

IEG

ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	09/15/2006	
PROJ ID:	P044674		Appraisal	Actual
Project Name:	Emergency Reconstruction	Project Costs (US\$M)	287.7	220.6
Country:	Eritrea	Loan/Credit (US\$M)	90.0	105.9
Sector(s):	Board: FSP - Banking (36%), Roads and highways (20%), Power (18%), General agriculture fishing and forestry sector (18%), Other social services (8%)	Cofinancing (US\$M)	173.7	95.5
L/C Number:	C3434; CH051			
		Board Approval (FY)		0
Partners involved :	Italian Cooperation, African Development Bank, Consortium of Arab Banks, European Union, Denmark	Closing Date	12/31/2002	12/31/2004
Evaluator:	Panel Reviewer :	Division Manager :	Division :	
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2. Project Objectives and Components

a. Objectives

The overall objective of the Emergency Reconstruction Program (ERP) as to assist Eritrea in the process of long-term reconstruction and economic recovery. The specific Project objectives were to assist Eritrea in (i) rebuilding physical and social infrastructure; (ii) helping people displaced and affected by the Emergency rebuild their lives and resume their economic activities; and (iii) rehabilitate the private sector.

Particular attention was to be paid to long-term sustainability so that actions taken during the emergency would not have long-term adverse consequences on institutions and programs. In addition, elements of the ERP were to complement ongoing efforts coordinated by the Eritrean Relief and Refugee Commission to respond to the immediate humanitarian needs.

b. Components (or Key Conditions in the case of Adjustment Loans):

To achieve the objectives, the program comprised five components :

1. Agriculture (at appraisal: \$43.0 million, [IDA \$15.0 million]; actual: \$35.2 million [IDA \$22.1 million]). This component aimed to revive productive capacities, permit rural families to return to their farms, launch some new income generating activities especially for women, and to restore and improve the environment and community assets through production and sustainable land management investments. It financed activities in three areas: (i) land resources and crop production; (ii) mechanized agriculture and support services; and (iii) animal resources. *The Supplemental Grant* provided an additional amount of \$4.7 million to permit the continuation of subcomponent activities due to the droughts of 2002 that continued into 2003 and 2004.

2. Infrastructure Rehabilitation (at appraisal: \$61.0 million, [IDA \$39.1 million]; actual: \$45.3 million [IDA \$37.1 million]). This component consisted of two parts:

(i) Roads. This component involved: (i) restoration/rehabilitation of key road and bridge facilities severely damaged by the war. (ii) restoration and provision of access to settlements /camps occupied, or to be occupied by internally displaced persons (IDPs) and refugees in Sudan; and (iii) provision of improved access roads to areas of recurrent drought and famine.

The Supplemental Grant provided an additional \$5.5 million to continue ongoing road rehabilitation, especially in drought-affected areas, which had been under-funded from original estimates and also to higher standards of the final reconstructed roads.

(ii) Energy/Power. This component financed the (i) rehabilitation of the Massawa Hirgigo Power Plant; (ii) replacement of power generators; and (iii) repairs to electric power systems.

The Supplemental Grant provided an additional \$0.8 million to finance maintenance of the Hirgigo Power Plant, substation and related electricity grid.

3. Private Sector Reconstruction (at appraisal: \$45.0 million, [IDA \$31.6 million]; actual: \$42.6 million [IDA \$32.3 million]). This component provided: (i) support for affected enterprises, to enable the Commercial Bank of Eritrea

(CBE), Housing and Commerce Bank of Eritrea (HCBE), and the Eritrea Development and Investment Bank (EDIB), to provide debt service relief to their borrowers who were affected by the war with Ethiopia; (ii) loan funds, to provide the three banks (CBE, HCBE, EDIB) with the resources needed to extend medium and long term loans to their private sector clients; and (iii) technical assistance program, to strengthen the supervision, auditing and accounting function of the Bank of Eritrea, and the project appraisal/credit assessment capacity of CBE, HCBE and EDIB.

4. Social Protection (at appraisal: \$41.64 million, [IDA \$8.5 million, MOP, p. 14]; actual: \$51.7 million [IDA \$12.8 million]). This component supported the rehabilitation of basic social and economic infrastructure in those rural areas most affected by the war, and improvements of employment prospects and income generating capacity of small affected businesses and individuals. This component included three subcomponents: (i) replenishing the existing Eritrean Community Development Fund (ECDP) to support reconstruction of basic infrastructure, and to provide financial services in the form of micro credit; (ii) provision of housing materials to the poor to subsidize the cost of rebuilding during the war; (iii) safety nets program—cash transfers (grants) and community level cash for work schemes.

