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# Rwanda Country Assistance Evaluation

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## Abbreviations

AAA	Analytical and Advisory Activities
AfDB	African Development Bank
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CEPEX	Central Projects and External Finance Bureau
DRC	Democratic Republic of Congo (formerly Zaire)
E-HIPC	Enhanced Highly-Indebted Poor Country
ESW	Economic and Sector Work
GDI	Gross Domestic Income
GDP	Gross Domestic Product
GOR	Government of Rwanda
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICR	Implementation Completion Report
IDA	International Development Association
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NURC	National Unity and Reconciliation Commission
NPV	Net Present Value
NGO	Non-governmental Organization
OED	Operations Evaluation Department
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
UNDP	United Nations Development Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children and Education Fund

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# Contents

<b>Preface</b> .....	<b>iii</b>
<b>Summary</b> .....	<b>v</b>
<b>1. The Country Context</b> .....	<b>1</b>
Background .....	1
The Economy .....	3
Challenges to Sustainable Growth.....	6
<b>2. IDA Products and Services</b> .....	<b>8</b>
IDA Strategy .....	8
Lending .....	11
Analytical Services .....	18
Aid Coordination.....	19
<b>3. Development Impact</b> .....	<b>21</b>
<b>4. Contributors' Performance</b> .....	<b>23</b>
IDA Performance .....	23
Borrower Performance .....	24
Aid Partners Performance .....	24
<b>5. Conclusions and Recommendations</b> .....	<b>26</b>
<b>Boxes in Text</b>	
Box 1.1: Major Socio-political and Institutional Issues .....	7
Box 2.1: Key MDGs .....	11
<b>Tables in Text</b>	
Table 1.1: Economic and Social Statistics .....	4
Table 1.2: Per Capita GDP (US\$) and Percentage Shares of GDP per Quintiles of Population.....	4
Table 1.3: Social Indicators in Rwanda and Comparator Countries .....	5

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**Contents (cont.)**

Table 2.1: Objectives of Assistance Strategies to Rwanda, 1990-2002.....	8
Table 2.2: IDA Lending by Sector Board, FY90-02.....	12
Table 2.3: OED Project Ratings (by exit year) .....	12

**Annexes**

A. Statistical Annexes .....	29
B. List of People Interviewed.....	39
C. Management Action Record.....	41
D. Guide of OED's Country Assistance Evaluation Methodology.....	43

**Attachments**

1. Executive Summary of the African Development Bank .....	47
Executive Summary of the African Development Bank (Translation from French) .....	51
2. Government Comments on the Draft CAE .....	55
OED Response to Government Comments .....	59

<b>Bibliography .....</b>	<b>61</b>
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## Preface

This Country Assistance Evaluation (CAE) examines IDA assistance to Rwanda between 1989 and 2001. The CAE is a countrywide evaluation that concentrates on the relevance, efficiency, efficacy, sustainability, and institutional development impact of the Bank's program of assistance, and includes an assessment of the outcomes of IDA's assistance strategies. It is similar to project evaluations which review the relevance of the project objectives, the degree to which they were achieved (efficacy), and the cost effectiveness of the resources used (efficiency), but takes the country as the unit of account.

The CAE is issues oriented, is geared toward current decision making, and is selective as to time span and issues covered; the focus is on issues which are important today. Section 1 describes the country context. Section 2 evaluates Bank assistance from the bottom up by assessing IDA's products and services; strategic and policy advice; economic and sector work; lending; and portfolio management. Section 3 reviews the development impact of the IDA program. Section 4 discusses the performance of IDA, the borrower and other aid agencies. Section 5 contains conclusions and recommendations.

The CAE is based on IDA reports, including Country Assistance Strategies (CAS), economic and sector reports (formal and informal), project appraisal and completion reports, project and general country files, as well as on interviews with IDA and IMF staff, in Washington and in the resident mission. Annex B lists staff interviewed. The CAE also draws on OED's 1998 report "The World Bank's Experience with Post-Conflict Reconstruction," which included a desk study of Rwanda. And the CAE benefited from a conflict analysis workshop, attended by academics, representatives of NGOs and bilateral aid agencies, and IDA and IMF staff.

This CAE was prepared in parallel with a similar evaluation by the Operations Evaluation Department (OPEV) of the African Development Bank of their program in Rwanda. The Executive Summary of that report is in Attachment 1. The CAE benefited from consultations and comments from the AfDB task manager, and the two evaluations generally agree on their analysis.

The assistance of peer reviewers is gratefully acknowledged. Their comments as well as those received from regional staff have been taken into account. The draft CAE was sent to the government for comments; they have been reflected in the report and they are attached as Attachment 2, together with OED's response.



## Summary

Rwanda is a poor, small, densely populated country of about eight and a half million people in Central Africa. The country is landlocked. Its economy is primarily subsistence-based, with exports of coffee and tea. Over the decade of the 1990s, Rwanda and its economy were overwhelmed by ethnic strife between the Hutu (about 85 percent of the population) and the Tutsi (10–15 percent of the population). During colonial times political power and administrative authority had rested with the minority Tutsi. Starting in the immediate pre-independence period (1959), the Hutu gained political dominance, which lasted until the early 1990s. Occasional inter-ethnic clashes during these years gave way to civil war in 1990–93, following the return of exiled Tutsi, and ultimately culminated in a genocide in 1994. Later in the decade there were also border struggles, particularly with the Democratic Republic of the Congo (DRC). After a 50 percent decline in GDP in 1994, total GDP had not yet regained its 1990 level by 2001, and there was a significant drop in per capita income over the decade.

