

Ex Post-Evaluation Brief

Zambia: Joint Programme for Macroeconomic Support I (PRBS I)



Programme/Client	Joint Programme for Macroeconomic Support I (PRBS I) - 2006 65 448)	
Programme executing agency	Ministry of Finance and National Planning	
Year of sample/ex post evaluation report: 2011*/2011		
	Appraisal (planned)	Ex post-evaluation (actual)
Investment costs (total)	EUR 106.0 million	EUR 106.0 million
Counterpart contribution (company)	EUR 96.0 million	EUR 96.0 million
Funding, of which budget funds (BMZ)	EUR 10.0 million	EUR 10.0 million

* random sample

Project description: The Joint Programme for Macroeconomic Support assists the Zambian Government in alleviating poverty through cofinancing the programme, Poverty Reduction Budget Support (PRBS). The donor contributions are paid in directly to the Zambian national budget. Poverty reduction policy in Zambia for the period from 2006 to 2010 was based on the Fifth National Development Plan (FNDP). Finance is provided on the basis of agreed goals and is supplemented by close policy dialogue between the Zambian Government and budget support donors.

Objective: The overall objective of the programme was the contribution to poverty reduction in Zambia in keeping with the FNDP. The programme objective was to make a contribution as part of a joint donor programme to the efficient, pro-poor and sustainable implementation of the FNDP and major reform programmes.

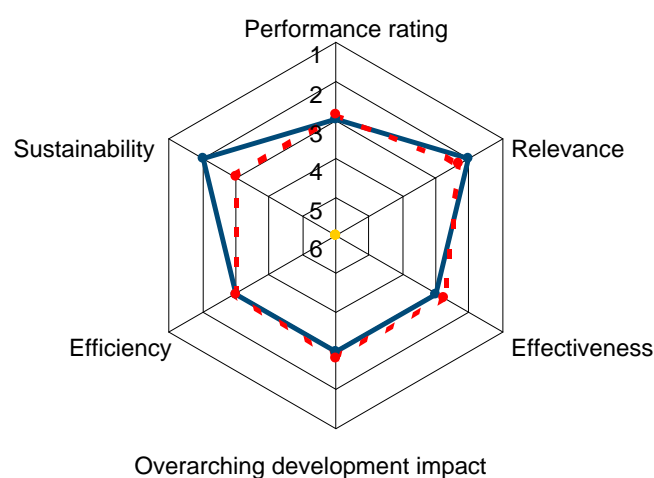
Target group: The target group is the entire population of Zambia, particularly poor sections.

Overall rating: 3

Greater poverty orientation, improvement in social services and progress in public financial management were achieved. On the other hand, the inadequate harmonisation of donors above all prevented the potential of budget support from being harnessed to the full. The rather ambitious objectives of the PRBS programme were not achieved throughout. Altogether, the programme is rated as satisfactory.

Of note: Budget support was particularly effective in sectors where the government demonstrated a strong sense of ownership and the objectives of the donors were in line with its strategies.

Rating by DAC criteria



- Programme
- No average rating (for sector) ascertainable
- - - Average rating for region (starting 2007)

SUPPLEMENTARY INFORMATION TO THE PROJECT DESCRIPTION

The Joint Programme for Macroeconomic Support I comprised the German contribution to the programme, Poverty Reduction Budget Support (PRBS), for 2007 and 2008 totalling EUR 10 million. Budget support is an instrument of development cooperation where donor funds are paid in directly into the national budget of a partner country. The German contribution was given as so-called general budget support, that is, not specifically for promoting a certain sector, as in the case of sector budget support. In the PRBS programme, nine donors were supporting the Zambian Government to attain its poverty reduction goals at the time of evaluation. Poverty reduction policy in Zambia is based on a national development plan. The strategic focus of the Fifth National Development Plan (FNDP) for 2006 to 2010 was placed on improving economic infrastructure and human resource development as a basis for broad growth to reduce poverty. The donors make their payments conditional on compliance by the Zambian Government with the underlying principles set out in the memorandum of understanding (e.g. commitment to peace, democratic principles, good governance, etc.) as well as to progress in implementing FNDP. The latter is assessed every year based on the Performance Assessment Framework (PAF) jointly developed by the government and the PRBS donors. The PAF contains indicators and annual targets on macroeconomic stability and structural public sector reforms as well as for individual production and social sectors. The financial contributions are supplemented with close policy dialogue between the donors and the Zambian Government. In 2010, the PRBS programme was subjected to a multi-donor evaluation under the leadership of Germany, the Netherlands and Sweden. The present quantitative performance evaluation of the FC programme is largely based on the findings of this joint evaluation. In the budget support instrument, no demarcation of the German contribution is intended or possible from the contributions of other donors. In keeping with the joint evaluation, the statements of this ex-post evaluation pertain to the period from 2005 to 2009 and thus overlap with the period of the ongoing follow-on programme, *Joint Programme for Macroeconomic Support II (PRBS II, BMZ no. 2008 66 780)*.

