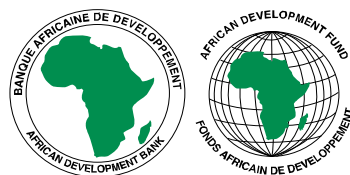


AFRICAN DEVELOPEMENT BANK GROUP



**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

**Evaluation of Policy Based Operations in the African Development
Bank, 1999-2009
Country Case Study: Rwanda**

High Level Evaluations Division (OPEV.2)

March 2011

Executive Summary

Introduction

Aid to Rwanda increased very rapidly post 1995 due to reconstruction activity and then levelled off towards the end of the decade, before increasing again from 2001 onwards. Since then there have been constant increases in aid flows with a significant scaling up of aid experienced between 2006 and 2008. An estimated 95% of all official development assistance (ODA) to Rwanda is provided in the form of grants. AfDB has been one of the top ten donors to Rwanda during the evaluation period, contributing around 5.1% of total aid between 1999 and 2008.

In the 1990s, the aid environment was characterised by large volumes of humanitarian and relief aid channelled through multilateral and non-governmental organisations. Currently most aid is channelled through the Government of Rwanda (GoR) in support of the Rwandan national poverty reduction strategy, the Economic Development and Poverty Reduction Strategy (EDPRS). Budget support is the GoR's preferred aid modality and in the fiscal year (FY) 2009/2010 41% of all aid was disbursed in the form of sector or general budget support. The Budget Support Harmonisation Group (BSHG) was formed in 2003 and AfDB has been a member since the outset. It is comprised of all budget support donors and some observers and aims to discuss issues relevant to the efficient and effective functioning of the budget support mechanism.

There is established aid architecture in Rwanda that is reported to work well with strong GoR leadership. The Ministry of Finance and Economic Development (MINECOFIN) plays a central role in aid coordination and takes the lead in promoting initiatives to improve the effectiveness of aid in line with international agreements. The highest level aid coordination body in Rwanda is the Development Partners Coordination Group (DPCG), which is responsible for overseeing the aid coordination system. It is a forum for dialogue on aid effectiveness and includes heads of bilateral and multilateral agencies, as well as representatives of civil society and the private sector.

The overall development framework and long-term social and economic development goals are laid out in Rwanda's Vision 2020. This was completed in 2000 and is operationalised by the EDPRS. It is a medium-term strategy for 2008-2012 designed to assist Rwanda in meeting the MDGs and Vision 2020 targets. Rwanda is seen as a good macroeconomic performer, having achieved high rates of growth and macroeconomic stability. Social outcomes have also improved and there have been substantial improvements in education with significant progress in primary and secondary education and adult literacy.

Overall Assessment

Over the evaluation period there have been five PBOs in Rwanda: a Structural Adjustment Programme II (SAP II) from 1998-2001, which was followed by three general budget support programmes, Poverty Reduction Support I (PRSSP I) from 2005-2006, PRSSP II from 2007-2008 and PRSSP III which began in 2009 and is currently ongoing. The only sector PBO has been the Programme in Support of the Education Sector Strategic Plan (ESSP), which began in 2006 and will be completed at the end of 2010.

At the start of the evaluation period in Rwanda, implementation was still ongoing of SAP II which was completed in 2001. Significant delays (of ten and eleven months respectively) were encountered for the first two tranches of PRSSP I. There was a delay of three months

for PRSSP II but the second tranche of this and the two tranches of PRSSP III were both disbursed on schedule. The number of conditions was reduced from 15 in PRSSP I to 5 in each of the two subsequent operations. PRSSP I was given a rating of 2.17 and PRSSP II a rating of 4.0. Payment of the final tranche of ESSP was also delayed by difficulties encountered by the authorities in getting the relevant data required for reporting on fulfilment of conditions through the joint annual review of the education sector.

Since the establishment of the Rwanda Field Office (RWFO) in 2006 the participation by the Bank in forums for policy dialogue has been strengthened, and the Bank played an active role as a co-chair of the Budget Support Harmonisation Group (BSHG) and helped achieve agreement on the Country Performance Assessment Framework (CPAF). The Bank has had less capacity to engage effectively in policy dialogue in the education sector.

Findings

Performance and Impact

The degree of harmonisation and alignment of PBOs has improved significantly over the evaluation period

The PRSSP I-III and the education sector support use government financial, procurement, reporting, monitoring and evaluation and audit systems. The PRSSP has also become more aligned over time, PRSSP I had as a condition the use of a special account for the AfDB in the Treasury. As this increased transaction costs for the GoR this requirement was dropped for PRSSP II-III with funds being paid into a single treasury account along with other donor funds. Similarly, in education AfDB funds are paid into a special account for all donors funding the education sector budget, rather than a separate AfDB account.

The objectives of PBOs have been aligned with GoR plans and have become more harmonised with those of other development partners (DPs) over time. By PRSSP III a joint Country Performance Assessment Framework (CPAF) had been developed by the BSHG and the GoR. It includes indicators that the AfDB and other DPs use for their own conditionality. Similarly, for the education sector support AfDB's support is aligned with the education sector plan and conditions are similar to those of other donors.

Policy dialogue and strategic engagement by the Rwanda field office (RWFO) has improved

The opening of the RWFO has had a positive impact on the level of AfDB participation in forums for policy dialogue and has increased the AfDB's visibility at the national level. The level of participation by the AfDB in policy dialogue has however tended to vary according to capacity within the office. The Resident Representative and Country Programme Officer have been very active, but the recent lack of an economist has been a constraint. In the education sector there has been less participation as the socio-economist deals with all the social sectors and does not always have the time to devote to the education sector working group (SWG) or annual review processes.

There was a concerted effort by the RWFO to use their time as BSHG co-chair strategically and seek to influence policy. This was facilitated by the fact that the CPAF was being developed by the BSHG during the time of the AfDB co-chair. The AfDB played a major role in ensuring agreement on the CPAF and introducing objectives relating to infrastructure for the first time, which is a key area of AfDB focus.

The value-add of AfDB's participation in PBOs has been an impact on policy and processes and additional funding

The main value-added from AfDB's participation in PBOs has been the additional funding that it has provided to the government budget in conjunction with other DPs. This has

allowed the GoR to increase priority spending in line with the EDPRS target to 13% of the total budget (IMF, 2010).

Attribution to the AfDB of changes in policy and processes is difficult because of the joint nature of PBO financing. However, the AfDB, through its chairing of the BSHG, was able to influence the CPAF and highlight the importance of including infrastructure as a key requirement for economic growth and poverty reduction. Within education the AfDB has influenced policy by maintaining a focus on Science, Technology and Research (STR); if this had not been highlighted, it might have been neglected because of the emphasis on basic education within the sector.

More generally, the PRSSP I-III cycle has focused mainly on improving governance, particularly public financial management (PFM), private sector development and economic growth.

In-year predictability of AfDB disbursements has improved

Year-to-year predictability of PBO disbursements has not been an issue during the evaluation period, but there have been problems with, in-year predictability, although this has improved considerably over the evaluation period. There were significant delays on some of the early PBOs caused generally by the GoR not fulfilling the conditions. Improvements have occurred mainly as a result of efforts that have been made by the RWFO to improve performance in this area.

Decentralisation of authority to country level has improved PBO operations and further decentralisation would make operations more effective

The process of decentralising more authority to country level has been an important move. It was reported by both the GoR and DPs that the establishment of the RWFO in 2005 was important in speeding up transactions and made working with the AfDB easier. It has increased interactions between the GoR, DPs and the AfDB. Also it had been noted that the RWFO has become more visible at national level, as well as becoming more proactive and responsive. However the RWFO still lacks decision-making authority in many areas and needs to refer to Tunis on a variety of issues. More decentralised responsibility, with greater influence over budgets and staff recruitment, would assist the country office in working more efficiently and engaging more effectively in PBOs.

The capacity to implement PBOs effectively has varied due to staff changes

There are currently four professional staff in the RWFO in addition to the Country Programme Officer (CPO) and the Resident Representative. The economist post has been vacant for some time, but it is expected that it will be filled soon. The lack of an economist has been a constraint on the office as the Resident Representative and CPO have had to cover the economist's duties. It has restricted participation in SWGs such as PFM and macroeconomics has not been as active as it could have been. This has been caused by the length of time that it takes to go through AfDB recruitment procedures.

Strategic Issues

There has been a clear trend towards greater use of PBOs within the Rwanda programme and the share of PBOs as a total of country programme disbursement has increased

This is evidenced by the AfDB providing general budget support from 2005 onwards, after a gap of five years. There has also been a sector PBO in education, although it is not currently known whether this support will continue after the first phase ends in December 2010. Greater use has been made of PBOs partly as a result of the Bank's initiative to align more closely with international initiatives on harmonisation and alignment, but also due to the strong preference expressed by the GoR to receive aid as budget support.

There is a lack of discussion within the Country Strategy Paper (CSP) on the mix of aid instruments needed to achieve results

The CSP should be the main document providing guidance on which sectors PBOs will be used in and how PBOs will complement the rest of the programme. In practice the Rwandan CSPs do not provide this, as there is no discussion in each CSP as to which sectors might be appropriate for PBOs or the best mix of aid instruments for achieving results. In the CSP 2008-2011 there is no consideration of how the PRSSP fits within the overall country strategy and how it links with the rest of the AfDB programme. The two main elements of the CSP are focused on Pillars 1 and 2 of the Economic Development and Poverty Reduction Strategy (EDPRS), which are economic infrastructure and competitiveness and development, but governance, which is the main objective of PRSSP III, is not a focus of the CSP.

Design

The efficiency and effectiveness of PBO design has improved in the last five years with lessons learned from previous operations

The design of PBOs has improved significantly in the past five years. This has been due to a reduction in the number of conditions and more focus on key areas that are necessary for reform, rather than including a large number of sectors with related conditions. Previously the wide sector scope of programmes and the number of conditions had delayed disbursement due to a lack of GoR capacity to implement the complex reform programmes which underpinned these operations.

Concluding Comments

During the evaluation period the AfDB in Rwanda has made greater use of PBOs and has learned lessons from the implementation of previous PBOs. This has led to better design and more effective operations. It is also notable that the RWFO has become active in joint donor groups in the last few years. As a result AfDB has been in a position to influence the policy dialogue relating to budget support and being more strategic about their agenda for engagement. This occurred less in the education sector because of staff time constraints.

The Bank has also shown that they have added value to PBO processes through maintaining an emphasis on STR in education support to counterbalance the education sector focus on basic education and in GBS through negotiating the agreement of joint budget support mechanisms and including infrastructure within the CPAF. There has also been value-added to the AfDB as an institution from engagement in high level policy dialogue with the GoR, which provides them with an important entry point to engage with the government and a good overall view of GoR and DP thinking on key issues.

There are still however, areas where the implementation of PBOs could be improved. There has been a lack of joint working with other DPs, particularly in terms of missions, reviews and evaluations. The Bank does very little analytical work, reflecting the weakness that does not have the capacity to undertake work to strengthen policy dialogue or contribute to DP activities such as economic and sector work. Staff capacity is an issue as gaps in staffing at country level have led to an inability to engage in PBOs as effectively as the Bank has wanted. There has also been no training of staff on PBOs. This is needed given that implementing PBOs involves a different set of skills and approaches to project implementation and back stopping support from Tunis is often lacking.

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Country case study: Rwanda

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Currencies and Measures

Currency equivalents

As of September 2010

UA 1.00 = RWF 886.017

UA 1.00 = £ 0.979557

UA 1.00 = US\$ 1.50891

Financial Year

1 July to 30 June

Abbreviations

AfDB	African Development Bank
ADF	African Development Fund
BSHG	Budget Support Harmonisation Group
CFAA	Country Financial Accountability Assessment
CPO	Country Programme Officer
CPAF	Country Performance Assessment Framework
CPAR	Country Procurement Assessment Review
CPPR	Country Portfolio Performance Review
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DCG	Donor Consultative Group
DFID	Department for International Development
DoL	Division of Labour
DP	Development Partner
DPAF	Donor Performance Assessment Framework
DPCG	Development Partners Coordination Group
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy
GBS	General Budget Support
GoR	Government of Rwanda
ESSP	Education Sector Support Programme
EC	European Community
EU	European Union
FRA	Fiduciary Risk Assessment
FTI	(Education for All) Fast Track Initiative
FY	Financial Year
GDP	Gross Domestic Product
GNP	Gross National Product
GoR	Government of Rwanda
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFAD	International Fund for Agriculture Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
JESS	Joint Education Sector Support
M & E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MINED	Ministry of Education
MINECOFIN	Ministry of Finance and Economic Planning

EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK
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MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
OAG	Office of the Auditor General
ODA	Official Development Assistance
OPEV	Operations Evaluation Department
OSGE	Governance, Finance and Economic Management Department
PBL	Policy Based Lending
PBOs	Policy Based Operations
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability (Assessment)
PER	Public Expenditure Review
PFM	Public Financial Management
PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PRSSP	Poverty Reduction Strategy Support Programme
RMC	Regional Member Country
RWFO	Rwanda Field Office
SAP	Structural Adjustment Programme
SBS	Sector Budget Support
STR	Science Technology and Research
SWAp	Sector Wide Approach
SWG	Sector Working Group
UA	Unit of Account
USD	United States Dollar

1 Introduction and Background

This country case study of Rwanda is one of a series of case studies that have been undertaken as part of an independent evaluation commissioned by the African Development Bank (AfDB) of the AfDB's Policy Based Operations (PBOs). PBOs are quick-disbursing aid instruments which are defined by the AfDB (2009c) as:

*Funds that are channelled directly to the partner government's general treasury account and subject to the country's own systems for public financial management i.e., allocation, procurement, accounting and auditing procedures.*¹

The aim is to support policy and institutional reforms that promote economic growth and poverty reduction. PBOs include balance of payments support, sectoral adjustment lending to support reforms in specific sectors, policy based lending for governance, general budget support, and sector budget support. This evaluation has been designed to examine the application of PBOs used by the Bank over the period 1999–2009. The objectives and purpose of the evaluation are outlined in Box 3.1.

Box 3.1 Objectives and Purpose of the Evaluation of Policy Based Lending

The overarching objective of the evaluation is to examine the relevance, efficiency and effectiveness of the PBL instrument as used by the Bank in regional member countries over the period 1999 – 2009. Specific attention is being given to the evaluation of:

- ◇ *The AfDB's institutional and policy framework for the design, appraisal and delivery of PBL:* to evaluate the Bank's formal policy framework, procedures, skills and organisational structure for the delivery of PBL. How well does this reflect emerging international (and Bank) best practice; and is the Bank organizationally equipped to deliver best practice PBL efficiently and effectively?
- ◇ *Policy and practice:* to evaluate the Bank's approach to the design, appraisal and delivery of PBL instruments in practice and how well this fits or deviates from Bank policy guidelines, with international best practice and country context and needs.
- ◇ *Choice of aid instruments:* to evaluate how choices are made about the use of aid instrument in the country programmes and how relevant it is to the partner country's problems, policies and priorities
- ◇ *Effects at country level:* To assess the contribution made by the AfDB to policy dialogue, joint processes, institutional strengthening and other relevant areas where PBL is focused.

Source: AfDB (2009c)

A full explanation of the evaluation, its methodology and the evaluation matrix is provided in the *Inception Report of the Evaluation of Policy Based Operations in the African Development Bank 1999-2009* (OPM and Mokoro, 2010). The country case studies have been designed to complement the work undertaken by the evaluation team at AfDB headquarters and more specifically the Institutional and Policy Review, by providing additional information on the operation of PBOs at country level. The case-studies are designed to address the questions outlined in the evaluation matrix that are relevant to the country level (see Annex B, OPM and Mokoro, 2010), with each study using the same evaluation framework in order to ensure consistency between studies. Annex A provides an

¹ Or, in the case of balance of payments support, funds are channelled through the central bank and consequently subject to country systems.

EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK

Country case study: Rwanda

outline of the evaluation questions for the country case-study with a summary of the answers for Rwanda.

Six country case studies have been undertaken to gather evidence relating to AfDB policy, processes and choices relating to PBOs from 1999–2009 in Morocco, Sierra Leone, Ethiopia, Tanzania, Burkina Faso and Rwanda. Each study involves a country visit and interviews with the AfDB in Tunis, the AfDB office in country, government, civil society organisations and development partners. This report is the output of the Rwanda country visit and includes evidence gathered both in country and at AfDB headquarters (HQ), and assesses the experience of AfDB support to PBOs in Rwanda. The country visit for this study took place from 24-30 October 2010. The team was comprised of Ann Bartholomew and Gaspard Ahobamuteze.

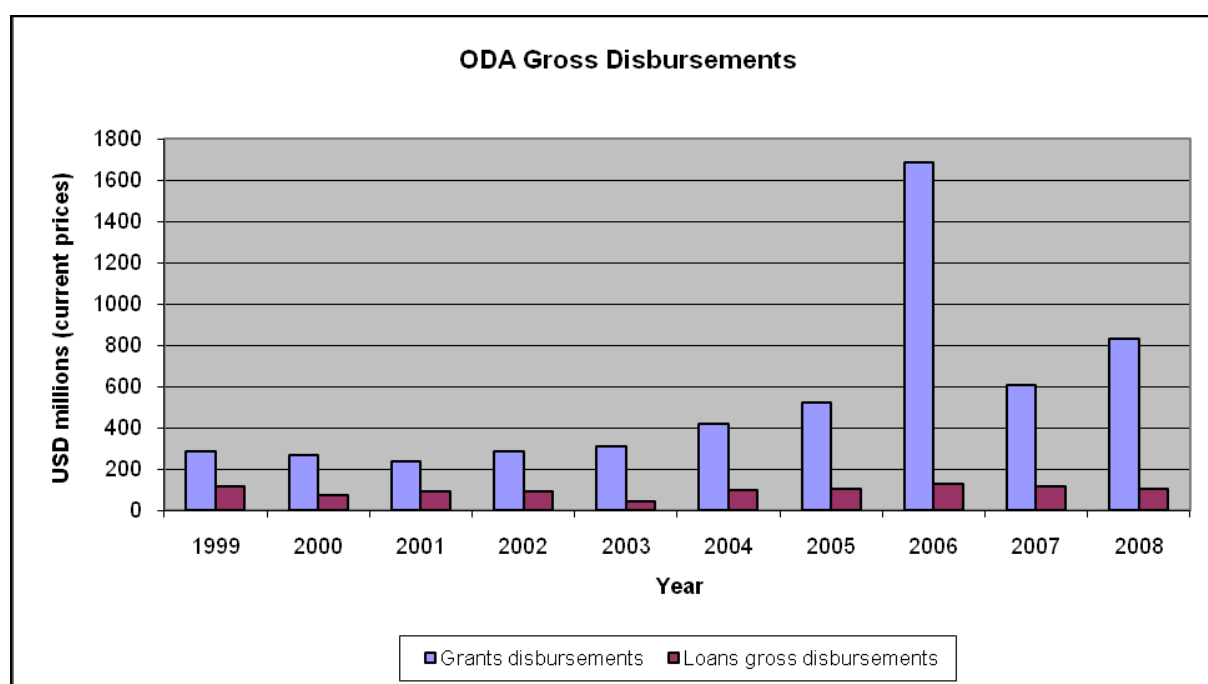
The second section of this report provides some background information on the Rwandan context in terms of aid flows and a description of the aid architecture. The third section describes the AfDB portfolio over the evaluation period, and the fourth section describes the main PBOs that the Bank has implemented. The fifth section outlines the key findings from the evaluation, while the final section gives conclusions, lessons learned and reflections.

