



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

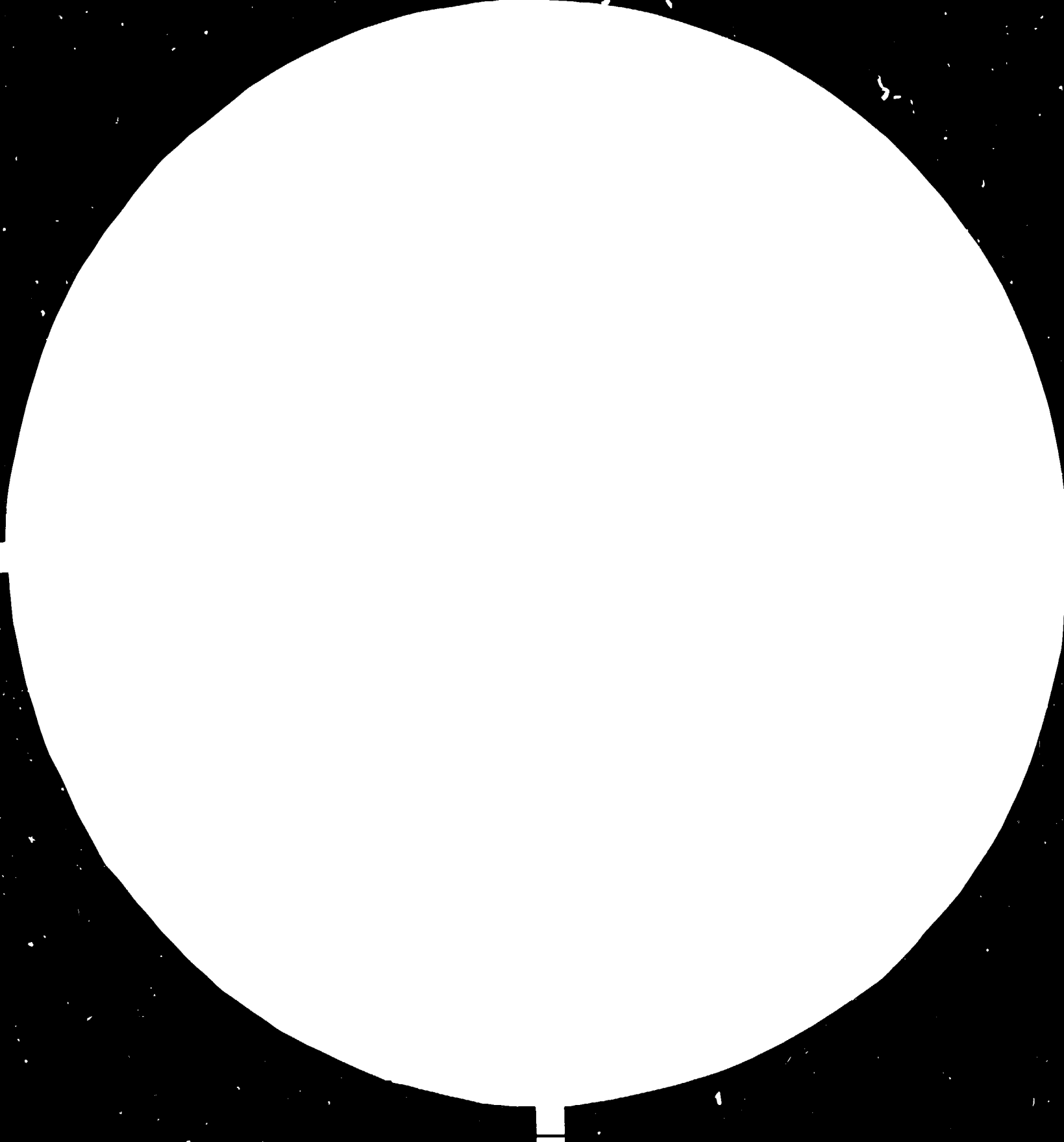
FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org





2.8

2.5

3.2



3.6



4.0



4.5



Minimum of 1.0 (100%) resolution, 100% contrast

Resolution test patterns are available from www.nvidia.com

13013

ETHIOPIA. Development Projects Study Agency.