Set of objectives: The overall objective cited in the programme appraisal report was to contribute to poverty reduction in keeping with the FNDP. This objective is still appropriate today as the FNDP aims at long-term, broad poverty reduction with the focus on the social sectors of health and education but also on promoting pro-poor economic development (e.g. the agricultural sector). The programme objective was to make a contribution as part of a joint donor programme to the efficient, pro-poor and sustainable implementation of the FNDP and major reform programmes. The effectiveness, efficiency and sustainability of the joint donor programme should be greater than the sum of corresponding individual donor initiatives. This objective is also considered adequate. Through the use of the partner's own systems and procedures and alignment of all participant donors with national strategies, budget support, as compared with project-based approaches, is expected to induce a particularly high degree of ownership on the part of the partner country and enhance donor

harmonisation. Budget support is thus seen as an instrument for improving aid effectiveness in line with the principles of the Paris Declaration.

The joint evaluation, however, gauges the Performance Assessment Framework as applied up to 2009 as unsuitable for measuring progress in FNDP implementation. The main reasons are the scope and the inconsistency of the PAF: During its ongoing development, indicators were added and removed and targets adapted. There were too many indicators in all and some of the underlying targets were not measurable or realistic.

To assess overall objective achievement, this ex-post evaluation will therefore draw on economic development, poverty reduction and development in good governance in Zambia measured against generally recognised indicators.

To measure programme objective achievement, this report adduces the following sub-objectives stressed in the programme appraisal report:

- Improved predictability of development funds
- Reduction of administrative costs for the Zambian Government and minimisation of transaction costs
- Strengthening government accountability towards citizens
- Increased capacities of government authorities for planning and implementing as well as monitoring and evaluating their programmes
- More efficient planning of public expenditure allocations

Promotion of ownership and effective implementation of the FNDP.

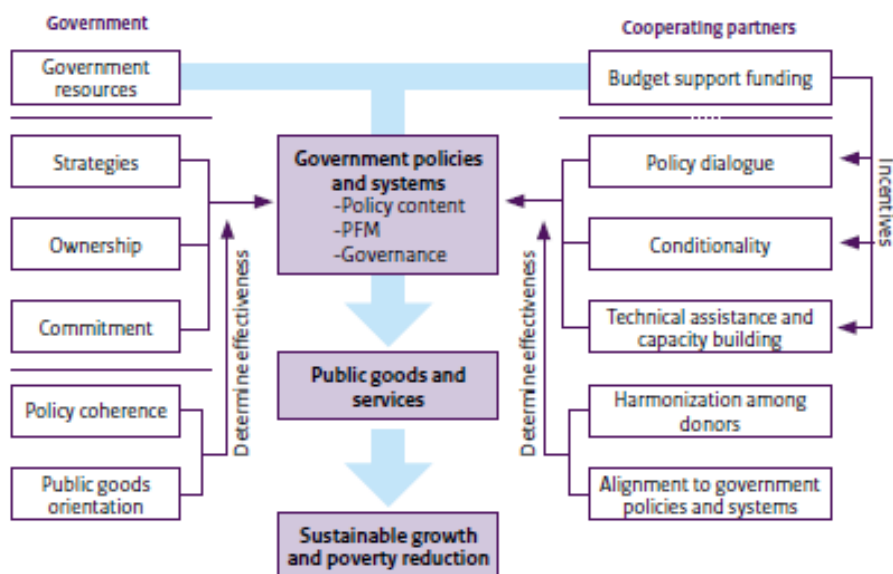
EVALUATION SUMMARY

Overall rating: Not all programme objectives could be achieved. However, in the relevant period budget support promoted a stronger poverty orientation of the budget and thus contributed to improving service delivery in social sectors above all. Budget support was particularly effective in the sectors where the government demonstrated strong ownership and the objectives of the donors were in line with the government's strategies. In policy reforms, budget support contributed to making decisive progress in accountability and public financial management. In improving development aid predictability, reducing transaction costs, raising capacities and promoting ownership, the PRBS programme, however, lagged behind the rather high expectations. Altogether, the combination of limited capacities and in part lack of national political will for reform with insufficient donor harmonisation and alignment detracted from the effectiveness of budget support in Zambia. The sustainability of the beneficial results is good. We therefore assess the programme as satisfactory overall (**Rating: 3**)