2 Rwanda Context

2.1 Brief history of aid to Rwanda

Aid to Rwanda increased very rapidly post 1995 due to reconstruction activity and then levelled off towards the end of the decade, before increasing again from 2001 onwards. Since then there have been constant increases in aid flows with a significant scaling up of aid experienced between 2006 and 2008 (see Figure 3.1). This is partly due to increased expenditure in the social sectors, particularly in health. Most official development assistance (ODA) to Rwanda is provided in the form of grants, with an estimated 95% of all aid provided as grants (GoR, 2010).

Figure 3.1 Rwanda: Gross Loan and Grant Disbursements 2001–2008²



DAC Statistics, http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP

There has been a shift in the way in which aid has been delivered to Rwanda. In the 1990s, the aid environment was characterised by large volumes of humanitarian and relief aid channelled through multilateral and non-governmental organisations. Currently most aid is channelled through the GoR in support of the Rwandan national poverty reduction strategy, the Economic Development and Poverty Reduction Strategy (EDPRS).

Budget support is the GoR's preferred aid modality and in the fiscal year (FY) 2009/2010 41% of all aid was disbursed in the form of budget support (this includes sector and general budget support). This represented a doubling of budget support since 2007, due to development partners (DPs) increasing significantly the volume of aid channelled through this modality³. There is currently a general budget support operation in Rwanda, as well as

² The increase in grant disbursements in 2006 occurred as Rwanda reached the HIPC completion point in 2005 and benefitted from USD 1.2 billion of debt cancellation.

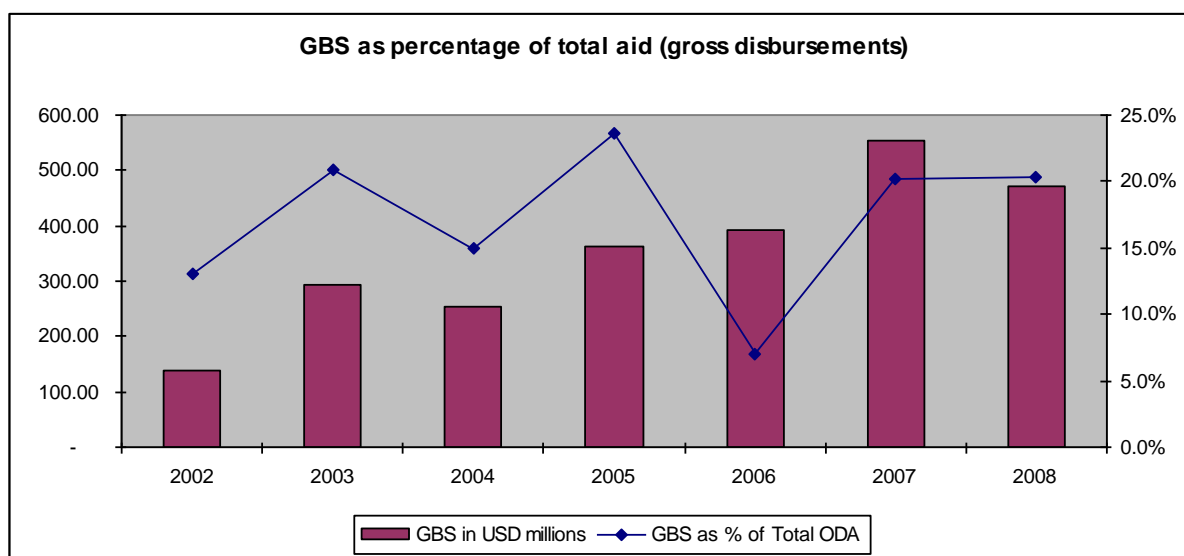
³ For example the EC increased its budget support from 23% in 2008 to 70% in the FY 2009/2010, the World

sector joint funding mechanisms in health, education, justice, agriculture, social protection and the environment.

Of total ODA in the FY 2009/2010, 30% was general budget support (GBS), 19% sector budget support, 1% basket funds and 50% in the form of projects. The AfDB during the same period gave 35% of its ODA as budget support and 65% as project support. This is lower than other multilaterals, as the World Bank gave 83% of its ODA as budget support, the EC 70% and other bilaterals such as Germany and DFID, who gave 57% and 79% of their ODA as budget support respectively (GoR, 2010).

Trends in GBS as a percentage of total aid are shown in Figure 3.2. There are currently six budget support donors, which are the AfDB, DFID, World Bank, EC, Germany and the Netherlands.⁴

Figure 3.2 GBS as a Proportion of Total Aid 2002–2008⁵



Source: DAC Statistics, http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP

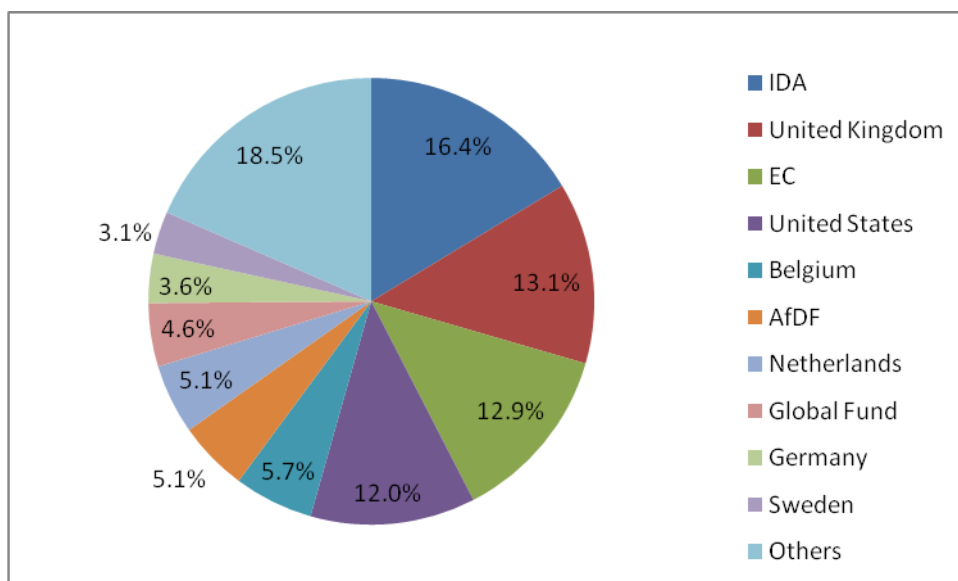
Overall, the AfDB has been one of the top ten donors to Rwanda during the evaluation period, contributing around 5.1% of total aid between 1999 and 2008, as indicated in Figure 3.3. This figure remained more or less consistent throughout the ten-year period. The largest donor has been the World Bank, followed by the EC, United Kingdom and the United States of America.

Bank from 37% to 83% and Germany resumed budget support after a period of suspension from 0% to 57% (GoR, 2010).

⁴ Sweden and the Netherlands suspended their budget support in early 2009, as the result of a UN report published shortly after the joint DRC-Rwanda operation was launched, which pointed to Rwanda’s responsibility with regard to the security situation in eastern DRC. The Netherlands has resumed GBS whereas Sweden has ceased for the foreseeable future.

⁵ Figure 2.2 uses net ODA disbursements whereas Figure 2.1 uses gross ODA disbursements, so the figures are not directly comparable.

Figure 3.3 Share of ODA to Rwanda by Development Partners: 1999–2008



Source: DAC Statistics, http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP

2.2 Aid Relationships

There is a well-established aid architecture in Rwanda that is reported to work well with strong GoR leadership. The Ministry of Finance and Economic Development (MINECOFIN) plays a central role in aid coordination and takes the lead in promoting initiatives to improve the effectiveness of aid in line with international agreements. Central to this is the Rwanda Aid policy, which was endorsed in 2006 and builds on the Paris Declaration on Aid Effectiveness. The main objectives of the 2006 aid policy are to: (i) ensure aid is more predictable; (ii) avoid parallel project implementation units (PIUs); (iii) develop reliable country systems and ensure their use; (iv) strengthen local capacity by coordinating support; and (v) develop operational development strategies and align aid flows with national strategies (GoR, 2006).

The GoR is currently finalising an Aid Policy Manual of Procedures to encourage greater aid effectiveness and to clarify the roles and responsibilities of different stakeholders in the aid management, planning and implementation process. There has also been a process of instituting a Division of Labour (DoL) in Rwanda and a DoL mapping was undertaken in 2008 to underpin this. This has resulted in a principle of a maximum of 3 sectors per DP in order to reduce transaction costs and enhance the quality of development cooperation.

Other initiatives to increase aid effectiveness have been the introduction in 2008 of the Donor Performance Assessment Framework (DPAF), which is designed to strengthen mutual accountability. The DPAF reviews the performance of DPs in Rwanda against indicators, which measure progress towards meeting aid effectiveness commitments, and which are then used as the basis for dialogue on priority areas.

The GoR has also initiated the establishment of a Single Project Implementation Unit (SPIU) in public institutions. This means that each ministry or agency will have one SPIU to address the problems that arise from coordinating numerous project implementation units.

The highest level aid coordination body in Rwanda is the Development Partners Coordination Group (DPCG), which is responsible for overseeing the aid coordination system. It is a forum for dialogue on aid effectiveness and includes heads of bilateral and multilateral agencies, as well as representatives of civil society and the private sector. It meets with the GoR to monitor progress in implementing the Rwandan aid policy and achieving targets outlined in the EDPRS, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. It also reviews the DPAF. The DPCG meets around 3 times a year.

The Budget Support Harmonisation Group (BSHG) was formed in 2003. It is comprised of budget support donors and aims to discuss issues relevant to the efficient and effective functioning of the budget support mechanism. A Partnership Framework for Harmonisation and Alignment for Budget Support outlined the key principles that underpinned the process; this was superseded in 2008 by a Memorandum of Understanding governing the Provision of Direct Budget Support. The MoU is based on the following principles:

- (i) Mutual accountability for promotion of peace, stability, good governance and rule of law;
- (ii) Predictability and alignment with domestic systems;
- (iii) Joint monitoring of policy actions and expected outcomes in the programme through the Common Performance Assessment Framework (CPAF) with no separate reporting to donors; and
- (iv) Mutual accountability between government and development partners.

The BSHG meets quarterly and two of these meetings are Joint Budget Support Reviews, based on the CPAF and the DPAF.

There are social, economic and governance clusters which are linked to the EDPRS process and there are also sector-working groups (SWGs) which are comprised of DPs, GoR and non-state actors. Each group is co-chaired by the lead ministry of the sector and a lead DP. These are technical working groups where sector plans and their implementation are discussed, many in the context of Sector Wide Approaches (SWAs). Each SWG organises an annual Joint Sector Review, which feeds into the CPAF and the EDPRS review.

2.3 National Development Strategy and Economic Performance

National Development Strategy

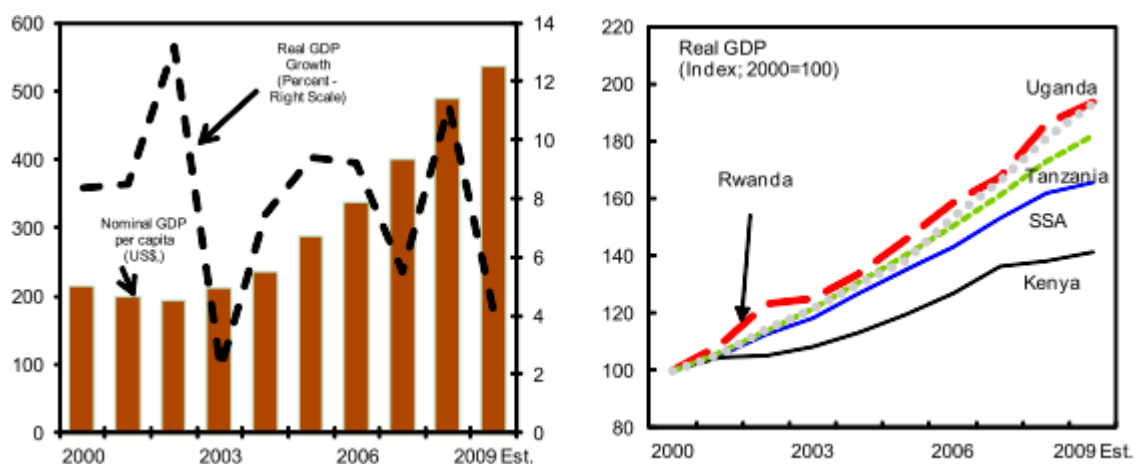
The overall development framework and long-term social and economic development goals are laid out in Rwanda's Vision 2020. This was completed in 2000 and is operationalised by the EDPRS. This is a medium-term strategy for 2008-2012 designed to assist Rwanda in meeting the MDGs and Vision 2020 targets. It consists of three flagship programmes which are: (i) Sustainable Growth for Jobs and Exports; (ii) Vision 2020; and (iii) Good Governance. These programmes are a means to prioritise actions by the government, mobilise resources for development and improve policy implementation through more coordinated sector interventions. In order to support the strategy GoR expenditure has increased in line with EDPRS priorities.

Economic Performance and Poverty Reduction

Rwanda is seen as a good macroeconomic performer, having achieved high rates of growth and macroeconomic stability. Real GDP growth was on average 8% between 1998-2008,

which is higher on average than for other Sub-Saharan African countries, although inflation has been volatile (IMF, 2010). There was a slowdown in real GDP growth in 2009 due to the global financial crisis, with real GDP growth falling to 4.1% in 2009, but this is expected to increase during 2010 and be on average 6% from 2010-2013. Inflation was 11.2% in 2008, but is estimated to have fallen to 4.1% in 2009 and to be on average 6% from 2010-2013 (IMF, 2010).

Figure 3.4 Real GDP 2000-2009 as compared to nominal GDP per capita and compared to other countries in the region



Source: IMF (2010)

Social outcomes have also improved and there have been substantial improvements in education with significant progress in primary and secondary education and adult literacy. There has been progress in health with improved indicators on infant mortality, on HIV/AIDS and on the immunisation of children. Rwanda is currently on track to achieve most of the millennium development goals (MDGs) and will achieve all targets related to universal primary education (MDG 2), promoting gender equality (MDG 3), reducing child mortality (MDG 4) and some MDG 6 indicators on combating AIDS, malaria and other diseases (AfDB 2008a) (see Table 3.1).

It is likely to be difficult for Rwanda to meet MDG 1 on eradicating extreme hunger and poverty. A household survey was undertaken in 2005/2006, which indicated that 56.9% of households were below the poverty line compared to 60.4% in 2000/2001, while inequality had risen with an increase in the Gini coefficient from 0.47 to 0.51. There has also been an improvement in the countries Human Development Index ranking which rose by 0.94% annually from 0.357 in 1980 to 0.460 in 2007 (UNDP, 2009).

Table 3.1 Rwanda: Millennium Development Goals

MDG	Baseline (2000)	Latest status	MDG Target 2015	Attainment prospects
1. Eradicate extreme poverty and hunger				
Poverty headcount (below national poverty line)	60.4%	56.9%	30.2%	Not likely
Extreme poverty incidence	41.3%	36.9%	20.7%	Not likely
Prevalence of malnutrition (children under 5)	24.5%	18%	15%	Attainable
2. Achieve universal primary education				
Net primary enrolment	72.0%	96%	100%	Attainable
Completion rate in primary school	24.2%	52%	100%	Attainable
3. Eliminate gender disparity				

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Women participation in parliament Gender equality in primary and secondary education		56% Achieved	50%	Achieved Achieved
4. Reduce child mortality Under 5 mortality (per 1000) Infant mortality rate (per 1000)	196.0 107.0	103.0 62.0	65.0 35.0	Attainable Attainable
5. Reduce maternal mortality Maternal mortality (per 100000)	1071.0	750	286	Not likely
6. Halt/reverse AIDS, malaria and other diseases HIV prevalence Malaria related mortality	13% 51%	3% 26%		Attainable Attainable
7. Ensure environmental sustainability Access to improved water source	64%	71%	82%	Attainable

Source: ODI & Mokoro (2009)

Public Financial Management Reform

There have been a series of reforms undertaken by the GoR to strengthen public financial management (PFM). They have primarily focused on capacity building for accounting and audit functions and management of investment at various levels of government. Reforms implemented include an Organic Budget Law, a new procurement Code and creation of oversight institutions. Progress has been seen in the rolling out of an IFMIS system, improving the credibility of the budget, strengthening external scrutiny and audit and budget preparation.

There is a basket fund that supports the Public Financial Reform Strategy, but as the AfDB is not able to fund through sector baskets, the Bank considers that its PFM support is delivered through general budget support.

The GoR professes to have a zero tolerance for corruption. Rwanda ranks in 66th place on Transparency International's Corruption Perception Index in 2010, an improvement from 89th place in 2009, while the country is 31 out of 53 on the Ibrahim Index of African Governments.⁶

The AfDB and DFID undertook a Fiduciary Risk Assessment (FRA) in 2008, which found that PFM systems were broadly sound and the overall level of fiduciary risk was moderate. A Public Expenditure and Financial Accountability (PEFA) assessment was completed in 2007, with another PEFA undertaken in September 2010 which found that there had been an improvement in four of the five core PEFA areas (PEFA presentation, 2010).

⁶ See www.moibrahimfoundation.org/en/section/the-ibrahim-index and www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

3 AfDB Operations in Rwanda

3.1 Brief history of AfDB operations and Country Strategy

The AfDB began operations in Rwanda in 1974. A field office was established in 2005 as part of the decentralisation process. There has been a series of PBOs prior to the evaluation period, which focused on stabilisation of the economy. These were: (i) SAP I from 1991-1993; (ii) a sub component of the National Reconciliation, Rehabilitation and Economic Recovery Programme adopted in 1995; (iii) the 1996 reference Programme; and (iv) the 1997 emergency credit. Since then there have been SAP II from 1998-2000 and three Poverty Reduction Strategy Support Loans, as well as a PBO in education, which are within the evaluation period.

There have been three Country Strategy Papers (CSP) since 1999 with the first CSP for the period 1999-2001 focused on poverty reduction and the promotion of good governance. Sectoral priorities included (i) agriculture; (ii) industries and banks; and (iii) multi-sectoral operations to support economic reform, and institutional and administrative capacity building.

The 2002-2004 CSP aimed to support the PRSP and the government's 2003-2007 strategic plan. This involved assisting the government to (i) overcome constraints that hampered the development of the six priority sectors outlined in the PRSP, with a specific focus on agriculture and infrastructure and (ii) pursue economic reforms and strengthen economic infrastructure, particularly through extension of water supply, sanitation and electrification and transport. Cross cutting areas of support were HIV/AIDS and enhancing environmental capacity.

