Ex post evaluation – Peru

Sector: General or sectoral budget support (CRS Code 51010)
Project: Programmes to support the Peruvian decentralisation process DECSAL I-III BMZ Nos.: 2004 66 110*, 2005 66 216* and KV 2005 66 448**
Implementing agency: Peruvian Ministry of Economy and Finance (MEF)

Ex post evaluation report: 2017

		Phases 1-3 (Planned)	Phases 1-3 (Actual)
Investment costs (total)	USD million	over 1,600.00	approx. 1,600.00
Counterpart contribution***	USD million	0.00	0.00
Funding	USD million	1,550.00	1,550.00
of which German contribution	EUR million	42.00	39.00 (approx. USD 49)
of which budget funds	EUR million	12.00	10.59

*) Random sample 2013; **) Random sample 2016
***) A Peruvian counterpart contribution was not specified or collected

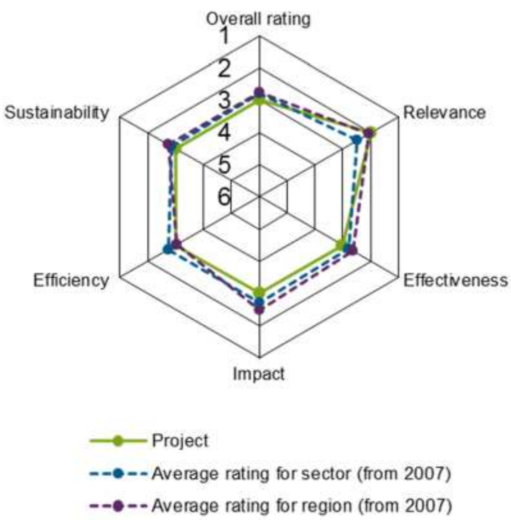
Summary: The Peruvian reform programme, which German Financial Cooperation (FC) helped to finance, was intended to promote decentralisation, strengthen democratic structures, and eliminate structural barriers to growth and employment from 2001 onwards. Decentralised structures were also expected to be able to help improve the quality of basic social services for the poor. The reform programme had primarily been supported by the World Bank with an instrument akin to budget assistance (development policy lending) between 2003 and 2013. It was hoped that the decision by German development cooperation (DC) to become involved with this programme, while keeping a key role in the reform discussions as a partner on-site, would represent a step towards implementing the Paris Declaration on Aid Effectiveness that was adopted in March 2005. Supporting a reform strategy developed by the Peruvian government is in line with the principles of partners taking responsibility (ownership) and orientation towards partners' strategies (alignment). DECSAL was integrated into the "Good Governance in Peru" DC programme as a module. German Technical Cooperation (TC) also participated in this programme.

Development objectives: The FC programmes development policy objectives through supporting the decentralisation process (impacts) were firstly to contribute to improved living conditions for the population with regard to democratic structures, political participation and general conditions for local development (including better provision of state services to citizens); and secondly – especially in DECSAL III – to help to achieve higher and widespread economic growth by strengthening Peruvian businesses' performance capacity and competitiveness. The importance of the two objectives varied during the implementation of the reform programme. Programme objectives (outcomes) in all three FC projects were to strengthen the administrative and financial performance capacity on local and regional levels, and to improve the quality and efficiency of government services.

Target group: The programme's target group was the entire population of Peru.

Overall rating: 3 (for all projects)

Rationale: The programmes development effectiveness is rated as satisfactory overall. The programmes supported the Peruvian reform strategy, though to date this has only partially achieved its highly ambitious and complex goals. Some impressive features were the positive changes in fiscal management and sustained control over the debt burden, which sets Peru apart in a positive sense from other countries in the region. The substantial improvement in the competitive conditions for businesses that can be influenced by government is another accomplishment to regard as a positive. On the other hand, the objective of decentralisation was only pursued to a very limited degree (at best) after a negative outcome for the government's planned reform steps came by way of a referendum in late 2005 during the course of this programme. Additionally, the intended improvements in quality and efficiency of government services were only made to a limited extent.



Highlights: The Peruvian partners' strong ownership.

