Ex post evaluation – Rwanda

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Sector: General budget support (CRS Code 51010)
Project: Macroeconomic Programme Support EDPRS I-III,
BMZ No. (I) 2007 65 750*, (II) 2009 65 459** and 2009 70 277,
(III) 2011 65 794 and 2011 70 083
Programme executing agency: Rwandan Ministry of Finance (MINECOFIN)

Ex post evaluation report: 2014

		EDPRS I-III (Planned)	EDPRS I-III (Actual)
Investment costs (total)	EUR million	35.00	35.00
Own contribution/cofinancing	EUR millior	***no info	***no info
Funding	EUR million	35.00	35.00
of which BMZ budget funds	EUR million	35.00	35.00

*) Projects in 2010 random sample; **) Projects in 2014 random sample
***) The German contribution accounted for roughly 5% of the total programme.

Description: The objective of the macroeconomic programme support was to help reduce poverty and boost economic development in Rwanda. In this context the Rwandan government was supported in implementing its national economic development and poverty reduction strategy, EDPRS (Economic Development and Poverty Reduction Strategy) 2008 – 2012. Here, key reforms were to be promoted in three areas as part of the EDPRS. Public services in social sectors were to be expanded and improved. State capacities and structures were to be developed for the more effective and efficient provision of these services based on the principles of good governance. The investment climate was to be shaped for the benefit of the private sector to promote macroeconomic stability and growth. Accompanying measures were aimed at triggering reforms in public finance management (PFM).

Objectives: The project was to help reduce poverty and boost economic development in Rwanda. The programme objective was to support the Rwandan government in implementing the national development and poverty reduction strategy (EDPRS). In accordance with the aims set forth in the EDPRS a total of 45 indicators were formulated as part of a Performance Assessment Matrix, which were agreed upon by all budget aid donors with the host government and largely remained unchanged in the course of the programme.

Target group: The target group of the programme was the Rwandan population living in poverty.

Overall rating: 3 (for all projects)

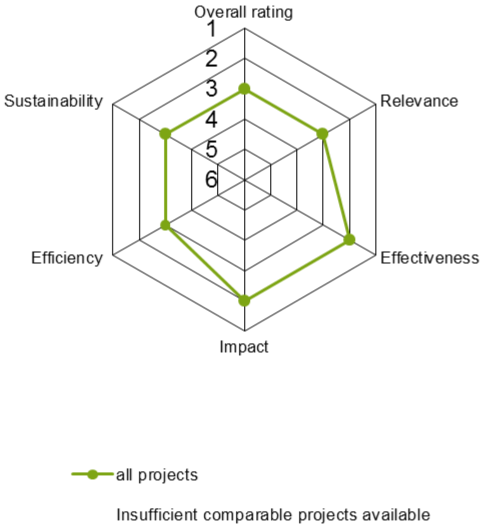
Rationale: The developmental effectiveness of the programme is rated satisfactory overall. Despite achieving roughly 80 % of the matrix indicators that can be evaluated so far, planned improvements in good governance could only partially be attained, thereby limiting effectiveness.

Highlights: The strong state ownership and the consistent calls for aligning the DC with national strategies.

Significantly positive trend in reducing poverty (before and at the start of the German participation) and other central socio-economic indicators. There are no statistics as yet on further developments from 2011.

The country's high dependency on donors has not been reduced.

The efficiency gains achieved via the budget aid approach are below expectations.



Rating according to DAC criteria

Overall rating: 3 (for all projects)

General conditions and classification of the project

The three projects in question here have made a financial contribution to the same development strategy (EDPRS, Economic Development and Poverty Reduction Strategy), which was implemented from 2008 until the middle of 2014 (FC disbursements were made for 4 financial years between 2/2009 and 9/2011) and between 2010 and 2014 as part of the PFM accompanying measure (5 financial years). The medium-term reform programme needs to be evaluated to assess the effectiveness of the measures it has supported. Accordingly, the ex post evaluation of the three consecutive FC funding tranches (EDPRS I-III) will be made together.