The objective of the 2008-2011 CSP was to support the EDPRS that was launched in 2007 and it prioritised jobs and exports. This is in line with the EDPRS Pillar 1 Economic Infrastructure and Pillar 2 Competitiveness and Enterprise Development. The main areas of Bank assistance are to science and technology education, governance and private sector development, agricultural and natural resources, transport and communication and capacity building.

3.2 Overview of portfolio and aid instruments used

Rwanda received UA 83.1 million from ADF XI with infrastructure receiving the largest share of new approvals under ADF XI at 49%, followed by multi-sector support at 44%. The AfDB has used a mix of aid instruments, with a shift occurring over the evaluation period to a greater use of PBOs. This is illustrated in Table D.1 which shows that AfDB annual approvals for PBOs stood at 0% of all approvals in 1999 but made up 100% of approvals in 2009. As of 21 May 2010 PBOs comprised 27.8% of the Rwanda AfDB portfolio (excluding multinational projects), with the rest of the portfolio comprised of projects. The main emphasis is on infrastructure development, with agriculture and social sector components also focusing on infrastructure.

There has been a series of PBOs in Rwanda with the first Structural Adjustment operation 1 (SAP I) commencing before the start of the evaluation period. There have been five PBOs in Rwanda during the period under review. The PBOs included in this evaluation are as follows:

- i) Structural Adjustment Programme II (SAP II) UA15.28m – 1998-2001
- ii) Poverty Reduction Support I (PRSSP I) UA 21.9m – 2005-2006

- iii) Poverty Reduction Support II (PRSSP II) UA 33.0m – 2007-2008
- iv) Poverty Reduction Support III (PRSSP III) UA 30.3m – ongoing/2009-2010/11
- v) Programme in Support of the Education Sector Strategic Plan (ESSP) UA 15m – 2006-2010

3.3 Performance of the Portfolio

The 2004 evaluation of country assistance to Rwanda from 1994–2002 found that Bank assistance was largely coherent with the priorities of Rwanda, but more emphasis could have been put on poverty reduction by using the PRSP and MDGs as a basis for the CSP (AfDB, 2004). It found that activities lacked selectivity because of the absence of good economic and sector studies that would assist in policy dialogue and there was little value-added by the Bank in aid coordination activities. It was noted that non-project assistance by the Bank in the form of studies, technical assistance and policy dialogue was lacking. The organisation was also constrained by not having a field presence in Rwanda, which led to communication problems and an absence of Bank representation.

The overall disbursement rate was 68% at 30 April 2003, compared to an average of the Bank of 43%. The only PBO at this time was SAP II and it was noted that this operation had performed well and achieved most of its objectives. This is in contrast to the overall programme that was judged to be unsatisfactory and rated as 2 out of 4 (4 being highly satisfactory) due to poor project performance and a lack of post conflict policy.

A Country Portfolio Performance Review (CPPR) was undertaken in 2007 and formed part of the 2008-2011 CSP, with the latest CPPR in August 2010. This 2010 CPPR found that the overall portfolio performance was satisfactory with an overall assessment score of 2.2 (out of 3). The review noted that challenges still remain which include: (i) low financial management and procurement capacity at the PIU and district levels; (ii) inadequate staffing of PIUs and EAs; (iii) delays in granting no objections at Bank level; and (iv) delays in fulfilling loan or grant effectiveness conditions (AfDB, 2010b).

As of 31 May 2010 the aggregate disbursement rate was 37.4%, compared to the Bank's overall disbursement average of 25%. It also noted that multi-sector initiatives such as general budget support and social sector projects scored higher than projects in transport, agriculture and public utility sectors. This is explained in the review as partly being due to these activities starting after the establishment of the field office in 2005, which led to better relations with the GoR (AfDB, 2010b).

3.4 Engagement in joint donor initiatives

Over the period of the evaluation, the AfDB in Rwanda has become more engaged in joint donor initiatives. The Bank is a member of the DPCG and is co-Chair of the Water Sector Working Group. It is also an active member of the BSHG and co-chaired the group in the first half of 2008 and will be doing so again in January 2011⁷.

The Bank has participated in the SWGs for PFM, macro-economic management, energy, transport, agriculture, education and water and sanitation and also plays an active role in the Joint Budget Support Reviews.

⁷ The GoR chairs the group and DPs co-chair rotating on a 6 monthly basis.

4 Features of AfDB PBOs

4.1 Introduction

Annual disbursements for the five PBOs undertaken by the AfDB in Rwanda during the evaluation period are shown in Table 3.2 below. This shows that after the last disbursement of SAP II in 1999 there were no PBOs in operation until PRSSP I which began in 2005. Since then, the percentage of disbursement for PBOs has varied as a total of programme disbursement, but has remained a significant part of the programme. Further details of each PBO undertaken during the evaluation period are given in the following sections.⁸

Table 3.2 AfDB Annual Disbursements of PBOs (UA millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
													Loan
SAP II*	6.28												15.2
PRSSP I							16.5	5.3					21.9
PRSSP II									20.0	12.9			32.9
PRSSP III											22.3	8.0	30.3
ESSP**									3.0	5.0	4.0		15.0
Total PBO	6.28	0	0	0	0	0	16.5	5.3	23.0	17.9	26.3	8.0	127.4
<i>PBOs % of total prog disbursement</i>	65%	0%	0%	0%	0%	0%	60%	25%	54%	42%	-	-	
Total Prog Disbursement¹	9.67	3.13	9.58	9.56	6.07	11.91	27.52	21.75	42.32	42.82	-	-	

¹ Data taken from AfDB Compendium of Statistics

Source: AfDB Appraisal Reports and Project Completion Reports from relevant programmes.

* The first tranche of the loan does not fall within the evaluation period.

** Not all of the ESSP loan has been disbursed

4.2 Structural Adjustment Programme II

The SAP II was approved by the Bank's Board in 1998 and was completed in 2001. The objective of the loan was to "restore internal and external macro-economic balances in order to promote the conditions for sustainable and equitable growth geared towards poverty reduction". Specific objectives were to: (i) achieve a growth rate of 6.7% in 1998 and 8% as from 1999; (ii) reduce inflation to 5% as from 1999; (iii) reduce the external current account deficit (excluding official transfers) to about 17% of GDP in 2000; (iv) have the Government divest from productive sectors; (v) promote the private sector; and (vi) maintain the level of gross reserves at 5.5 months of imports, CIF (AfDB 2007c).

To achieve these aims there were three key components for the programme, which focused on rehabilitation of the macro-economic framework, structural and sector reforms, and institutional reforms. The programme was co-financed by the IMF, World Bank, EC and other DPs. The total sources of finance are shown in Table 3.3.

⁸ As each PBO has a grace period of ten years, with repayments then spread over forty or fifty years, it is not yet possible to assess how successful these loans have been in terms of being repaid.

Table 3.3 Sources of Finance for the SAP II

Source of Finance	Amount
ADF	UA 15.28 million
IMF	UA 29.49 million
IDA	UA 67.37 million
EC	UA 37.43 million
Others	UA 84.21 million
Total Cost	UA 196.35 million

Source: AfDB (2007c)

AfDB disbursement was in two tranches. The first tranche of UA 9 million was disbursed on time in December 1998, while the second tranche of UA 6.28 million was scheduled to be disbursed in April 1999, but in practice slipped, with disbursement in December 1999. This was due to non-fulfilment of conditions. Disbursement of the first tranche was conditional upon:

- (i) Proof of having opened a special account at the National Bank of Rwanda (BNR) to receive the loan resources;
- (ii) Proof of the setting up of the governmental bodies in charge of implementation of reform programmes.

Disbursement of the second tranche was subject to the fulfilment of eight conditions. The Borrower was expected to have:

- (i) Improved the collection of budgetary revenue by the tax administration through the effective functioning of the Rwanda Revenue Authority and the Unit in charge of large public enterprises;
- (ii) Conducted an annual public investment programme review and furnished the Fund proof that the allocated funds were earmarked as a priority to the social sectors;
- (iii) Implemented the public enterprises reform component in keeping with the action plan and timetable agreed upon at the launch of the programme;
- (iv) Cleaned up the Civil Service register by carrying out a headcount of all civil servants and teachers, and reintegrated qualified teachers, in keeping with the programme's objective of maintaining a staff strength of thirty-eight thousand (38,000) civil servants;
- (v) Set up and ensured the functioning of the poverty monitoring observatory, in concert with the Ministry of Finance and Economic Planning and the Ministries in charge of social affairs;
- (vi) Defined a strategy for the revitalization of rural areas, with a view to increasing incomes and drawing up a poverty reduction action plan;
- (vii) Enacted laws recognizing women's right to inherit and own property; and
- (viii) Provided on a regular basis to the Fund quarterly programme monitoring reports prepared by the Technical Monitoring Committee.

The overall assessment of outcomes was rated as 2.1 (out of 4) and judged as satisfactory.

Out of 118 measures in the overall programme 83, or 70.3%, were implemented (73 within the programme schedule and 10 with delay). Of the remaining measures 17 were on-going while 18 remained to be implemented. Most of the unimplemented measures related to restructuring or privatisation of state-owned enterprises. There were, however, lessons that emerged from the operation which are outlined in the Project Completion Report (PCR) and relate to problems in terms of lack of GoR capacity to implement planned reforms and Bank capacity to design and implement loans. Specifically, it was noted that the strengthening of the skills mix of teams during appraisal, supervision and mid-term review missions would have been helpful, to ensure better implementation of measures and utilisation of loan resources (AfDB 2007c).

4.3 Poverty Reduction Strategy Support Programme I

PRSSP I was co-financed by the AfDB, IMF, World Bank, EC, DFID, Sweden and other bilateral donors. It began in 2005 and was completed in 2006. Sources of finance are shown in Table 3.4 below and indicate that the AfDB was a reasonably small contributor to the operation.

The objective of the programme was to reduce poverty through accelerated and sustained growth. AfDB support was specifically designed to: (i) strengthen the bases of growth and competitiveness; (ii) improve the socioeconomic infrastructure and protect the environment; and (iii) improve and enhance governance.

Table 3.4 Sources of Finance for the PRSSP I

Source of Finance	Amount
ADF Grant	UA 21.9 million
IMF	UA 3.0 million
IDA	UA 153.3 million
EC	UA 43.9 million
DFID	UA 100.2 million
Sweden	UA 12 million
Others	UA 56.7 million
Total Cost	UA 391.0 million

Source: AfDB (2007b)

The loan was disbursed in two tranches. The first was delayed because the loan agreement signed in November 2004 could only be submitted to Parliament for ratification during the first session in 2005, which meant that the agreement entered into force 10 months later than originally envisaged. For the second tranche, the large number of conditions that had to be fulfilled prior to disbursement caused a delay in disbursement.

The first tranche conditions were as follows:

- i) Submit to the Bank the draft 2005 budget presented to Parliament.
- ii) Submit to the Bank the organic bill of the budget presented to Parliament.
- iii) Submit to the Bank the bill on procurements presented to Parliament.

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- iv) Provide evidence of the establishment of an Inter-ministerial Committee in charge of coordinating public finance reform, chaired by the Minister of Finance and Economy.
- v) Provide evidence of the opening of a Special Account in the Name of the Treasury with the National Bank of Rwanda.

The second tranche conditions were that the borrower implemented the programme satisfactorily and:

- i) Transmitted to the Bank the status report on the implementation of the Poverty Reduction Strategy for 2004.
- ii) Provided evidence of the adoption of the land law by Parliament.
- iii) Provided evidence of the adoption of an export strategy and action plan.
- iv) Provided evidence of the preparation of the financial sector development strategy.
- v) Provided proof of the adoption of the law on water resource management
- vi) Submitted to the Bank the draft rural electrification policy
- vii) Provided evidence of the adoption of the financial instructions based on the provisions of the organic budget act
- viii) Provided evidence of the integration of the operating and development budgets starting from the 2006 budget
- ix) Provided evidence of the implementation of the action plan on the reform of Government procurements
- x) Provided evidence of the strengthening of monitoring and evaluation systems

Under PRSSP I there were 26 of the 37 (70%) measures completed before the end of the project completion report mission. Implementation rates for component 1 which supported growth and competitiveness were high with 78% of measures implemented on schedule and 11% behind schedule. This included measures to improve agricultural performance and the financial sector and included the implementation of the privatisation programme. Component 2 was 82% implemented with measures related to water and sanitation and the energy sector successfully fulfilled. Component 3 which focused on PFM was implemented unsatisfactorily. Full integration of the development budget and operating budget was not completed, reforms to government procurement were not implemented within the time frame and overall procurement was the weakest in terms of performance.

Funds were paid into a Special Account at the Treasury with government financial management and procurement procedures used. The programme was judged to be satisfactory and rated as 2.17 (out of 4). The Bank's performance was however perceived to be unsatisfactory and the PCR noted that closer monitoring by the Bank of the reform programme would have been helpful, but the performance of the office was hampered by the lack of a country economist. Lessons from PRSSP I and 2 are outlined in Box 3.2 below.

Box 3.2 Lessons from PRSSP I-II

PRSSP I

- (i) There were too many conditions to be fulfilled prior to disbursement.
- (ii) The measures to be implemented under the poverty reduction strategy, in particular those relating to the structural reforms, should be determined on the basis of the country's manpower capacities.
- (iii) Better monitoring and supervision by the Bank could have improved performance in programme

implementation.

(iv) The presence of an Economist in the Bank's Country Office will improve the supervision quality of the program, as well as dialogue with the authorities.

PRSSP II

(i) The design of the program limiting both the numbers of components and measures to be implemented is a good approach because it takes into consideration the country's institutional capacity.

(iii) The fact that the Bank focused more on joint supervisions/reviews with other donors rather than a review of every measure of its programme alone had the advantage of reducing transaction costs for the Bank and the Government.

(iv) The program's matrix of measures backed by the Bank should be a sub-set of the overall matrix of measures retained by all the donors providing budget support to the country so as to adopt a single method of monitoring programme implementation.

(iii) Among the topics for dialogue with the Government, should be the institutional stability of the structure coordinating budget support programme implementation, to preserve a critical mass of skills to ensure program sustainability.

(v) Given the nature and duration of the programme, in future, specific sector studies must be planned with a view to measuring the impact of Bank financing on investments and poverty reduction.

Source (AfDB 2009a)

4.4 Poverty Reduction Strategy Support Programme II

The second general budget support operation PRSSP II consisted of two components, namely (i) improving public financial management, and (ii) contributing to the creation of an enabling environment for business development and export promotion.

Table 3.5 Sources of Finance for the PRSSP II⁹

Source of Finance	Amount
ADF Grant	UA 33.0 million
IDA	UA 66.46 million
EC	UA 31.6 million
DFID	UA 91.02 million
Sweden	UA 14.42 million
Netherlands	UA 4.46 million
Germany	UA 2.86 million
Total Cost	UA 243.82 million

Source: AfDB (2007)

The AfDB gave a grant of UA 33 million, which was disbursed in two tranches of UA 20 million and UA 13 million in 2007 and 2008 respectively. The first tranche disbursement was delayed by two months due to a delay in signing the grant agreement, while the second tranche was disbursed on time.

⁹ Sweden, Germany and the Netherlands did not disburse due to concerns over a UN report regarding Rwanda's participation in the DRC.

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The conditions for the disbursement of the first tranche were:

- i) Transmit to the AfDB the bank references for a Treasury account with the National Bank of Rwanda.
- ii) Transmit to the AfDB a copy of the order creating the Secretariat in charge of monitoring and implementation of the Financial Sector Development Plan.
- iii) Transmit to the AfDB evidence of the adoption by Government of the microfinance law.

The conditions for the second tranche were:

- i) Transmit to the AfDB evidence of the adoption by Government of: (i) the Ministerial Order appointing the Independent Appeals Committee for the Public Procurement Law; and (ii) the Ministerial Order defining the implementing measures for the public procurement law, including standard procurement documents.
- ii) Transmit to the fund evidence of the adoption by Government of the Strategic Road Map for National land reform in Rwanda.

In PRSSP II there were 52 measures focused on PFM and private sector development and export. Of these measures 47 were fully implemented, 4 were implemented in part and only 1 was not implemented. The latter was related to the development and operationalisation of a commercial mediation and arbitrations system.

From PRSSP II onwards AfDB funds were transferred into the single treasury account along with funds from other PRSSP donors. Funds then used GoR financial management, procurement and reporting procedures. The Programme in the PCR was judged as having met all key objectives and was rated 3.25 out of 4. (AfDB 2009b).

4.5 Poverty Reduction Strategy Support Programme III

The PRSSP III was a two-year programme which began in January 2009 and will be completed in December 2010. The programme supports the EDPRS which covers the period from 2008-2012 and contributes to the EDPRS programmes of (i) growth for Jobs and Exports, and (ii) Governance and Vision 2020's objective of reducing inequality and poverty.

The PRSSP III expected outcomes are: (i) Improved Rwandan ranking in 'Doing Business' index; (ii) deeper access to credit by the private sector; and (iii) enhanced financial governance as reflected in improved PEFA scores.

Table 3.6 Sources of Finance for the PRSSP III

Source of Finance	Amount
ADF Grant	UA 30.30 million
IDA	UA 105.63 million
EC	UA 70.47 million
DFID	UA156.74 million
Sweden	UA 17.72 million
Netherlands	UA 6.27 million

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Source of Finance	Amount
Germany	UA 10.5 million
Total Cost	UA 397.63 million

Source: AfDB (2009)

The AfDB resources were disbursed in two tranches. The first was of UA 22.3 million to fund the mini-budget in 2009 and the second, of UA 8.0 million, was disbursed in FY 2009/2010. Frontloading of funding occurred to support the 2009 mini-budget and to mitigate any adverse effects from the global recession. The PCR is currently being prepared.

PRSSP III was designed in a slightly different way to previous operations. There were four prior actions related to private sector development and PFM that had to be completed before the operation went to the Board. These were:

- i) Adoption by the cabinet of the following commercial laws prepared as part of the business law reform process: Bills on Companies Act, Solvency, Negotiable instruments, Business Registration and Competition and Consumer Protection.
- ii) Publication of the Public Financial Management Reform Action Plan 2008-2010
- iii) 55% of GoR expenditure audited by Office of the Auditor General (OAG) for the fiscal year 2007
- iv) Publication of the 2008 annual report of the independent panel addressing appeals by contractors or procurement decisions.

The disbursement of the first tranche is subject to the maintenance of an appropriate macroeconomic framework, and fulfilment of the following condition:

- Transmit to the AfDB the bank references for a Treasury account with Banque Nationale du Rwanda (BNR) that is intended to receive the Grant resources.

The second tranche disbursement was subject to maintenance of an appropriate macroeconomic framework, and positive outcome of the mid-term review and fulfilment of the following conditions:

- Transmit to the AfDB, evidence of launching of the Revenue Authorities Digital Data Exchange (RADDEX) system at borders with Tanzania and Uganda.
- Transmit to the AfDB, evidence of the establishment of a private credit reference bureau
- Transmit to the AfDB, evidence of complete piloting of the PublicBooks, and accounting software, under the Integrated Financial Management System.
- Transmit to the AfDB evidence of the approval by the Cabinet of the Public Investment Policy.