Relevance: Through alignment with the national development plan and its explicit focus on poverty, the macroeconomic support programme addressed major developmental

problems in Zambia and contributed to the achievement of the MDGs. Since the early 1990s, Zambia has seen increasing coordination among donors, which initially developed in individual sectors. As early as 1993, the donors introduced a sector-wide approach in the health sector followed by sector investment programmes in agriculture, education and roads. Cooperation at sectoral level has made a substantial contribution to donor harmonisation, which took shape in 2003 with the agreement, Harmonisation in Practice (HIP). In 2007, the Zambian Government and the donors signed the Joint Assistance Strategy for Zambia (JASZ) aimed at the more effective use of development funds and the reduction of government transaction costs. In the course of JASZ negotiations, the Zambian Government emphasised its preference for budget support as an instrument of development cooperation, which was introduced with the signing of the PRBS Memorandum of Understanding (MoU) in 2005 as a logical step in the harmonisation process. Germany signed the MoU in May 2006. The programme therefore conformed to both Zambian and German priorities.

Owing to the combination of financial and non-financial input components and the interactions involved, the results chains of budget support programmes (see figure) are very complex. The financial contributions of donors are paid into the public budget to support the implementation of a national development strategy to promote sustainable growth and poverty reduction. The effectiveness of budget funds crucially depends on the quality of the strategy, the government's commitment to carry these out consistently and the available political and administrative capacities. As these conditions have frequently not been met, the donors of budget support supplement their contributions with various non-financial components. Intense *policy dialogue* between government and donors aims to help improve governance systems. By means of *conditionalities* for the payment of contributions, the donors set incentives for recipient countries to carry out reforms. Additional *technical assistance* and *capacity building* measures strengthen the ability of government to manage resources and implement reforms. The various inputs are designed to support each other in their effect, with one providing leverage for the other. The instrument of budget support therefore appears to be particularly suitable for the effective implementation of national poverty reduction strategies and building capacity through donor harmonisation and enhanced partner country ownership, provided certain preconditions have been met, above all, the willingness to cooperate on the part of all stakeholders. Relevance is therefore assessed as good (Sub-rating 2).



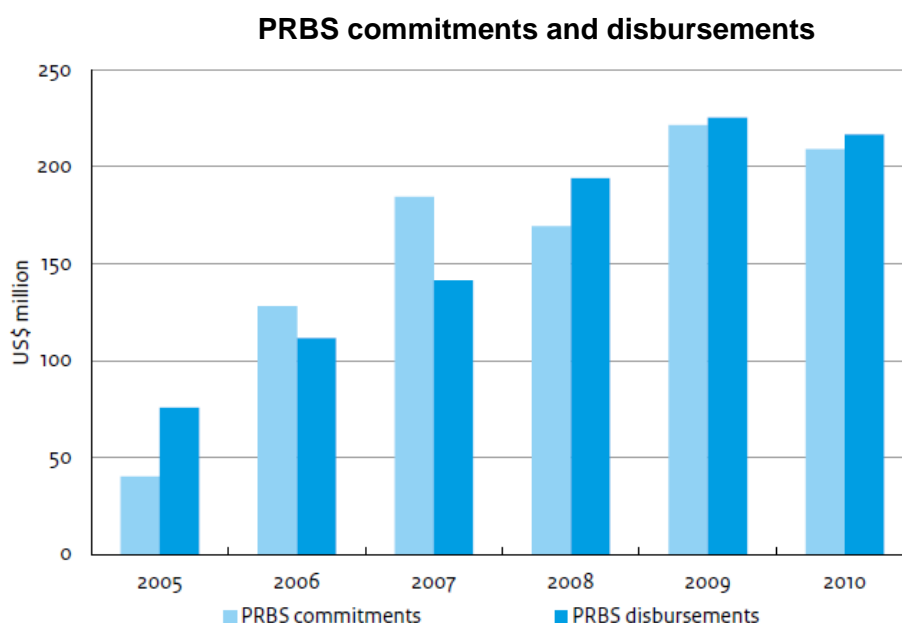
Source: Leiderer and Faust (2011).

