

5.3 Regarding capacity and human resource risks, the benefits of the project's capacity building support are likely to be sustained because the project supported strengthening the existing government structure. Despite staff turnover, most of the staff that the project trained and mentored in participatory planning, financial management, asset management, revenue mobilization, environmental and social safeguards, and M&E have stayed in the city administrations. However, particular issues with staff turnover involve qualifications or experience in engineering, accounting, auditing, and procurement—qualifications that are in high demand in the banking and private sectors. This requires continuing support for capacity building to fill the gaps, and this is happening with the continuation of World Bank support. However, staff turnover needs to be addressed in the long run by providing proper salary and career incentives to civil servants (box 5.1).

5.4 When asked what could be done about turnover, people interviewed said that there is a need to train and build capacity at sufficient levels to allow for redundancy. Most officials do not have the confidence to mention the obvious case for increasing salaries and the trade-off between raising salaries of existing staff and hiring new civil servants. The government attaches much higher weight to the latter, which is needed to address the problem of new graduate unemployment. At the very least, the government needs to consider the salary and career path, which should offer sufficient progression after, perhaps, the second year of employment to induce the more-promising entrants to consider civil service as a long-term career.

Box 5.1. Strengthening Urban Local Governments and Public Sector Turnover in Ethiopia

Turnover is a general problem in Ethiopia's civil service, but the cities, where increasing private sector development is likely to occur, are among the most vulnerable units of government. In almost every city that the evaluation team visited and asked what the greatest challenges were that the ULGDP faced, staff turnover was at the top of the list. In most places, key staff had been in their jobs for only one or two years. The World Bank conducted an analytic study in 2014 on the turnover problem in Ethiopia's public sector, and the study suggested that turnover was less than generally perceived. In the agencies that the World Bank surveyed, turnover was only 3.7 percent per year. Still, the figure seemed to be higher in most cities the team visited, and often the best staff members with the most marketable skills were the ones who left. Staff leaves to join other agencies or to go to the private sector, banks, nongovernmental organizations, or donor agencies. Low government salaries (which have not kept pace with inflation and have declined by 40 percent in real terms since 2004) seem to be the primary reason for turnover. In addition, the public service career path does not seem to offer the promise of moving into authority positions in the medium term, and therefore tends to imply a long period of slowly growing salaries and limited job satisfaction.

Source: World Bank 2015.

5.5 Regarding institutional risks, the participating ULGs have shown their commitment to deliver on their mandates by consistently improving their performance. Top officials of MUDHCo have declared their support for cities' development with performance grants, coupled with targeted capacity building support. The ULGDP II provided grants to participating ULGs based on their performance through the World Bank's Program-for-Results instrument and provided significant support for capacity building. The third project in the series, the UIIDP, continues to provide support (though at a decreasing level) to the original 18 cities (except for Addis Ababa, which received direct support from the World Bank) and to the second cohort of 26 cities.

5.6 The UIIDP expands the number of participating cities to 117. However, scaling too quickly to cover all 117 cities could pose some institutional and financing risks. This kind of expansion raises serious questions about whether the federal, regional, and World Bank supervisory capacity is spread too thin to provide the kind of support that existing city governments continue to need and that new ones will require. The APA covering 44 cities is already a large document that requires major work to prepare and review. Applying the same approach to 117 cities will be challenging. The federal government hired 30 additional staff to undertake APA review (and 100 new staff for the project as a whole), but this does not resolve the problem of ensuring a consistent approach.

5.7 Regarding the operation and maintenance risks related to urban expansion, the evaluation mission's site visits raised questions about the role of citizen participation in identifying and prioritizing roads. Several cobblestone roads were in areas of low housing density, and some were beside stretches of undeveloped land. Some might be too wide for the anticipated amount of traffic. In addition, regulation and upkeep on some of the roads was likely to reduce expected future benefits. For some roads, construction was inferior, solid waste blocked drainage ditches, and in many, construction materials for roadside houses (using the road surface as a construction site or dump site) blocked at least one traffic lane.

5.8 Risk to development outcome is rated **moderate.**

Bank Performance

Quality at Entry

5.9 The World Bank's performance in ensuring quality at entry was **satisfactory**. The decision to use the performance grant model—a break from the previous approach—proved to be transformative and shaped the intergovernmental fiscal system in Ethiopia.