Overall progress on CPAF targets under PRSSP III was reported in the October 2010 Annual Review as satisfactory, with 68.9% of indicators fully achieved, 6.7% partially achieved, 6.7% not achieved and 17.8% not available. Achievement of policy actions was also satisfactory with 80.0% achieved, 16.8% partially achieved and 3.2% not achieved. There was good progress made in the governance and economic clusters, which the AfDB is monitoring through its focus on PFM and private sector development. A project completion report has not yet been finalised for PRSSP III.

4.6 Programme in Support of the Secondary Education Strategic Plan

The Program in Support of the Education Strategic Plan (ESSP) began in 2006 and will be completed by the end of 2010. It supports the sector goal of contributing to poverty reduction by building human resources capacity through focusing on four priority areas which are:

- i) Implementing 9-year basic education;
- ii) Strengthening science and technology education;
- iii) Building the sector's planning, management and monitoring and evaluation capacity;
- iv) Encouraging the education of girls particularly in science and technology.

This is a joint program funded by the AfDB, DFID, the Belgian cooperation agency, the Netherlands and the GoR (see Table 3.7 below).

Table 3.7 Sources of Finance for the ESSP

Source of Finance	Amount
ADF Grant	UA 15 million
Netherlands	UA 24.54 million
United Kingdom	UA 15.73 million
Other sources	UA 34.92
Belgium	UA 2.77
Total Cost	UA 92.96 million

Source: AfDB (2006)

The AfDB provides grant funding through ADF resources in the form of budget support through the Joint Education Sector Support Program (JESS). The JESS comprises two components which are i) sectoral budget support for the ESSP, and ii) a capacity building fund. AfDB funding is through the JESS, which means that sector budget support is given to support implementation of the education sector plan and government public financial management and procurement procedures are used for the funding. The AfDB funds are earmarked and have been used to finance the Science and Technology Pillar (STR) of the ESSP, although these funds are only nominally earmarked to this sub-sector, as it is not possible to track the funds.

Funds are disbursed into a designated account for all donors' funds for the JESS (the Education Sector Budget Holding Account at the National Bank of Rwanda) and are therefore pooled with those of other donors. Disbursement into the pool is conditional on the following:

- i) An annual budget and work plan in accordance with the ESSP and activities relating to science and technology education; and
- ii) Satisfactory performance with respect to programme implementation after the joint annual review (after the second tranche this relates to satisfactory performance for the Science, Technology and Education Component).

There was a delay in approving the programme, which led to the first tranche of the AfDB grant being disbursed at the beginning of 2007, whereas other partners funding through JESS disbursed in 2006. There was also a delay in disbursement of the final tranche due to the non-fulfilment of conditions by the Ministry of Education (MINED). This was caused by the departure of the Director of Policy and Planning and the difficulties this caused in terms of getting the relevant data required for reporting and fulfilment of conditions. (See Annex D, Table D.4).

4.7 Forthcoming – Livestock Infrastructure Support Programme

A sector budget support operation is planned in the agriculture sector through support to a livestock infrastructure support programme. A project concept note was completed in September 2010 and will go to the AfDB Board for approval by the end of 2010 (AfDB 2010a). The total amount of the support will be UA 50 million with the AfDB providing a grant of UA 38 million and the GoR providing the remaining funding needed. As yet no other DPs have agreed to co-fund. The decision to provide funding through sector budget support was made at the request of the GoR.

The programme is designed to follow on from a Dairy Cattle Development Support Project, which was completed in June 2009. The programme will focus on rural infrastructure and be aligned with the Strategic Plan for Agricultural Transformation in Rwanda – Phase II. There is also a SWAp being established in the agriculture sector and the AfDB has signed the MoU related to this.

The programme uses government financial management and procurement procedures with a system currently being developed for earmarked grants, but the programme expects MINAGRI to develop a Financial and Administration Procedures Manual for the programme. There will also be a requirement for quarterly progress and financial reports reporting on Bank financing.

An AfDB Special Account will be opened at the National Bank of Rwanda and external auditors will be used to assist OAG to audit the programme's annual financial statements.

5 Key findings

This section looks at key findings from the evaluation and discusses the main issues which are relevant to the AfDB design and implementation of PBOs. These relate to trends in the AfDB portfolio, guidance on the choice of aid modality, harmonisation and alignment, policy dialogue and strategic engagement, impact on policy and processes, predictability of funding, office capacity, decentralisation of authority and AfDB value-added. These findings have been organised under three headings: performance and impact, strategic issues and design.

Performance and Impact

The degree of harmonisation and alignment of PBOs has improved significantly over the evaluation period

There has been significant progress made by the AfDB in Rwanda in terms of harmonisation and alignment of PBOs, which has occurred in the latter half of the evaluation period. PRSSP I-III and the education sector support use government financial, procurement, reporting, monitoring and evaluation, and audit systems. The PRSSP has also become more aligned over time, as the PRSSP I had as a condition the use of a special account for the AfDB in the Treasury. As this increased transaction costs for the GoR this requirement was eliminated for PRSSP II-III with funds being paid into a single treasury account along with other donor funds. Similarly, in education AfDB funds are paid into a special account for all donors funding the education sector budget, rather than a separate AfDB account.

This is interesting given that in other AfDB countries the use of special AfDB accounts is still prevalent. This was waived in the case of Rwanda as the GoR objected to a separate account, as it was putting in place an initiative to reduce the number of donor accounts and ensure all funding was channelled through the single treasury account. The RWFO supported the GoR position and was able to persuade AfDB HQ that the wishes of the GoR should be followed.

The objectives of PBOs have been aligned with GoR plans and have become more harmonised with those of other DPs over time. By PRSSP III a joint CPAF had been developed by the BSHG in conjunction with the GoR that includes indicators that the AfDB and other DPs use for their own conditionality. Similarly, for the education sector AfDB support is aligned with the education sector plan and conditions are similar to those of other donors. In the case of education the AfDB uses the same GoR reporting as other donors to verify that progress has been made in the STR and funds have been spent on the subsector.

The AfDB is also working to become more aligned with GoR systems through the development of a new PBO in the Livestock and Infrastructure Support Programme, as noted in section 4.7 above, and has recently signed an MoU for a new agriculture SWAp.

As part of this process the RWFO has participated more actively in joint donor groups, becoming part of the BSHG and co-chairing the group in 2008 and being part of the education SWG. The RWFO is also co-chairing the water and sanitation SWG and has participated in the PFM and a variety of other working groups.

There has been a move towards more joint working with other DPs by the AfDB although this could still be improved. The AfDB is involved in the annual review processes for the PRSSP and the ESSP, with other examples of joint working including a fiduciary risk assessment that was undertaken by the AfDB and DFID in 2008. This is confirmed by the 2008 Monitoring survey on the Paris Declaration which pointed out that although AfDB assistance is better

aligned with national priorities there has been limited progress in coordinating technical assistance or fielding joint missions with other donors. This is also borne out by DPAF which notes that for the AfDB the total number of missions has increased from the 2007 baseline of 19 to 23 in FY 2009/2010, with the number of joint missions decreasing from 11% in 2007 to 9% in FY 2009/2010 (Development Partners Group, 2010).

Policy dialogue and strategic engagement by the Rwanda field office (RWFO) has improved

Since the opening of the RWFO, engagement by the AfDB in policy dialogue has been strengthened. Both the GoR and DPs noted that this has had a positive impact on the level of AfDB participation in forums for policy dialogue and visibility at the national level. Currently the RWFO participate in the DPCG and BSHG, while they co-chair the water and sanitation SWG and they have been active in the social, economic and governance clusters, as well as SWGs for PFM, energy, transport and education. The AfDB also co-chaired the BSHG for 6 months in the first half of 2008 and will do so again from January 2011.

The level of participation by the AfDB in policy dialogue has, however, tended to vary according to capacity within the office. The Resident Representative has been active in the BSHG and previously the country economist was also, but the position is now vacant so more recently the AfDB has not been so visible in the PFM working group and the economic cluster group. Despite this, the Resident Representative or the Country Programme Officer have covered most meetings that the AfDB needs to attend and it was reported that the Resident Representative is very active in the BSHG and annual reviews and some AfDB sector staff also attend these.

In the education sector there has been less participation as the socio-economist deals with all the social sectors and does not always have the time to devote to the education SWG or annual review process. It is reported that DFID has been a good co-chair in this group and the tendency has been for other DPs to follow their lead. The socio-economist is also not an education specialist, so there is a limitation on what he is able to contribute to policy dialogue. There are, however, representatives from the task team in Tunis who attend the annual review process along with the socio-economist, but this tends to give the impression that the AfDB are not interested in on-going dialogue, but are more interested in ticking the boxes at the end of the process.

This was a view expressed also in relation to the PRSSP, in that although there was good AfDB participation in the annual review and BSHG, this was mainly high level involving the Resident Representative and there was less interest by the AfDB in continuous dialogue with the GoR. Again this perception arose as task teams appeared for the PRSSP annual reviews and appraisal missions but were not present in other dialogue forums.

The AfDB is reported to have done a good job of co-chairing the water and sanitation SWG and the BSHG. In the latter it was noted that administratively they ran the process well. This was undertaken through the creation of a small team that included the Resident Representative, an externally recruited consultant, a Young Professional and the economist. The rest of the office, were less engaged, although they do participate in the SWGs that produce reports that link into the GBS review.

There was a concerted effort by the RWFO to use the position of BSHG co-chair strategically and seek to influence policy. This was facilitated by the fact that the CPAF was being developed by the BSHG during the time when the AfDB was co-chair. The AfDB played a major role in ensuring agreement on the CPAF and introducing objectives relating to infrastructure for the first time, which is a key area of AfDB focus. This caused some

consternation among other DPs, but is now generally accepted as a positive contribution to the process. Intense debate also occurred on whether to include political governance issues in the CPAF. There was a split between bilaterals who were keen for this to be included and the multilaterals who did not see it as part of their mandate, so did not want it to be part of the CPAF. The GoR position was also that it should not be included. It was finally decided that it would not be part of the CPAF, although governance was included in the MoU underlying principles.

The value-add of AfDB's participation in PBOs has been an impact on policy and processes and additional funding

The main value-added from AfDB's participation in PBOs has primarily been through the additional funding that it has provided to the government budget in conjunction with other DPs. Budget support (general and sector) has funded a large proportion of the GoR Budget at around 50% of the GoR recurrent budget in 2009/10 (ODI and Mokoro, 2009). This has allowed the GoR to increase priority spending in line with the EDPRS target of 13% of the total budget (IMF, 2010). This funding has also supported implementation of the GoR reform programme and the 2010 Joint Annual Budget Review noted that the GoR has made 'good progress in terms of EDPRS implementation'. In terms of achieving indicators in the CPAF, 73% of economic indicators and 67% of social sector indicators were fully met.

The AfDB has also made a contribution through participating and co-chairing the BHSG, where the RWFO played an important role in facilitating agreement on a CPAF and joint budget support processes. It has been noted that the AfDB's infrastructure experience has been useful in the policy dialogue. There has been less value-added in the education sector, from participation in policy dialogue due to the lack of capacity in the RWFO in this area, but the focus on STR has been helpful in shifting resources to an area that is seen as important in education. There has been little value-added from analytical work, as the AfDB has not contributed significantly in this area.

More generally, the PRSSP I-III cycle has focused mainly on improving governance, particularly PFM, private sector development and economic growth. It is difficult to see a specific AfDB impact in this area as PFM is also funded through a pooled fund and there has been mixed attendance in the PFM working group and no additional AfDB programme linked with it. There have, however, been substantial improvements in PFM over the evaluation period as described in section 0 above, but it is difficult to attribute these achievements directly to the AfDB.

The GoR perceived the AfDB as having an advantage that stemmed from being an African institution. They saw the AfDB as more flexible than other DPs, as they listened to the GoR and tried as best as they could to accommodate GoR requests. An example of this is the recent focus by the AfDB on private sector development. It was also commented that the AfDB realised that the environment within which they work in Rwanda is not 'perfect' and they made allowances for this and accepted that making progress is more important than ensuring perfection. Because of this, the RWFO is valued by the GoR as a sounding board for ideas and initiatives that they may wish to take forward. There is also benefit for the AfDB as an institution in participating in budget support. It provides the RWFO with a central position in policy dialogue and influencing the GoR and provides important information for the AfDB about GoR policy and DP activities.

There is a focus on results, which has manifested itself in lesson-learning and improvements in the design of PBOs as described above.¹⁰ On the other hand, there is a sense from other stakeholders that the AfDB is not so interested in results given that task teams only participate in annual reviews and appear for appraisal missions, while other DPs are engaged all year round in trying to make PBOs more effective.

In-year predictability of AfDB disbursements has improved

Year-to-year predictability of PBO disbursements has not been an issue during the evaluation period, but there have been problems with in-year predictability, although this has improved considerably over the evaluation period. This is mainly as a result of efforts that have been made by the RWFO to improve performance in this area.

For example, the first tranche of SAP II was disbursed on schedule, but the second tranche experienced a disbursement delay of 8 months due to non-fulfilment of conditions by the GoR. PRSSP I experienced delays of 10 months and 11 months for the first and second tranches respectively, due again to non-fulfilment of conditions. PRSSP II experienced a two-month delay in the disbursement of the first tranche as the loan agreement was signed later than envisaged, and the second tranche was disbursed on time. PRSSP III disbursed both tranches on time.

The AfDB has also managed to provide indicative commitments for GBS in a predictable manner. Ratings from the DPAF for the AfDB indicate that indicative commitments for budget support in year $n+1$ have been provided to the GoR within 4 weeks of the end of the Joint Budget Support Review in April (Development Partners Group, 2010). The GoR did note that performance could be improved by disbursing budget support in the first quarter of the financial year, but no other donors are able to achieve this yet either. However, although the AfDB did not disburse in the first quarter in 2008, 35% was disbursed in FY 2009/2010 in the first quarter of the fiscal year as the funds were disbursed to support the GoR mini-budget designed to smooth the transition to a new fiscal year.

In education it is not known how predictable in-year disbursements were as there was no information given in the appraisal document regarding specific dates for disbursement. There have been some issues more recently in education due to the Ministry of Education (MINED) not producing reports on time because of capacity problems. This has impacted on the 2010 education tranche, which has not yet been disbursed. There is also a potential issue with the education sector support that is due to be completed at the end of 2010. Currently it is not known whether it will continue as the RWFO have not been notified about their ADF XII, and whether funding will be provided to support an additional phase will depend on the overall country allocation.

The funding for SAP II and education sector budget support was in equal disbursements over the five-year cycle. For PRSSP I-III there was some frontloading with more given in the first year of PRSSP I and II than in the second. This was not considered to be a problem by the GoR. In fact the AfDB contributions to PRSSP II and III had been more predictable than those of other donors who suspended contributions in 2009 and did not disburse. It was appreciated that the AfDB had disbursed in two tranches in 2009/2010 in the transition to the new fiscal year in Rwanda as this meant the MINECOFIN had funds at the beginning of the fiscal year from the AfDB which filled a financing gap as other donors disbursed much later in

¹⁰ The OECD DAC (2006, 9) describes focusing on results or results based management as follows: 'Results-based management asks managers to regularly think through the extent to which their implementation activities and outputs have a reasonable probability of attaining the outcomes desired, and to make continuous adjustments as needed to ensure that outcomes are achieved'.

the year. It was however pointed out that in normal circumstances, disbursing twice in one year did not make sense from a transactions cost point of view.

Decentralisation of authority to country level has improved PBO operations and further decentralisation would make operations more effective

The process of decentralising more authority to country level has been an important move as it was reported by both the GoR and DPs that the establishment of the Rwandan office in 2005 was important in speeding up transactions and making working with the AfDB easier. It has increased interactions between the GoR, DPs and the AfDB, while in the last three or four years it has also been noted that the RWFO has become more visible at national level, as well as becoming more proactive and responsive.

Prior to the opening of the RWFO, even minor issues had to be referred to Tunis, but now the RWFO deals with as much as possible themselves and tries to act as an intermediary between the GoR and the AfDB in Tunis to ensure as much as possible is resolved at country level. This has reduced transaction costs for the GoR and speeded up approval processes considerably. The benefit for the AfDB is now that it is seen as a valued DP active in donor processes at country level.

Although the RWFO has become more proactive, it still lacks decision-making authority in many areas and needs to refer to Tunis on a variety of issues. In addition, although RWFO provides inputs, HQ in Tunis heavily influences budget allocation between sectors, with supervision missions from HQ making most of the decisions on choice of aid instruments and design. Also, sector specialists are not task managers, which limits their authority. This means that more decentralised responsibility, with greater influence over budgets and staff recruitment would assist the country office in working more efficiently and engaging more effectively in PBOs.

The capacity to implement PBOs effectively has varied due to staff changes

There are currently four professional staff in the RWFO in addition to the Country Programme Officer (CPO) and the Resident Representative. These include an agronomist, an infrastructure specialist, a consultant recruited to support the infrastructure specialist, and a socio-economist. The economist post has been vacant for some time, but it is expected that it will be filled soon.

As noted above, the lack of an economist has been a constraint on the office. Capacity has been stretched and the Resident Representative and CPO have had to cover the economist's duties. It has also meant that participation in SWGs such as PFM and macroeconomics has not been as active as it could have been. This has been caused by the length of time that it takes to go through AfDB recruitment procedures. This is the second time that this has occurred, as prior to PRSSP II there was also no economist present in the office.

The social sectors are also understaffed and as noted previously the socio-economist covers all of the social sectors, which leaves him little time to engage effectively on the education PBO. However, although staff resources are stretched, the RWFO has been resourceful in employing consultants to fill gaps where necessary. For example, in the infrastructure sector a consultant was employed to cover when a staff member left and another was recruited. This consultant is still working in the office to support the infrastructure advisor who has a remit that includes infrastructure, water and sanitation and also transport, which he could not cover effectively on his own.

The office also recruited a consultant to assist with the co-chairing of the BSHG and another one will be recruited again in January 2011 for the same purpose. Previously there was also a YP available to assist the first time that the AfDB took the chair, which was seen as a very valuable resource. On the other hand, a lack of capacity in the office has meant that the AfDB has not had the resources to co-chair SWGs other than water and sanitation.

The RWFO reported that they have a good relationship with task team managers in Tunis and that the support that they get from Tunis has got better since OSGE was established. This is primarily because there is now a critical mass of people involved in GBS operations and there is support from a department with experience able to disseminate lessons learned and provide good feedback.

The main problem that the RWFO experiences, is a lack of back-stopping support. It is not always possible to obtain advice when needed, or access funding for economic and sector work which would strengthen the AfDB's capacity to engage in policy dialogue and strengthen its programmes. There has been no training given to staff in the RWFO who are engaged in PBOs or are about to be (such as in the case of the new PBO in livestock infrastructure) and no guidelines as to how these should be managed. The skills of those employed in the RWFO are not always matched well with those needed for PBOs. Managing a project needs different capabilities than those needed for PBOs, such as the ability to engage in policy dialogue and influence policy. This was commented on by the GoR as a weakness of the RWFO as they do not have the analytical skills to engage in policy dialogue or the ability to undertake work that would support joint donor working.