Effectiveness: The programme objective was to make a contribution as part of a joint donor programme to the efficient, pro-poor and sustainable implementation of the FNDP and major reform programmes. Altogether, the joint evaluation came to the conclusion that the PRBS programme did not meet the high expectations in full. We come to the following assessment of the programme objective elements under review here.

Improved predictability of development funds

By intention, with its regular disbursements, budget support as a financing instrument has the potential to much improve the predictability of development funds and hence contribute to their effective use by enabling the government to improve planning. The evaluation found that the predictability of budget support funds in Zambia was considerably better than that of project-based aid. Nevertheless, it fell short of the rather high expectations. With almost the worst rating (D+ on a scale of A to D), the assessment of budget support predictability in the Public Expenditure and Financial Accountability analysis (PEFA) in 2008 confirms that the Zambian Government faces great uncertainties as to available funds. One reason for this was that some payments were made after considerable delays. While this was attributable to administrative problems at the beginning of the PRBS programme, the delays in 2009 were due to the retention of contributions by some donors in response to corruption scandals in the health and roads sector. Another reason is that the actual disbursements by individual donors differed markedly from their original commitments. In 2007, total disbursements by PRBS donors amounted to merely 77% of commitments, while exceeding these by 15% in 2008. In 2009, there were considerable divergences both upwards and downwards among some donors due to different responses to the cases of corruption. Because the disparities among donors offset each other for the most part, on balance the actual payments were much more closely aligned with the commitments of the PRBS Group in 2009. Despite deviations at individual donor level, the

predictability of PRBS funds has improved overall. Though partly delayed, the German contribution was disbursed in 2007 to 2009 in accordance with the agreed assistance, whereas the scheduled payment for August 2010 was initially suspended.



Source: de Kemp, A./J. Faust/S. Leiderer, p. 81

Reduction of administrative costs for the Zambian Government and minimisation of transaction costs

In recent years, budget support has contributed to increasing the amount and share of external assistance to Zambia administered under the national budget. This has simplified the planning, accountability and reporting of development funds for the government. Budget support makes up approximately 20% of ODA income in Zambia, which is largely subject to uniform planning, reporting and implementation procedures. Considering the large volume, this streamlining can be expected to have reduced transaction costs on the recipient side in comparison with individual project management. The donors face the challenge of managing two modes of development cooperation with sometimes incompatible interests: budget support aimed at supporting the national poverty reduction strategy with greater donor harmonisation on the one hand and project-based aid aimed at the direct improvement of living conditions with greater visibility of the inputs of individual donors on the other. Initially, the parallel application of different instruments considerably raised transaction costs on the donor side. The information needs and the decision-making processes of the national systems of donor countries are often incompatible with the procedures in the recipient countries, partly resulting in duplication of effort on the donor side. Added to this is the extensive procedure for reaching donor consensus. The lack of an institutionalised knowledge management system in the PRBS process has also increased administrative costs on both sides of cooperation. Altogether, budget support has led to the reduction of transaction costs on the recipient side and higher transaction costs on the donor side.

Strengthening government accountability towards citizens

With a view to fiduciary risks, both the Zambian Ministry of Finance and the donors in the PRBS process have paid special attention to strengthening the Auditor General's Office. Accordingly, capacities for controlling, the quality and the punctuality of reporting and the independence of the Auditor General's Office have been much improved in recent years. This is particularly evident in the decisive role the Auditor General's Office played in uncovering the corruption scandals mentioned above. Besides this, another focus of the PRBS programme, public financial management, was substantially improved. The assessment based on PEFA indicators records progress in almost all areas of financial management between 2005 and 2008, also in internal financial controlling. Nevertheless, Zambia still faces additional challenges in this sector. This also holds for areas of major relevance for effective budget support and minimising fiduciary risks, such as expenditure control. There is also a particular need to improve external budget supervision. For example, although the Auditor General's Office carried out detailed investigations of cases of corruption, the findings were not always adequately followed up by the government. The assessment of budget transparency in the Open Budget Index 2010 shows that only minimal budget information is made available to the public in Zambia. Overall, strengthening the Auditor General's Office and improving financial management marked substantial progress on the supply side of accountability. The Zambian Government and PRBS donors have, however, done too little so far to strengthen the demand side: There is still little participation in budgetary procedure on the part of parliament and civil society.