The genocide was a turning point for the economy. Prior to it, Rwanda's centralized, socialist system, together with the civil war, weighed heavily on the economy and dampened its growth potential. The new government, which came to power in 1994, brought with it significant change in economic management. While initially forced to focus on refugee resettlement and reconstruction, it clearly stated its intentions and showed commitment to move to a market-led system. The economy was stabilized, budget management was strengthened considerably and growth rebounded.

The primary economic development challenge for Rwanda is to improve agricultural productivity and investment to increase the incomes of the 90 percent of the population living in rural areas. Other challenges include reducing income and land inequality, slowing population growth, and increasing exports. There are additional problems such as the low quality of education and health services, high HIV/AIDS infection rates, widespread malaria, poor nutrition, and high internal and external debt ratios.

In the pre-genocide period, 1990–94, the International Development Association (IDA) assistance emphasized stabilization and growth, but had few positive results. Adjustment lending was unsuccessful largely because of the civil war. The outcome of investment lending also was generally unsatisfactory, because of deficient IDA project design and supervision and limited human and financial absorptive capacity.

In the immediate post-genocide period, emergency lending dominated, but this was later replaced by lending for economic policy reform, with emphasis on poverty reduction, reconciliation, improvement of basic social services and institutions, and participatory development. After the genocide IDA also supported the government's efforts to improve public expenditure management and to prepare its first Poverty Reduction Strategy Paper (PRSP).

IDA's greatest contribution in the post-genocide period has been its assistance to macroeconomic stabilization, including greater fiscal transparency, the removal of controls over labor markets, and the adoption of a legal and regulatory framework conducive to private sector growth. IDA also assisted the government in accessing the enhanced highly-indebted poor

countries (E-HIPC) initiative. Many of these changes can be attributed to the commitment of the new government to move to a market-based economic system, and the determined steps it has taken to achieve that goal. By contrast, the outcomes of much of the investment lending continued to be unsatisfactory. The most notable shortcoming of the Bank's program throughout the 1990s was the absence of a concerted effort to promote agricultural development.

A weakness of the IDA program was the scarcity of analytical work. With the government, IDA undertook two large public expenditure reviews, as well as smaller analyses of public expenditure in the health and education sectors. These studies were relevant and assisted the government in budget formulation and developing a medium-term expenditure framework. The only other post-genocide analytical work was a strategy note for the agriculture sector. The relative paucity of economic studies in a country transitioning from enormous social, political, and economic upheaval is striking.

OED rates the outcome of IDA assistance overall as unsatisfactory for the pre-genocide period. In the post-genocide period, the successful assistance in providing emergency relief and in stabilization and budget management, under extremely challenging circumstances, warrants a moderately satisfactory rating, in spite of continuing difficulties in the investment project portfolio and the low provision of analytical and advisory activities (AAA). IDA's impact on institutional development is rated modest throughout. Sustainability is rated as unlikely because of the continued instability in the Great Lakes region, and the ever-present political tensions among the two dominant ethnic groups.

This evaluation recommends that future IDA assistance center on reducing poverty and inequality, using the Millennium Development Goals as an organizing framework. This implies much more focus than before on increasing agricultural productivity, on diversifying production, and on transforming agricultural output into higher value-added products. In addition, improving the quality of education and human capital, reducing population growth, increasing exports as a percentage of GDP, and enhancing the enabling environment for private sector development should be priority areas. These priorities are specified in the Government's PRSP. The focus of assistance to the utilities sector should be on delivery of the most basic services to the population. Privatization, *per se*, should not prevail as an objective over reducing poverty and increasing access to fundamental services like water and electricity. These are areas which are not well articulated in the PRSP.

While Rwanda is not explicitly classified as a low income country under stress, many of the recommendations for those countries are applicable. Increased analytical and advisory services are crucial. Drawing lessons from the experiences of other countries that underwent profound social and economic dislocation could be of much help. Project design should be simple and sufficient IDA resources must be allocated to ensure adequate project supervision. And IDA should continue to coordinate closely its efforts with other donors, with the objective of becoming more selective in its interventions.

Gregory K. Ingram  
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# 1. The Country Context

## Background

1.1 An analysis of Rwanda's economic development over the past decade must begin with an understanding of its unusual circumstances and history. It is a small, landlocked, central African country. The economy is largely subsistence agriculture, 90 percent of the population resides in rural areas, and coffee and tea are the main exports. There are two major ethnic groups: the Hutu, about 85 percent of the population, and the Tutsi, roughly 10-15 percent of the population. During colonial times, political power and administrative authority rested with the minority Tutsi, who exploited the Hutu in a number of ways. The ensuing frustration nurtured antagonism which eventually culminated in a "social revolution" in 1959 (shortly before independence in 1962) when the Hutu assumed power and kept it until the early 1990s. Throughout, ethnic strife, episodes of killings, and refugee problems were commonplace.<sup>1</sup>

