



Federal Ministry
for Economic Cooperation
and Development

EVALUATION REPORTS 039

“The Engineering Capacity Building Program” in Ethiopia

Summary Version of the Evaluation



Preface

Germany's support of the Engineering Capacity Building Program (ecbp) in Ethiopia is based on an agreement reached in 2004 between Prime Minister Meles Zenawi of Ethiopia and the then German Chancellor, Gerhard Schröder. The actual substance of the programme was then decided on at the subsequent government negotiations on development policy between the two countries in 2005. It was also decided at that point that the programme should be evaluated at a very early stage.

The aim of ecbp is to promote the private sector in Ethiopia; measures focus mainly on training a skilled labour force at various levels.

Germany's support of ecbp is one priority area of German-Ethiopian cooperation; of all development cooperation programmes conducted by Germany, it is currently the one involving the most intensive deployment of human resources. This report summarise the findings of the evaluation of the project preparation phase and also of

a large section of the first programme phase from 2004 to 2007.

The evaluation was carried out by **Hans-Rimbert Hemmer** (team leader), **Susanne Bauer**, **Paul Bennell**, **Tamene Hailegiorgis Gutema** and **Felipe Isidor Serrano**. The evaluation work in Ethiopia took place in October 2007.

The opinions expressed in this study are those of independent external evaluators and do not necessarily reflect the opinions of the BMZ. The BMZ's comments on the evaluation can be found at the end of this summary.

This evaluation summary is also available online at www.bmz.de/en/service/infothek/evaluation/index.html.

Evaluation of Development Cooperation; Auditing Federal Ministry for Economic Cooperation and Development

Summary

1. Background and aims

Despite having experienced considerable growth in recent years, Ethiopia remains one of the poorest countries in the world. In order to enable the country to tackle its wide-spread poverty and graduate to the ranks of the middle-income countries, the government in Addis Ababa has framed an ambitious development strategy, the focus of which is private sector development. In 2004, the heads of government of Ethiopia and Germany decided that Germany would lend its support to the Engineering Capacity Building Program (ecbp) that Ethiopia launched in 2005. In its first three-year phase, from 2005 to 2008, funding for ecbp amounted to 118 million euros, with each government contributing half. Employing over 100 seconded experts, it is currently the German development cooperation programme involving the most intensive deployment of human resources.

ecbp is made up of four components:

1. University reform
2. Reform of the technical and vocational education and training system
3. Improvement of the quality infrastructure
4. Private sector development

The rationale behind the programme is that, by training the country's skilled workforce, the private sector can be made more competitive. This is the task of the technical and vocational education and training (TVET) system and it is the reform of that system that is at the centre of the programme. Training for TVET teachers at the engineering faculties of universities is to be improved

by means of university reform. The purpose of the large number of seconded German experts is to upgrade the skills of trainers already teaching at vocational training institutions, i.e. capacity development. At the same time, some fundamental reforms are being undertaken to improve the enabling environment for private sector activity.

The evaluation covered the period from June 2004 to June 2007 and aimed to ascertain whether the desired results had been achieved using the funding provided and make recommendations for the design and implementation of the programme during the subsequent phases from 2008 to 2011 and 2011 to 2014. The evaluation focused on how processes (including the management process) had been launched and managed and on the results achieved so far. The methods used in the evaluation were the analysis of numerous documents from ecbp and other institutions, including an analysis carried out by the programme's management itself on the strengths and weaknesses of ecbp, and interviews and discussions with over 200 persons.