The Supplemental Grant provided an additional \$1.8 million to finance the rehabilitation of (i) safe water supply facilities for domestic use as well as for livestock; and (ii) low cost access tracks and earth roads between villages and farm plots, towns, watering points, and treated catchments.

Project management represented \$4.0 million at appraisal, and actual was \$3.7 million.

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Due to favorable fluctuations in exchange rates, IDA's total and actual disbursements were \$105.9 million equivalent. Joint participation of donors at appraisal was important to securing early funding commitments, and parallel donor financing equivalent to \$95.5 million came from Italy, the African Development Bank, a Consortium of Arab Funds. The European Union provided €5 million. \$35.68 million of the parallel financing went toward Balance of Payments support, and the rest went to other project components. In addition, GoE financed \$19.14 million equivalent.

An IDA supplementary grant of \$15 million was issued, along with a reallocation of Italian funds to address the effects of the drought of 2002. Reallocations between components were also made. The project had an exceptional share of retroactive financing—35 percent. The original closing date of the ERP was extended from December 31, 2002 to December 31, 2004, as activities were not completed.

3. Relevance of Objectives & Design :

The overall relevance of the objective is rated as **high**, given both the country's devastated condition at the time and a number of the Government of the State of Eritrea's (GSE's) strategies. The program components addressed the GSE's priorities as described in its Transitional Growth and Poverty Reduction Strategy (2001) and its draft Interim Poverty Reduction Strategy Paper (I-PRSP) presented to development partners in 2003. The program was also consistent with the Bank's Country Assistance Strategy (CAS) (1996), which included enhancing private sector development, agricultural productivity, and improving human resources through provision of basic social infrastructure. It was also relevant to the Interim Support Strategy (ISS) (2000), the aim of which is to assist Eritrea in its transition from war to peace, while contributing to emergency humanitarian needs and the reconstruction efforts of the country.

The design is also highly relevant. The component design and implementation allowed for more detailed preparation during implementation, especially since many of the locations were inaccessible at the time of identification. The design of IDA-financed components under this Credit was made to complement support provided under other ongoing and planned operations. The ERP team that prepared the operation received an "Award for Excellence" from Africa Regional Management for the overall initial effort.

4. Achievement of Objectives (Efficacy) :

The overarching objective of assisting Eritrea in the process of long-term reconstruction and economic recovery was **substantially achieved** through a set of actions revolving around (i) agriculture, (ii) infrastructure rehabilitation, (iii) private sector reconstruction, and (iv) social protection. Household, community, and school surveys indicate that the project was successful in assisting Eritrea in the process of long-term reconstruction and economic recovery.

Investments made under ERP helped reinvigorate local agriculture, re-build schools, roads, and restore the power grid—all critical to attracting and keeping residents rooted in their communities. By providing emergency assistance and other relief measures to people affected by the war, the ERP also contributed to reducing the number of displaced households.

Objective 1: Rebuilding physical and social infrastructure (35 percent of the funding). (Substantially achieved) Roads and bridges were built successfully, to higher than original design standards. This infrastructure facilitated emergency assistance, the safe return of displaced people, capacity building in the field of construction, and women's employment. The power generating capacity was fully restored. However, there was an overestimate of needs, which currently demand only 37 percent of the plant's capacity. The number of electricity customers has increased, however.

Objective 2: Helping people displaced and affected by the Emergency rebuild their lives and resume their

economic activities (33 percent of the funding) (Modestly achieved). Well-timed cash transfers served to meet the immediate and short-term needs of beneficiaries, allowing them to restock basic goods. Cash for work schemes provided income earning opportunities as well as development benefits, and men and women participated equally in these schemes. Nevertheless, the household analysis results show that households did not recover or reach their pre-war situation. Though schools were successfully rehabilitated, a shortage of teachers and materials hinders learning. Construction of the teacher training institute, the orthopedic workshop, and the water supply schemes was not finished by project closing. Construction of housing for the war-disabled poor was only 10 percent complete by project close. However, this activity was only taken up by the Bank, at the government request, partway through project implementation.