Strategic Issues

There has been a clear trend towards greater use of PBOs within the Rwanda programme and the share of PBOs as a total of country programme disbursement has increased

This is evidenced by the AfDB providing general budget support from 2005 onwards, after a gap of five years, as the last structural adjustment programme (SAP II) was completed in 1999. It is anticipated that this assistance will continue to be given to the GoR through GBS for the foreseeable future. There has also been a sector PBO in education, although it is not currently known whether this support will continue after the first phase ends in December 2010. Greater use has been made of PBOs partly as a result of the Bank's initiative to align more closely with international initiatives on harmonisation and alignment, but also because of the strong preference expressed by GoR for the use of budget support where possible.

Despite this, the Bank is still mainly undertaking projects, but is exploring the possibility of using sector budget support mechanisms where feasible. An example of this is the proposal for a new sector budget support operation in the agricultural sector, which is outlined in section 4.7 above. This is a direct response to a GoR request for a reduction in project support and more assistance through budget support.

There is a lack of discussion within the Country Strategy Paper (CSP) on the mix of aid instruments needed to achieve results

The CSP should be the main document providing guidance on which sectors PBOs will be used in and how PBOs will complement the rest of the programme. In practice the Rwanda CSPs do not do this and are not able to provide the strategic framework which should drive the use of PBOs. For example, the 2008-2011 CSP notes that Rwanda's Aid Policy identifies budget support as the GoR's preferred aid modality and encourages the use of country systems, but there is no discussion within the CSP as to options for the AfDB to comply with this or about other sectors in which PBOs might be used or greater alignment achieved.

The CSP 2008-2011 also outlines the rationale for the Bank's interventions in Rwanda and how the programmes being implemented link to the relevant pillars of the CSP. There is however, no discussion of how the PRSSP fits within this strategy and how it links with the rest of the AfDB programme. The two main elements of the CSP are focused on Pillars 1 and 2 of the EDPRS, which are economic infrastructure and competitiveness and development. It is not obvious how the PRSSP plays a role within this strategy, as GBS is not mentioned in the narrative, and governance, which is the main objective of the PRSSP, is not a focus of the CSP. This means that the rationale behind the PRSSP or synergies with the rest of the programme are not clear. It is only in the CSP results monitoring matrix that the objective of reducing the cost of doing business is linked to the PSSRP III and the education sector support is linked with developing skills for productive employment.

Overall it is not obvious how the choice of aid instruments is made, as this is not explained in the CSP. The impression is that this occurs on an ad hoc basis with task team leaders making the decision when programmes are designed. PBOs do not seem to be integrated fully into the country programme, as they appear to be of marginal significance in the CSP.

Design

The efficiency and effectiveness of PBO design has improved in the last five years with lessons learned from previous operations

The design of PBOs has improved significantly in the past five years. This has been due to a reduction in the number of conditions and increased focus on key areas that are necessary for reform, rather than including a large number of sectors with conditions related to reform. Previously the wide sector scope of programmes and the number of conditions had delayed disbursement as a result of a lack of GoR capacity to implement the complex reform programmes which underpinned these operations. For example, SAP II had 2 conditions for disbursement of the first tranche and 8 for the second tranche. The second tranche conditions related to institutional reforms and restructuring through privatisation that were not easy to implement within a year. This continued with PRSSP I, which had 5 first tranche disbursement conditions and 10 second tranche conditions. The second tranche was again delayed because of non-fulfilment of conditions as a result of limited GoR capacity to implement all the conditions imposed.

By PRSSP II the lesson had been learnt by the Bank and the number of conditions was reduced to three in the first tranche and two in the second. The conditions were focused on key priority areas for the AfDB rather than the long list of measures included previously. Similarly PRSSP III has a reduced number of conditions, but the format has changed slightly. For PRSSP III there was a requirement to implement four prior actions before the Board approved the operation and there was then one condition for the first tranche disbursement and four for the second tranche disbursement related to PFM. There were no significant disbursement delays in either tranche. This means that the AfDB now requires fewer prior actions than the World Bank which on average has around 12 for each PRSSP operation. There is also a difference between the design of AfDB and World Bank conditions and those of bilateral donors. The multilaterals require that conditions from the CPAF be met in order for disbursement of the full amount agreed, whereas disbursement by most bilaterals is on a fixed and variable tranche basis.

The sector focus of conditions has become narrower over the PRSSP cycle. In PRSSP I conditions ranged over a variety of sectors covering land, energy, trade, PFM and water. PRSSP II focused solely on procurement and land reform, whereas PRSSP III concentrated on PFM. The Bank now considers that GBS is the instrument through it they focuses on PFM given that it is not able to fund the PFM basket. Although this is logical in terms of reducing

the scope of conditions and concentrating on just a few areas to increase the chances that they are met, it is also slightly illogical given that the AfDB does not do any work in PFM. In the past the AfDB has engaged in dialogue in the PFM SWG, but it is now not doing so because there is no economist in the office. Given that there is no AfDB assistance to PFM it appears that the Bank has little influence over whether these actions are undertaken, as its programme is not directly related to activities in this sector and there is no focus on governance in the CSP.

Sector budget support for education uses GoR systems, with the AfDB earmarking its funds to Science, Technology and Research (STR), while other donors who fund through JESS finance the whole of the ESSP. The AfDB earmarking is nominal in the sense that it cannot be tracked, but there is an obligation on the GoR to report on what AfDB funds are spent on. The comment was made by the GoR that this means that the earmarking acts as a floor on the amount of funding to STR. This was generally perceived to be positive as it was felt that it was important for a DP to allocate funds to STR to act as a counterweight to the trend by other DPs to focus expenditure on basic education.

6 Issues

During the evaluation period the AfDB in Rwanda has made greater use of PBOs and has learned lessons from the implementation of previous PBOs, which has led to better design and more effective operations. This has occurred particularly in terms of reducing the number of conditions dependent on disbursement, narrowing the scope of operations and dispensing with the need to use special accounts. This means that in the PRSSP the Bank's conditions are now fully aligned with the CPAF and GoR systems, while in education joint donor procedures and government financing mechanisms are used, although funds are nominally earmarked. Much of this move towards greater use of PBOs has been driven by the GoR which has stated very strongly its preference for ODA in the form of budget support, while efforts to improve the design of PBOs have resulted from an initiative by the country office and at HQ.

It is also notable that the RWFO has become active in joint donor groups in the last few years. The AfDB has become part of the Donor Consultative Group (DCG) and the BSHG and the education SWG as a result of its PBO activities. The Resident Representative co-chaired the BSHG group in 2008, while the RWFO is also co-chairing the water and sanitation SWG and has participated in a variety of other working groups. This has led to the AfDB being in a position to influence the policy dialogue relating to GBS and being more strategic about its agenda for engagement. This has occurred less in the education sector because of staff time constraints.

This drive to be more engaged in dialogue has resulted from the RWFO taking the initiative, while the opening of the RWFO strengthened the AfDB's ability to engage in-country. The levels of participation by the AfDB in policy dialogue have, however, tended to vary according to staff availability. The Resident Representative has been active in the BSHG and previously the country economist was also, but the lack of an economist currently has been a problem, while in the education sector there has been less participation as the socio-economist deals with all the social sectors and does not always have the time to devote to the education SWG or annual review process. There have been representatives from Tunis in PBO review processes, but what is more appreciated by the GoR and DPs is active participation by the country office, as constant engagement in these processes is more valued than AfDB teams flying in from HQ.

The Bank has also shown that it has added value to PBO processes through maintaining an emphasis on STR in education support to counterbalance the education sector focus on basic education and in GBS through negotiating the agreement of joint budget support mechanisms and including infrastructure within the CPAF. There has also been value-added to the AfDB as an institution of engagement in high level policy dialogue with the GoR, which provides an important entry point for engaging with the GoR and a good overall view of GoR and DP thinking on key issues.

6.1 Areas for improvement in PBO Operations

There are still areas, however, where the implementation of PBOs could be improved. There has been a lack of joint working with other DPs, particularly on missions, reviews and evaluations. The Bank does very little analytical work, which is also a weakness, as it does not have the capacity to undertake work that would strengthen policy dialogue or contribute to DP activities such as economic and sector work.

Staff capacity is an issue as gaps in staffing at country level have led to an inability to engage in PBOs as effectively as the Bank has wanted. There has also been no training of staff on PBOs, which is needed given that implementing PBOs involves a different set of skills and approach to project implementation and often back stopping support from Tunis is lacking. A particular weakness in the case of Rwanda has been the lack of an economist which has occurred at a couple of points over the evaluation period and has led to mixed engagement in dialogue, but more importantly in PFM which the Bank is attempting to address through budget support.

As a result, there are lessons that can be drawn from the evaluation that are important for guiding the design and implementation of future PBOs. The first is that it is important to have effective engagement by the RWFO in policy dialogue related to PBOs to influence policy and raise the AfDB's profile. This needs not just to be at a high level: there should be relevant sector staff who can participate on a regular basis and who have the necessary skills to engage effectively.

In terms of PBO design the case of Rwanda also illustrates that where necessary the AfDB can dispense with fiduciary safeguards such as special accounts, which increase transaction costs for partner governments and fund through single treasury accounts. It appears that if the national government puts sufficient pressure on the AfDB, it is possible to dispense with the use of Special Accounts and disburse into pooled funds.

There is also a case for PBOs to be better integrated into the CSP. As previously noted there is little discussion in the CSP as to how PBOs link with the rest of the programme and how PBOs will assist in achieving national and programme goals. This type of discussion will be helpful in making choices on which mix of aid instruments is likely to be most beneficial for the country programme. An example of this is that at the moment it is not known whether the ESSP will continue to be supported. This is dependent on the allocation of resources in ADF XII, which gives the impression that education is not a priority, and that funds for the PBO are only a residual in terms of the whole country programme.

The RWFO has been relatively proactive in terms of attempting to ensure the smooth running of PBOs at country level but is constrained by a lack of decision-making power in terms of budgets and staffing. Further decentralisation of authority and staff to the RWFO will help to enhance the effectiveness of future PBOs. Currently it is difficult to take the lead in addressing current problems or developing new approaches because it is continually necessary to refer back to HQ and because it is not possible to fund additional resources to support sector or GBS work through technical assistance or analytical work.

6.2 Reflections

The following reflections with potential implications for the Bank emerge from the Rwanda case study. These reflections will feed into the country case study synthesis, and into the overall evaluation report which will include recommendations derived from the whole body of evidence collected for the evaluation:

1. There should be better integration of PBOs in the CSP with a closer analysis of how PBOs link with the overall programme and can assist in increasing the effectiveness of the programme. Related to this, consideration of the mix of aid instruments necessary for achieving national priorities and AfDB objectives also needs to be part of this process.
2. Given that the AfDB perceives GBS as the main mechanism through which it supports PFM, more attention needs to be paid to engaging in dialogue related to this and

supporting analytical work to complement the work of other donors. Funding through the government budget is only one aspect of supporting PFM through avoiding parallel systems and complementary inputs are also needed to strengthen PFM systems.

3. Given the GoR preference for budget support and the fact that more of the country programme is likely to be in this form in the future it is necessary for staff to receive training related to the implementation of PBOs. This is particularly important as the skills needed to implement PBOs and engage in policy dialogue are very different from those required for projects.
4. There is a need to invest more in analytical work in sectors where PBOs are operational. This would support work being undertaken by other DPs, but also give the AfDB more visibility and credibility as a development partner.
5. Staffing needs to be addressed as gaps in staff availability have led to variable engagement in PBOs. This appears to be a recurring situation and reflects the length of time that it takes to recruit staff, which has had an impact on the effectiveness of PBOs. There has also not been sufficient staff capacity to engage on a continuous basis in the education sector.
6. Greater delegation of authority from HQ to the RWFO would assist in making the implementation of PBOs more efficient and allow the office to engage more effectively. The RWFO would then be less of an implementing office and be able to be more flexible and involved at country level.
7. Project documents should outline the different design options for Bank interventions and consider which aid modalities would be the most effective in achieving goals.

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Annex A Evaluation Matrix

Main evaluation questions
C. Has AfDB developed the organisational capacity and capability to deliver PBOs efficiently and effectively?
<p>C1. Has AfDB adopted an explicit in-house capacity building programme to support delivery of PBOs? If so describe it.</p> <p>C2. Has AfDB been appropriately structured and staffed to deliver PBOs? What was done?</p> <p>C3. How have successive efforts to reorganise the AfDB and decentralise affected the planning and delivery of PBOs?</p> <p>C4. In what ways have internal business processes helped or hindered the processing, approval and disbursement of PBOs? Specify examples.</p> <p>C5. Have the AfDB's corporate systems for knowledge sharing, results monitoring and financial management support effectively contributed to PBOs' delivery? Has anything been weak or missing?</p>
<p>Answers</p> <p>C1: There was no explicit in-house capacity building programme to support delivery of PBOs. <i>Capacity was enhanced during the chairing of the BSHG in 2008 with the recruitment of a consultant</i> to assist the Resident Representative. The AfDB is currently in the process of recruiting another consultant to provide support when the AfDB takes the Chair again in January 2011. It is also expected that the position of economist will be filled by then and with the assistance of the CPO support will be adequate. The additional consultant and help from the young professional (YP) were adequate for chairing the BSHG in 2008. There was <i>no systematic training to support delivery of PBO</i> and staff has had inadequate training on what implementing a PBO involves and how to engage in policy dialogue.</p> <p>C2: <i>Resources have been stretched</i> by the lack of an economist in the field office. This means that the Resident Representative and CPO who are economists have tried to cover this position. It has resulted in a lack of engagement on PFM issues and there has been no economist in house to cover PFM issues, attend the relevant SWGs and be involved in the economic cluster. Capacity is also limited in the education sector as there is one member of staff dealing with this sector who also covers health and does not have the time to attend all ESSP activities. This advisor is a socio-economist rather than an education expert, which limits engagement on education sector policy.</p> <p>C3: <i>Opening up a field office in Rwanda has improved planning and delivery of PBOs.</i> This was noted in interviews with DPs and the GoR who observed that the field office now dealt with most issues and there was no need for the GoR to refer back to Tunis, as the field office acted as an intermediary. This has reduced transaction costs and made communications easier, while the Bank had become more proactive in SWGs and policy dialogue.</p> <p>C4: <i>Internal business processes do not impede approval and disbursement of PBOs.</i> There were no problems reported by the field office in terms of getting approval for PBOs or in disbursement due to Bank procedures.</p> <p>C5: There is not a clear strategy for PBOs outlined in the CSP, nor guidelines on undertaking PBOs or training given for staff.</p>
E. How well has AfDB matched the PBO to the needs and situation of individual RMCs?
<p>E1. What steps did AfDB take in the PBO operation to analyse the problems and understand the political context and level of stakeholder support? Who was consulted in the appraisal and design phase?</p> <p>E2. What actions did the AfDB take to effectively appraise PBO operations to identify the key policy options and constraints on growth and poverty reduction?</p> <p>E3. Was fiduciary risk systematically assessed and compared to potential benefits of PBO? What did this involve?</p>

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- E4. Was AfDB appraisal work typically based on sufficient knowledge of recipient countries and take into account past reform experience?
- E5. How flexible has AfDB been in appraising and selecting the PBO instrument and conditions to match the local context?
- E6. Have PBO log frames provided a coherent and robust basis for tracing results and measuring outputs achieved?
- E.7. To what extent did the design of PBO impose additional reporting and accountability requirements on the partner Government? Was the design informed by prior discussions with the RMC and with development partners already contributing to the PBO?

Answers

E1. *There is very little analysis of the political context and level of stakeholder support* in PBO appraisal documents, although there is always an assessment of the main constraints and issues that the sector faces. For each PBO the AfDB consults with the GoR and sometimes development partners. Civil society organisations are not consulted and the level of stakeholder support was not assessed.

E2. There is little discussion of key policy options in the PBO appraisals. This is probably because they are based on a sector plan in the case of education and an already agreed framework (CPAF) in the case of general budget support, which are based on GoR priorities. Appraisals are based on non-Bank reports and other information in the public domain, with little additional analysis undertaken by the AfDB.

E3. Fiduciary risk was assessed through the AfDB and DFID undertaking a FRA in 2008, while there have also been two PEFA assessments, in 2007 and 2010, which found fiduciary risk to be moderate. There was also a Country Procurement Issues Paper undertaken by the AfDB and the World Bank in 2004 and a Country Procurement Assessment Review (CPAR), Country Financial Accountability Assessment (CFAA) and Country Financial Accountability Assessment (CFAA) in 2005. These were used to demonstrate in project appraisal documents that public financial management systems were reasonably sound, but *there is no analysis of the potential benefits of PBOs in comparison to fiduciary risk*.

E4. Yes, the appraisal documents *indicate an assessment based on an in-depth knowledge of the country context*, taking into account lessons learned from previous reforms. This is particularly so in the case of lessons learned regarding the capacity of the GoR and the need to reduce the number of conditions used to better match these with capacity.

E5. *The AfDB has made an effort where possible to fit with the local context and use country systems and align with other donors in the sector*. For example in PRSSP I a Special Account was used, but this was discarded in PRSSP II-III and funds were paid into a single Treasury account along with other donors. Funds then use government PFM, reporting and auditing systems and a joint CPAF is used to monitor progress towards achieving indicators. The indicators that the AfDB uses are chosen from the CPAF. In this way, general budget support is completely aligned with government systems and other donors. The education sector support is slightly less aligned, as although funds are paid into a Single Treasury Account the funds are nominally earmarked to a sub-sector (science, technology and research). Apart from this the support uses GoR PFM, procurement and audit systems and the AfDB conditions and log-frame are aligned with the ESSP joint donor framework and the ESSP plan.

E6. *There have been some problems with the logframes* as in hindsight it has become clear that some indicators are difficult to monitor due to a lack of information. More generally there have been few problems with the log-frames used and they are consistent with the CPAF in the PRSSP li-iii and in the ESSP log-frame

E7. There are now no additional reporting requirements although there have some been previously in general budget support. One of the conditions in the 2008 MoU is that the GBS DPs will not request additional reports

F. How efficiently and effectively has AfDB planned and designed PBOs?

- F1. How are allocations for PBO made within the AfDB and country programmes?
- F2. What are the key design features of the PBOs used?

- F3. How does the approach to PBO design compare with other major providers such as the World Bank?
- F4. What have been the trends in the use of multiple or single tranches?
- F5. How has the approach to conditionality evolved over time and how did AfDB seek to exert policy leverage? Have current conditionalities been informed and shaped by discussions with the RMC?
- F6. How effectively has AfDB dealt with non-compliance with PBL conditions by partner countries?
- F7. What steps were taken to ensure that the monitoring and reporting requirements of PBOs were appropriate?
- F.8 Has there been an adequate M&E framework in place? Is it aligned with other development partners and designed in consultation with government? Have lessons learned been fed back into PBO design?