Rating according to DAC criteria

Overall rating: 3 (all programmes)

General conditions and classification of the project

The three Financial Cooperation (FC) programmes under review made financial contributions to implementing a Peruvian reform programme which was supported by the World Bank and German FC between 2003 and 2013. The FC disbursements were made in December 2005, December 2006 and February 2009. The entirety of the medium-term reform programme must be taken into consideration in order to measure the degree of effectiveness. Consequently, the ex post evaluation below takes a combined view of the three successive FC programmes. Distinctions are made between the three phases to the extent relevant to the evaluation. The third FC programme (DECSAL III) was classed as a cooperative programme with German Technical Cooperation (TC) and incorporated into the “Good Governance for Peru” development cooperation (DC) programme, to which other FC programmes (such as “Community Assistance Measures to Establish Structure”, BMZ No. 2001 666 86) and multiple German TC measures (such as Government Modernisation and Democratic Participation in Peru, 3rd support phase, BMZ No. 2009.2467.0) contributed. The final reporting for the preceding FC phases, DECSAL I and II, was carried out within the scope of this DC programme. This did not change the FC DECSAL programme's close links to the World Bank programmes of the same name (renamed in subsequent phases; see below), which as a result are a focus of this evaluation.

The entire DECSAL programme encompassed seven World Bank financing packages with totalling USD 1,550 million and three FC financing tranches totalling EUR 39 million (around USD 49 million). Altogether, this is equivalent to almost USD 1,600 million.

The programme was designed in 2003/2004 during a period of transition in international development cooperation. The principles of (ownership), orientation towards partners’ strategies and methods (alignment) and donor harmonisation came to the fore, with budget support put forward as “the” mechanism to achieve these.

Peru found itself on a course of re-democratisation, decentralisation and modernisation of government and society following the authoritarian and extremely centralistic Fujimori government (1990-2000).

Given this state of affairs, the World Bank reactivated a mechanism which was essentially out of favour at the time (2003 – the structural adjustment loan), setting up the “Decentralization and Competitiveness Structural Adjustment Loan (DECSAL)” as an issue-focused budget support package. The programme combined the policy-bound issue of decentralisation with the issue of international competitiveness, in particular of the “business location” and its “location factors” for business activity (e.g. see “Standort Deutschland”, World Bank’s annual “Doing Business Reports” since 2004).

Cofinancing a World Bank loan was a relatively low-risk opportunity for German DC to try out a new financing mechanism in 2004. The investments in budget assistance and programme-based joint financing in an economically more advanced country, as well as the use of reduced-interest loans in this programme, were innovative and groundbreaking for later FC programmes in Latin America. The formal question of whether DECSAL was a general or sectoral budget assistance package remained unresolved or was answered differently over the course of time. In hindsight, it was a general budget assistance package with a sectoral or issue-based policy matrix. The entire programme’s substantive focus changed with the Peruvian government’s defeat in a referendum concerning decentralisation policy in October 2005. Following this referendum, the decentralisation for which this programme was named was *de facto* not pursued by it, with the programme’s focus limited after this point to fiscal management (including at decentralised government levels) and competitiveness. For the sake of consistency, the World Bank changed its programme name from “DECSAL” to “Fiscal Management and Competitiveness Policy Loan”, ceasing to use the term “decentralisation” and replacing the term “structural adjustment” with the new term “Development Policy Loan (DPL)”. The FC programmes did not undergo a similar renaming process, even though their focus was altered accordingly.

Relevance

The financial contributions of the programmes under review, within a "programme-based joint financing" package, were intended to promote implementation of the "Acuerdo Nacional" national development strategy formulated by Peru in 2002 with support from multiple development partners. This development strategy was originally created from 29 different policy domains and rafts of measures, which were later increased to 34. These focused on four areas: (1) strengthening democracy and the rule of law, (2) reducing inequality and improving social justice, (3) improving economic competitiveness among private businesses, and (4) improving governance and decentralisation. The individual measures planned by the Peruvian government cannot be fully detailed here due to their length; examples would include measures to strengthen the tax base and increase fiscal transfers to decentralised tiers of government, the establishment of innovation hubs, and the lowering of tariff barriers.

In terms of the results framework, it appears to fundamentally make sense (including from an ex post perspective) that the measures envisaged in the reform programme would potentially help to strengthen the four priority areas mentioned above, contributing directly to achieving the objectives, the reform programme and the FC programmes. Strengthening democracy and decentralised tiers of government's capacity for action in particular can potentially contribute to improving the population's living conditions in the form of enhanced political participation, along with improved quality and efficiency of government services. Lowering tariffs (resulting in better integration in the global economy) and promoting innovation can potentially boost Peruvian businesses' competitiveness and economic growth. As long as this is linked to redistribution policy, this economic growth will also benefit wide sections of the population, especially including the poor.

