

Burundi: Structural Aid II

Ex-post evaluation

OECD sector	51010 / General Budget Aid	
BMZ project ID	1992 65 612	
Project-executing agency	Government of Burundi	
Consultant		
Year of ex-post evaluation	2008	
	Project appraisal (planned)	Ex-post evaluation (actual)
Start of implementation	09/1992	03/1993
Period of implementation	21 months	32 months
Completion	06/1994	10/1995
Total cost	ca EUR 80 million	ca EUR 32 million
Counterpart contribution	EUR 0.0 million	EUR 0.0 million
Financing, of which FC (Financial Cooperation) funds	EUR 10.22 million	EUR 10.22 million
Other institutions/donors involved	World Bank, Belgium, Japan, France, EU Commission (FED)	World Bank, Belgium, France, Japan
Performance (overall rating)	4	
• Relevance	4	
• Effectiveness	4	
• Efficiency	4	
• Overarching developmental impact	5	
• Sustainability	4	

Brief description, overall objective and project objectives with indicators

The overall objective of the FC project, which was co-financed under the leadership of the World Bank by the other donors mentioned above, to contribute to improving the living conditions of the population of Burundi. Project objectives were the following: promoting the country's efficiency, removal of obstacles for the development of the private sector and export diversification, improvement of social services. However, this set of objectives is only applicable to the first tranche of the project (EUR 5.1 million), since the situation in Burundi changed dramatically during the project implementation due to the civil war in autumn 1993 (see below).

After the first tranche of the structural aid II funds (EUR 5.1 million), which was mainly paid before the outbreak of violence, the programme was interrupted in 1994. The World Bank then discontinued its loan after payment of the first tranche, and reduced financing from USD 30 million to USD 10 million. At the same time, it launched an emergency aid project, initially set at USD 14.6 million. In agreement with all the donors involved and with the consent of the German Government, the FC funds of the FC

project structural aid II that had not yet been paid out (second tranche) were transformed into an emergency programme to improve the balance of payments without any requirements as to economic reform programmes at the end of 1994. Follow-up reporting to the German government suggests a modification of the utilisation purposes and the conditions of payment, but not a modification of the objectives. *De facto*, the project had thus been transformed into general commodity aid intended to stabilise the social and political situation in Burundi. It could therefore no longer contribute to achieving the original economic reform objectives.

For the purposes of the present ex-post evaluation report, the project objective for the project's second tranche to the amount of EUR 5.1 million shall therefore be restated as follows: contribution to stabilising the social, economic and political situation by providing balance of payment support.

Project design / major deviations from the original project planning and their main causes

At the time of project appraisal, we not only saw the economic risks, but also the major threat of an escalation of the ethnic conflict or of a political intervention of the military. This threat obviously became reality and had a drastic influence on the design and effectiveness of the FC measures.

Problem analysis and identification of project conditions took into account the critical economic situation of Burundi, which was characterised among others by a decline in world market prices for coffee, Burundi's main export product, by high foreign debt and by an insufficient regulatory framework for the market economy system, preventing the development of the private sector. In addition, it became evident in the problem analysis that governance in Burundi was unsatisfactory, particularly with regard to the government's incapacity to improve the people's overall living conditions. The FC project design was set up according to the usual procedure for structural adjustment funds, i.e. balance of payment support on condition of economic reforms. Overall project responsibility lay with the World Bank under its third structural adjustment credit (Burundi, Third Structural Adjustment Credit, SAC III, appraisal 1992). It was based on two previous structural adjustment programmes and designed according to the regulatory principles dominating the early nineties, i.e. external orientation, privatisation, liberalisation, reducing imbalances in financial and monetary policy (Washington Consensus). Reform requirements for the structural adjustment programme in Burundi included: rationalising public spending and investment, optimising the tax system, gradual withdrawal of the state from state-owned companies, promoting the private sector by reducing bureaucracy and liberalising markets, removing barriers to foreign trade, land reform. Also included were measures to alleviate social hardship and to promote health and education. After the financing contracts came into force, donors only paid out the first tranche.