Answers

- F1. It is not clear how the allocation for PBO is made within the country programme as it appears that HQ makes this decision in conjunction with task teams. There is however pressure from the GoR who has made its preference for budget support and a reduction in projects clear through the 2006 Rwanda Aid Policy. The CSP provides no guidelines as to PBO allocations in country. In fact in the CSP there is no discussion of how PBOs fit into the overall strategy.
- F.2. The main design features of PBOs have changed over time. SAP II was a two-tranche operation with 2 conditions for disbursement of the first tranche and 8 for the second tranche. The conditions covered a wide range of actions that supported implementation of a complex reform programme. PRSSP I was similar with a 2-tranche operation and 5 conditions for disbursement of the first tranche and 10 for disbursement of the second tranche. Again the conditions were quite wide ranging in terms of sectors addressed. PRSSP II again had two tranches but the number of conditions was reduced, to 3 in the first tranche and 2 in the second, and were more targeted to priority areas for the Bank. PRSSP III was slightly different with 4 prior actions before board approval of the operation, 1 condition for first tranche disbursement and 4 for the second, which all related to PFM. The ESSP is earmarked funding to the education sector although this is only nominal. The GoR has to report on what AfDB funds are spent on so this earmarking acts as a floor but is part of overall ESSP reporting.
- F3. The design differs compared to the World Bank, as they require around 12 prior actions to be completed before disbursement of funds. Some bilateral co-financiers operate systems of fixed and variable tranches which result in disbursement of the fixed tranche if underlying conditions for GBS are met and disbursement of variable tranches based on fulfilment of conditions. In practice variable tranches are not always disbursed which makes reliability of funding an issue for the GoR.
- F4. The AfDB has always used a two-tranche system for operations covering two years during the evaluation period. The exception was in PRSSP III where the operation involved two tranches over two years to assist the GoR in moving towards a new fiscal year to be in line with the rest of the EAC. In this instance the AfDB disbursed one tranche for disbursement into the 2009/10 mini-budget and another tranche later in the fiscal year.
- F5. The number of conditions has been reduced over time, which is a reaction to the delays in disbursement that occurred as a result of non-fulfilment of conditions in SAP II and PRSSP II. The sector focus of conditions has also got narrower over the PRSSP cycle with PRSSP I using conditions related to land, energy, trade, PFM and water. PRSSP II focused on procurement and land reform, whereas PRSSP III concentrated solely on PFM reform. The conditions are now chosen from the CPAF, as there was agreement among GBS donors regarding a joint GBS process for PRSSP III. This means that they are in line with GoR priorities given that the government is consulted on the CPAF. This has strengthened programmes as conditions are now focused on key areas of reform, rather than wider issues, and are more in line with GoR capacity to implement.
- F6. Non-compliance was dealt with by extending the grant completion time and not disbursing until conditions were undertaken in SAP II, it has not occurred in PRSSP II. In education the AfDB is currently working with MINED to try and collect the necessary information so that the final tranche of the grant can be paid. There have been no waivers of conditions.
- F7. The AfDB has used joint monitoring mechanisms and reporting mechanisms. For the PRSSP III a joint CPAF is used and a twice-yearly review process to

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monitor this. This is linked to the sector working groups who make annual reports that feed into the annual review process in October each year. PRSSP I - II was linked with the PRS/EDPRS and indicators chosen were related to this. In PRSSP II it was planned that a separate budget execution report on priority sectors of the EDPRS would be submitted to the Bank. This was changed and it is now included in the joint half-yearly budget reviews to reduce transaction costs for the GoR. Similarly, in PRSSP I it was decided that joint donor reports from the GoR would be sufficient for project monitoring. At the same time the practice of the Bank in demanding a project execution report from GoR was discontinued in the spirit of harmonisation. For the ESSP a joint monitoring matrix is used and the AfDB monitors the STR component of this. The AfDB then demands separate reports, which outline the activities or items that AfDB funds have been spent on.

F8. Monitoring and reporting frameworks have been put in place and use feedback to improve programme design. For example, the weakest performance under PRSSP I was in procurement. This was subsequently focused on in PRSSP II-III to assist in improving GoR performance in this area. On the other hand, there are some weaknesses in GoR monitoring and in education there have been problems in getting the information from the GRZ needed for disbursements.

G. What has been achieved by AfDB through the provision of PBLs?

G1. What has been the disbursement record of PBL?

G2. What has been the record of achievement of policy targets set by the AfDB and agreed with RMCs?

G3. To what extent is AfDB perceived by partner governments and donors as playing an active part in policy dialogue and adding value to the process?

G4. To what extent has AfDB demonstrated to the donor community the benefits of PBL in new and difficult environments such as fragile states?

Answers

G1. *The record on disbursement has improved over the evaluation period.* There has never been a problem with year-to-year disbursement but there has been an issue with in-year predictability. The first tranche of SAP II was disbursed on schedule, but the second tranche experienced a disbursement delay of 8 months. PRSSP I experienced delays of 10 and 11 months for the first and second tranches respectively. PRSSP II experienced a two-month delay in the disbursement of the first tranche, as there was a delay in the loan agreement being signed, whereas in PRSSP III both tranches were disbursed on time. In the ESSP it is difficult to know how predictable disbursements have been in-year as no specific dates are given in grant schedules, but the first tranche was disbursed in the final quarter of the FY, whereas the second and third tranches were disbursed in the first quarter.

G2. *In SAL II the overall assessment of outcomes was judged as satisfactory.* Out of 118 measures in the overall programme 83, or 70.3% were implemented (73 within the programme schedule and 10 with delay). Of the remaining measures. 17 were ongoing while 18 remained to be implemented. Most of the unimplemented measures related to restructuring or privatisation of state-owned enterprises. Under PRSSP I, 26 of the 37 (70%) of the measures were completed before the completion report mission. Implementation rates for component 1 which supported growth and competitiveness were high, with 78% of measures implemented on schedule and 11% behind schedule. This included measures to improve agricultural performance and the financial sector and the implementation of the privatisation programme. Component 2 was 82% implemented with measures related to water and sanitation and the energy sector undertaken. Component 3 which focused on PFM was implemented unsatisfactorily. Full integration of the development budget and operating budget was not completed, reforms to government procurement were not implemented within the time frame and overall procurement was the weakest in terms of performance. In PRSSP II there were 52 measures focused on PFM and private sector development and export. Of these measures 47 were fully implemented, 4 were implemented in part and only 1 was not implemented. The latter was related to the development and operationalisation of a commercial mediation and arbitrations system. Overall progress on CPAF targets under PRSSP III was reported in the October 2010 Annual Review as satisfactory with 68.9% of indicators fully achieved, 6.7% partially achieved, 6.7% not achieved and information on 17.8% not available. Achievement of policy actions was also satisfactory with 80.0% achieved, 16.8% partially achieved and 3.2% not achieved. There was good progress made in the governance and economic clusters, which the AfDB is monitoring through its focus on PFM and private sector development.

G3. *The AfDB has played a more active role in the PRSSP than in the ESSP.* In the BSHG the Resident Representative has been very active, as was the economist when there was one present in the office. The AfDB co-chaired the BSHG in January 2008 for 6 months and will do so again in January 2011. While co-chairing, the Bank was pivotal in getting agreement on the new joint CPAF and new joint budget support arrangements. The Bank managed to include infrastructure within the CPAF and is seen as providing added-value in terms of its experience in infrastructure. In the ESSP the Bank is less active as the socio-economist covers not only education, but also other sectors and so is constrained in terms of time.

G.4 The AfDB as part of the general budget support donor group has assisted in demonstrating the benefits of using PBOs in Rwanda as a post-conflict country.

H: What did AfDB set out to achieve by providing PBOs and what factors influenced the choice of modality?

H1. Did the country strategy provide an adequate strategic and analytical framework for choosing an appropriate mix of aid instruments?

H2. Was there a clear link and consistency between country programme and PBOs' objectives?

H3. What was the rationale for PBOs, the type chosen and the allocations made?

H4. What were the objectives (written and unwritten) and the expected outputs of the PBOs?

H5. How was the overall level of PBO determined within the country budget?

H6. How were choices between aid instruments made in practice and how was the overall level of PBOs determined within the country budget?

H7. Was the design of PBOs shaped to the specific institutional, economic and political context? Specify how.

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H8. What other (unwritten) factors and incentives may have influenced decisions to select PBOs?

Answers

H1. No. The CSP 2008-2011 does not discuss the appropriate mix of aid instruments or provide an analytical framework for making choices between them. It notes that the Rwanda Aid Policy 2006 identifies budget support as the GoR's preferred aid modality and encourages the use of country systems, but there is no assessment of how the AfDB might comply with this or of different options for using differing aid modalities in the country programme. The CSP just outlines the different elements of the next country programme, but not in the context of aid modalities.

H2. No. There is not a clear link between the country programme and PBO objectives. The CSP outlines the rationale for the Bank's interventions in Rwanda and how these link to the pillars of the CSP. There is no discussion of the PRSSP as part of this or of how it supports programme objectives. The two main elements of the CSP are economic infrastructure and competitiveness and development, so governance, which is what general budget support is focusing on, is not a key part of the country programme. It is only in the annex where a monitoring matrix is outlined that the PRSSP is likely to help in the cost of doing business and support to the education sector will increase skill levels.

H3. It is not known how the level of PBO was decided within the country budget, as it is not explained in the CSP or in appraisal documents. It seems to be linked to the ADF allocation and funds available. For example, the RWFO does not know if the education sector support will continue for another phase, but it was stated that this depends on the ADF XII allocation. This suggests budget support is a residual, rather than being used strategically within the country programme.

H4. The stated objective of budget support is that it is used to support the EDPRS and increase harmonisation and alignment. The unwritten objective is that general budget support gives the AfDB a seat at the table and allows it to participate in high-level policy dialogue with the GoR and allows the RWFO to have a good overall perspective on GoR thinking and the donor context. In education the objective is to support AfDB policies, which promote STR and infrastructure development in education. The AfDB is also operating in the education sector as a counterweight to FTI which focuses mainly on basic education.

H5. It is not known how the allocations for PBO in the budget were made at country level, although allocations are undertaken within the overall PBO CAP and dependent on ADF allocations.

H6. *The choice of aid instrument was made depending on GoR requests, the existing aid modalities operating in those sectors and what aid modality the RWFO and the appraisal team thought most appropriate.* Decisions were also made dependent on what the AfDB was allowed to do according to HQ regulations. For example, the AfDB cannot join pooled funds so support to PFM was ruled out through pooled funds. In the education sector there was the option of SBS as other donors were engaged in this. In the forthcoming agricultural sector support the GoR requested that it be put through GoR systems.

H7. In SAP II and PRSSP I the design of the operations was not appropriate to the institutional context as the institutional capacity of the GoR was not sufficient to implement all the actions that the grant agreements required. This has improved in the later operations and the operations are now better matched to GoR capacity. In education there is a SWAp and so SBS through the JESS fits well in terms of how the education sector is funded.

H8. This question is answered in H4,

I: How relevant was the PBOs' support to partner country problems, policies and priorities, and were policy reforms owned?

I1. Was the PBOs' support consistent with the national poverty reduction objectives and development plans of the Government? Explain how this was assessed

I2. How far were the policy and institutional reforms targeted by the PBO developed by and in consultation with local stakeholders (both within and outside government) and how far did they engage in preparatory analysis?

13. In what ways did the AfDB analyse the political economy context and the potential winners and losers from policy and institutional reforms?
14. Were alternative policies and reform measures considered?
15. What inputs were actually provided and to what extent did they match the plans envisaged by the Government?
16. Explain the process by which the programme was designed to ensure it was appropriate for achieving the objectives (e.g. adequate programme logic, appropriate reform instruments, adequate tranching?)

Answers

11: *All PBO operations were consistent with GoR plans, except SAP II which was not based on GoR plans but on IMF and World Bank reform programmes. PRSSP I was intended to support the PRS which focused on 4 priority sectors and the AfDB operation in turn was aligned with this. The PRSSP II and III were designed to support the EDPRS and the MDGs. Indicators used to monitor these plans were then used by the AfDB in monitoring matrices. For education, support is in line with the education sector plan and the AfDB is part of the SWAp process.*

12: *The AfDB holds consultations on its operations with the GoR and sometimes with DPs. For GBS the CPAF is agreed with the GoR and other development partners, while in education the support on STR is aligned with the education sector plan in this area. This is no discussion with CSOs and sometimes other DPs are not aware of the AfDB PBO activities.*

13: *There is no systematic way in which PBOs analyse the political economy context and potential winners and losers of reforms. SAP II, PRSSP I-III and ESSP documents contain no analysis of potential winners and losers. The risks and impacts are discussed, but impacts only in terms of positive impacts and risks are assessed regarding project implementation.*

14: *There is no discussion of alternative policies or reforms in programme documentation. There is no analysis of different options or ways in which reforms could be undertaken.*

15: *Support to the education sector: In each PBO only funding was provided, with no additional support given in terms of TA, technical advice or analytical work. The GoR commented that they would like to receive more technical advice from the AfDB and the bank is weak in economic and sector work. The funding appears to be adequate, although there is no discussion of potential financing gaps in programme documents. The PRSSP I-III matched the PRS and EDPRS so was in line with GoR plans, whereas the ESSP supported a sub-sector of the education plan.*

16: *A variety of analytical work related to fiduciary risk underpins the PBOs, namely the Country Procurement issues paper undertaken by the AfDB, World Bank and GoR in 2004, the CPAR and the CFAA; there have also been two PEFAs undertaken in 2007 and 2010. Apart from this the process for choosing specific design or reforms is not documented, mainly as task teams based in Tunis undertake this.*

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J: How efficiently and effectively did the AfDB collaborate with other donors and contribute to the harmonisation process?

J1. What were the areas of focus for AfDB conditionality and did this generate any “signalling” effects and positive incentives for implementation?

J2. In the PBO process, what steps were taken to ensure an effective dialogue with government was established which focused on key strategic priorities of Government, for example around PFM or procurement issues or other national or sector policies?

J3. Was the PBO associated with non financial forms of assistance such as economic and sector work or technical assistance or linked to other AfDB capacity building projects and programmes in areas of strategic priority for Government? If so, specify how.

J4. Explain how the AfDB provision of PBO has contributed to harmonisation and helped reduce transaction costs for Government?

J5. How well did AfDB systems support harmonisation in country-in particular what was the role of the HQ based task leaders, convenience of mission schedules, engagement and voice in joint donor groups, role of the Field Office, Field Office and HQ relations etc.

J6. If there has been non-compliance, explain what happened and specify how effectively AfDB dealt with this and was action taken and the extent to which they occurred in collaboration with development partners?

Answers

J1: The areas of focus for AfDB conditionality narrowed over time. In PRSSP I conditions ranged over sectors such as land, energy, trade, PFM and water, by PRSSP III they were focused on PFM and private sector development. In education there are no specific conditions as such, just the production of annual work plans and satisfactory performance in accordance with the work plan and joint annual review. In education there are signalling effects through the Bank's focus on STR which gives an incentive for implementation in this area, although choosing a sub-sector to focus on may detract from implementation elsewhere in education.

J2: *Appraisal and evaluation missions and participation in the BSHG and sector working groups have been the basic approach undertaken by AfDB.* These consultations involve MINECOFIN as well as sector ministries. AfDB also participates in joint DP-government consultative processes such as the GBS annual review as well as education sector reviews. The AfDB has taken the co-chair in the BSHG, but recently has not been engaged in in-depth strategic areas such as PFM because of the lack of an economist in the office.

J3: There was no evidence of PBOs being linked to non-financial forms of assistance or other AfDB capacity building projects.

J4: *Joining GBS and implementing PBOs in education is evidence of AfDB's commitment to harmonisation and has reduced transaction costs for the government.* The PRSSP and the ESSP use government procurement and monitoring systems and financial reports, with funds being channelled through government systems. AfDB also participates in joint sector reviews and joint dialogue with other DPs. A joint CPAF is used in GBS and education SWAp mechanisms are used for assessment of progress in the ESSP. There is also no use now of special accounts which minimises the burden on the GoR.

J5: *The AfDB does very little joint working with other DPs including joint missions and economic and sector work.* The RWFO has been active in dialogue in the BSHG and has co-chaired the group, but this has tended to be high level with participation by the Resident Representative, and the Bank has been less activity recently in the PFM and other related working groups, because of the lack of an economist. The RWFO participates in annual reviews, as do missions from Tunisia.

J6: *There have been no instances of non-compliance in PBOs,* although the Netherlands and Sweden chose to suspend budget support in 2009 in response to a UN report that accused the GoR of interference in the DRC. This decision was made by these bilaterals without consulting the BSHG, which resulted in heated discussion. The Netherlands have now begun disbursing again, while Swedish support has ceased, but Sida still remains part of the BSHG. It was reported that as the BSHG is very small it is easier to discuss these issues and there is less need for a common position. The AfDB has always made it clear that it does not deal in 'political' governance issues and this is understood by the other DPs.

K: How far were the immediate objectives of PBO met and what were the effects on Government?

- K1. Specify how AfDB contributed to an increased external resource flow into the Government budget over the period of successive PBO tranches?
- K2. Were AfDB funds disbursed as planned and in line with a timetable agreed with other donors and the Government? If not, what happened and why?
- K3. Did the PBO contribute to an increased predictability of funds going into the Government budget e.g. in year and between years as well as over the medium term budgeting cycle? If so, specify, if not explain why and what happened
- K4. To what extent did the PBO align with the Government budget cycle (financial management, accounting and procurement systems)?
- K5. Did the provision of PBO contribute to any overall reduction in transaction costs? If so, in what ways, and how was this positive outcome assessed? How did transaction costs of the Government working with the AfDB compare to those of other donors?
- K6. What did the AfDB achieve in terms of greater alignment? How did this compare with other donors?
- K7. How did AfDB systems support or limit alignment of PBOs to country systems and needs e.g. in relation to annual and multiyear budgeting, degree of AfDB flexibility to accommodate timing, and the degree to which Bank procedures support disbursement early in the financial year?

Answers

- K1. The AfDB contributed to increased resource flows to the GoR budget as general budget and sector support has accounted for around 50% of government recurrent expenditure during the last few years. This has allowed the GoR to increase priority spending in line with the EDPRS target of 13% of the total budget. This funding has also supported the implementation of the GoR programme and both the 2009 and 2010 annual reviews noted that the GoR had made good progress in EDPRGS implementation. In both reviews around two-thirds of objectives outlined in the CPAF were met.
- K2. Not always; see G1. This was due to GoR non-fulfilment of conditions and sometimes delays on the AfDB side.
- K3. There have not been any problems with year-to-year predictability for PBOs, although there have been some with in-year predictability. Despite this, in-year predictability has improved considerably over the evaluation period. Delays in the ESSP disbursements have been caused more recently by a lack of capacity within the MINED to produce the required reports.
- K4. The AfDB has aligned with GoR systems and the budget cycle and has not introduced any additional procedures. AfDB PBOs have become more aligned over the evaluation period with a move to funding through the GoR single treasury account rather than a special account and not requiring additional reporting.
- K5. The GoR reported that transaction costs have been reduced through the development of a joint budget support mechanism and joint CPAF and review mechanism.
- K6. The AfDB is well aligned with GoR systems and this compares well considering only five other DPs fund through GBS. In education there are also only 4 DPs who give funding through the JESS so this means that the AfDB is well positioned. On the other hand funding the whole sector plan for education would align the AfDB with GoR priorities more closely rather than AfDB choosing its own priorities through earmarking to sub-sectors.
- K7. There were few reports from staff in the RWFO that Bank procedures delayed disbursement, apart from procurement where the need to get no objections from HQ led to delays. It was reported that procedures were very quick.