The World Bank programme expressly bore priority areas 3 and 4 in the title of the "Decentralization and Competitiveness Structural Adjustment Loan" (DECSAL). The German cofinancing appraisal reports put emphasis on the decentralisation objective for the first two tranches. It stands to reason that operational and financial decentralisation could strengthen the decentralised regional bodies, increasing the quality and efficiency of government services, then in turn bettering the socio-economic situation of the poorer population in particular and facilitating more balanced economic development for the nation's various regions. The objective of strengthening Peruvian businesses' economic competitiveness only started to be emphasised in the appraisal report for the third FC phase, so at a similar time to when the World Bank renamed its support programme. This was done in response to the failure of the Peruvian referendum on administrative area reform (formation of larger-scale "macro-regions" based on the existing "*departamentos*"), which the Peruvian government considered a pre-requisite for decentralisation to move ahead further. Even though this saw the priority of decentralisation (which was emphasised in the initial FC phases) relegated into the background, this need not be regarded as compromising the overall relevance. Ownership and popular support are a decisive factor in the success of a reform programme such as Peru's. If this support is lacking for individual elements and a relevant adjustment is made to the reform programme in response, this should be seen as a sign of political participation being successfully strengthened. However, it would have been desirable for the FC to have clearly expressed the change to the set focus of the third-phase objectives in the programme's name, rather than only in the performance indicators (see "Effectiveness").

Participation in the political dialogue and agreement of conditions precedent to disbursement (triggers) with the Peruvian government helped to guarantee that the two financing institutions were aligned to the extent possible with the agreed goals over the time-frame.

It also made sense that the FC programme was initially more heavily committed to decentralisation. At the time of the programme appraisal for the first of the three FC programmes under evaluation, Peru could look back on a moderately positive economic trend in 2004. However, the political developments were seriously limited by the authoritarian and strongly centralistic Fujimori government between 1990 and 2000. By means of the decentralisation, Peru sought to simultaneously improve its democratic structures, strengthen its competitiveness, improve its social services on the decentralised levels and provide these more efficiently. This strategy was incorporated into a social programme which was geared to internationally recognised development policy objectives (including the Millennium Goals of the time). The programme's focus was also consistent with the strategic objectives of German development policy.

Government capacities and structures were also intended to be developed within the scope of the programme for more effective and efficient provision of government services. A key element of the programme was to improve public budget management at central and decentralised level, as is clear to see from the modified title of the World Bank's "Fiscal Management and Competitiveness Program" following the referendum mentioned above. The programme components for reforming management of public finances and limiting debt seem especially relevant. As part of the division of tasks between the programme's two partners, German FC supported this component in particular with expert assignments.

German DC's decision to join the World Bank in participating in a (sectoral) budget assistance package – thus assuming a key role in the reform discussions as an on-site partner – can be regarded as an essential step in implementing the international statements about improving the efficacy of development cooperation and in testing out new methods of implementation. A reform strategy developed by Peru was jointly supported by German DC and the World Bank. This was in line with the principles of ownership, alignment and harmonisation. Overall, this joint programme made up close to 40% of the Official Development Assistance (ODA) received by Peru over the course of the support programme's implementation[1]. Other donors also supported the decentralisation process started by Peru, though these were limited to individual parts of the country. Given the intended donor harmonisation, a negative point to be evaluated is that the Inter-American Development Bank (abbreviation: IADB, IDB or BID) funded a general budget support package in parallel to the DECSAL programme and with a similar focus. The "price" of ownership, alignment and harmonisation was that the donors involved had to accept the landmark decision of slower decentralisation in the wake of the 2005 referendum.

In summary, a comprehensive reform programme was gradually implemented over many steps in the form of the political, social and economic development strategy which was started in 2001/2002 and consistently pursued in spite of multiple subsequent changes of government. Overall, we rate the joint support for this national development strategy, which fundamentally made sense, as positive from today's perspective.