In October 1993, democratically elected president Ndadaye, the first Hutu to hold this position, and other high-ranking politicians were killed in an attempted military coup. During the ensuing civil war between the two principal ethnic groups in Burundi, the Tutsi and the Hutu, and various military units, several tens of thousands of people were killed, and hundreds of thousands had to flee. In April 1994, Ndadaye's successor Ntaryama and the president of Rwanda were also assassinated when their airplane was shot down by rebels. Rwanda then experienced an even more catastrophic civil war, costing about one million lives. Burundi managed to a great extent to escape this circle of violence after the second assassination, but eruptions of violence continued on a smaller scale. It must be assumed that in Burundi over 200,000 people died and about 1.2 million people were driven out of their homes to other parts of Burundi or to neighbouring countries. The entire region (DR Congo, Rwanda, Uganda, Burundi, Tanzania) is still marred by political conflict today.

At the outbreak of the first wave of the civil war, the World Bank's structural adjustment programme (Third Structural Adjustment Credit, SAC III, appraisal 1992) was interrupted in July 1994 after payment of the first tranche of USD 10 million and discontinued at the end of June 1995. At the same time, however, the World Bank provided emergency aid to the amount of USD 14.6 million, which was paid out within a short time without economic reform requirements. At a donor conference in September 1994, the other donors involved in SAC III agreed on a similar design to provide unconditional financial aid. As far as we know, the other donors mainly kept their commitment under this agreement, but we do not have any reliable information regarding this.

The decision was also applied to the German support payments. However, a different implementation procedure than the one used by the World Bank was used. Instead of cutting the structural aid II project, it was pragmatically adjusted by modifying the utilisation purpose of the existing financing contract, and payments could proceed rather speedily. The second tranche was paid out between January and October 1995. The main modification consisted in revoking the requirement that payments should only be made if the economic reforms agreed with the World Bank have been implemented. The second tranche of the project consisted in financing urgently required commodity imports in the fields of health, education and agriculture. The measures were designed to tide over an emergency situation in the short term. This procedure was based on the hope that the funds (of the second tranche) contributed to satisfy the people's most essential basic needs in the short term, to improve general living conditions after the unrest and thus to stabilise the government and to reduce the threat of new outbreaks of violence.

Key results of the impact analysis and performance rating

To sum up, the project's developmental efficacy is assessed as follows:

Relevance: (rating 4)

Not only did the structural adjustment programme of Western donors fail to tackle the paramount problem of ethnic conflict, which ultimately resulted in civil war, but the social burden resulting from the structural adjustment programme could possibly have even aggravated the conflict. Neither the structural adjustment programmes with their exclusive focus on economic reform, nor the basic ideas of the Washington Consensus founded on deregulation and privatisation (US model) have proved successful. On the contrary, both are seen in a critical light today, even by their initiators. From a current perspective, external support measures following a broader approach and taking into account political and economic aspects are most promising in the very poor countries of Sub-Saharan Africa. Main characteristics are the following: debt relief initiatives before development aid, development partnership instead of conditional support, sets of measures to promote governance and capacity development which help improve governance in the partner countries. For the first tranche, relevance clearly must be assessed as clearly inadequate (rating 5).

The second tranche aimed at introducing measures to stabilise the economic, social and political situation, which also in retrospect seemed appropriate in principle in the time after the civil war. There can be no doubt that the imports helped to procure urgently required import commodities. Still, it must be acknowledged that obviously the immediate political-ethnic problem dominated all other issues. Seen from a current perspective, the project failed to tackle the core problem of ethnic conflict, and could possibly even have aggravated the conflict because donor financing led to labour redundancies. Ultimately, the donors and their financial support could not prevent the former (Tutsi) head of state Buyoya from dissolving the democratically legitimised government and taking power through a military coup in 1996. This led to boycotts by the neighbouring countries and to the discontinuation of support by the main donors,

although also in this phase the country probably suffered from major bottlenecks in supply. It was not until 1999 that the ostracism of Burundi was gradually reduced. A real peace process did not come about until the Arusha conference in 2000. The crucial aspect for the assessment of the relevance of the second tranche is that it has become apparent in retrospect that although the selected type of donor financing did contribute to a temporary stabilisation of living conditions, it was not suited to bring about or ensure political stability. Peacebuilding measures would probably have been necessary to achieve this. The second tranche therefore must be rated as no longer satisfactory (rating 4).

According to the criteria applied at the time, the development measure had to be considered as highly relevant. However, this no longer holds true from a current perspective, because the security problem which was at the core of the entire situation was not directly tackled. Overall relevance for both tranches is rated as unsatisfactory (rating: 4)

Effectiveness: (rating 4).