END OF MISSION REPORT

of F.L. Csagoly

for the period 14 March, 1981 through 23 October, 1983

Post No. DP/ETH/80/005/11-01

25.10.83

1. Background

The Development Projects Study Agency (DPSA) of the National Revolutionary Development Campaign and Central Planning Supreme Council (NRDC/CPSC) came into being by Proclamation No. 175 on January 30th, 1980.

The major functions of the DPSA, and that of a UNIDO project assisting it, are described in details in the respective chapters of the Project Document (PRODOC); which was drawn-up shortly after the DPSA had been established. This document foresaw for starting, a date as early as July, 1980; however, there were delays in approval as well as in finding suitable experts for the international staff. Nevertheless, when the basic hurdles were cleared UNIDO HQ succeeded in filling-in the three posts in April, July and November, 1981 respectively; so that about a year after the originally planned starting date the project could commence its operations.

The PRODOC in its background and elaboration did not mention that the DPSA had been receiving assistance albeit a modest one with a one-expert strength, from the IBRD for several years via Project ETH/78/008. (This Project has ended soon after the startup of DP/ETH/80/005, as of 30th June, 1981.)

2. Performance of the Project as a Whole

The project's performances were dutifully reported every half-year on the prescribed UNDP forms; a "Self Evaluation Report" on UNIDO designed questionnaires as well as occasional interim reports have been prepared, and sent to all concerned.

1187

In general terms this project can safely be characterised that it has been a success so far. Obviously it is not up to the project managers (or CIA's, or Team-Leaders or principal experts .. whatever they are fashionably called) to claim such successes. It is the voice of the assisted Government that matters the most and it appears that such voices did - in fact - express full satisfaction about the work done so far. For a concrete evidence one may mention that originally the Government had intended to assign five local experts as national counterpart staff for the project, according to the mutually signed PRODOC. After about a half a year this number started growing and before the first year was out it incorporated the whole staff in the economics department of DPSA, 11 people. This figure stays since.

Other factual evidence also point toward the same direction. For instance this project facilitated postgraduate courses in the form of overseas fellowships for all members of the counterpart staff, three times (in financial terms) more than the targets set by the PRODOC.

Project funds were fundamental also in furnishing DPSA with much needed office equipment (like desk-top calculators for all professional staff, vehicles, typewriters, photocopy machines, document-binding equipment, etc.).

For a cost of over US\$3,000 the whole - antiquated and scant - professional library of DPSA was revamped with carefully selected books numbering well over 100.

In 1983, the project also provided DPSA with a modern computer hardware, enabling it to start (later on) using sophisticated models and programmes in project evaluation, establishing their sensitivities and break-even points, and also to elaborate various alternative variants for decision making by the highest authorities.

It would be a sheer duplication to enumerate the titles of various investment projects that had been evaluated (or reformulated) by the national and international staff of this project. Every semi-annual report contains such titles by a score or more. That makes about 70-80 in this 30-month project period.

One must name one project, however, from this multitude which was not only evaluated (or assessed) by the staff of the DPSA and UNIDO, but was actually prepared as a pre-feasibility study and later as a final feasibility study on a large-scale investment (25,000 hectares of ranching and fattening operation) from the very scratch, with no previous studies whatsoever. This had been prepared with the heavy involvement of the international staff and presented by DPSA to the Board of Directors of a joint venture corporation, which found it fully satisfactory. The routine alternative would have been the involvement of a foreign consultancy firm which would have charged anything around US\$200,000; which was consequently saved for Ethiopia.

The UNIDO project was also instrumental in organising a 2 1/2 week long course in financial planning and evaluation, which was well received by the participants as well as their superiors. The success of this course is demonstrated by the fact that the same body that provided the largest share of participants, the Agricultural and Industrial Development Bank, has requested one (but probably two) six-week long seminars basically on the same topic. The Ministry of Agriculture also expressly demanded - with even more urgency - a two-week crash-course for their project handling officials, which is to be conducted by the national and the international staff of DPSA in the course of September, 1983. Teaching materials for the above two types of courses were being prepared from March, 1983 onwards.