2. Major findings and conclusions

ecbp benefits from the considerable ownership shown by the Ethiopian government. The programme has already developed numerous new engineering courses, occupational standards, TVET curricula, an e-learning strategy and models for the promotion of small enterprises. It has helped make companies in the leather sector fit to engage in the export trade and has laid the groundwork for a reform of quality management. Whilst pilot measures have been undertaken to remove government constraints on private sector initiative, so far no effective strategy for achieving a fundamental improvement in the enabling

environment for the private sector has been developed.

ecbp has, for the most part, been designed and implemented in accordance with internationally accepted concepts of capacity development. For example, local and German experts are twinned up so they are able to learn directly from each other. This approach is, however, of limited effectiveness in many areas due both to a lack of Ethiopian and German experts and, in many cases, the rapid turnover of experts. The lack of skilled Ethiopian staff is particularly marked at ecbp Central Office and the Faculty of Technology at Addis Ababa University. During the period under evaluation, the university reform team at ecbp Central Office had only 30 per cent of envisaged staff numbers. This lack of Ethiopian experts and of seconded experts with experience of working abroad is the main reason why progress on university reform (component 1) has been generally unsatisfactory.

In the field of TVET reform (component 2), too, long-term German experts have not so far been available in sufficient numbers to achieve the programme's very ambitious goals. At the same time, the partner institutions in Ethiopia were often insufficiently prepared for the influx of large numbers of foreign experts, leading to problems concerning the absorption and acceptance of these experts. Staff shortages at the Ministry of Education and the high turnover of experts also posed a major problem. Senior ecbp executives were primarily concerned with the design and development of a results-based TVET system and therefore devoted too little attention to the systematic upgrading of staff skills. The new TVET strategy displays many of the characteristics required of an efficient TVET system. Yet the strategy still does not go far enough as to be capable of turning a supply-driven system into a demand-driven system. One key reason is that, so far, the strategy has not been directly linked up to a reform of the public sector focusing on creating

state incentives for an efficient and effective TVET system.

The third component, which is concerned with improving the quality infrastructure, focuses largely on the need for a wide-ranging quality infrastructure for medium-sized and large enterprises. Component 4, private sector development, also suffers from a number of basic design problems which have so far prevented any broad-based stimulation of private sector activity leading to a boosting of production and exports. This component is concerned mainly with medium-sized and large companies in a few selected industries.

This basic focus of components 3 and 4 is not in line with the focus of the efforts being made by the Ethiopian federal states, which are concentrated on rural areas, least developed areas and the promotion of small, micro and medium-sized enterprises. From a strategic point of view, the move away from a subsistence economy via the generation of monetary income and towards a profit-oriented economy is a challenge that ecbp needs to tackle if the great potential of small, micro and medium-sized enterprises is to be harnessed. So far, however, it has failed to adequately do so.

Relevance:

ecbp is highly relevant for the current Ethiopian poverty reduction strategy. It is, however, doubtful at present whether it will succeed in achieving its more long-term aims since its implementation strategy has so far over-emphasised TVET (i.e. the supply side) and not attached sufficient importance to broad-based private sector development (i.e. the demand side).

Effectiveness and efficiency:

So far, sound curricular reforms have been introduced in university and vocational education.

Little progress has been made, however, on improving quality standards and norms for increasing businesses' productivity and competitiveness or on initiating improvements in the enabling environment for the private sector.

In terms of the programme's efficiency, a distinction should be made between the relation between inputs and outputs and the relation between inputs and outcomes. The major factor compromising the former aspect, i.e. production efficiency, is that many documents have so far been insufficiently analysed and integrated into operational decision-making. The latter aspect, i.e. allocation efficiency, varies between the four programme components. University reform has led to better tertiary education in technical subjects. So far however, the reformed curricula for TVET have been put to little use, as reflected in the fact that the many experts from the Centrum für internationale Migration und Entwicklung (CIM) are not yet being used to full capacity. It is still too early to say whether Ethiopia's national quality infrastructure has already been improved to such an extent that progress can be made on the domestic and export markets. Efforts do, however, appear to be going in the right direction. In the field of private sector development, there has been too much of a focus on value chains, with the reform of the enabling environment being neglected by comparison.

Overarching development impact:

The programme has not been in operation long enough to permit any precise assessment of its long-term effectiveness. So far, ecbp has not had any overarching development impact. It is, indeed, doubtful whether the programme is capable of achieving such an impact in the medium term since the greatest deficits in this context relate to the promotion of the private sector, an area ecbp has not so far tackled decisively enough.