1.2 From the 1960s through the 1970s Rwanda was considered a star economic performer, with growth rates well above the average for sub-Saharan Africa. However, by the mid-1980s, it became clear that growth was decelerating. At that time Rwanda was governed by an authoritarian political system and had a state-owned economy. Growth had been based on extension, not intensification of agricultural production. Fertilizer use was and is very low, even for sub-Saharan Africa, estimated in 2001 at 2 kilograms per hectare per year. By the mid-1980s, most land had been brought under cultivation. Population growth and density were among the highest in the world. These two factors contributed to increasing fragmentation of agricultural fields, tending to reduce production. At the same time, the country was hit by destabilizing exogenous shocks to its principal export commodities: tin production ceased due to the collapse of the International Tin Agreement and coffee prices fell to historic lows. Tea prices were also highly volatile. Industries were state-owned, inefficient, and over-staffed. The services sector consisted primarily of government, trade and transportation. The private sector was small and governed by regulations which severely limited its growth.

1.3 Due to donor pressure and internal prodding by nascent political groups, by the early 1990s the socialist government had agreed to undertake a series of structural adjustment measures, macroeconomic and sectoral, designed to address economic and social issues. The government was also being pressured by citizens to liberalize the political system to open the way for multiparty elections. However, both changes were disrupted by a civil war, beginning in October 1990, provoked by the return of representatives of the Tutsi ethnic group, the Rwandan Patriotic Front (RPF), which had been expelled from Rwanda by the first and second post-independence governments. Despite peace negotiations and a signed peace agreement, the civil war continued for three years, culminating in April-June of 1994 in a genocide in which 800,000 to 1,000,000 Tutsi and moderate Hutu civilians were killed. In June 1994, the predominantly Tutsi RPF gained control of the capital from the former government and stopped the genocide. About 3,000,000 Rwandan citizens (38 percent of the population) were internally and externally displaced because of the genocide.

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<sup>1</sup> For a political and social analysis of ethnic conflict in Rwanda, see Mamdani, Mahmood. 2002. *When Victims Become Killers: Colonialism, Nativism, and the Genocide in Rwanda*. Princeton, N.J.: Princeton University Press 133-34 and Prunier, Gerard. 1995. *The Rwanda Crisis: History of a Genocide*. New York: Columbia University Press 75-6.

1.4 The genocide had a profound effect on Rwandan society. The country lost 12 percent of its population, including a large proportion of its most highly educated citizens. For two and one-half years, 25 percent of the population lived in refugee camps in neighboring countries where they experienced poor health conditions and political suppression. The country experienced mass in-migration by ethnic Tutsis from Burundi, Uganda, and Zaire, many of them old refugees, expelled by the two post-independence governments. The government estimated that eventually about 800,000 Tutsis moved to Rwanda. They occupied homes and business establishments previously owned by Hutus and Tutsis killed during the genocide or displaced by civil war and genocide. Some may have reoccupied their former homes and farms.

1.5 Conflict and genocide induced demographic shifts. About one-third of Rwandan households are now headed by women, and 20 percent of households by widows. A large number of orphans, 220,000,<sup>2</sup> resulted; some of them became and remain heads of households. Agricultural production dropped dramatically and did not attain pre-genocide levels until 1998. And Rwanda's relations with two of its neighbors were profoundly transformed. Between 1996-98, Rwanda gained an ally in the government of the Democratic Republic of Congo, when it helped Zairean rebels defeat the government of President Mobutu, and lost it as an ally when the Government of Rwanda (GOR) occupied large parts of eastern DRC. And, the longtime friendly relations between the RPF leaders and the leaders of the Ugandan government and army soured, resulting in armed clashes in eastern DRC which both governments have occupied, directly and through surrogates, since 1998.

1.6 After the genocide, Rwanda had:

- (a) a more culturally diverse population which needed to integrate values and expectations of people from four countries;
- (b) a poorer population, with more female- and child-headed households;
- (c) a severe reduction in skilled human capital, especially teachers, health care workers, and agricultural extension agents;
- (d) a large drop in basic infrastructure, housing, schools, health clinics, roads and water supply;
- (e) enormous justice and reconciliation needs, due to the sharper division of the country along ethnic lines;
- (f) reduced productive capacity; and
- (g) more strained external relations with two important neighboring countries.

1.7 After the genocide, the government undertook a period of intense resettlement and reconstruction, lasting from mid-1994 through 1997. From 1995-97, even though GOR was preoccupied by humanitarian and reconstruction activities, GOR set a long term goal of moving away from state-centered economic development to a market-centered economy in which the state principally played the role of a regulator. In 1997, GOR turned its attention to transitioning from an emergency situation to a state in which it could undertake activities that would lead to "normal" development activities. It undertook a macroeconomic stabilization program and it implemented significant structural measures, particularly to prioritize and to control spending. It also decided that

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<sup>2</sup> Economist Intelligence Unit. 1999. *Country Profile Rwanda, Burundi, 1999-2000*. London: The Economist Intelligence Unit 17.

administrative functions would be decentralized to local levels. Furthermore, it created a number of bodies whose principal function is to promote reconciliation among the three ethnic groups, Hutu, Tutsi, and Twa, comprising the Rwandan population.<sup>3</sup> Those organizations included the National Reconciliation and Unity Commission, the National Human Rights Commission, and the *gacaca* community justice program. It held local elections at three levels. And it began to re-emphasize investment projects in the most pressing economic and social sectors.