Objective 3: Rehabilitate the private sector (31 percent of the funding) (Substantially achieved). An assessment study of the private sector component concluded that participation in the Loan Fund led to an increase in bank lending, availability of foreign exchange in the banking system, and in sub-borrowers' access to foreign exchange. The financing also led to an improvement in sub-borrowers' financial performance, as measured by sales, profits, and employment, according to the study. Improved firm performance appeared to be primarily a result of investment in machinery and equipment that increased the firms' long-term growth trajectory. As export-oriented firms were not targeted by the project, participation in the Loan Fund does not appear to have led to an increase in sub-borrowers' exports. The TA subcomponent only had a moderate impact on private financial institution operations and performance.

5. Efficiency :

There was no economic analysis carried out at appraisal or at ICR as this was an emergency project. Likewise, financial rate of return was not included in the appraisal. The ICR could have done an ex-post ERR on at least a sample of subprojects.

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

The program did not have an adequate M&E system, baseline data, or outcome indicators at the time it was launched (ICR p. 63, 67). The GSE through its PMU-ERP carried out welfare monitoring surveys, including (a) a baseline study (dated two years after project approval) and (b) three follow-up surveys. These surveys covered estimates of loss of household income, property, wealth and rate of recovery. However, the reports were not tailored to the indicators determined at appraisal, as indicators were only set in general terms at that point. As the ICR (p. 7) mentions, mechanisms could have been more sufficiently defined with firm arrangements for data collection, particularly when viewed from the context of designing/preparing a complex operation such as the ERP.

During program implementation the Bank team agreed with the PMU-ERP that more accurate assessment of the outcomes of the program interventions was needed. At the request of the PMU-ERP, the Bank sought financing to carry out the outcome impact assessment for all components of the ERP, along with a detailed evaluation of the implementation and impact of the Private Sector Reconstruction component. Though the ICR mentions that planning and fieldwork were carried out between September and December 2005, it does not mention if and when the assessment was finished. It does, however, indicate that the names of the documents are listed in Annex 7, which appears to be a list of abbreviations, not a list of supporting documents.

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

8. Ratings :	ICR	ICR Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	Though Objective 2 (Helping people displaced and affected by the Emergency rebuild their lives and resume their economic activities) was only partially achieved, this project showed an important ability to adapt over time to changing circumstances, which has been generally difficult to do in ERLs.
Institutional Dev. :	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf. :	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

The ICR offers some useful lessons of wider applicability which this review endorses :

Advance preparation . Because the PMU had done a thorough investigation soon after the cessation of war to determine critical bridge locations and some road improvement needs prior to Bank mission arrival, rapid identification of road sections for restoration of access to economic and social services was possible .

Donor coordination . Multi-donor operations are complex to manage . It is important that responsibilities for donor coordination are well-established early in the program; that different emergency procurement and disbursement procedures are well harmonized; and that flexibility in these procedures is introduced, since in an emergency situation speed of implementation is as critical as accountability . An agreement to follow harmonized procedures (those presented through the manual of procurement procedures managed by the PMU) facilitated smooth donor coordination. Joint participation at appraisal was effective in getting early funding commitments .

Cash assistance . Displaced families require some support as an incentive for returning to their villages . The primary need identified by resettling families is food security . While the goal is for communities to attain food security through agricultural production, it is crucial that returning families have access to adequate cash or food support as they await the harvest of their first crop .

M&E. Emphasis needs to be given to ensuring the establishment of an effective participatory M&E system from project appraisal, including adequate beneficiary assessment and feedback . Monitoring and evaluation should be accompanied by an Economic Sector Work (ESW) program that includes household and community studies that address human and social capital issues as well as income generation needs and constraints .

Balance between large and small . Smaller and more focused projects that involve fewer implementing agencies improve the management's chance of success with regard to implementation . At the same time, those projects should be sure to cover all inputs . For example, financing of crop production inputs need to be provided as a package. When only some inputs, such as seeds or fertilizers are provided, the benefit to beneficiaries (and satisfaction) is minimal or nonexistent.

Flexibility . Emergency operations should be flexible and open to mid-course corrections responding to realities on the ground.

10. Assessment Recommended? Yes No

11. Comments on Quality of ICR:

ICR quality is satisfactory overall, but with shortcomings . Some of the loan figures varied within the ICR and/or contradicted figures in the MOP. Likewise, the objective stated in the ICR differs from those in the Credit Agreement .