After realising the circumstances and the real needs of DPSA, the UNIDO project has, more or less, equated itself with the work done by the assisted Agency; simply because that was the nature of the requirements demanded by the higher authorities from the Agency. This

was also an obvious consequence of assigning all members of the department of paramount importance to DPSA, - the Projects Department - as national counterparts. In this respect, therefore, the UNIDO project behaved (I presume: rightly) as if its primary function was "institution building" - because this was the demand - and not of an individualistic "direct support" character which the PRODOC stipulated. The problem itself and the consequences arising therefrom were duly reported at and elaborated in the statutory semi-annual reports.

One should note that this project - as described in its PRODOC - was not finished neither technically, nor financially as at 31 December; 1982. In terms of financial delivery and the proportion of used-up man-months it stood on both accounts around 50% of its latest approved budget. However, administratively it was considered to be terminated with this date by UNDP, because the new IPF Country Programme Cycle (1983-86) started on 1st January, 1983. The activities and spendings of this project are from then on considered to be the subject of a new PRODOC "DP/ETH/80/005 - Second Phase". Officially the activities and the budget for this phase, had not been approved as yet. As a temporary measure, - project revision "E" was produced for the defunct (!) first phase (approved only on 9 June, 1983). This officially cancels US\$548,645 from the budgeted US\$1,000,106 of the "First Phase" project funds, but gave US\$293,800 for 1983 to the project to keep it afloat; (this will be deducted from the US\$1,000,000 figure, featuring in the 1983-86 IPF Cycle). This may be helpful but not conducive to serious commitments, proper project management and for the elaboration of a new work programme in the absence of an approved PRODOC and a final budget.

In spite of all this, there were attempts by UNDP to have an official "Terminal Report" submitted on the first phase that they considered as closed. (At about 50% delivery, and while the 1983 activities are still formally financed from the funds of the first phase, - as per "Mandatory Project Revision "E" of 9 June, 1983 -

which will later-on be considered as the first year budget of the "Second Phase" - if and when its PRODOC will be accepted and the budgets approved). This situation is a bit "unique" to put it mildly. In my official Semi-Annual Progress Report of 31 December, 1982 I wrote (verbatim quotation from pages 5 and 6 on Form B):

"Since this project was so far allowed to operate - at best - 19 months only, instead of 30 as postulated in the PRODOC; and when it continues its activities will be guided by a new Project Document; therefore the CTA feels it necessary to state that he will be not in the position to take full accountability for the accomplishment of the first phase. ^{Emphasis as in the original text} if anybody (either at UNDP, UNIDO or at the Government) happens to order a "Terminal Report" or an evaluation on the (now formally closed) first phase sometime in the future. As nearly 40% of the inputs were not delivered, obviously it would be unfair - even nonsensical - to demand such a formal "closing report" - eventhough if this would be still for formality's sake". Unquote. (The precise figures later showed 50% as undelivered inputs.)

As one of the outcomes of the Tripartite Review Meeting (held on 22 June, 1983) UNDP ordered me in July, 1983 to produce again a draft new PRODOC (this is about the third or fourth revision of the original draft prepared in October, 1981). This I did. Till my departure, however, nothing was considered cleared or approved of this new draft. Even its title and its number was uncertain, because there were suggestions at UNDP regarding even these basics.

The so called "Second Phase" was originally (at the time of its drafting) conceived so that it would provide a further (higher) step in assisting DPSA - but only if the first phase has been properly finished. Which is not the case. In this "Second Phase" the UNIDO project was supposed to concentrate heavily upon the seemingly limitless fields of modern computer usage in the Government's decision making procedures. To this end UNIDO HQ had supplied us with a "business computer" of fairly large operational and storage

capacity, and all its necessary peripherals at the costs of nearly US\$15,000 - which arrived by March, 1983. This was not to be unpacked (UNIDO's orders) until the planned secondment by UNIDO of a programming expert for a 3 month course in computer usage arrived (it was originally planned for May, 1983). By my departure date this has not materialised, consequently the national/international staff of DPSA/UNIDO were still in the phase of waiting for an opportunity of learning; - before the actual work with the computer may gradually start up. By my own optimistic estimate it will not be before the second half of 1984, - if everything is speeded-up now and no hitches occur - when DFSA may be able to start working methodically on issues that have been spelled out in the new PRODOC. This fact not only questions, but makes it outright impossible that this "Second Phase" could professionally acceptably be finished by 30 June, 1985; i.e. until the projected money is supposed to last.