1.8 The move to a “normal” state has been interrupted by two military actions. The first military action was the 1996 invasion of Zaire (now the Democratic Republic of the Congo, DRC) by the Rwandan Patriotic Army (RPA), in response to border incursions by armed insurgents associated with the former Hutu-dominated government. The RPA again entered DRC in 1998 in response to armed incursions which resulted in the eventual displacement of 600,000 Rwandans in the northwestern region. The Government of Rwanda remained in DRC, eventually occupying a large portion of the eastern third of the country. The United Nations has issued reports charging Rwanda, and seven other countries, with exploiting the natural resources of DRC.<sup>4</sup> Eventually 24,000 Rwandan troops, and an unknown but large number of Congolese rebel, pro-Rwandan militias were estimated to be present in eastern DRC.<sup>5</sup>

1.9 A peace agreement was signed on July 30, 2002 between DRC and GOR, which was to end Rwanda’s occupation of eastern DRC. But the outcome of this agreement is uncertain, as many previous peace attempts have failed. Rwanda removed its troops from DRC in October 2002, but in March 2003 fighting was again reported in northeastern Rwanda between Ugandan and Rwandan troops and their surrogate militias. The military engagements have meant that GOR has continued to deal with security issues on its own territory, resettlement of internal and external Rwandan refugees, demobilization of soldiers and anti-GOR military and militia forces, while simultaneously developing and pursuing economic and social development policies and programs.

## **The Economy**

1.10 Rwanda is one of the poorest countries in the world. In 2001, GDP per capita was US\$220, below the sub-Saharan average of US\$470 and the US\$430 average for low income countries. In 2000, agriculture represented 44 percent of GDP, services accounted for 35 percent, while industry represented 21 percent. Industry is largely accounted for by construction, beverages, and agro-industrial output, while services consist of public administration, transportation, and wholesale and retail trade. There has been no change in the distribution of GDP among different sectors in the last 12 years.

1.11 GDP growth was mixed in the 1990s. Overall growth was negative at an annual average rate of –0.2 percent from 1990-2000. However, that figure masks enormous differences in growth rates from one year to the next. From 1990 through 1993, the annual average growth rate was –1.75 percent. Due to the genocide, GDP in 1994 declined by 50 percent. Between 1995 and

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<sup>3</sup> Historically, the Hutu comprised 85 percent of the population; the Tutsi, 14 percent; and the Twa, 1 percent.

<sup>4</sup> United Nations Security Council. 2001. *Addendum to the Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo*. Rpt. S/2001/1072.

<sup>5</sup> The Rwandan presence in eastern DRC was but part of a larger war involving eight different countries, as well as anti-government Zairian rebels, which eventually resulted in the fall of the Mobutu government and its replacement by the DRC.

2001, GDP grew at 12.5 percent per annum, representing the economy's rebound during the reconstruction period following the genocide (see table 1.1). Consumer prices doubled between 1993 and 1995 but subsequently increased by less than 5 percent per annum through 2001.

**Table 1.1: Economic and Social Statistics**

<i>Economic and Social Indicators</i>	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Annual GDP growth (%)	-2.4	-2.5	5.9	-8.1	-50.2	35.2	12.7	13.8	8.9	7.6	6.0	6.7
Inflation index (1995 = 100)	34.1	40.8	44.7	50.3	--	100.0	107.4	120.3	127.8	124.7	130.1	133.9
Budget deficit (% of GDP)	-5.3	-3.2	-5.5	-6.9	--	--	--	-9.2	-8.3	-9.7	-8.9	-9.5
Total debt service (% exports goods and services)	14.0	16.2	20.3	19.9	13.0	20.4	19.9	14.1	17.0	25.9	27.5	11.4
Population (million)	7.0	7.2	7.4	7.5	6.2	6.4	6.7	7.9	8.1	8.3	8.5	8.7
Population growth rate (%)	2.8	2.8	2.6	-19.1	2.7	5.0	16.0	2.6	2.5	2.4	2.1	1.9

Sources: World Bank.

IFS for inflation index.

1.12 *Poverty evolution.* Rwanda's poverty level has worsened between the mid-1980s and 2000, rising from 40 percent of the population in 1985 to 70 percent in 1997, before declining to 60 percent of the population in 2000. The poverty gap has increased from 8 percent to 18 percent during the same period. Inequality also increased; the Gini coefficient rose from 0.29 in 1985 to 0.46 in 2000. The increase is largely attributable to the effects of the genocide and population displacement, as well as to the relatively weaker performance of the agriculture sector, where the poor are concentrated. The increase is also due to greater employment opportunities available to urban dwellers because of donor-financed programs. As table 1.2 shows, each of the four poorest quintiles of the population has witnessed a decrease in its share of national income to the benefit of the highest 20 percent of the population over the period of reconstruction. However, while poverty is predominantly rural, other demographic groups are also disproportionately poor. Female-headed households, recently returned refugees, and internally displaced persons represent high percentages of the poor population. Poverty continues to characterize some urban dwellers, especially poorly educated young people, for whom there are insufficient employment opportunities.