L: What contribution has AfDB support made to improve policy, systems or institutions in the areas where PBOs were focused?

- L1. What policy changes have been introduced over time in areas or sectors where the PBO conditionality was focused and why were these changes made?
- L2. In what ways did AfDB policy dialogue in specific areas such as PFM contribute to improved results in those areas?
- L3. What is the role of the AfDB field office in relation to the use of PBOs?

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- L4. What were the type, role and use of pre conditions by the AfDB and what specific influence did they have?
L5. What institutional or system changes have taken place in areas or sectors where the PBOs conditionality was concentrated?
L6. To what extent is it able to show how far can any of these institutional or system improvements be attributed to AfDB engagement and provision of PBOs?
L7. What do Government and donors think was the value added arising from AfDB involvement and provision of PBOs?

Answers

L1. In education the most important policy change was the adoption and implementation of 9-year basic education fast-tracking strategy. A programme of gradual expansion of infrastructural capacity at upper secondary to increase access has been implemented and there has been a focus on basic education and increasing enrolment and completion rates as well as reducing dropout rates. These changes were all implemented to strengthen the education sector overall. GBS has supported the GoR reform programme which has been focused on the four pillars of the EDPRGS, with the AfDB concentrating on enhancing governance and business development. In governance there has been the introduction of a variety of measures by the GoR to strengthen PFM through a PFM reform programme. These changes have been made to strengthen GoR systems and increase exports and employment.

L2. There has been little policy dialogue by the AfDB in education because of a lack of capacity. The focus of the AfDB on STR has probably assisted in focusing attention in this area, however, and complementary assistance through a project 'Support of Skills Development in Science & Technology' has probably also assisted in achieving results. Recently the AfDB has not been so active in dialogue on PFM as it has not had an economist in house to attend the PFM working group. The AfDB does not contribute to the PFM pooled fund either, so it is unlikely that the AfDB has had much influence on PFM reform through including conditions on this as no other component of their programme was related to it. In private sector development, the Bank has a project which is complementary to this, the 'Competitiveness and Enterprise Project' which it is assumed assists in achieving objectives in this area.

L3. The role of the RWFO is to monitor progress on PBOs and report back to HQ.

L4. As noted in section G. above there were substantial pre-conditions that had to be met in SAP II and PRSSP I. In PRSSP II-III conditions have been reduced, while in the ESSP the main conditions are to develop work plans for the following year and have had satisfactorily annual reviews the previous year. It is not known what specific influence these conditions have had, although they have on the whole been met, suggesting that the GoR is motivated to implement conditions.

L5. In PFM reforms implemented include an Organic Budget Law, a new procurement Code and creation of oversight institutions. Progress has been seen in rolling out of an IFMIS system, improving the credibility of the budget, strengthening external scrutiny and audit and in budget preparation. In education there has been the implementation of 9 years basic education, strengthening science and technology education and strengthening sector planning, management and monitoring capacity. In the area of private sector development, a number of laws have been passed over the past year, to improve regional competitiveness, leading to Rwanda's ranking as a top reformer of 2009 by the Doing Business Report.

L6. It is not possible to attribute these changes are used to the AfDB since it is part of joint donor groups focusing on these issues, although collectively they have probably had some impact. In education AfDB earmarking has helped GoR policy in science and technology, and in PFM there have been improvements and the Bank is one of a group of donors assisting the GoR to make improvements in this area.

L7. Value-added stems from participating in and co-chairing the BSHG where the AfDB played a role in facilitating agreement on the CPAF and joint budget support mechanisms. In education the AfDB focus on STR has helped the GoR maintain focus in this areas when others are concentrating on basic education, in PFM there was no value-added and it was noted that the AfDB is not active in this area. The GoR also perceived the AfDB to be more flexible in its approach with less of an agenda than other DPs.

M: Is there any evidence of a sustained improvement in pro poor spending or public services and have external donor contributions including that by AfDB, contributed to this?

M1. What has been the total financial contribution of the donor community and what proportion of this total was financed by AfDB?

M2. Has the quantity or quality of public services improved in the areas where commitments were sought by the donors and the AfDB? If so specify how.

M3. To what extent can any improvement be attributed to the external donor support including that of the AfDB? Specify.

Answers

M1. *The proportion of AfDB's GBS allocation has varied over time (the same situation as with other DPs).* In SAP II the AfDB contributed around 17% of the total programme costs of UA 25. million, in PRSSP I around 23% of total costs of UA 92.9 million, in PRSSP 7% out of UA 243.8 million. For the ESSP the total cost of the programme was UA 92.9 million and the AfDB funded around 16%.

M2: *Education:* Social outcomes have improved and there have been substantial improvements in education with significant progress in primary and secondary education and adult literacy. Rwanda is currently on track to achieve most of the millennium development goals (MDGs) and will achieve all targets related to universal primary education

Poverty reduction: It is likely to be difficult for Rwanda to meet MDG 1 on eradicating extreme hunger and poverty. A household survey was undertaken in 2005/2006, which indicated that 56.9% of households were below the poverty line compared to 60.4% in 2000/2001, while inequality had risen with an increase in the Gini coefficient from 0.47 to 0.51. There has been an improvement in the country's Human Development Index

M3: *Increasing government discretionary spending.* The AfDB contributed to increased resource flows to the GoR budget, as general budget and sector support has accounted for around 50% of government recurrent expenditure during the last few years. This has allowed the GoR to increase priority spending in line with the EDPRS target of 13% of the total budget. Priority spending covers education, health, agriculture, transport and water so it is assumed that DPs including the AfDB have made a contribution in this area.

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Annex B Country Time Line

Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
1960s			<p>In the 1960s and 1970s, prudent financial policies in Rwanda combined with generous external aid and favourable terms of trade foster sustained growth.</p> <p>1962: Rwanda becomes independent with Gregoire Kayibanda, as president; many Tutsis leave the country.</p> <p>1963: Rwanda becomes a member of the World Bank.</p> <p>1963: About 20,000 Tutsis killed in response to a military attack by exiled Rwandan Tutsis in Burundi. By the mid-1960s it is estimated that half of the Tutsi population are living outside Rwanda.</p>
1970s	<p>An economic crisis was experienced by African economies in the 1970s; this was largely attributable to endogenous factors that were embodied in inappropriate policies adopted by governments. The first generation of Policy Based Loans (PBLs) came about partly in response to this crisis (at the end of the 1970s and the 1980s); the loans focused on redressing short-term macro-economic imbalances.</p>		<p>1973: President Gregoire Kayibanda ousted in military coup led by Juvenal Habyarimana the army chief of staff who sets up a one-party state. A policy of ethnic quotas is entrenched in all public service employment. Tutsis are restricted to nine percent of available jobs.</p> <p>1975: Habyarimana's political party, the National Revolutionary Movement for Development (MRND), was formed. Hutus from the president's home area of northern Rwanda were given overwhelming preference in public service and military jobs. The exclusion of Tutsis continued throughout the '70s and '80s.</p> <p>1978: A new constitution ratified and Habyarimana elected president.</p>
1980s	<p>AfDB introduced Policy Based Loans (PBLs) in the 1980s in response to the demand by the Bank's Regional Member Countries (RMCs) for support in balance of payments as they implemented stabilization and structural reforms.</p> <p>1984: The Board of Directors approved non-project lending to regional member countries and laid down the necessary guidelines such that the Fund would support institutional and policy reforms already being undertaken by borrowing countries and in close collaboration with the WB and IDA.</p> <p>1986: The AfDB Group decided to</p>	<p>October 1981: a tea growing project in the communes of Nshili and Kivu was approved. A loan agreement for UA 7.36 million was signed in December 1981 and became effective in August 1982. The project aimed to increase the economic conditions in Nshili and Kivu by diversifying their economy. The project was impacted by the war when the population fled. The addition of rehabilitation work was also made necessary.</p> <p>June 1986: approval of the Kigali drinking water supply project II. A loan for UA 11.97 million was signed in August 1986. The project aimed to increase the production of drinking water in order to meet demand. Once the work had been completed there was an outstanding balance which the Government asked if it could use for rehabilitation.</p> <p>December 1986: approval of the OBK Regional Telecommunications Project. The loan agreement for a loan of UA1.58 million was signed</p>	<p>1980s-early 1990s: Rwanda suffered massive terms of trade shock when international coffee prices fell. As a result, per capita income fell sharply.</p> <p>Early 1980s: There was low agricultural productivity: as Rwanda struggled to make the transition from low-value agriculture to high value farming.</p> <p>1988: Some 50,000 Hutu refugees flee to Rwanda from Burundi following ethnic violence in Burundi.</p>

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Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	<p>strengthen its intervention in the area of economic policy and policy dialogue with member states.</p> <p>1987: Establishment of the Special Programme of Assistance to Africa (SPA).</p> <p>1988: Publication of the AfDB's '<u>PBL Guidelines and Procedures</u>'</p>	<p>in February 1987. The project was completed in December 1999.</p> <p>April 1987: approval of the Ruhengeri rural development master plan study. A loan of UA 0.83 million was signed off in September 1987 it became effective in 1990 and was completed in 1997.</p> <p>August 1987: approval of a project for the rehabilitation and extension of the electricity network in six centres. The project aimed to satisfy the future energy needs of the towns of Gitarama, Byumba, Rwamagana, Gikongoro, Cyangugu and Bugarama. The loan agreement for a loan of UA 6,318 million was signed in October 1987.</p> <p>September 1988: approval of a loan for UA14.09 million for the strengthening of technical and vocational education II. This project aimed to extend and strengthen the capacity of the technical education schools and enhance the teaching qualifications of the general secondary and technical education staff. The loan agreement was signed in July 1989. However following a portfolio restructuring exercise in 1995 UA12.44 of the loan was cancelled.</p> <p>June 1989: an ADF loan of UA5.53 million was approved as a line of credit to the "Banque Rwandaise de Developpement" (BRD). The loan agreement was signed in July 1989. The provision of finance was to fund the foreign exchange costs of the different SME sub-projects in the industrial, agro-industrial and service sector.</p> <p>December 1989: approval of the Study of the Nshili-Kivu Tea Factory and the Tea Sector. A loan of UA1.66 million from the Technical Assistance Fund was signed in May 1990 but didn't become effective until 1993, four years after its approval. This delay was due to the war. The project aimed to study conditions relating to the establishment of a tea factory for processing the output of the Nshili-Kivu plantations, and to research the tea sector so as to propose to the Government the best options for privatizing its management.</p>	
<p>1990s</p>	<p>1990: Special Programme of Assistance for Africa (SPA) discussions – it was agreed that the case for earmarking of counterpart funds for specific uses should be decreased as progress is made in effective public expenditure monitoring and periodic reviews.</p> <p>From the beginning of the 1990s a second generation of PBLs began. These were focused on long-term objectives such as sustainable growth,</p>	<p>October 1990: approval of the Kigali drinking water supply project III. The grant agreement for UA 0.828 million was signed in March 1991. The project aimed to prepare engineering designs, plans and the bidding documents required to meet the drinking water supply needs of the town of Kigali by 2010. The study started five years behind schedule, the conditions were not fulfilled by the Government until 1998 and work started in 1999.</p> <p>October 1990: approval was given for a peat deposits feasibility project. A loan for UA 0.53 million was signed in March 1991. The project was completed in 1998.</p> <p>November 1990: approval was given for the Byumba Agricultural</p>	<p>1990: Forces of the rebel Rwandan Patriotic Front (RPF), which is predominantly Tutsi, invade Rwanda from Uganda.</p> <p>1991: A new multi-party constitution is declared in Rwanda.</p> <p>1993: A power-sharing agreement is signed by President Habyarimana and the RPF in the Tanzanian town of Arusha. This allows for the return of refugees and a coalition Hutu-RPF government. 2,500 UN troops are deployed in Kigali to oversee the implementation of the accord.</p> <p>Sept.1993-Mar.1994: President Habyarimana stalls on setting up the power-sharing government. Meanwhile the training of militias intensifies and the extremist radio station, Radio Mille Collines, begins broadcasting exhortations to attack the Tutsis.</p>

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Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	<p>private sector development and poverty reduction.</p> <p>1992: Special Programme of Assistance for Africa (SPA) report on PERs – this recognized that generally agreed aims of priority spending are not easily achieved.</p> <p>1993-1995: The bank financed very few projects as a result of the non-availability of African Development Fund (ADF) resources.</p> <p>From 1999, the governance component of reforms within the African Development Bank (AfDB) increased, including legal and judicial reforms, audit reform, and public expenditure reforms. Also, PBLs started addressing some aspects of regional integration.</p>	<p>Development Project II. The project aimed to sustainably improve economic conditions of the rural population of the Byumba prefecture mainly through increasing agricultural output. A loan agreement was signed in May 1991 for UA 3.4million in addition a Technical Assistance Fund (TAF) grant was provided of UA 1.4 million. The first disbursement was made in September 1991. But disbursements were suspended in May 1999 following serious management lapses.</p> <p>December 1990: Approval was given by the AfDB for the Mutara Agricultural Development Project. The project aimed to reduce the food deficit, reduce the milk and meat shortages and to improve the income and living conditions of farmers. The loan was signed in May 1991 for a loan of UA9.94 million. However the loan did not become effective until five years later, in 1996. Implementation of the project was severely disrupted by the situation in Rwanda and the withdrawal of other donors. Only UA 2.09 million was disbursed.</p> <p>September 1991: approval of a Structural Adjustment Programme I for Rwanda. This aimed to provide resources to the Government of Rwanda so that it could embark on its economic reform programme. The ADF gave a loan of UA 12.0 million which was released in two tranches on fulfilment of conditions set before-hand. Co-financing was provided by: World Bank/IDA (UA 9m), Switzerland (UA 7.7m), Belgium (UA 19.2m), Austria (UA 6.5m), Canada (UA 10.2m), France (UA 13.7m), Germany (UA 16.7m), US (UA 20m), EC (UA 20m).</p> <p>November 1992: approval of the feasibility study of the limestone and crushed bolster production project. This study aimed to ascertain whether lime could be produced from Rwandan bolster deposits. The lime could then be used for agriculture, construction and water treatment. A loan agreement was signed in May 1993 but did not become effective until four years after its approval in December 1996. The study finally started in February 1999.</p> <p>August 1994: Emergency aid to civil populations project was approved, a grant of UA2.04 million was signed off in December 1994 and became effective in July 2005.</p> <p>June 1996: approval of the project for the emergency rehabilitation of secondary education and the Busogo Higher Institute of Agronomy and Stockbreeding. The project aimed to restore the secondary education services, and those of the Higher Institute of Agronomy and Stockbreeding (ISAE) to the level at which they were before the events of April 1994. A loan agreement for a loan of UA 9.0 million was signed in July 1997.</p> <p>June 1996: approval of the project for the emergency rehabilitation of</p>	<p>Human rights groups warn the international community of impending calamity.</p> <p>1994 April: Habyarimana and the Burundian president are killed when their plane is shot down over Kigali. The RPF launches a major offensive; extremist Hutu militia and elements of the Rwandan military begin the systematic massacre of Tutsis. Within 100 days around 800,000 Tutsis and moderate Hutus are killed. Hutu militias flee to Zaire and Tanzania, along with millions of Hutu refugees.</p> <p>April - July 1994: there is a systematic campaign of genocide aimed at completely eliminating the Tutsis. About 1 million people were killed and 3 million fled into exile in neighbouring countries.</p> <p>July 1994: The RPF captures Kigali and the remaining Hutu government flees to Zaire, followed by more refugees.</p> <p>August 1994: The New Rwandan government agrees to trials for genocide perpetrators before an international tribunal established by the U.N. Security Council.</p> <p>1994-96: The vast refugee camps in Zaire (DR Congo) fall under the control of the Hutu militias responsible for the genocide in Rwanda.</p> <p>1995: Extremist Hutu militias and Zairean government forces attack local Zairean Banyamulenge Tutsis; Zaire attempts to force refugees back into Rwanda.</p> <p>1995: UN-appointed international tribunal begins charging and sentencing a number of people responsible for the Hutu-Tutsi atrocities.</p> <p>1995: Western governments, including the U.S. (\$60 million), pledge \$600 million in aid to Rwanda.</p> <p>November 1996: Mass repatriation from Zaire begins; the Rwandan government orders a freeze on arrests of suspected genocide perpetrators.</p> <p>1997: The Government of Rwanda begins a process of national reconciliation alongside a programme of economic recovery</p> <p>1998: There is extensive deregulation of trade and foreign exchange policy, the tax system is reformed, public sector reform is initiated, growth is relatively good and only a third of public expenditure is financed by the country's own funds, the rest being funded by development assistance.</p>

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		<p>health facilities. The loan for UA4.76 million was signed in July 1997 and became effective in July 1998. The project aimed to ensure access to quality health services organized by the districts in the health regions of Kibuye, Gisenyi and Kibungo through the renovation, equipping and training of health workers and technicians.</p> <p>September 1997: approval of a loan from the ADF for UA 4.2 million for a Project for the Urgent Resumption of Agricultural Production. This project aimed to increase the production of white rice. The loan was signed in May 1998 but there were serious delays in compliance and then implementation by the Government.</p> <p>November 1997: project for institutional support to MINECOFI and BNR was approved. The project's objective was economic and financial management capacity building to support the main institutions responsible for defining the country's macro-economic, monetary and financial focus. The project was co-financed by the IMF and the World Bank. A loan agreement for UA 1.5 million was signed in November 1997 and was effective from September 1998.</p> <p>March 1998: approval of the Study of the Master Plan for the Development of Marshlands, Protection of the Catchment Areas and Soil Conservation for which a loan agreement of UA1.03 million was signed in May 1998. There were problems with lack of staff as those designated by the Government to monitor the project were not transferred in a timely manner.</p> <p>June 1998: poverty reduction for women project, a loan for UA 9.54 million was signed off in January 1999. The expected closure date for this project was December 2004.</p> <p>July 1998: Structural Adjustment Programme II was approved. The objective of this programme was to restore the country's main macroeconomic balances. A loan for UA 15.28 million was signed in July 1998 and had been fully disbursed by October 1999. Co-financing was provided by IMF (UA70.89m), World Bank (UA67.37m), EC (UA37.43) and other bilaterals (UA84.21m). The programme aimed to restore internal and external macro-economic balance in order to promote conditions for equitable economic growth.</p> <p>December 1998: Primary education and Kist strengthening project was approved. A loan of UA 20.78 million was signed in January 1999. Project closure was predicted to be in December 2005.</p>	
2000	From 2000 there was a new generation of PBLs, which marked a policy shift	October 2000: livestock development support project was approved. A loan for UA13.5 million was signed off in January 2001. The predicted	March 2000: The President Pasteur Bizimungu, a Hutu, resigns over differences regarding the composition of a new cabinet and after accusing parliament of