As a result of the project, funds were provided for the respective governments, on condition of economic reforms for the first tranche and in the context of stabilising the democratically legitimised government for the second tranche, but in both cases the intended effect regarding (economic) reforms (I) and (political) stability (II) failed to materialise due to the civil war and the ensuing conflicts. Instead of sustainable achievements with regard to the project objectives of the first tranche, Burundi registered a decline in its economic performance between 1994 and 1997 as a consequence of the civil war, as well as a deterioration of living conditions and social indicators (increase in child mortality, decrease of schooling rates, increase in poverty rates; no statistical data available). The project did not make a significant contribution to sustainably solve the core problems identified at the time of project appraisal. In its Implementation Completion Report of December 1995, the World Bank assesses its measure as not sufficient.

The financial emergency aid of the second tranche probably helped to alleviate scarcities in supply, but in the end could not ease the social and political unrest in Burundi. On the contrary, during the project's implementation phase the violent clashes in the country continued, albeit on a lower scale. Also the reformulated objective of the second tranche has not been reached to a sufficient extent, since the democratically legitimised government was overthrown in a military coup in 1996. Even assuming that the balance of payment support made it possible to procure urgently required imports, the desired political and economic stabilisation has ultimately not been achieved.

Effectiveness is therefore assessed as unsatisfactory (rating 4).

Efficiency: (rating 4).

Financing commodity imports brought about a significant temporary improvement in the supply of essential commodities for the people in Burundi, at adequate cost (production efficiency). With regard to allocation efficiency, making the balance of payment support dependent on economic reforms which in retrospect should not have been given priority prompts us to mark the project down considerably. Under stable political conditions, the cost-yield-ratio would have been rated as adequate. However, since the funds were provided in the phase of conflict escalation, we consider the project's efficiency as no longer satisfactory (rating 4).

Overarching developmental impact: (rating 5).

The overarching developmental impact must definitely be assessed as inadequate for both tranches of the project, since it neither contributed to social and economic stabilisation and improvement nor to political stability (rating 5).

Sustainability: (rating 4).

The effectiveness of the first tranche on the economy of Burundi rapidly dissolved into thin air, and it did probably not have any effect worth mentioning during the post-2000 reconstruction phase. The second tranche of the project was designed as emergency aid and therefore not expected to have more than a limited sustainability. It was the objective of the emergency aid to rapidly contribute to stabilising the economic and social situation in Burundi in order to strengthen the (democratically legitimised) government under Hutu leadership which had taken office in the summer of 1994, and thus to help ease the conflict. However, this objective was not achieved. Overall, sustainability is assessed as inadequate (rating 4).

Overall, we rate the developmental efficacy of the project as clearly inadequate (rating 4).

General conclusions and recommendations

Considering the dramatic political developments which took place immediately upon project implementation, the project structural aid II, Burundi, confirmed that

- potential for conflict due to profound social disruptions or ethnic conflicts are by far more serious than deficits in economic efficiency, and that
- balance of payment support for countries in a conflict does not have any real political influence, but can develop its potential effectiveness only if accompanied by effective peace-keeping measures. As a rule, such objectives should therefore be avoided.

Notes on the methods used to evaluate project success

Assessment criteria

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

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

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

Rating 1	Very good sustainability	The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.
Rating 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.)
Rating 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.
Rating 4	Inadequate sustainability	The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and an improvement that would be strong enough to allow the achievement of positive developmental efficacy is very unlikely to occur. This rating is also assigned if the developmental efficacy that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

Criteria for the evaluation of project success

The evaluation of the developmental effectiveness of a project and its classification during the ex-post evaluation into one of the various levels of success described in more detail above focus on the following fundamental questions:

Relevance	Was the development measure applied in accordance with the concept (developmental priority, impact mechanism, coherence, coordination)?
Effectiveness	Is the extent of the achievement of the project objective to date by the development measures – also in accordance with current criteria and state of knowledge – appropriate?
Efficiency	To what extent was the input, measured in terms of the impact achieved, generally justified?
Overarching developmental impact	What outcomes were observed at the time of the ex post evaluation in the political, institutional, socio-economic, socio-cultural and ecological field? What side-effects, which had no direct relation to the achievement of the project objective, can be observed?
Sustainability	To what extent can the positive and negative changes and impacts by the development measure be assessed as durable?