**Table 1.2: Per Capita GDP (US\$) and Percentage Shares of GDP per Quintiles of Population**

		<i>Lowest 20 percent</i>	<i>2nd 20 percent</i>	<i>3rd 20 percent</i>	<i>4th 20 percent</i>	<i>Highest 20 percent</i>
Share of national GDP	1985	9.7	13.2	16.5	21.6	39.1
	1990	7.6	11.3	15.1	20.9	45.3
	1995	6.5	10.4	14.3	20.6	48.3
	2000	5.4	9.4	13.6	20.2	51.4
Per capita GDP*	1985	151	206	257	337	609
	1990	110	165	220	305	660
	1995	65	104	144	206	485
	2000	65	114	164	244	621

Source: Ministry of Finance and Economic Planning and World Bank.

\* In constant 1995 US\$.

1.13 *Social indicators.* Rwanda's social indicators have begun a rebound from the immediate post-genocide period, but remain of significant concern. In particular, education enrollment ratios at primary and secondary levels have improved (table 1.3). However, due to inefficiency, the poor quality of the education system, and high levels of poverty, only a small percentage of students is enrolled in secondary education. Rwanda's overall secondary enrollment ratio is also low for sub-Saharan Africa. While there has been some improvement in education indicators, human health indicators have improved less over the past 15 years. Life expectancy has

stagnated. The HIV/AIDS crisis has worsened, as has the incidence of malaria. In 1999 10.8 percent of the rural population was infected with HIV/AIDS, up from a level of 1.3 percent in 1986. The infection rate of the urban population over 12 years of age has been estimated at 11.6 percent (1999). Access to potable water has declined from 64 percent at the end of the 1980s to 41 percent in 2000. Infant mortality has decreased, but remains high, particularly when compared to the millennium development goal (MDG) of 36/1,000 in 2015. *The Human Development Report 2002*<sup>6</sup> (UNDP) ranks Rwanda 162 out of 173 countries, based on the Human Development Index.

**Table 1.3: Social Indicators in Rwanda and Comparator Countries**

	Rwanda		Mozambique	Uganda	Sub-Saharan Africa
	<i>Latest single year</i>				
	<i>1980-90</i>	<i>1993-00</i>	<i>1993-00</i>	<i>1993-00</i>	<i>1993-00</i>
Life expectancy (years)	40.2	39.9	42.4	42.5	46.5
Total fertility rate (births per woman)	7.2	5.9	5.1	6.2	5.2
Infant mortality (per thousand births)	107.0	100.0	126.0	81.0	106.2
Access to an improved water source (% pop.)	64.0	41.0	57.0	52.0	58.1
Gross primary enrollment (% of age group)	69.6	118.6	91.5	135.8	86.3
Male	70.4	119.0	103.9	142.6	92.4
Female	68.9	118.3	79.2	128.9	80.2
Gross secondary enrollment (% of age group)	8.0	12.1	11.9	18.6	26.6
Male	9.1	12.4	14.5	21.3	29.2
Female	6.9	11.8	9.3	15.9	23.9
Adult illiteracy (% of pop. 15 years and above)	53.3	66.8	44.0	67.0	61.2
Male	62.9	73.6	60.0	77.5	69.6
Female	44.0	60.4	28.7	56.8	53.1

*Source:* World Development Indicators (World Bank, various issues) and Rwanda Country Assistance Strategy, November 11, 2002.

1.14 Despite progress in improving some social indicators, in recent years Rwanda's social service delivery has been weak. There is a shortage of health personnel; health centers are not well-equipped; and schools lack adequately trained teachers, as well as teaching materials. The share of expenditures devoted to health and education increased from 2.8 percent in 1998 to 4.1 of GDP in 2000, made possible by a decrease in military expenditures and increased revenue generation. However, budget priorities for education appear to be shifting, since between 1996 and 1999 the share of tertiary education in total educational expenditures has risen from 11 percent to 23 percent, virtually all of that shift coming from the primary education budget, which fell by an equal amount.

1.15 *Gender issues.* Progress in improving the quality of life in Rwanda has not been evenly distributed between males and females. Male and female primary and secondary enrollment ratios are virtually equal, which is a large improvement from the pre-genocide period, but the female enrollment ratio is below that of males at the tertiary level (27 percent of total enrollment in 1999). There is also a large number of female- and child-headed households which makes it difficult for the heads of household to obtain schooling and/or employment. In recent years, GOR has passed legislation to eliminate discrimination against women in employment, land inheritance, and property rights. A Gender Action Plan was passed in 2000 which is based on the Convention for the Elimination of All Forms of Discrimination against Women. But women continue to have more limited access to rural credit, to legal/judicial services, and to appointed and elected government positions.

<sup>6</sup> United Nations Development Program. 2002. *The Human Development Report*. Oxford: Oxford University Press 152.