Increasing capacities of government authorities for planning, implementing, monitoring and evaluating their programmes

To improve the quality and efficiency of public service delivery, the PRBS donors carry out a number of different programmes in technical assistance and capacity development, including the Public Expenditure Management and Financial Accountability (PEMFA) programme. As mentioned above, major progress has been made in accountability in recent years, particularly capacity development in financial management and strengthening the Auditor General's Office. However, these programmes under budget support have not strengthened the capacities of government authorities to the envisaged extent. One reason is that they were for the most part supply-driven and ownership on the part of government was accordingly low. The other is the lack of a joint donor approach and alignment with programmes carried out outside budget support. Insufficient capacities of government institutions place a considerable constraint on the planning and implementation of programmes and legal provisions. Capacities are still also very restricted at local level in particular.

More efficient planning of public expenditure allocations

The extent to which the PRBS programme has contributed to a more efficient allocation of public expenditure cannot be determined with any certainty. At an average of approx. 5% to 6% between 2005 and 2009, budget support accounts for a small share of total public expenditure. As government revenue hardly covers current costs, however, leaving little

room for poverty-reduction investments, donor contributions are relatively important for extending fiscal space. Since tax revenue has risen considerably in recent years, crowding out through donor funds is improbable.

In the joint evaluation period, budget appropriations in most poverty-relevant sectors rose both in absolute terms and relatively, and more than budget support funds. There have been positive developments above all in the education and health sectors. Budget appropriations and expenditure have risen sharply in these sectors and correspond roughly with the FNDP priorities. As higher funding for the social sectors is largely attributable to larger domestic funds, this suggests that the PRBS Group, with its strong emphasis on health and education, has even caused crowding in for these sectors. Of real increased spending between 2006 and 2008, 20.4% was allotted to economic affairs, 19.8% to social protection, 14.2% to health and 12.8% to education. Merely 5.1% and 3% of the additional funds were expended on defence and public order and safety, respectively. At 38% of expenditure in 2008, the share of public administration is still high, however. The joint evaluation criticised the high and increased expenditure ratio in recent years in the agricultural sector for the government fertilizer programme, although this was considered by the donors as ineffective and demands were made for its reduction. High investments in the (long-distance) road sector and economic development, however, appear to have had beneficial impacts, even though the Auditor General's Office report found major quality deficits to the detriment of sustainability.

Promotion of ownership and effective implementation of PRSP/FNDP

In the implementation of FNDP, the joint evaluation came to the central conclusion that budget support was particularly effective in sectors and situations where the government showed strong ownership on the one hand and its strategies largely conformed to the goals of the PRBS donors on the other. This was particularly the case for the health and education sectors. Thanks to concerted priorities and harmonised dialogue, these sectors were allocated considerably more financial resources and ownership was strengthened. In the health sector, the larger budgetary funds have contributed to improving health facilities and their use as well as medical staffing and drug supplies. In the education sector, increasing investments have been made in teaching staff, classrooms and books thanks to increased budget funds.

In the case of differences between the donors and government, however, there is an area of tension between ownership and donor influence. This was evident in the agricultural sector, where there was agreement on the importance of the sector for poverty reduction, particularly in rural regions, but marked discrepancies on the suitable instruments to achieve this. Via budget support, the donors have indirectly promoted the subsidy programmes of the Zambian Government (Fertilizer Support Programme and Food Reserve Authority), although they question their effectiveness and would have preferred investments in increased productivity, e.g. in the form of irrigation technologies. In the infrastructure sector, budget support (and sector budget support) has contributed to

improving the paved road network, but the donors failed to implement the improvement of unpaved roads in rural regions, which are very important for poverty reduction. During the evaluation period, both government ownership and allocations of budget funds were very small in the water sector.

Ownership on the part of the Zambian Government and particularly the Ministry of Finance were clearly strengthened through budget support, even if the donors did not always approve of government priorities being implemented against their preferences. Clearly, though, not all Zambian ministries are amenable to development through budget support, because the reduction of project aid in favour of budget support naturally weakens the position of sectoral ministries in relation to the Ministry of Finance.