Relevance rating: 2 (for all programmes)

Effectiveness

The joint objective (outcome) of all three FC support phases was to strengthen the administrative and financial performance capacity at local and regional level, thereby raising the efficiency and improving the quality of government bodies. A further objective was to improve the competitive conditions for Peruvian businesses. The formulations of targets and the indicators defined to evaluate attainment of the programme objectives varied substantially over the course of the programme. A total of 12 largely identical indicators were used for the first and second FC programmes, whereas 14 indicators were defined for the third FC programme which was focused more on strengthening competitiveness. Only one of the latter was identical with the indicators from the first two phases.

The following summary tables show the extent of target achievement for the individual indicators over the three FC programme phases. The trend in the indicators is presented for the first two phases up to the point at which FC support changed focus in Phase III. Figures from the FC final review in 2012 and an evaluation by the World Bank's Independent Evaluation Group in 2017 are used for the third programme phase.

[1] According to World Bank and OECD data, Peru received USD 4.16 billion net in ODA over the period under review (2003-2013). The total volume of the DECSAL programme (World Bank funds and German FC funds) came to USD 1.6 billion, which is equivalent to 38.5% of ODA (net).

DECSAL I/II main areas	Indicators/measure	I: PA (2003)/II: PA (2004)	I: Target (2005) II: Target (2006)	Actual (2005/2006) Actual (2008 – final reviews I + II)	Target achievement
Tax revenues	Tax revenues / % of GDP	12.9/13.3	13.2/13.7	2005/06: 13.9/14.9 2008: 15.6 2015: 14.7	Achieved
	Increase in tax revenues of provincial governments / real %	-	5/5	2005/06: 11/3 Peruvian soles (PEN) 855/869 million 2008: PEN 1,439 million	Achieved
Fiscal transfers	Canon and Sobrecanon (taxes on natural resource extraction) / PEN million	804/1,075	1,156/1,192	2005/06: 1,508/2,509 2008: > 4,200	Achieved
	Regional/local bodies' customs revenues / PEN million	139/177	190/206	2005/06: 122/126 2008: 173	Not achieved, but of little relevance due to small amounts involved
	Foncomun transfers (public fund to promote investments in disadvantaged municipalities) / PEN million	1,613/1,758	1,934/2,082	2005/06: 2,031/2,388 2008: 3,201	Achieved
Fiscal discipline	Decrease in debt to public revenue ratio (%)	-			Initially decreasing, since rising back gradually
	Decrease in debt service to public revenue ratio / %	-	3/3	Not collected	Unclear
	Proxy indicator for budget discipline (used in DECSAL III): Budget surplus or deficit / % GDP			2005: -0.6 2008: +2.2 2013: +0.9	Achieved during the project term, but moderate deficits in each of 2014, 2015, 2016.
Fiscal management	Number of accredited regional/local bodies	0/0	390/1,140	2005/06: >500/766 2008: all/process completed	2008: Achieved
	Number of regional/local bodies using participatory budget process	0/0	525/525	2005/06: 425/? 2008: all/process completed	2008: Achieved

	Completion of first monitoring and evaluation system step	-	.	In progress	3 program-mes evalua-ted
	Number of nation-al and regional governments using the perfor-mance indicators (DECSAL I only) / %	-	10	2009: 13.2	2009: Achieved
	Number of sub-national (region-al/local) govern-ments using the SNIP (National Public Investment System – DECSAL II only) / number		Regional: 26 Local: 300	2006, regional: 26 Local: 337 2008, regional: 26 Local: 1,836	Achieved
	Proportion of government offi-cials paid via account with Banco de la Nacion / %	-	90/95	2005/06: 95/95 2008: almost 100	Achieved

* Figures for 2005 Baseline / 2011 and 2015 sourced from: IEG World Bank Group, Project Performance Assessment Report: Peru - Fiscal Management and Competitiveness Programmatic Development Policy Loans, Report No. 110742, 2017.

It is difficult to make a summary assessment of such a complex programme's target achievement, in light of the multiple systems of objectives and the different levels of importance between indicators, particularly as FC contributions each only constitute one part of the indicators created for the World Bank programmes in terms of evaluating target achievement. Many indicators were achieved for DECSAL I and II in 2008, but since the FC focus was on decentralisation, the stalling of fiscal decentralisation weighs relatively heavily in this respect. Even so, with clear progress having been achieved in the administrative decentralisation and the decisive indicator for fiscal discipline (budget surplus) having been met, we rate the target achievement as satisfactory overall. Target achievement is also rated as satisfactory for DECSAL III, in which especially heavy weight was assigned to improving the competitive climate for private businesses – although this rating is for other reasons. In terms of the competitive conditions, the objectives were achieved for the most part, as evidenced by downward trends in comparison with DECSAL I and II (albeit predominantly moderate ones) in terms of discipline concerning debt and expenditures, along with the increase in tax revenues.