1.16 *External aid flows.* Rwanda's per capita official development assistance was high in the early 1990s due to recognition by the donor community of the government's substantial efforts to reverse declining growth rates and the increasingly difficult socio-political situation. From 1991-94, external aid averaged 80 percent of GDP. But aid dropped dramatically after the genocide. From 1995-97, aid averaged 27 percent of GDP. And between 1998-2000 aid averaged 19 percent of GDP (see annex table 3a). In part the decline in aid may be due to donor concern over the presence since 1998 of Rwandan army troops and alleged Rwandan backed-militias in the Democratic Republic of Congo. But the decline in aid flows renders development policy planning and implementation difficult for Rwanda. Given the huge negative impact of the genocide, the decline in aid is dramatic, particularly given the country's macroeconomic performance and the strong focus on restoring social services which are considered central to the achievement of the MDGs.

1.17 *External debt burden.* In December 2000 GOR benefited from the enhanced highly-indebted poor countries (E-HIPC) initiative. At end-1999 Rwanda's external debt stock was US\$1,261 million in nominal terms, which represented US\$634 million in net present value (NPV) terms. The NPV debt to export ratio was 533.4 percent. The original objective of E-HIPC was to bring the NPV debt to export ratio to 150 percent by 2008. In 2002, the NPV debt to export ratio was 197 percent. However, as noted in an internal World Bank document for the E-HIPC initiative, the economy is subject to a wide variety of risks, so that balance of payments projections and assumptions concerning exports of coffee and tea are subject to a large degree of uncertainty. "A 10 percent [negative export earnings] shock which occurs in 2001 would postpone debt sustainability (attainment of 150 NPV of total debt-to-exports) after application of the Enhanced HIPC to 2019 instead of 2008 under the baseline scenario." Indeed, the 2000-01 decline in coffee prices negatively affected GOR's ability to service its debt, moving the debt sustainability point back from 2008 to 2014. Thus, even with E-HIPC assistance, Rwanda's ability to service its external debt remains fragile.

1.18 *Internal debt and revenue performance.* In 1999, the stock of domestic debt was estimated at 11.7 percent of GDP. Public payments in arrears in 2000 amounted to about 4 percent of GDP. Despite a number of positive changes in resource management, revenue performance has not been strong. Revenues in 2000 were 9.7 percent of GDP, compared to a target of 11 percent. However, in 2001, revenue rose to 11.4 percent of GDP, which was the targeted figure.

1.19 *Sub-regional security.* The security situation in the Great Lakes region will continue to have a major impact on Rwandan growth prospects. Border insecurity with Uganda, combined with continued fighting in eastern DRC by Rwanda and Uganda, and Congolese rebels, allegedly backed by GOR and Uganda, will continue to negatively affect sub-regional economic development. It will be difficult to facilitate regional trade links, on which Rwanda's future growth is critically dependent, so long as current conflicts disrupt physical trade and diplomatic relations. Lack of security also discourages foreign investment.

### **Challenges to Sustainable Growth**

1.20 Both the government, in its Poverty Reduction Strategy Paper (PRSP), and the Rwandan people in the National Unity and Reconciliation Commission (NURC)

2000 Survey,<sup>7</sup> have indicated that economic concerns are the most pressing issues for the country. The NURC survey indicated that inadequate access to land and lack of housing are primary concerns. Without a land tenure law or some other institutional arrangement that clearly defines property rights, farmers may not be willing to make investments necessary to increase agricultural productivity, which is an important antecedent for the establishment of rural, small scale industry and services. And providing shelter for all would be an important means of reducing the potential for conflict.

1.21 Poverty and ignorance were also identified in the NURC survey as important impediments to reconciliation, as well as to growth. As an indicator of poverty, rural and urban unemployment, especially among youths and repatriated soldiers, remains a problematic issue. Increasing employment is not only a key to reducing poverty, but is a means of reducing incentives for social unrest. And the creation of a viable private sector, formal and informal, is a prerequisite for increased growth. Box 1.1 illustrates the intractability of some socio-political and institutional issues.

### **Box 1.1: Major Socio-political and Institutional Issues**

Citizens continue to be concerned about ethnic divisions, despite the efforts which GOR has undertaken to reduce the focus on ethnicity, for example by removing ethnic classification from the national identity card. In the NURC survey, citizens noted that due to historical factors, there are some “solidarity camps” throughout the country that continue to interpret the country’s history through the prism of ethnic origin and supposed regional differences. And they noted that citizens’ perceived ethnic differences continue to color their interpretation of the genocide.

Improvements in governance have been noted by the population, but they also underlined that bad governance remains an issue. Survey respondents stated that they were pleased by strategies established to control errors committed by government officials and by the military. They also felt that the creation of the offices of the Government Auditor General and the National Tender Board were important in the struggle against corruption. And the citizens were pleased that the NURC consulted them on topics important to the development of the country. But they also underscored that there remain government officials who manifest dictatorial attitudes, limiting citizen participation in decisions which affect them. Citizens deplored the conduct of officials who badly managed public assets.

Citizens identified the continued weakness of the judicial system, the perception of judicial corruption, and the lack of trials of 110,000 individuals accused of genocide crimes as major blockages to reconciliation. While the issue of lack of genocide crime trials has begun to be addressed through the establishment of *gacaca*, a community-based justice system, through which 40,000 of 110,000 individuals have been released from prison since June 2002, pending other judicial action, other weaknesses in the judicial system remain.