As altogether largely satisfactory results have been achieved, though falling short of the rather high expectations, we assess the effectiveness of the programme as satisfactory (Sub-rating 3).

Efficiency: The reasons why the potential of the PRBS programme was not fully harnessed can be found on both sides of cooperation. The Zambian Government still lacks the systemic strength and capacities to independently coordinate a complex development plan and direct and harmonise a number of diverse donors in line with a coherent strategy. For lack of clearly defined ideas on future policy, the FNDP was only able to serve as a very rough framework for donor alignment. The insufficient integration and inadequate administrative capacities of the sectoral ministries have seriously impeded the implementation of comprehensive, multisectoral strategies. In the government system, there is neither a formalised mechanism for dealing with strategic and multisectoral assistance nor a strategy for involving NGOs and civil society in the development process.

In view of these shortcomings on the recipient side, donor activities cannot be harmonised solely through alignment with national strategies and it is essential that donors themselves take greater initiative. Despite the progress made, there are major deficiencies in donor harmonisation and alignment. The PRBS process has not set up a harmonised system of incentives that coherently combines financial and non-financial components of budget support. Donor interpretations of the PAF and disbursement procedures differed markedly so that the PRBS Group could not represent coherent priorities to the Zambian Government. The corruption cases showed that there was also no agreement among the donors about when the underlying principles for PRBS were infringed. Joint action in response to the investigated cases of misappropriation would have enhanced donor influence. Instead, some donors suspended their aid while another increased it, underlining the lack of harmonisation.

The main reasons for lack of collective action according to the joint evaluation are the different hierarchies of objectives of the individual donor countries - budget support primarily as a financing instrument or for supporting good governance - on the one hand

and on the other hand the difficulties donors had in bringing harmonisation efforts into line with the goals of their headquarters. Despite the complexity of budget support in the PRBS process, an effective knowledge and information management system has not been established, resulting in inefficient duplications of effort on the donor and recipient side. Another problem is the lack of coordination of the capacity development and technical assistance components of the PRBS programme with donor measures outside budget support. For example, there was no adequate consultation between the PEMFA programme and other technical assistance measures in Zambia. Dovetailing budget support and project aid, which had been largely administered in parallel and without interfaces in the past, would have had the potential to strengthen local capacities.

Altogether, the PRBS programme could have been aligned better with other donor measures to meet needs in Zambia. Even though the potential of budget support was not put to full use, it is still the only instrument that could have achieved the above mentioned structural changes at governance level. Efficiency is therefore assessed as satisfactory (Sub-rating: 3).

Overarching developmental impact: The overall objective of the programme was to contribute to poverty reduction in keeping with the FNDP. After three decades of stagnation, Zambia's economy has developed very well since 2000 and has proved resilient even during the international financial crisis. Real economic growth has been steady at above 5% since 2003 and inflation declined between 2000 and 2010 from 26% to 8.5%. Prudent fiscal policy combined with debt relief has led to a manageable level of national debt.

This favourable economic development has not, however, been attended by any major poverty reduction. According to the Living Conditions Monitoring Survey, the poverty rate (measured by the national poverty line - basic needs) diminished from 73% in 1998 to 68% in 2004 and further to 64% in 2006. This decline is the result of positive developments in urban areas, but the poverty rate in rural areas has hardly changed. Provisional data for 2010 indicate that poverty did not decline between 2006 and 2010 altogether. The income gap has also widened. The Human Development Index, in contrast, indicates a slight improvement in the rating from 0.398 in 2006 (Rank 165 of 177) to 0.425 in 2010 (Rank 164 of 182), but this is still just below the average for Sub-Saharan Africa. The reason why the poor population in Zambia does not participate in economic growth is that it is concentrated in a few sectors, particularly in mining (above all copper mining). This largely benefits foreign enterprises and the taxation of the mining industry is generally considered to be too low. Agriculture, on which the majority of the Zambian population depends, is, in contrast, very unproductive. This may have to do with the heavy concentration on subsidy programmes which narrowly restrict modernisation investments in the sector. In addition, population growth of approx. 2.5% between 1996 and 2009 has impeded per capita income growth and hence poverty reduction.