This evaluation comes up against a limitation because the indicators did not cover all aspects of the programme objective. For instance, all three programmes lack indicators to measure the intended increase in government services' efficiency of provision and improvement in their quality (for the quality of government services, see further below in this "Efficiency" section).

Even though not all partial objectives of the programmes could be achieved and the success of different programme components varied, the improvements that the programmes have made are striking when it comes to fiscal policy, fiscal management, transparency in government activities, raising the country's tax revenues, and in the competitiveness of private businesses (influenced by state action). In addition, it is impressive that the Peruvian government has not abandoned the development steps that were started with the programmes' support, and indeed is continuing to actively pursue them although, several changes of government happened – except for the declining role of decentralisation.

An improvement in the quality of government services and increase in the efficiency of their provision cannot be documented according to World Bank research,[2] nor are these presumed to have occurred as an impact of the programme. On the other hand, this is likely to be affected by the originally planned fiscal decentralisation being implemented either partially or not at all, meaning that the sub-national bodies do not have the funds needed to improve their services. In addition to this, when functions previously viewed as central are devolved to decentralised levels, the short-term result is often a deterioration in the quality of services, according to FC's experience from decentralisation programmes in other countries, including with transfers of funds. The advantages of decentralised service provision can only start to be felt after a few years. The information available also suggests that it has not been possible to balance out the massive differences in development between Peru's various regions as an impact of this programme.

Overall, taking account of all its partial successes and failures, we classify the programme's effectiveness as satisfactory.

Effectiveness rating: 3 (for all programmes)

Efficiency

Budget support packages particularly suffer from the "attribution problem". Compared with conventional programmes, the original relationship between input (funds, participation in policy dialogue) and outputs, programme objective achievement (outcome) and development policy effect (impact) is much more difficult to estimate or measure at all. The three-step approach developed by the EU Commission has proliferated as an evaluation method for general budget support. This attempts to assess firstly the budget support's effect on government policy (Step 1), then the government policy's effect on the living conditions of the population (Step 2), and finally the relationships between the results of the analysis in Steps 1 and 2. An evaluation of this type – generally conducted jointly by multiple donors – was not carried out in this instance. This accordingly imposes constraints on conclusions about the efficiency level, for instance.

However, budget support programmes should tend to be more efficient than support by way of individual programmes, because they can contribute to a considerable reduction in transaction costs. The funds from the programme jointly financed by the World Bank and German FC were equivalent to almost 40% of all development assistance money received by Peru during its term of implementation. As a result, the reduction in transaction costs – at the partner's end, at least – is likely to have been substantial.

In addition, the DECSAL programme had a series of other important impacts with regard to efficiency. For instance, the use of consistent and transparent competitive bidding and procurement procedures supported in the course of these programmes alongside strengthening of national implementation capacities were intended to have contributed to efficiency increases. However, it should be noted that budget support evaluations in other countries point to a problem of local-level capacities not always being able to compete with the strengthened capacities at the central level. There is no information available about the extent to which this problem has also occurred in Peru. However, the community support programmes carried out in parallel may potentially have had the effect of boosting efficiency in this case, as they counteracted the problem of local capacities lacking.

The Public Expenditure Review carried out by the World Bank in 2012 takes a critical view of the wide range of small investment programmes in Peru in terms of efficiency. However, there is no specific data available in areas such as construction cost trends.

In terms of allocation efficiency, it seems noteworthy that Peru managed substantial economic growth of 5-7% per year in the period under review (2003-2013, except for 2009 when only 1% growth was achieved). Government revenues increased at rates of 15-19% during the period under review. In one of these phases, in which the government revenues and expenditures doubled within 4-5 years, the improvement made in fiscal management due to the programme was especially important and effective.

Taking the satisfactory target achievement and the funds used into account, the programme's efficiency proves to be satisfactory.

Efficiency rating: 3 (for all programmes)

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[2] See, for instance, IEG World Bank, Peru: Country Program Evaluation 2003-2009.