Sustainability:

Even on completion of their reformed training, many young people have poor employment opportunities because of the as yet inadequate development of the private sector, which could cause increased disappointment and dissatisfaction. There is also a lack of sustainability within the programme itself, partly because there has been too great a fluctuation of Ethiopian experts so far and ecbp has not been implemented to an equal extent in the various regions of the country.

Coordination, coherence and complementarity:

Linkage between the individual components within Germany's programme contribution is still weak. Other donors are involved in promoting value chains in the private sector; so far ecbp has not coordinated with them. Managing as complex a project as this places high demands on those responsible on the Ethiopian side. So far, management is not sufficiently professional, is too highly politicised and is also too concerned with time-consuming micromanagement.

3. Recommendations

The 27 recommendations made in the evaluation relate to all the areas that were analysed: the programme concept, the enabling environment, the programme's management and all four components. The main recommendations are:

- The Ethiopian government must pursue a more rigorous policy to improve the enabling environment required for thoroughgoing development of the private sector. Such a policy is the only way to create the conditions required for lasting success in the four programme components. This concerns not only the general enabling environment for the private sector but first

and foremost the opportunities available to small, micro and medium-sized enterprises, including the informal sector. One major aspect of the recommended policy reform is to offer these enterprises easier access to loans at acceptable conditions.

- There is an urgent need to make ecbp's management structure less centralistic. The foreign experts in particular, who are used to taking on greater responsibility, must be allocated appropriate tasks and given the necessary authority to make decisions, not least in order to relieve ecbp management of micro-decisions.
- The constraints that are greatly hindering the implementation of the twinning concept should be overcome by improving the quality and quantity of Ethiopian and German experts involved in the programme. This is required above all in ecbp Central Office and in many educational establishments. At the same time, the existing incentives structures for ecbp staff to remain with the programme for longer periods should be improved so as to stop the fluctuation of experts. This implies an urgent need for thorough reform of the public sector.
- Ethiopian and German experts need to be better prepared for the intercultural challenges of the programme. Throughout the programme, there has been increasing friction due to the lack of each side's cultural understanding of the other and this has had a negative impact on programme results.
- Finally, it is recommended that TVET be more focused on the needs of the private sector. This can only be achieved, however, if stronger links are established from the outset between the work being done on the four ecbp components and if the private sector (including competent representatives of small, micro and medium-sized enterprises) is included from the outset in the design of the TVET programmes.

BMZ's comments

The Engineering Capacity Building Program (ecbp) poses a major challenge to German development cooperation in two respects. Firstly, with its broad-based approach and its multitude of players on both the Ethiopian and the German side, it is a highly complex programme and places maximum demands on programme management with regard to coordinating and managing organisations, people and procedures. Secondly, the concept of the programme, with its focus on wide-ranging development of the private sector, is a very ambitious one within the Ethiopian context.

It had been planned from the outset to undertake this independent evaluation at such an early stage, just two years after the project truly began. It is now apparent that it was conducted at just the right time, as it identified not only the positive results achieved by the programme but also its weaknesses and deficiencies. This gives those responsible for the programme the opportunity to remedy these before the programme is extended.

The first steps in that direction were taken at the government consultations in March 2008 and at the government negotiations in June 2008. The evaluation report was analysed jointly by Ethiopia and Germany and binding agreement reached on measures to improve the design of the programme and its implementation. The consultations at the beginning of 2009 and the process of designing the next programme phase will provide an opportunity for further discussions and agreements.

The historical and cultural context must always be borne in mind when implementing any process of reform or change in Ethiopia. It was only in the early 1990s that decentralisation and efforts to boost the private sector began. Prior to that, feudalism, dictatorship and civil war had stifled private initiative and fostered a governing structure based on mistrust. It will take time, then, for people to start thinking and acting in a new way that will promote private sector development and the unleashing of existing productive potential. Through its development cooperation, Germany is, however, willing to contribute in a committed and long-term way.

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