The overarching impacts cannot be directly attributed to the instrument of budget support. Nevertheless, the joint evaluation has shown that budget support, by creating fiscal space, has contributed to the provision and the improvement of certain outputs (e.g. roads, health care facilities and schools) which, in turn, had beneficial effects on the Zambian population. These could, however, have been greater with a more effective implementation of budget support.

By combining financial contributions with effective policy dialogue, budget support can promote democracy and good governance in the partner country. As of 2006, Zambia is now regarded again as an electoral democracy, according to the classification of Freedom House. Democracy is still rather fragile, however, particularly due to an overpowered executive relative to the legislature, judiciary and civil society. Zambia has made considerable progress in good governance. Almost all of the Worldwide Governance Indicators (WGI) have rated Zambia higher in recent years, some by a distinct margin above the Sub-Saharan Africa average. Of particular importance is the exemplary improvement in anti-corruption between 2002 and 2008 under the government of President Mwanawasa. Despite the above mentioned shortcomings in concerted action on the donor side, budget support has had a beneficial effect on governance, partly by strengthening government accountability. However, the will of the government to improve governance appears to have waned in the last two years. Its response to cases of corruption has created the impression among donors of flagging efforts in anti-corruption, although it learnt from the scandals, albeit not enough. The Control of Corruption Indicator has also accordingly declined again since 2009. It also appears that former President Banda has tried to avoid a public debate on corruption with a view to the elections in 2011. Altogether, the PRBS Group, however, appears to be one of the external actors with a certain degree of influence that has been able to stem a further deterioration of governance in the last two years. When assessing the developmental impact, account must be taken of the evaluation period, which is too short to be able to depict longer processes of change. Nor can any reliable forecasts be made about future developments after the elections in autumn 2011. Altogether, we assess the developmental impact as satisfactory (Sub-rating 3).

Sustainability: With the help of budget support, some reforms have been advanced in Zambia in recent years, such as the revision of the budget calendar in 2010, which will very likely make a sustainable improvement to budgetary planning and policy implementation in future. The PRBS programme has also had some success in advancing the decentralisation process. After this had stagnated for years, donor pressure due to the scandal in the health sector helped lead to the final adoption of the Decentralisation Implementation Plan at the beginning of 2010. The most important achievement of budget support has been the above-mentioned strengthening of the Auditor General's Office and public financial management. For further improvement in accountability, there is, however, also a need to strengthen the demand side, i.e. civil society and parliament.

Budget support has contributed to greater poverty orientation in the budget and does not appear to have crowded out domestic resources. On the contrary, tax revenue increased by 26% between 2002 and 2008.

The noted decline in political will for implementing the necessary measures and combating corruption poses a risk to the continuation of the reform programme. However, this adverse trend is associated, at least in part, with the government under President Banda now voted out. It remains to be seen what policy the new government will adopt here. As democracy and governance seem to have been strengthened enough, however, no radical change or reversal of the reform steps already taken is expected. Sustainability is therefore assessed as good altogether (Subrating 2).

Lessons learnt: The joint evaluation made a number of recommendations to the PRBS donors, the Ministry of Finance and the Zambian Government (see synthesis report). From the perspective of KfW, the following key lessons can be learnt from the ex-post evaluation:

- ***Lack of donor harmonisation inhibits the potential of budget support***

The lack of donor harmonisation due to differing (politically motivated) donor objectives were identified as a main reason why the PRBS programme has fallen short of expectations. For a stronger donor position, it is crucial that they adopt a common and clearly visible stance on strategically important questions and act accordingly so as to send coherent signals to the Zambian Government.

Addition to current status: During German management of the PRBS Group in 2011, major progress was reportedly made in harmonising the group of bilateral donors in the form of a joint evaluation mechanism for the variable tranche.

- ***Design of Performance Assessment Framework (PAF)***

Due to excessive indicators and sectoral concerns, the PAF was not well suited to measure progress in implementing the FNDP. It should concentrate on a few goals and set incentives very carefully. The related indicators must be realistic and measurable.

Addition to current status: In the new and much leaner PAF, decisive improvements have reportedly been made in this respect.

- ***Budget support should be seen as a complementary instrument***

The evaluation showed that budget support is effective where the government demonstrates a strong sense of ownership and its objectives conform with those of the donors. This also means that where priorities diverge and donor influence is small other instruments may be more effective. In general, greater use should be made of complementarities between budget support and other aid modalities to harness the potential for the increased reciprocal effectiveness of all instruments.

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:

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

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful 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).