In the political sphere, citizens appreciated the election to the Community Development Committees (the lowest level of elected office) of representatives of youth and of women as part of GOR’s government decentralization plan (elections of March 1999). They emphasized that the choice of candidates was characterized by criteria of competence and efficacy, without taking into account candidates’ ethnic or regional origin. But they also noted that even though these committees have been created, the populace does not yet comprehend how it can change elected officials who do not effectively fulfill their obligations. This is an important challenge to implementing GOR’s development decentralization strategy.

External observers have also signaled the presence of political tensions in Rwanda. Despite having held elections at three levels since 1996, access to political office is alleged to be controlled by the government. While opposition parties exist, GOR strictly controls dissent, because it feels that too many political parties, many of which were ethnically based, were a major factor in creating an environment which permitted the genocide. And articles in the press which are critical of the government are allegedly suppressed.<sup>8</sup>

<sup>7</sup> Commission Nationale de l’Unité et de Reconciliation. 2000. *Rapport sur le Sommet National d’Unité et de Reconciliation*. Kigali: Commission Nationale de l’Unité et de Reconciliation 41–5.

<sup>8</sup> International Crisis Group. *Consensual Democracy in Post-Genocide Rwanda: Evaluating the March 2001 District Elections*. Africa Report No. 34. October 9, 2001 and *Rwanda at the End of the Transition: A Necessary Political Liberalization*. Africa Report No. 53. November 4, 2002. Brussels: International Crisis Group.

## 2. IDA Products and Services

2.1 IDA was one of several important sources of external capital for Rwanda over the past decade. During 1990–01 net disbursements from IDA totaled US\$120 million, accounting for about 10 percent of all net external financial flows to the country. Bilaterals accounted for 58 percent and other multilaterals for the remaining 32 percent. Over time IDA’s share increased from 7 percent in 1990–94, to 8 percent in 1995–97 and 16 percent in 1998–2001.

### IDA Strategy

2.2 A summary of the evolution of the objectives of IDA’s assistance strategies over the decade is provided in table 2.1.

**Table 2.1: Objectives of Assistance Strategies to Rwanda, 1990-2002**

<i>1990</i>	<i>1992</i>	<i>1998</i>	<i>1999</i>	<i>2002</i>
Reintroducing sustained growth with equitable income distribution	Providing sustained export-led growth with equity	Building a broad-based inclusive economic system	Same as 1998	Improving public sector effectiveness
Creation of an enabling environment for private initiative and export-led growth	Reducing the role of the state	Development of the private sector, enhancing competitiveness and promoting investments and exports	Same as 1998	Promoting private sector development
Increasing per capita income by reducing population growth	Reducing poverty			Revitalizing the rural economy and increasing job creation
Diversifying growth sources				
Protecting the environment	Protecting the environment	Revitalizing the rural economy by promoting sustainable increases in agricultural productivity, improving the functioning of rural markets and protection of natural resources	Same as 1998	
	Addressing deteriorating social conditions	Investing in human resource development, including capacity building	Same as 1998	Strengthening human and social development
	Improving public resource management capacity			
		Provision of social and economic infrastructure	Same as 1998	
		Continuation of efforts to reintegrate refugees and to promote national reconciliation	Same as 1998	
		Improvement of donor coordination	Same as 1998	
			Improving justice and governance	Improving governance

### *Before 1994*

2.3 In the early 1990s the overriding issues for IDA were the degree and nature of GOR involvement in the economy and improving government’s attitude toward the private sector. The need to move towards a market-led economy and the structural changes necessary for doing so were well-documented in a review of public expenditure in the late 1980s. The objectives were many: (a) introduction of a flexible exchange rate policy; (b) improved revenue collection;

(c) tight management of the wage bill and a stricter public employment policy; (d) rehabilitation or privatization of state enterprises; (e) reduction and elimination of transfers to public enterprises and to the coffee subsector; (f) reduced recourse to domestic borrowing; (g) reduced GOR interference in the private sector; (h) liberalization of export licensing; and (i) reduction of external debt and the creation of a multiyear public expenditure program. Targeted sectors were agriculture; infrastructure, including roads, power (especially rural electrification); urban; health; and education. Because of the general deterioration of the economy, almost all sectors were considered candidates for investment projects. Yet, the government's absorptive capacity constraints, financial and human, strongly suggested that some prioritization was needed.

2.4 The country assistance strategies prepared during the early 1990s correctly identified the major structural weaknesses, economic and social, of the Rwandan economy and contained a strategic response, including adjustment lending. The strategies also identified many risks: the potential for ethnic violence and food shortages, coffee price volatility, potential oil price increases, and transportation problems resulting from regional insecurity. But, it was not clear how the risks would be managed if they did materialize. In the event, the Bank's adjustment assistance went ahead as planned, largely because of Rwanda's deep economic distress.

2.5 The strategies acknowledged problems in the supervision of IDA projects, as well as in GOR implementation capacity. IDA acknowledged the need to devote more resources to project supervision and to improve project procurement design to accelerate disbursements. Eventually the strategy proposed including implementation strengthening measures in each IDA-financed project, training responsible officials in IDA procurement and disbursement procedures, and holding an annual country implementation review to help accelerate procurement and disbursement. The strategies also cited weak GOR project management, noting lengthy project ratification periods, cumbersome procurement regulations, and inappropriate budget regulations for counterpart funds. But, project design continued to be overly ambitious and did not adequately reflect government human and financial constraints, especially given the risks arising from civil war and social and political upheaval.