5.10 Lessons learned from past World Bank investments in Ethiopia's urban sector and in the region informed quality at entry, particularly lessons from World Bank experience in Africa that showed positive outcomes from linking institution-building objectives through performance grants to the financing of city-level infrastructure.

5.11 Specifically, the lessons learned were from a pilot component in the Capacity Building for Decentralized Service Delivery Project (approved in 2002) and from the Public Sector Capacity Building Program (approved in 2003). The pilot, which provided finance for rehabilitating local infrastructure (for example, roads, drains, water supply and sanitation, markets, slaughterhouses, schools, and clinics), was contingent on municipalities submitting capital investment plans, including credible arrangements for operation and maintenance of the proposed investments. Financing was also contingent on the proposal proving that a thorough consultation process with local communities identified the proposed investments. This was a highly ambitious undertaking and the World Bank's first attempt to directly fund local institution building with training, knowledge sharing, and support for the development of financial management systems. The project funded capacity building in almost all areas that would later be proposed as outcome indicators for the ULGDP.

5.12 Attention to selectivity also strengthened quality at entry. The project chose the number of cities carefully and could therefore provide each city with funds that increased their infrastructure spending. In some cases, it doubled, making it a significant incentive to meet the performance standards the World Bank envisioned.

5.13 Weakness in quality at entry relates to the results framework. Some of the variables included were difficult to measure—for example, the extent of the impact of participation on the city budget's design. Furthermore, the results framework had little focus on how the city would actually use the funds. The results framework was revised extensively during the project restructuring in 2011.

Quality of Supervision

5.14 Supervision is rated **satisfactory,** partly because the project supervision was from the World Bank office in Addis Ababa with the same task team leader for most of the period. In addition, the learning and adaptation that occurred shows that the World Bank paid close attention during implementation.

5.15 The World Bank effectively supervised a project that covered activities in 19 cities through 12 implementation support missions during the project's 6-year implementation. Aide mémoires covered all key issues and provided practical recommendations on how to address challenges. The World Bank team responded proactively to challenges as soon as they arose and tried to find effective solutions. For example, when cities expressed confusion about how to ensure value for money in contracting small firms to build cobblestone roads, the World Bank team worked closely with the government to develop a cobblestone works procurement manual. Similarly, the World Bank team helped the government prepare a quarry site rehabilitation and management manual when concerns arose about the environmental management of quarry sites. The project won a Vice Presidential Unit Award in 2011, recognizing the World Bank team's achievements.

5.16 The World Bank team responded to the government's request for additional financing and quickly prepared the new credit. This was an opportunity to restructure the project effectively based on early implementation experience. The project closed on time, and all funds were used.

5.17 World Bank supervision had a critical role in helping cities overcome capacity constraints. Support was especially important for environmental and social safeguards and procurement, which were both new areas for cities, and complying with World Bank requirements proved challenging. Implementation support missions regularly reviewed compliance with fiduciary, environmental, and social safeguards.

5.18 Supervision also helped to ensure complementarity between the World Bank's approach and other donor-funded projects, including GIZ. The World Bank collaborated closely with GIZ throughout implementation, which helped to ensure high complementarity between the ULGDP and the GIZ-funded Urban Governance and Decentralization Program.

5.19 Overall, Bank performance is rated **satisfactory.**

5.20 Another effective aspect of the supervision process was overseeing the implementation of the participating ULGs' APA, conducted by an independent firm and managed by the ministry.

Borrower Performance

Government Performance

5.21 The government's performance is rated **satisfactory**. Despite delays, the Ministry of Finance and Economic Development complied with the two effectiveness conditions related to financial management, appointing a qualified accountant to handle financial management issues for ULGDP and providing training on World Bank financial management procedures to relevant staff. The ministry had a key role in ensuring that allocations to cities were made on time and according to the agreements between the World Bank and MUDHCo (based on the APA's findings). It also performed effectively in preparing the quarterly financial management reports based on cities' inputs and submitting them to the World Bank.

Implementing Agency Performance

5.22 Implementing agency performance is rated **satisfactory**.

5.23 MUDHCo was the overall implementing agency for the project. The minister and the state minister showed a high level of commitment to the project throughout implementation, hosting all the mission's wrap-up meetings and following up on the issues identified in the aide mémoires. This commitment was critical in keeping the project moving toward its objectives.