3. Personal Performance

Personally I was involved in all the above described activities. Some of them I did alone, in other cases as team leader or team member (depending on the nature of the task) while others I had basically just supervised or consulted (e.g. the financial training courses, where I did the proofreading and the editing of the written material prepared by the Financial Expert and sat on the panel during discussion).

I devoted a large part of my time to the duties of a proper project management, which amounted to no less than about one-quarter of the available time. To let it felt: I wish to point out that in one calendar year, in 1982 alone the number of incoming and outgoing letters was over 120 each, the cables and telexes was about 50 each way. (1982 is the only full calendar year that I had accomplished

during my stay with this project.) The largest component of these managerial (administrative) activities regarding the time involved, was about careful selection of ordered items, books, periodicals and a search for the best supplier sources (for issuing FPO's in a businesslike manner); and with the preparatory and organisational work for overseas and local training component. The regular and irregular reporting requirements, together with the preparation of work-programmes, the new PRODOC and similar tasks also demanded a good deal of attention and time, let alone sorting out personnel problems and their administration. These clerical and managerial jobs took about 25-30% of my total available time, which I very much regret and deplore, in case of bureaucratic excesses. I came to do basically a professional job, hence I felt this as a loss of time, and sometimes as frustration.

On a general note I must emphasize that the professional part of the staff work was very pleasant and efficient. Apart from minor cases the co-operation both by the national and the international staff was absolutely great. DPSA must be congratulated for its staff who were always ready to do work, eager to learn, were good at their profession and provided a marvellous relationship on a personal base too. My resignation from the CTA's job was by no means related to personal problems neither with the national nor with the international staff members.

4. Professional Matters

As it has already been mentioned in the first chapter ("Background"), this project was considered by the assisted Government Agency more-or-less as some sort of an expanded continuation of the one-man IBRD assistance via ETH/78/008.

Our PRODOC, counting with a start of about a year earlier than the actual, has put a heavy emphasis inter-alia on two issues, viz:

- (i) preparation of rules, methodologies and norms to be employed in Ethiopia in project preparation and evaluation;
- (ii) preparation and regular updating of roster(s) of projects; ready to be financed. Other stressed features were: training (overseas, local and on-the-job) and equipment supply.

As the project effectively started by mid-1981 only, the DPSA went ahead and published (issued) its "Guidelines of Project Planning in Ethiopia " in February, 1981; its "National Parameters (Concepts - Functions - Estimation)" by January, 1981; and its list and individual project profiles for well over a hundred investments that were considered to be bankable (in May, 1981).

It follows that given the above situation and the freshness of the newly issued regulations, this project has had to accept the policies and concepts embodied therein and instead of voicing views on debatable questions it had to concentrate on actual evaluation of project proposals since it was facing with a steady stream of incoming studies, most of them nationally important, politically sensitive, and urgent.

One has to admit, there was not much really - if any -, that could theoretically be considered imperfect or unsound in the above-said methodological papers. It is only a matter of competing scientific concepts. The Ethiopian "Guidelines" and "Parameters" are undoubtedly for a macro-economic point of view; the financial (micro-economic) questions and parameters were hardly even touched. For a country that has espoused the idea of the central planning and attached an overriding superiority to the social (national) considerations versus much more individualistically minded business approaches the choice of such concepts is fully understandable.