Breakdown of total costs

	EDPRS I (Planned)	EDPRS I (Actual)	EDPRS II* (Planned)	EDPRS II* (Actual)	EDPRS III* (Planned)	EDPRS III* (Actual)
Investment costs (total)EUR million	10.0	10.0	15.0	15.0	10.0	10.0
Own contribution/cofinancingEUR million**	No info	No info	No info	No info	No info	No info
Financing in EUR million	10.0	10.0	15.0	15.0	10.0	10.0
of which BMZ funds in EUR million	10.0	10.0	15.0	15.0	10.0	10.0

*) Including accompanying measures, AM: BMZ No. (II) 2009 70 277, EUR 1 million; BMZ No. (III) 2011 70 083, 3 EUR million
**) Given the very wide differences in exchange rates, the contributions of other donors and the national own contribution cannot be summarised in a reliable way.

Relevance

The financial contributions to the General Budget Support programme described here were designed to support the national development and poverty reduction strategies (EDPRS, 2008 – 2012/13) formulated in 2007 by Rwanda in conjunction with the donors. When the programme appraisal was conducted for the first of the three projects outlined here in 2008, Rwanda was able to look back on extremely encouraging economic and social development since the 1994 genocide, facilitated amongst other things by a consistent reform programme planned and implemented by the government. Nevertheless, Rwanda still belonged to the poorest group of countries in Africa south of the Sahara. The comprehensive and ambitious EDPRS focused resolutely on the economic and social weaknesses of the country, and comprised the main internationally accepted development policy objectives (including the millennium goals). Otherwise, the programme's focus is in line with the objectives of German development cooperation policy.

The national strategy to reduce poverty focused on three main areas: (I) social services, (II) government capacities and strengthening good governance, and (III) the investment climate for the private sector. The decision to resolve three key problems of the country at the same time is emphatic. The planned measures to improve healthcare, education and access to a better drinking water supply as well as waste water disposal were feasible and highly relevant for the poor people. The measures to improve the investment climate for the private sector seem relevant too.

It also appears very important that state capacities and structures were to be developed for a more effective and efficient provision of public services as part of the programme. Accompanying measures in particular were to make a key contribution to reforms in public finance management. On a critical note, however, the interest in improving good governance from the state bodies responsible for developing the principles of good governance was overestimated.

The decision of the German DC to participate in the general budget support-related aid programmes that have already been funded by several donors, and therefore to play a key role in the reform discussions as a partner with local presence, can be construed as an important step towards implementing the international declarations on improving development aid services. A reform strategy developed by Rwanda was supported here by German DC that complies with the principles of ownership and alignment. That Rwanda and its donor partners can be considered positive examples here is confirmed by the most recent report of the OECD on implementing the 2011 Paris Declaration, which praises the government of Rwanda and the donors for achieving marked improvements with all 13 of the indicators examined (OECD 2012).

This positive evaluation of relevance is restricted to some extent, primarily because more than half of the development aid measures to Rwanda were still financed through individual measures during the programme implementation, as before, and according to the documentation they were not, or barely, linked in any way. Thus the principle of harmonisation was not fully respected, though there was certainly a great deal of progress made in terms of the focus and stringency of dialogue. We must also be critical of the fact that partners left the joint programme one after another, either temporarily or completely, in the course of the programme. This jeopardised the planning efficiency of the entire programme. The reason for donors leaving the programme, as with the German DC for example, was largely Rwanda's participation in military conflicts in the east of the Democratic Republic of Congo, which was criticised by the UN in an independent report.

From today's perspective, the joint support of a national development and poverty reduction strategy generally considered useful is positive on the whole in terms of relevance.

Relevance rating: 3 (for all projects)

Effectiveness

The programme objective was to support the Rwandan government in implementing the national development and poverty reduction strategy (EDPRS 2008 - 2012). The achievement of the strategy's goals was to be measured based on a bundle of 45 very distinct indicators, which were largely maintained over time and only adjusted in a few understandable areas. Additionally, 77 key policy actions were carried out. Information on the development of these indicators after 2012 is unfortunately not available. The following table provides an overview of the three main areas of the reform strategy, the number of indicators set and the level of achievement (last updated 2012)*:

Key area	Sub-areas tackled	Number of defined indicators	Number of achieved indicators	Number of indicators not (fully) achieved	Number of indicators not yet ready for assessment
Social services and combating poverty	(1) Healthcare	6	6		
	(2) Supply and disposal of water	2	1		1
	(3) Education	5	1	1	3
	(4) Poverty reduction	4	3		1
Improvement in government capacities and structures	(1) Decentralisation	3	2	1	
	(2) Fighting corruption	1		1	
	(3) Judicial system	4	3		1
	(4) Budget plan-	6	3	1	2

	ning and controls (5) Procurement	1		1	
Development of private economy	(1) Investment climate (2) Lending to private sector (3) Electricity supply (4) Road network (5) Agricultural production (6) Jobs outside of agriculture	2 1 2 2 5 1	2 1 1 2 4 1	1 1	
Total	Total of all indicators	45	81% of the measurable indicators so far were **achieved**	19% of the measurable indicators so far were **not (fully) achieved**	No information on target achievements is yet available for 18% of all indicators

*) Since many of the external donors interrupted their support of the budget support-related aid programme from mid-2012, the Rwandan government also put a stop to the transparent presentation of results.

It is difficult to conduct a comprehensive evaluation into how far the objectives of such a complex programme were achieved given the many goals and the varying importance attributed to the indicators. If the analysis is carried out based on an unweighted examination of the number of indicators measurable up to now, we conclude that around 80 % of the indicators were attained, and progress was noted with the roughly 20 % of remaining indicators. The results in the fields of social services and poverty reduction as well as improving overall conditions for the private economy are more positive than the results concerning improvements in governmental capacities and structures. It should also be noted with this evaluation that the defined target values were very ambitious, and consequently (with 20% of the indicators still not available for analysis) the level of target achievement is considered to be good overall.

There is no doubt that the results would not have been achieved without support from the general budget support-related aid programme. This is partly because some 40-50 % of state spending in Rwanda in this period was financed from development cooperation funds, of which in turn more than half was derived from budget support funds (own calculations based on IMF 2013). What is more, it can be assumed that the institutionalised process of regular discussion and examinations of EDPRS implementation exerted strong pressure on the achievement of the objectives.

Another positive aspect is that the public financial management reforms (PFM) supported by the two accompanying measures resulted in substantial improvements, particularly with budget transparency, procurement and combating corruption. Even if the lack of comprehensive information on the examination of state spending by the Audit Office (annual report) and the inadequate involvement of parliamentary bodies so far in discussing and approving the state budget during the programme implementation are still unsatisfactory, the reform strategy and the target achievement are certainly still considered to be good overall.

Effectiveness rating: 2 (for all projects)

Efficiency

Efficiency is usually measured by looking at the relationship between the use of inputs and the achieved outputs or outcomes. This relationship cannot be established with the reform programme discussed here because although the level of inputs is broadly known, it is not possible to allocate these inputs to the outputs or outcomes. This is due to the considerable contributions made by the various donors and partly by the Rwandan government parallel to these inputs - contributions that were used for the same purposes. Consequently, this criterion can barely be used meaningfully to evaluate the efficiency of a general budget support-related aid programme.

On the other hand, we could naturally assume that the general budget support programmes are more efficient than support via individual projects because they can help to reduce transaction costs. However, this effect would presumably only materialise if all donors agree on this modality. It is therefore less likely that the desired reduction in transaction costs will emerge if some donors do not participate in the budget aid at all while other donors also spend substantial parts of their development aid funding through individual projects, in addition to budget aid, as was the case in Rwanda. Presumably though, Rwanda did still manage to save on transaction costs by insisting on certain principles of donor dialogue and by means of the strengthened national capacities throughout the project, in spite of the continued support through individual projects.

It should be highlighted that Rwanda implemented the EDPRS to a high level in terms of financial planning too, i.e. there were neither any considerable deviations in the budget within the various EDPRS areas, nor any substantial differences between planning and implementation in the budget years.

Apart from this it should also be noted that the reduction in the transaction costs by budget support will probably only have an effect in the medium to long term because significant investments in building up a transparent implementation structure are necessary at the beginning of such complex programme, which can only be amortised in the course of the programme via the benefits that then arise. If the long-term support of the budget support programme by the donors cannot be ensured, as in the case outlined here, the high initial investment costs cannot be compensated for by potential subsequent savings. In this case they can at least still be used partly in subsequent sectoral approaches.

Alongside the limited reduction in transaction costs, the programme referred to here certainly gives rise to a range of other important effects regarding efficiency that should be taken into account. For example, it can be assumed that the heavily supported use of national tender and procurement procedures during the programme and the improvement of national capacities by means of the accompanying measure contributed to efficiency gains. The sharp reduction in corruption in Rwanda during the programme also likely boosted efficiency. While the country was ranked 102 out of 180 countries in 2008 on the Corruption Perceptions Index (CPI), this improved to 49 out of 175 countries by 2013.