5.24 MUDHCo generally supplied the support that cities needed in engineering, safeguards, financial management, M&E, and other areas. It led the preparation of a capacity assessment of project implementing agencies and the support program for building the agencies' capacity, thus meeting the covenant related to these activities. It appointed a strong team in its Urban Governance Capacity Building Bureau to oversee project implementation, which included a coordinator, engineers, and specialists in environmental and social safeguards and M&E. It provided day-to-day support to cities, compiled the quarterly progress reports based on the information provided by regional administrations, and provided training and technical assistance when cities requested them. It also procured goods on behalf of cities when the costs exceeded the procurement threshold set for cities—for example, for skip loaders and liquid waste exhausters.

5.25 MUDHCo performed satisfactorily in other areas, but its performance in procurement was a weakness. This caused delays in implementation, but it did not affect overall performance. Delays in procuring the services of the APA firm slowed the funds disbursements to cities. However, the APA is highly complex, and it was necessary to ensure that the consultants would have the capacity to undertake it.

5.26 At the regions level, project implementation units were responsible for project implementation in all participating cities in the region; at the city level, the city council and city management were responsible for it. The project implementation units in the regions are an impressive feature of the project, and they have provided increasing support and technical assistance to the cities as their own capacity has improved with time. The cities, such as Bahir Dar, Hawassa, and Mekele, are becoming significant growth poles as the growing infrastructure enables new investment to take place in the construction sector. Project indicators for most of the project's institutional objectives were met.

5.27 The regional governments' performance fell below expectations, but key regional entities provided the necessary support to cities, specifically the regional environmental protection agencies and the offices of the auditor general. Nearly all the cities performed above expectations, and many achieved APA scores that warranted accelerated provision of funds. This ultimately led to rapid disbursement of the project funds and preparation of an additional credit, doubling the resources available to cities. The World Bank's 2014 urbanization review for Ethiopia found that, in most cases, the cities had used consultants to prepare revenue enhancement plans, and when they were prepared, their role in the actual policy formulation and revenue collection was less than optimal. The focus on plans preparation (revenue enhancement plan, capital investment plan, and asset management plan) risks a checking-the-box approach to achieving program results. Even with quantified targets (for example, spending 85 percent of the operation and maintenance budget), does not ensure adequacy of the original allocation. For example, the criteria on consultation simply required the cities to identify the number of consultations and groups they met with no indication of the quality and impact of the consultations.

5.28 The ULGs' implementation performance was **satisfactory.** All 19 cities appointed a project coordination team headed by a coordinator. All except for Addis Ababa worked diligently to achieve their targets as laid out in the project paper and further elaborated in the checklist developed for the APA. As shown through the achievement of the results indicators, all cities made significant improvements in their participatory planning, revenue mobilization, asset management, budgeting, financial management, investment planning, procurement, project execution, environment and social management, operations and maintenance, and transparency and accountability during the project's life. Cities invested in infrastructure and services (roads and drainage systems, streetlights, walkways, water supply, solid waste management services, markets, and public parks and greenery), transforming the cities into desirable places to live, work, and visit. Although the Addis Ababa city administration did not perform as well as the other cities did on institutional strengthening, it had invested in important infrastructure by the end of the project, including cobblestone roads in residential neighborhoods, solid waste transfer platforms, and a botanical garden and open-air theater, which will contribute to the city's livability for many years.

5.29 Overall borrower performance is rated **satisfactory.**

Monitoring and Evaluation

5.30 The M&E quality rating is **substantial.**

5.31 The project appraisal document specified eight key performance indicators for the cities (table 5.1, column 1). However, the results framework was revised substantially during the restructuring approved in July 2011. Several of the original key performance indicators were dropped because of measurement difficulties, two were moved to intermediate results, and World Bank core indicators for urban programs were added. In addition, outcome targets were adjusted upward to reflect the expected increased impact of the project on both cities' administrative performance and delivery of infrastructure and services. Specifically, more cities were expected to submit timely audit reports that are unqualified or qualified with minor comments. More cities were also expected to achieve at least 85 percent of revenue targets and to show that they had largely spent the funds they had allocated for operations and maintenance.