There are, again, basically two competing systems of ideas even within the macro-economically minded one. The "social cost and benefit" approach accepts projects as they are but substitutes their "apparent" (financial) parameters with economic ones, foremostly as far as material, labour and capital costs and benefits are concerned. This approach was most elaborately presented in the work of M.D.I. Little and J.A. Mirrlees, published by - and for - OECD and commonly known as "OECD method". This has also basically been adopted by the IBRD - if and when social cost-benefit concepts had to be employed. The other idea is the so called UNIDO approach elaborated in the "Guidelines for Project Evaluation" and published in 1972 (years after that of OECD) which advocates that individual projects should not only employ national parameters, substituting financial ones, - but that projects should have purely political considerations too, i.e. outside the areas of business and economic science. According to this, projects should always aim at the "maximization of social consumption" and should aim at rectifying socio-economic imbalances too (i.e. between regions, between various strata of the society, between material production and other - for instance the value of increased non-working time, social services and immaterial benefits, etc.).

Since the academic debate around these concepts is still going on more than 10 years after the publication of the latter, it would seem to be prudent to refrain from taking sides. However, I feel it necessary to voice my personal views on this matter, because I not only feel that the highly professional way of representing IBRD's views in DPSA and further on that the Ethiopian Government took basically the right choice; but at the same time I am unambiguously and forcefully against the so-called UNIDO method, which I found much too ambiguous in many places, much too unquantifiable, hazy even woolly on others. (These were the comments I made on about 25-30 pages for UNIDO in 1971 or 1972, when they sent it to me in Tanzania, still in manuscript, and I still feel that this was not a book UNIDO should be proud of.

The problem, hence, with the chosen Ethiopian methodology on project evaluation is not with the underlying principle - as I can see it. It lies with the extent of the emphasis it puts on the national cost-benefit analysis methods relegating the financial indicators as important, albeit secondary ones. On the other hand, one can also argue about the ways these socio-economic cost-benefits are expressed. In Ethiopia their ultimate form is the "economic internal rate of return" (EIRR) which is considered to be the paramount indicator for each and every project. This is calculated the same way as the well known "financial internal rate of return" (FIRR, or simply IRR) but actual major cost-benefit elements (material, wages, capital costs) are substituted with their so called "national parameters". Unfortunately the objective function which would seek the maximization of the "net value added" (project's contribution towards the increase of GDP/GNP) is not being regularly employed, and such considerations are not yet challenging the well established paramountcy of the (EIRR \rightarrow max) function. These two - by far - not necessarily means the same path.

This project made relentless efforts to establish - or rather: to re-establish - the financial (micro-economic) indicators in their own right in the ranks of the paramount factors for decision making; but on one hand it was found that the ultimate Government decisions will - for a foreseeable time - rely much more on macro-economic considerations. On the other hand, the overall quality of project preparations

- particularly with reference to the financial implications of proposed projects
- has left a lot to be desired.

It was many times a pathetic experience to see a generally highly qualified and able national staff of DPSA literally struggling with badly prepared, incoherent, logically deficient projects peppered with by far insufficient and usually *Lopsided* data; showing (with very few exceptions only those that supported the only alternative officially already adopted by their respective ministries or other agencies.

As DPSA received these studies for evaluation (assessment) on behalf of, and usually from the Central Planning Supreme Council after the respective ministers had officially submitted them for final decision to the CPSC, there is nothing surprising in that the views of these ministries and of DPSA were much more often than not at odds with each-other. However, there have been very serious problems in the fact that those project promoters were convinced that their project feasibility studies had had the required quality, whereas on a strictly professional ground they were - nearly always - ill prepared, deficient and strongly biased. And when DPSA (and with it the UNIDO project staff) pointed out these faults, the partners were less inclined to plunge into professional discussion (with an all but certain loss of face) but, instead, sometimes other arguments were chosen. Given these circumstances the DPSA (and the UNIDO) staff had to spend an overwhelming part of their time not on checking and solving methodological (or theoretical) and professional issues - which they were and are, one must emphasize, very well qualified of - but on virtually rewriting faulty project studies or completing - complementing - them because they were submitted as "full-fladged feasibility studies", but in fact, by their content, more often than not, they were in the pre-feasibility or even just in the project-idea phase. Thus, by knowing that so far the UNIDO staff and their national counterparts have handled about four score (several dozens) of feasibility studies from various fields and with differing weights; will give the right picture of the extent and the nature of the tasks encountered in the past two - two-and-half years in the field of project evaluation; which has been, unquestionably, THE main activity of the DPSA/UNIDO project.