Impact

The programmes' development policy objectives were to support the reform programme in order to improve the Peruvian population's living conditions by strengthening democratic structures and opportunities for political participation, and to contribute to higher and broader-based growth by improving the competitive environment for Peruvian businesses. Specific indicators for achievement of the development policy objectives were not specified during the programme appraisal. The three programmes' development policy objectives should be regarded as achieved if the programme objectives (see "Effectiveness" section) are met. As a means of estimating attainment of the development policy objectives, an attempt should be made here to use a series of economic indicators and the change in the World Bank's governance indicators as proxy indicators for the change between the time of the first programme appraisal and that of the ex post evaluation:

Proxy indicator	Status PA (2003)	Ex post evaluation
(1) GDP/capita, USD	2,090 (2003)	6,027 (nominal, 2015)
(2) Poverty: population below national poverty line (%)	52 (2003)	20.6 (2016)
(3) Child mortality rate per 1,000 live births	31 (2003)	15 (2016)
(4) Government Effectiveness Percentile Rank	39 out of 100 (2003)	44 out of 100 (2015)
(5) Voice and Accountability Percentile Rank	47 out of 100 (2003)	54 out of 100 (2015)
(6) Control of Corruption Percentile Rank	55 (2003)	32 out of 100 (2015)

Source for all data: World Bank

The six indicators selected here show that Peru has changed significantly for the better in the economic and social indicators over the period under review, whereas the relevant governance indicators document small improvements at best and the corruption control index even documents worse conditions. However, it is necessary here to note that the index regarding government effectiveness fell over a number of years after the Fujimori regime ended and only started to significantly rise again in 2006 (32 out of 100) after reaching its nadir. Consequently, we can confirm improvements from 2006. In terms of the voice and accountability index, we would add that there was also an upswing in index value after the end of the Fujimori regime (in the years before 2003), and this has improved relatively little since.

The hope that the DECSAL programme could cause corruption to decrease in Peru has not been realised. In Transparency International's Corruption Perception Index, Peru came 67th out of 146 countries in 2004 and its position has fallen continually from 83rd out of 174 nations in 2012 to 101st out of 176 in 2016. Transparency International's review in 2005 even spoke of a "decentralisation of corruption" in Peru, suggesting that decentralisation carried out too quickly led to more corrupt employees with especially few skills and qualifications then coming to assume responsibility at decentralised level without the corresponding control mechanisms existing.

In terms of economic development, the Peruvian economy's relatively low level of diversification to date must be viewed in a critical light. Relatively favourable global market conditions for Peruvian natural resources (such as gold, silver, copper, zinc) have contributed to the high economic growth mentioned above, though sustainable economic growth may not be guaranteed, given the relatively little diversification in the Peruvian economy.

Overall, taking account of the sometimes counterproductive trends, the overarching developmental impacts are evaluated as satisfactory on the whole.

Impact rating: 3 (for all programmes)

Sustainability

In terms of the programmes' sustainability, a distinction needs to be made in this context between three different forms of sustainability. The financial sustainability – reliable knowledge that the Peruvian partners are capable of taking over financing of the current or of a comparable future reform programme – can be cited as a positive. The costs of the reform programme (which was highly demanding in nature) compared with the total Peruvian national budget were insignificant over the period under review, particularly since increasing government revenues was one of the objectives pursued. Even though the intended spending discipline on the part of the government has waned in recent years, we would assume that Peru can carry on its reform programme with its own funds as an upper middle income country without issue.

It is impossible to categorically state whether the improvements in government financial management made due to the programmes, acting as a safeguard for institutional sustainability, will endure. Considering the staff turnover at management level and the limited level of skills and qualifications that persists among the personnel on the lower rungs of the central hierarchy and in the decentralised bodies, we cannot safely assume that the improvements can be kept secure for the long term. On the other hand, the improvements in processes and in numerous institutional rules should be preservable.

It is also impossible to definitively answer the question of whether the effects achieved as a result of the programme – the impact sustainability – can be safeguarded for the long term. The overarching impacts of the programme are too difficult to assess in this respect. In summary, from today's perspective, we rate the prospects for financial sustainability to be safeguarded as good, and we rate the institutional sustainability and impact sustainability as satisfactory.

Sustainability rating: 3 (for all programmes)

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).