Table 5.1. Original and Revised Performance Indicators

Original Indicator	Revised or Added
Increase in the number of citizen's groups participating in the capital investment planning process (number of cities achieving 75 percent increase)	Moved to intermediate indicator
Alignment of capital investment plans with the surveyed infrastructure service delivery priorities of citizens (number of cities achieving 70 percent alignment)	Dropped
Achievement of targets under the city revenue enhancement plans (number achieving 75 percent of targets)	Urban local governments that achieve targets specified in revenue enhancement plan (number that achieve 85 percent of targets by the end of fiscal year 2014)
Cities producing timely external audits reports (number)	Urban local governments producing timely external audit reports that are either unqualified or qualified with minor comments (number)
Cities disseminating information to the public on budgets, including investment plans, expenditures, physical progress of investments, and results of bid evaluations and contract awards (number)	Moved to intermediate indicator

Original Indicator	Revised or Added
Infrastructure assets, the condition of which has improved (percentage)	Urban local governments using 75 percent of annual operations and maintenance budgets as specified in their capital investment plans (number)
Increase in the city's infrastructure assets (number of cities increasing their assets)	Dropped
Capital investments (for a sample) that are of appropriate standards suited to local conditions and needs (percentage)	Dropped
	Direct project beneficiaries (number) of which are female (percent), added at restructuring
	People (number) in participating urban local governments provided with access to all-season roads within a 500 meter range under the Urban Local Government Development Project, added at restructuring

5.32 The use of APAs to monitor city performance against the institution-building criteria was also key feature of M&E design. It was highly innovative in the context of investment project financing, providing a careful assessment of each city's progress and achievement, and allowing benchmarking. An appeal mechanism was built into the system that allowed cities to contest the APA's recommendations at a review meeting with the ministry.

5.33 Some M&E indicators, though appropriate, proved difficult to measure and had to be dropped as part of restructuring. The number of PDO indicators was reduced from eight to five. Although cities were required to appoint an M&E focal person for the project, the person appointed did not have the required skills for M&E implementation. Collecting data from many parts of the administration (such as the department of public works, the office of finance and development, and revenue collection authorities) proved difficult. The high turnover of city administration staff resulted in weakness in reporting from cities, and consequently some cases of inaccurate data.

5.34 However, the ICR and the Project Performance Assessment Report used data from the APAs collected by the independent consultants to verify the information the cities provided.

5.35 The use of M&E as reflected in the APAs is a particularly impressive aspect of the project. These are very lengthy and detailed documents, but they allow the federal government (and the World Bank) to carefully track progress under the program and identify relative weaknesses that require follow-up.

6. Lessons

6.1 **There is a trade-off between scope and development outcomes in municipal operations that use performance-based grants. It is critical to ensure that funding is sufficient to both incentivize behavior at the city level and offer a meaningful level of technical assistance.** The government of Ethiopia often chooses breadth over depth when scoping its operations for reasons related to social cohesion and perceptions related to regional inequality. The ULGDP is an example—it includes all 117 cities with a population of more than 20,000 persons. By contrast, only 18 cities were included in the first project. Such reduced scope was a major success factor that enabled meaningful transfers at a scale that could incentivize transformational behavior. Targeted cities adopted participatory planning, capital and maintenance planning and budgeting, and own-source revenue enhancement, and provided access to all-weather roads. Such outcomes are unlikely if only modest amounts of transfers per city are available.

6.2 **A one-size-fits-all approach is ineffective in urban development projects that target multiple cities at various stages of development.** To achieve development outcomes, the World Bank should instead offer a flexible package of infrastructure, service, and technical support options aligned with clients' differentiated needs. In rapidly urbanizing areas, client needs can evolve and diverge, even during the life of a single project. In Ethiopia, some cities require support that is more sophisticated for city management and advanced infrastructure, which differ from the needs of newly created cities. Such a differentiated approach could have solved the misaligned incentives to reform in Addis Ababa, for example.

6.3 **Performance-based grants should be considered as a preferred method of intermediating intergovernmental fiscal resources to ULGs in the context of emerging urban systems.** In urban operations, performance-based grants can create a significant level of bottom-up demand for capacity building and governance strengthening that has proven to be more successful in World Bank operations in Ethiopia than supply-led approaches have been. The performance-based payments that the project offered and the associated support and training incentivized cities, regions, and the associated ministry to put needed institutional procedures in place.