At the time of writing this report (at the first week of August, 1983) unfortunately, the official minutes of this Tripartite Review Meeting there were still not available. Therefore, my report could not incorporate the findings and comments of such an important review of my project, thus the official minutes - when they will be out - will have to be read and studied separately and as a complementary completion of this "End of Mission Report".

5. Conclusions and Recommendations

It is strongly felt that in the past 2 1/2 years the performance of the UNIDO Project DP/ETH/80/005 has met professionally and administratively the expectations and has worked to the satisfaction of all three parties concerned, namely: foremost that of the Ethiopian Government, the UNIDO and UNDP. There are factual evidences and concrete reconfirmations of this from the Ethiopian Government and also from UNDP. The minutes of the recently conducted Tripartite Review Meeting (held on the 22nd June, 1983) confirms this unambiguously.

The odds for the startup in this "Second Phase" are not quite encouraging, and the outlook is still not sufficiently clear as yet. However, in order not to loose too much from the momentum this project had had in the second half of 1982, the following recommendations may well be justified:

- (i) the professional staff of this project should be strengthened by a well qualified industrial engineer of proven experience in investment decisions and technical details; and not with a general economist, or "project analyst" (whatever the latter means). This should be done immediately. Teaching experience should be highly desirable, but solid practical engineering background at operating enterprises and/or investment departments of corporations is essential;
- (ii) the project did not in the past, - and possibly will not in the future - discharge individualistic outputs, therefore the given category "direct output" is definitely unsuitable in the philosophy of both the old and the new PRODOC's. Instead, this project has been and will be of "institution building" nature

by identifying itself fully with DPSA and helping improve its output by quality and by quantity as well. This problem had been stressed strongly in the semi-annual reports at end-1982;

(iii) since by nature this project should be considered as an overall strengthening the DPSA by dissolving any distinction between the nature and involvement in individual task by either the national or by the international staff; the interested parties (particularly DPSA) may be well advised to consider the nomination of Mr. C. Pearce as the new CTA. He had proved his professional abilities beyond any doubt. Most probably he would also make a good project manager. He appears to be not overly keen to have such job, but he would definitely resent working under somebody with lesser qualities, and maybe even someone who may try to live off from his performance. (The UN System, unfortunately, is fraught with such or similar situations.) However, if - for one reason or other - this recommendation is not accepted and no suitable person can be found whose abilities are matching (or maybe even surpassing) that of Mr. Pearce's, one may advise to consider this project as "Government Executed" and naming the Head of DPSA as the "National Project Co-ordinator";

(iv) it is imperative, that on the two fields where the employment of two full-time Associate Experts (because of lack of funds for having fully qualified senior experts) were indicated, namely:

- in computer programming and econometrics;
- in investment financing with an MBA degree (beside the senior financial expert); these young experts be recruited immediately. Particularly the need for the mathematic programmer/

econometrician is really burning. This has to be solved rather sooner than later; and

(v) more than 7 months have passed already in 1983 in which this project is supposed to operate in its "Second Phase" (whatever that means) but neither the project document, nor the 1983-86 budget has not been approved yet and it is an open question whether this will be done till end-1983. Under such circumstances

- no proper project management can be expected;
- no detailed work programme can be worked out; and
- it seems to be already absolutely clear that from the US\$1,000,000 allocated to this "Second Phase" for the whole 1983-86 period - after deducting the expenses of this troubled 1983 year - the remaining amounts will be by far not enough even to come close to the goals as they are outlined in the new draft project document.

It is still, however, hoped that with the appropriate measures this project will keep up (rather: regain) its momentum and will be able to face its requirements and attain the goals by discharging its duties according to the expectations.

Addis Ababa
August, 1983

F.L. Csagoly