This is why the overall efficiency of the programme is considered satisfactory.

Efficiency rating: 3 (for all projects)

Impact

The overall objective of the programme was to help reduce poverty and facilitate development in Rwanda. No indicators were set for achieving the overall objective. The positive changes in four out of the 8 Millennium Goals could be used to measure the results regarding poverty reduction:

Proxy indicator	2010 status (last available figures)	Ex post evaluation*
(1) Per capita GDP, USD	377 (2007)	620 (2013, World Bank)
(2) Poverty (< USD 1.25), in %	57 (2006)	45 (2011, World Bank)

(3) Child mortality rate, per 1,000 live births	152 (2005)	55 (2010, WHO)
(4) Maternal mortality rate, per 100,000 live births	750 (2005)	320 (2013, WHO)
(5) Primary school completion rate, % of enrolled pupils	43 (2004)	73 (2012, Unicef)

*) FC contributions (incl. accompanying measures) were disbursed in 2009 - 2014. This means that the data available at the time of the ex post evaluation reflects the situation before the German involvement and during the implementation.

The development of poverty reduction can be deemed a very positive trend for such a poor country. However, the period covered by statistics so far only reflects the situation before and up to the middle of the implementation of the German contribution to EDPRS, which means this probably relates mainly to the achievements of the previous support round (PRSP – Poverty Reduction Strategy Programme). No information is yet available on the continued development of the poverty situation after 2011. In terms of economic development, the very positive growth rates in real GDP of 7.2 % in 2010, 8.2 % in 2011 and 8.0 % in 2012 (IMF) reveal strong economic development over recent years, which is reflected in per capita incomes (see table). Yet economic development is still too heavily reliant on public spending and non-repayable financial contributions from donors. The latter financed between 40 % and 50 % of government spending between 2009 and 2012. Private economic development and exports are still of rather secondary importance (IMF 2013). So far, efforts to drive economic development more from the country's own resources have been of limited success. The country's own revenues did not rise sharply enough during the implementation of the reform programme that they alone could provide the funding for government spending that is so important for continued development. Furthermore, the unsatisfactory developments with good governance (e.g. transparency of government processes) should be viewed with a critical eye. Summing up, thanks to the consistently positive trends in the indicators until 2013, in some cases the evaluation of the overarching developmental impacts is still good. This assessment must be revised if necessary depending on the updated poverty statistics expected for 2015.

Impact rating: 2 (for all projects)

Sustainability

With respect to the sustainability of the programme, a distinction should be made here between three different types of sustainability. The assessment of financial sustainability, i.e. the guarantee that Rwandan partners will be capable of undertaking the financing of a similar programme in future, is clearly negative at the moment. The withdrawal of many partners from the funding of budget support has resulted in considerable problems. As shown clearly by developments in 2013, own funds in Rwanda are not nearly enough to cope alone with the majority of government spending funded via budget support. Consequently, it is assumed that growth will drop by up to two percentage points in the coming years. That said, additional donor support is expected for the coming years too (including pledges from Germany as well), albeit in changed modalities and not to the same extent as previous decades.

It is difficult to give a clear answer to the question of whether the improvements in public financial management achieved as a result of the accompanying measures will remain (i.e. the level of institutional sustainability). Given the substantial staff turnover at the management levels and the still limited qualifications of personnel at the lower levels of the central hierarchy and in decentralised organisations, we cannot assume that the improvements can be safeguarded in the long run. By contrast, the improvements in processes as well as many institutional regulations should be preserved.

The question of whether the programme's effects can be secured in the long run, i.e. the impact sustainability, cannot be definitively clarified either. There has certainly been a range of sustainable changes with the poverty reduction and development strategy which will continue to have an impact in the long run, along with improvements in health, education and public infrastructure. However, other changes (e.g. maintenance measures for social infrastructure and reinvestment) require sustainable financing to secure the results achieved. To sum up, the security of financial sustainability is just about satisfactory from today's perspective and that of institutional sustainability and impact sustainability is satisfactory.

Sustainability rating: 3 (for all projects)

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

Ratings level 1-3 denote a positive assessment or successful project while ratings level 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. Ratings 1-3 of the overall rating denote a "successful" project while ratings 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" (rating 3).