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	<p>towards Budget Support and Sector-Wide Approaches (SWAps).</p> <p>2000: The AfDB's Board Committee for Development Effectiveness (CODE) strongly endorsed the work programme of the Bank's Evaluation Department, OPEV, which included a move away from project level evaluation to the evaluation of higher-level interventions.</p>	<p>closing date was December 2006.</p> <p>November 2000: approval of a third line of Credit to the Rwandan Development Bank (BRD). A loan agreement for UA6.0 million was signed in January 2001.</p>	<p>targeting Hutu politicians in anti-corruption investigations.</p> <p>2000 April - Ministers and members of parliament elect Vice-President Paul Kagame as Rwanda's new president.</p> <p>2000: Rwanda's GDP per capita GDP is \$242 making it one of the poorest countries in the world.</p> <p>August 2000: The Gender Action Plan is adopted.</p> <p>2000: publication by the Ministry of Finance and Economic Planning of Rwanda's 2020 vision. The vision identifies key objectives that need to be attained for Rwanda to become a middle-income country by 2020. The PRSP comes out of this vision, representing a short-term plan to contribute to the vision.</p>
<p>2001</p>	<p>2001: The Bank introduced Development Budget Support Lending (DBSL) as one of its PBL instruments.</p> <p>2001: The AfDB released the 'Handbook on Stakeholders Consultation and Participation in AfDB Operations', which outlines the different tools and techniques for civil society participation in Bank operations including policy formulation.</p> <p>2001: The AfDB adopted the evaluation standards developed by the Consortium Evaluation Groups (CEG), which included a results-oriented, development effectiveness framework for all participating agencies.</p> <p>2001 June: OPEV led a workshop on Results-Based Management to inform and solicit viewpoints from managers and staff on the possibility of moving towards a results-based framework.</p> <p>2001: First DBSL operations took place in Benin, Burkina Faso and Uganda.</p> <p>June 2001: under ADF-IX Guidelines, the Bank will finance stand alone PBLs targeting governance and regional integration for which the IMF had deemed the macroeconomic framework satisfactory. The first one was for</p>	<p>October 2001: The Public Investment Programming and Management System Institutional Support Project (CEPEX) was approved. This project aimed to mobilize external financing as well as public investment programming and management process. A loan of UA 2 million was signed off in February 2002 by the ADF, the Government of Rwanda also contributed UA 3.55 million. The last disbursement was in December 2007, after a slippage of 2 years from the planned completion date.</p> <p>November 2001: Forestry Management Support Programme was approved. A loan agreement for UA8.90 million was signed in December 2001. The expected closing date was December 2007.</p>	<p>October 2001: voting to elect members of "gacaca" courts begins. These traditional courts - in which ordinary Rwandans judge their peers - aimed to clear the backlog of 1994 genocide charges.</p> <p>2001 December: A new Rwandan flag and national anthem are unveiled to try to promote national unity and reconciliation.</p> <p>2001: The Rwandan Government adopts a Poverty Reduction Strategy Paper.</p>

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Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	Zambia focusing on Fiscal Transparency and Accountability in June 2001.		
2002	<p>2002: A new CSP format was adopted, representing a major start in improving the CSPs submitted to the Board in general.</p> <p>2002 June: The AfDB participated in the first Global Roundtable and as a result it moved forward on setting up and implementing a Balanced Scorecard system.</p> <p>November 2002: The management presented to its Board the <u>Results Measurement Framework</u> (RM) that measures results at the intermediate and "bottom-line" levels of ADF operations. Three levels of measures were identified to capture country progress and institutional contributions to country progress.</p> <p>December 2002: The Bank established the 'Development Effectiveness and Results-Based Management' (DERBM) made up of Managers, Directors or their representatives from each of the Bank's Vice-Presidencies. The DERBM was mandated to oversee the MfR aspects of HA and MfR in terms of the design, implementation and Bank-wide adoption of policies in these areas.</p>		<p>April 2002: The former president Pasteur Bizimungu is arrested and faces trial on charges of illegal political activity and threats to state security.</p> <p>July 2002: Rwanda and DR Congo sign peace deal under which Rwanda will pull troops out of DR Congo and DR Congo will help disarm Rwandan Hutu gunmen blamed for killing Tutsi minority in 1994 genocide.</p> <p>2003: The publication of the Guidelines for Productive Aid Coordination in Rwanda. This joint Government, donor document proposed concrete long-term and short-term steps for effective coordination to support the implementation of the PRSP.</p>
2003	<p>2003: the ADF Results Measurement Framework (RMF) was presented to the Board, after being prepared with the World Bank's IDA Measurement System.</p> <p>By 2003, CSPs incorporated identified areas of reforms, which would be the focus of the Bank intervention justifying PBLs.</p>		<p>May 2003: Rwandan voters back a draft constitution that bans the incitement of ethnic hatred.</p> <p>August 2003: Paul Kagame wins the first presidential elections since the 1994 genocide.</p> <p>October 2003: First multi-party parliamentary elections; President Kagame's Rwandan Patriotic Front wins absolute majority. EU observers say poll was marred by irregularities and fraud.</p>
2004	April 2004: The board approved the <u>'Guidelines on Development Budget</u>	2004: The African Development Fund (ADF) granted its first budget support to the Government of Rwanda through the Poverty Reduction	March 2004: President Kagame rejects a French report which says that he ordered

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Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	<p><u>Support Lending (DBSL)</u>. These are the guidelines for AfDB involvement in budgetary support operations. In line with the international agenda on aid effectiveness, DBSL aims to facilitate alignment and harmonization and predictability of source flows.</p> <p>2004: The board approved the '<u>Revised Guidelines for Bank Group Operations Using Sector-Wide Approaches (SWAps)</u>'. These are guidelines on how to engage in the provision of assistance to qualifying RMCs in alignment with sister institutions.</p> <p>2004: The Board approved the creation of a <u>Post-Conflict Country Facility (PCCF)</u> to provide support for clearing the arrears of countries emerging from conflict.</p>	<p>Strategy Support Program (PRSSP I). The ADF loaned UA21.9 million towards the UA391.0 million programme. Funding was also received from other donors: IMF (UA 3.0m), World Bank (UA143.3m), EU (UA43.9m), DFID (UA100.2m), Sweden and other bilaterals (UA68.7m). The ADF loan agreement was signed in November 2004 and the loan was paid in two tranches, the first in October 2005 and the second in November 2006.</p>	<p>1994 attack on president's plane, which sparked genocide.</p> <p>June 2004: The former president, Pasteur Bizimungu, is sentenced to 15 years in jail for embezzlement, inciting violence and associating with criminals.</p>
<p>2005</p>	<p>2005: The AfDB participated in the Paris Declaration meetings and signed up to the Paris Declaration on aid effectiveness.</p> <p>2005 May: The 'ADF-X Financing Policy Guidelines' were published. These govern all project loans and grants; policy based lending operations; technical assistance operations; additional resources; and any other activities of the Fund during the period 2005-2007. Among the guiding principles for the ADF-X operations, the document highlights its efforts towards the principles of the Paris Declaration and its progressive involvement in Sector Wide Approaches and Development Budget Support.</p> <p>2005 December: The ADF Results Measurement Framework Paper – this paper implies that progress achieved towards meeting the PRS priorities and MDGs will increasingly be attributed to</p>		<p>March 2005: Main Hutu rebel group, FDLR, announces that it is ending its armed struggle.</p> <p>2000- 2005: Rwanda's economy grew at an average rate of 5% in real terms. This was a result of the Government's efforts in public expenditure management and of the progress made in the implementation of the Government's Poverty Reduction Strategy (PRS) 1.</p> <p>April 2005: Rwanda reaches the HIPC initiative completion point.</p> <p>June 2005: An agreement was reached in June 2005 by the G8 Ministers of Finance to cancel debts owed to multilateral institutions, Rwanda benefited from this.</p>

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Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	collective HA/JAS process.		
2006	<p>2006 April: <u>'The revised Bank Group Action Plan on harmonization, alignment, and managing for results'</u> – This paper summarizes ongoing Bank activities to promote HA and MfR agenda and sets the Bank's future plans for deepening its work in this area.</p> <p>2006: The Bank published <u>'Bank Group use of DBSL and SWAps: Issues and Challenges'</u>. This paper reviews the Bank Groups experience and the challenges faced in the use of these instruments it makes three recommendations for the way forward:</p> <ul style="list-style-type: none"> i. Amendment of the procurement provision in Article 15(4)(a) of the Agreement Establishing the ADF to permit effective Fund's involvement in SWAps. This should be on the agenda of the Deputies during the Mid-term Review of the ADF-X ii. Enhance the Bank's Field Presence to involve effectively in BSOs and SWAps – this requires reviewing staffing levels and mix iii. Provide increased support to PFM capacity building in RMCs to strengthen the country's fiduciary system in parallel to moving to 'untied' aid assistance. 		<p>January 2006: In an attempt to create ethnic diversity in the administrative areas Rwanda's 12 provinces are replaced by a smaller number of regions.</p> <p>November 2006: Rwanda breaks off diplomatic ties with France after a French judge issues an international arrest warrant for President Kagame, accusing him of being involved in bringing down Habyarimana's plane.</p>
2007		<p>July 2007: approval of the PRSSP II loan. A loan of UA 33.0 million from the ADF was signed in November 2007. Co-financing was provided by IDA/World Bank (UA66.46m), EU (UA31.6m) and DFID (UA91.02m). The ADF loan was disbursed in two tranches in December 2007 and June 2008.</p>	<p>April 2007: The former president, Pasteur Bizimungu, is released from jail three years into his 15-year sentence after receiving a presidential pardon.</p> <p>November 2007: Rwanda signs peace agreement with the Democratic Republic of Congo. Under the deal DRC will hand over those suspected of involvement in the 1994 genocide to Kigali and to the International Criminal Tribunal for Rwanda.</p> <p>July 2007: In the second Review of the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Rwanda requests a Waiver for non-observance of Performance Criterion, and a modification of the Performance Criteria.</p>

EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK

Country case study: Rwanda

Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
2008	<p>2008 January: <u>ADF-11 Deputies Report</u> – the report states that at least 75% of funds will be allocated for specific investment projects and programmes and technical assistance and no more than 25% via PBL operations</p> <p>March 2008: approval of the Bank Group’s Strategy for the Enhanced Engagement in Fragile States.</p> <p>2008 May: Paper on ‘<u>Bank Group approach towards enhancing the use of country systems</u>’ prepared, and approved by the Board in July.</p> <p>July 2008: The Bank approved the <u>Operational Guidelines of Fragile States Facility (FSF)</u>. This paper sets forth the operational guidelines of the FSF. A key recommendation was the transfer of the activities of the PCCF to the FSF.</p> <p>2008: The AfDB strategy on fragile states recommended the transfer of arrears clearance activities of the PCCF to the FSF.</p> <p>2008: PBL type instruments were used as a fast-disbursing response to the African food crisis. ‘<u>The African food crisis response</u>’ (AFCR) was developed in July 2008 and forms a framework for AfDB accelerated support to RMCs affected by increased food prices, with short (periods of 6 months to a year) and medium to long term measures (over 3 years and beyond) to the value of UA 472 million and UA 1.4 billion respectively. One of the short-term measures is the use of a budget support instrument for quick disbursement of resources to RMCs (UA 304 million).</p>		<p>August 2008: Rwanda accuses France of having played an active role in the genocide of 1994, and issues a report naming more than 30 senior French officials. France says the claims are unacceptable.</p> <p>September 2008: President Paul Kagame’s Rwanda Patriotic Front (RPF) wins large majority in parliamentary elections.</p> <p>October 2008: Rwanda decides all education will be in English instead of French, as a result of joining the English-speaking East African Community.</p>
2009	<p>In 2009 PBL type instruments were used to respond to the financial crisis in 2009. In March 2009, the Bank developed the ‘<u>Bank Response to the Economic Impact</u></p>	<p>May 2009: the protocol of agreement was signed for PRSSP III. ADF provided a grant of UA30.3 million which would be disbursed in two tranches if the agreed conditions had been fulfilled. The programme aims to encourage private sector development in Rwanda and to</p>	<p>November 2009: Rwanda is admitted to the Commonwealth.</p> <p>2009: France and Rwanda restore diplomatic relations, after they were severed over a row about responsibility for the 1990s genocide three years previously.</p>

EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK
Country case study: Rwanda

Time period	AfDB HQ Policy Changes	AfDB Rwanda Lending Instruments	Rwanda Country Context
	of the Financial Crisis'.	improve effectiveness, accountability and transparency in the public sector. The deadline for the disbursement of the ADF money is December 2010.	
2010			<p>April 2010: The leader of the opposition, Victoire Ingabire Umuhoza, who had planned to run against President Kagame in the August elections, is arrested. Her lawyer is later detained.</p> <p>June 2010: Ex-army chief of staff Faustin Kayumba Nyamwasa, a former ally turned critic of President Kagame, is wounded in a shooting whilst in exile in South Africa.</p>

Annex C List of people met

Organisation	Name	Position
<i>Donors</i>		
AfDB	Diko Jacob Mukete	Resident Representative
AfDB	Orison Mawumenyo Amu	Country Programme Office
AfDB	Juvenal Karimba	Socio-economist
AfDB	Philippe Munyaruyenzi	Infrastructure Specialist
AfDB	Joseph Nyirimba	Agronomist
AfDB	Elke Bonhomme Isimbi	Disbursement Officer
AfDB (Tunis)	Michel Mallberg	Task Team Leader, PRSSP III, OSGE
AfDB (Tunis)	Catherine Baumont	Lead Economist
AfDB (Tunis)	Diarietou Gaye	Director, OREB
<i>Government of Rwanda</i>		
Ministry of Finance and Economic Planning	Kampeta Pitchette Sayinzoga	Permanent Secretary and Secretary to the Treasury
Ministry of Finance and Economic Planning	Ronald Nkusi	Coordinator of External Finance Department
Ministry of Finance and Economic Planning	Jean Bosco Ndaruhutse	External Resources Mobilization Department
Ministry of Finance and Economic Planning	Leonard Minega Rugwabiza	Director General of National Planning and Research
Ministry of Education	Sharon Haba	Permanent Secretary
Ministry of Education	Wilson Rurangwa	Financial Advisor
Ministry of Education	Diogene Mulindahabi	Project Coordinator
Ministry of Education	Mike Hughes	Advisor, Science and Technology
Ministry of Agriculture and Animal Resources	Ernest Ruzindaza	Permanent Secretary
<i>Development Partners</i>		
Embassy of Belgium	Gaetane Scraeve	First Secretary Development Cooperation
Embassy of the Kingdom of the Netherlands	Deo Musabyimana	Advisor Education
KfW	Timo Mahn	Economic Advisor
KfW	Stephan Klingebiel	Director KfW Office
IMF	Sunday Kayemba John	National Economist
Embassy of Sweden	Richard Bomboma	Country Director/Head of Mission
Embassy of Sweden	Lars Johansson	First Secretary, Development Cooperation

Annex D Key data on PBOs

Table D.1 Total ADF Approvals Rwanda: 1999–2009 (UA million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Project Lending	24.00	5.56	75.59	15.90	14.22	52.22	-	85.00	148.68	25.00	-
<i>% Project lending</i>	84.2%	3.9%	63.6%	94%	45%	45.5%	0%	58.6%	99.1%	20%	0%
Policy based lending	-	-	40.00	-	-	50.00	-	50.00	-	100.00	152.00
<i>% Policy based lending</i>	0%	0%	33.7%	0%	0%	43.5%	0%	34.4%	0%	80%	100%
Grants	-	-	-	1.0	17.11	12.51	-	10.00	1.32	-	-
<i>% Grants</i>	0%	0%	0%	1.7%	55%	11%	0%	7%	0.9%	0%	0%
Technical Assistance	3.60	1.78	3.18	1.0	-	5.51	-	-	-	-	-
<i>% Technical Assistance</i>	14.0%	1.3%	2.7%	6.0%	0%	0%	0%	0%	0%	0%	0%
Debt & debt service reduction	0.55	134.48	-	-	-	-	-	-	-	-	-
<i>% Debt Service</i>	1.8%	94.8%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Approvals	28.15	141.82	118.77	16.9	31.33	114.73	-	145.00	150.00	125.00	152.00

Source: AfDB (2010 and 2009) Compendium of Statistics

EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK

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Table D.1: Comparison of the Performance of SAP II and PRSSP I–III

	SAP II	PRRSP I	PRSSP II	PRSSP III
Performance				
Year of Approval	July 1998	October 2004	July 2007	2008
Conditions: Number	10	15	5	5
Tranches: Number	2	2	2	2
Sectors: Number (consistency with previous operation)	5 sectors/areas	6 sectors	4 sectors	2 sectors
Harmonisation: Number of donors with similar conditions	4 main donors plus others WB and AfDB to share supervision missions	5 main donors All disbursed according to planning schedule Harmonisation on reporting to aid preparation of PRSSP-II, the completion report mission was organized prior to the conclusion of the programme	7 donors Joint reviews by donors in line with Paris Declaration	7 donors
Predictability: Delays overall programme	None	Loan closure was 6 months later than planned	None	Unknown no PCR available
Predictability: % of funds not disbursed in programmes fiscal year	0%	0%	0%	Unknown
In-year Predictability: Delay in fund disbursement from planned timing	8 months	In fiscal year but first tranche 10 months later than planned	No but delays from other donors caused problems	Unknown
Overall				
Ranking: PCR rating	2.0	2.17	4.0	Unknown
Amount: UA million	15.28	21.9	32.987	30.3
Volume: % of ADF total approvals for that year	19% of allocation in 1998	1 st tranche 2005 =11% 2 nd tranche 2006=21%	1 st tranche 2007=61% 2 nd tranche exceeded that approved for 2008	

Table D.2 SAP II Commitments and Disbursements

Disbursement Date	Actual Disbursement Date	Amount Committed	Amount Disbursed
December 1998	31 December 1998	UA 9 million	UA 9 million
April 1999	31 December 1999	UA 6.25 million	UA 6.25 million

Source: AfDB

Table D.3 PRSSP I-III Commitments and Disbursement

Year	Estimated Disbursement Date	Date of Disbursement	Commitment	Disbursement
PRSSP I				
First Tranche	Jan 2005	18 Oct 2005	UA 16.4 million	UA 16.56 million
Second Tranche	Jan 2006	27 Nov 2006	UA 5.5 million	UA 5.34 million
PRSSP II				
First Tranche	September 2007	12 Dec 2007	UA 20 million	UA 20 million
Second Tranche	June 2008	10 June 2008	UA 13 million	UA 12.98 million
PRSSP III				
First Tranche	June 2009	22 June 2009	UA 22.3 million	UA 22.3 million
Second Tranche	May 2010	26 May 2010	UA 8.0 million	UA 8 million

Source: AfDB (2006) and information given by the Rwanda country office

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Table D.4 Commitments and Disbursements for the ESSP II

Disbursement Date	Actual Disbursement Date	Amount Committed	Amount Disbursed
2007	25 April 2007	UA 3 million	UA 3 million
2008	08 August 2008	UA 5 million	UA 5 million
2009	25 August 2009	UA 4 million	UA 4 million
2010	-	UA 3 million	
Total		UA 15 million	

Source: AfDB (2006) and information from the Rwanda office