6.4 **Promoting autonomous decision making at the city level while ensuring that operational rules and supervision are in place are necessary conditions to ensure the intended use of funds in municipal finance projects.** In the ULGDP, the World Bank initially decided not to intervene in the fund allocation process, beyond the assignment of broad categories. This approach proved insufficient, however. The World Bank tried to insert more selectivity at the time of additional financing by adding specific indicators, but these fell short of ensuring that the funding was fully allocated as intended (for example, cobblestone roads were sometimes located in relatively upscale or underpopulated areas, and roads were built without proper drainage).

6.5 **Urban development projects need to balance targeting core city administrative functions as well as improving city management and planning competencies.** The ULGDP primarily addressed back office functions—getting systems in place and helping them to function effectively. Consequently, some of the core city management and regulatory functions in the targeted municipalities progressed slowly. For example, in the cities targeted, there was little progress on enforcing building codes, construction quality, integrated drainage, and traffic management. The balance requires designing projects that can emphasize addressing each city's binding constraints.

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[1] This section is an update of the corresponding section of the Second Urban Local Government Development Program as a Program-for-Results operation: Technical Assessment Report: February 20, 2014. Updating is drawn mainly from World Bank economic monitoring of Ethiopia.

[2] These nine regional governments are Afar, Amhara, Benishangul Gumuz, Gambela, Harar, Oromia, Somalia, Tigray, and the State of the Southern Nations, Nationalities, and Peoples.

[3] The cities included in the first phase were the chartered cities of Addis Ababa and Dire Dawa; Bahir Dar, Dessie, Gondar, and Kombolcha in the Amhara Region; Adigrat, Axum, Mekele, and Shire Endeselassie in the Tigray Region; Adama, Bishoftu, Jimma, and Shashemene in Oromia Region; Arbaminch, Dilla, Hawassa, and Wolayta Sodo in the South Nations Region; and Harar in Harari Region.

[4] Addis Ababa was excluded from both the Urban Local Government Development Project II and the Urban Institutional Infrastructure Development Program (see paragraph 2.11).

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Appendix A. Basic Data Sheet

Ethiopia Urban Local Government Development Project, IDA-4456 and IDA-4994, P1

Table A.1. Key Project Data

Financing	Appraisal Estimate ($, millions)	Actual or Current Estimate ($, millions)	Actual as Percent of Appraisal Estimate
Performance grants	203	403	100
Implementation Support	3	9	100
Unallocated	2	0	
Total Project Costs	208	416	100

Table A.2. Project Dates

Event	Original	Revised/Actual
Concept review	09/01/2008	11/10/2008
Appraisal	07/05/2011	07/05/2011
Board approval	08/15/2011	08/15/2011
Closing date	12/31/2014	12/31/2014

Table A.3. Cumulative Estimated and Actual Disbursements

Disbursements	FY11	FY12	FY13	FY14	FY15
Appraisal estimate (*$, millions*)	65.0	105.0	135.0	150.0	15.0
Actual (*$, millions*)	117.7	150.9	217.0	286.2	288.0
Actual as percent of appraisal	55.2	69.6	62.2	52.4	52.0
Date of final disbursement					2/6/2015

Table A.4. Staff Time and Cost

Stage of Project Cycle	World Bank Budget Only	
	Staff Time (no. weeks)	Cost[a] ($, thousands)
Lending		
FY08	54.25	213,719
FY11	—	—
Total		
Supervision or ICR		
FY09	57.99	15,721
FY10	80.51	215,711
FY11	52.08	196,328
FY12	66.81	217,280
FY13	65.59	126.413
FY14	67.05	118,779
FY15	20.44	47,869
Total	464.72	1,009,967

Note: ICR = Implementation Completion and Results Report.
a. Including travel and consultant costs.

Table A.5. Task Team Members

Name	Title	Unit	Responsibility or Specialty
Rumana Huque	Senior Urban Specialist	GSURR	Task team leader
Abebaw Alemayehu	Senior Urban Specialist	GSURR	Task team leader
Wendy Schreiber Ayres	Senior Economist (consultant)	GSURR	ICR primary author
Wendwosen Feleke	Operations Officer	GWADR	Economic analysis
Shimelis Woldehawariat Badisso	Senior Procurement Specialist	GGODR	Procurement
Lillian Brenda Namutebi	Financial Management Specialist (consultant)	GGODR	Financial management
Abiy Demissie Belay	Senior Financial Management Specialist	GGODR	Financial management
Antoine V. Lema	Senior Social Safeguards Specialist	GSURR	Social safeguards
Asferachew Abate Abebe	Senior Environmental Specialist	GENDR	Environmental safeguards
Berhanu Legesse Ayane	Senior Public Sector Management Specialist	GGODR	Public sector management
Mulat Negash Tegegn	Team Member	GGODR	Program assistance
Nina Chee	Lead Environmental Specialist	OPSOR	Environmental safeguards
Richard Olowo	Lead Procurement Specialist	GCFDR	Procurement
Roderick M. Babijes	Program Assistant	GSURR	Program assistance
Tesfaye Ayele	Senior Procurement Specialist	GGODR	Procurement

Name	Title	Unit	Responsibility or Specialty
Wuleta Giday	Senior Program Assistant	AFCE3	Program assistance
Yalemzewud Simachew Tiruneh	Social Safeguards Specialist (consultant)	GCFDR	Social safeguards
Yodit Teamir Rezene	Team Assistant	AFCE3	Team assistance
Yohannes Fisseha	Infrastructure Engineer	GWADR	Engineering
Onur Ozlu	Senior Urban Economist	GSURR	Project implementation
Binyam Bedelu	Senior Procurement Specialist	GGODR	Procurement
Carolyn Winter	Safeguards Specialist	GSURR	Social safeguards
Chukwudi H. Okafor	Senior Social Safeguards Specialist	GSURR	Social safeguards
David De Groot	Senior Urban Specialist (consultant)	WBI	Project Design
Dinkneh Tefera	Urban Specialist	GSURR	Project design and implementation
Duangrat Laohapakakul	Senior Counsel	LEGCF	Legal advice
Edeltraut Gilgan-Hunt	Safeguards Specialist	GSURR	Social safeguards
Eyerusalem Fasika	Operations Officer (consultant)	GSURR	M&E design
Ian Leslie Campbell	Safeguards Specialist (consultant)	GSPDR	Safeguards
Jeffrey S. Racki	Consultant	GSURR	Project design
Jonathan David Pavluk	Senior Counsel	LEGOP	Legal advice
Meron Tadesse Techane	Financial Management Specialist (consultant)	GGODR	Financial management

Appendix B. Examples of Infrastructure Investments

1. A bridge was constructed in Dire Dawa to provide an alternate route if a flood occurs. A flood protection wall was built to reduce flood risks.

Source: Independent Evaluation Group.

Source: Independent Evaluation Group.

Dire Dawa town is at the foothills of a mountain range. A large river (often dry without water) divides the town. The river floods the surrounding area during the rainy season, threatening life and property. The flood originates in the upper hillsides and converges with a bigger river, the Dechatu. Unlike Adama, flooding in Dire Dawa comes from the hilly areas and is not generated by the local, annual flooding caused by runoff.

2. In Adama city, unpaved roads have been a major cause of soil erosion that becomes worse during heavy rainfall and seasonal dust storms during the dry season. Cobblestone roads were constructed under the project, and many of the roads sections have been built around internally displaced persons camps. These roads have improved the settlers' access to economic and social services.

Source: Independent Evaluation Group.

Source: Independent Evaluation Group.

3. Cobblestone work in the Urban Local Government Development Project I. The project had a important gender and employment generation dimensions.

Source: PPT Cobblestone Development under Urban Local Government Development Project.
Note: June 2013.

Appendix C. Project Final Performance Assessment

Table C.1. ULGDP Final Performance Assessment

				Oromiya				SNNP				Amhara				Tigray			
ULGDP 2014 Final Annual Performance Assessment	**Addis Ababa**	**Dire Dawa**	**Harar**	**Adama**	**Bishoftu**	**Shashemane**	**Jimma**	**Hawassa**	**Dilla**	**Wolaita Soddo**	**Arba Minch**	**Bahir Dar**	**Kombolcha**	**Dessie**	**Gondar**	**Mekelle**	**Axum**	**Shire Endaselasie**	**Adigrat**
EFY 2004 use of capital investment plan budget	75	49	97	60	88	83	93	99	66	66	81	54	55	44	86	91	97	98	96
Financial management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	7	12
Asset management and plan	5	14	4	4	15	12	11	15	11	11	13	15	15	5	15	14	10	13	3
Revenue enhancement	12	12	15	17	17	20	20	20	20	20	20	12	20	8	12	20	17	20	20
Planning and budgeting	6	15	8	10	15	15	15	13	15	15	13	13	11	9	11	15	11	11	13
Transparency and accountability	0	12	3	15	15	15	5	15	15	12	15	13	15	13	12	12	12	15	13
Procurement	5	6	4	6	6	8	4	8	6	8	6	6	6	4	8	8	10	8	8
Environment and social safeguard management	5	10	10	9	7	10	2	10	10	10	10	10	10	2	9	10	6	10	8
Totals for 8 indicators	49	77	61	71	87	91	72	94	86	85	88	78	85	52	80	91	80	86	79

Source: ULGDP Annual Performance Assessment.
Note: EFY = xx; SNNP = xx; ULGDP = Urban Local Government Development Project.

Appendix D. Project II Disbursement-Linked Indicators

Table D.1. ULGDP II Disbursement-Linked Indicators, 2017

2017 Disbursement-Linked Indicators Report, ULGDP II Institutional Performance		Amhara				DD	Harar	Oromia				SNNP				Tigray			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Maximum Points	Bahir Dar	Konbolcha	Gondar	Dessie	Dire Dawa	Harar	Adama	Bishoftu	Jimma	Shashemane	Hawassa	Arbaminch	Wolayta Sodo	Dilla	Mekelle	Adigrat	Axum	Shire Endasilasie
Total	100	89	89	84	96	87	76	80	90	89	89	86	80	88	82	87	84	71	77
Planning and budgeting	10	9	10	9	10	10	9	9	9	9	9	10	9	9	9	10	10	9	10
Asset management plan	10	8	10	8	10	10	10	10	10	9	10	10	10	10	10	10	10	5	10
Public financial management	15	15	15	12	15	12	12	15	12	12	12	12	12	12	12	12	12	12	12
Procurement	15	14	13	14	15	13	10	13	14	14	14	14	14	14	15	13	14	12	13
Own-source revenue	10	8	6	6	6	7	6	7	10	5	4	5	3	3	7	8	9	9	8
Accountability and transparency	15	15	15	15	15	15	9	9	15	15	15	15	15	15	9	9	9	9	9
Environment and social safeguards	10	10	10	10	10	10	10	10	10	10	10	10	7	10	10	10	10	10	10
Land and urban planning	15	10	10	10	15	10	10	7	10	15	15	10	10	15	10	15	10	5	5

Source: ULGDP project files.
Note: DD = xx; SNNP = xx; ULGDP = Urban Local Government Development Project.

Appendix E. List of Persons Met

Name	Title and Affiliation
World Bank Staff	
Abebaw Alemayehu	Senior Urban Development Specialist
Dinkneh Tefera	Urban Development Specialist
Rumana Huque	Senior Operations Officer
Government of Ethiopia	
Mekibib Peteros	Internal Auditor, Mayor's Office
Teshale Wante	Deputy Head, Mayor's Office
Malkamu Abay	Job Creation, Mayor's Office
Dassalegn Waticha	Government Treasurer; ULGDP focal person
Getinenet Alemyasin	Deputy City Manager, Dilla Town Mayor Office
Mulugeta Abera	City Finance Head, Dilla Town Mayor Office
Ayenew Belay	Mayor of Bahirdar
Emenet Alene	Staff, Amhara Regional Ethics and Anticorruption
Mohammed Said	Audit Manager, Amahara Regional Audit Office
Mohammed Bidaru	Auditor General, Amhara Regional Audit Office
Yousuf Ahimed	Budget and Finance, Regional Council
Kaidr Mohamed	SME, Regional Food Security and Job Creation Directorate
ULGDP Project Staff	
Tsega Temesgen	Project Manager
Tamirat Balcha	M&E Officer

Mesfin Tekilu	Asset Management
Hussien Yimer	ULGDP Coordinator
Said Hussein	ULGDP staff, Afar Regional UDHB
Anwar Said	Regional Coordinator, ULGDP II
Andualem Ayalew	Planning and Budgeting Coordinator
Abebewal Mulatu	ULGDP II Coordinator, UDHB Office