2.6 In 1993 IDA's strategy added new elements which responded to the accelerating deterioration of economy, due in part to structural rigidities, as well as to civil war. The strategy emphasized the need to: promote rural to urban migration through the use of Government-funded public works projects to relieve population pressure on rural land; promote lower population growth rates; change labor legislation to permit free movement of workers throughout the country; establish commercial courts; and remove legal discrimination against women.

#### *After 1994*

2.7 In the immediate aftermath of the genocide, IDA's priorities were two-pronged: (i) help the government begin the restoration of key economic and social services, rebuild institutional capacity necessary for sustainable economic recovery, and design a coherent economic policy framework to provide assistance to returning and displaced refugees and to assist the government in formulating and implementing basic monetary and fiscal policies and (ii) to provide the private sector with the means to resume operations and create jobs. These objectives were pursued through a project on emergency recovery in the mid-1990s. The objective was to provide flexible resources quickly to rebuild the public and the private sectors, through import

financing and technical assistance to the central bank and to the Ministry of Finance. In a subsequent operation in 1997, the Emergency Reintegration and Recovery Credit, the objectives were more specific: in the context of coordinated international assistance, IDA focused on supporting the government's efforts at (i) resettlement and reintegration; (ii) economic reconstruction and recovery; and (iii) laying the foundation for sustained economic growth, development, and poverty reduction, with assistance in agriculture and the rural economy; capacity building and human resource development; and high priority socio-economic infrastructure, such as rural water supply, feeder roads and road maintenance, and policy and institutional reform. Emphasis was placed on enhancing GOR's capacity to efficiently implement community-based programs and increasing participation of beneficiaries in project identification, preparation, and implementation. Lack of opportunities for citizen participation and commitment to development programs had been identified before the genocide as a factor inhibiting implementation of development programs. Later, in 1999, IDA and the government shifted to reducing inflation and bringing the budget deficit under control, while maintaining assistance to priority sectors.

2.8 The country strategy in the late 1990s focused on the need to continue support to GOR for the transition from the fragile peace and economic recovery which had been achieved by 1998 and to lay the foundation for national reconciliation, sustainable growth, and poverty reduction. At the heart of the strategy was the assertion that Rwanda should be treated as a special case for international assistance because of the legacy of the genocide, the need to resolve the conflict in the Great Lakes, and the country's high external debt burden. By defining Rwanda as a special case, it enabled the Africa Region to obtain more IDA funding than the country would normally have received since the government was exiting from a state of war. The country strategy was later updated with little change in objectives, except that improving justice and governance were added.

2.9 The current strategy, laid out in the 2002 CAS, is based on the Government's PRSP. The CAS is frank in citing weaknesses of past Bank post-genocide strategies, including the unsatisfactory outcome ratings of most projects designed in the pre-genocide era, lack of attention to public sector capacity building and relatively little analytical work to underpin lending operations. A weakness of the strategy is the lack of focus on reducing the population growth rate, a lack of monitorable indicators, and the absence of prioritization of the many activities in each category. In part, that prioritization would have to be informed by more analytical work.

2.10 IDA assisted GOR in preparing both the interim PRSP and the final version. Both stages of the exercise elicited the views of civil society groups, the private sector, NGOs, and donors. The PRSP provides a wealth of data and analysis. It offers a broad range of solutions in priority areas and identifies public investment proposals. In particular, it emphasizes the need for annual monitoring of performance measures for priority sectoral development targets. There are areas in which it is weaker. Many of these weaknesses were cited in the Joint Staff Assessment of the PRSP by the IMF and World Bank staff. The PRSP does not offer an adequate explanation of how the projected GDP per annum growth rates of 7 per cent will be sustained. The document also needs more convincing evidence that a land law will be passed in the near future. It also needs more explanation of how the incomes of the rural and urban poor will be increased. The document could include more detail on how access to education and to basic health services for

the poor will be enlarged. It does not fully address how financial decentralization and the technical skills necessary to formulate and implement local development will be carried out. And the PRSP could more fully address how human skill shortages to implement the impressive program goals will be developed. But, as a first effort by the government to turn general MDGs into an action plan, it is a thoroughly prepared document.

### Box 2.1: Key MDGs

	<i>Rwanda (2000)</i>	<i>MDG Target (2015)</i>
Poverty Headcount (2000)	60%	30%
Net Primary Enrollment Ratio (2000)	73%	100%
Infant Mortality Rate (2000)	107/1,000	36/1,000
Ratio of Boys to Girls (primary school)	98.3%	100%
Ratio of boys to girls (secondary school)	103.5%	100%
Contraceptive Prevalence Rate (15-49)	7.9	100%
Maternal Mortality Rate	810/100,000	202/100,000

Source: World Bank. 2002. *Rwanda: Country Assistance Strategy*. Report No. 24501.

Rwanda's MDGs are ambitious: based on past performance the government is expected to fall short of achieving the targets by 2015, but progress is being made. The greatest progress has occurred in education enrollment ratios. The gross primary enrollment ratio in 2000 was 97 percent, up from 70 percent at the end of the 1980s. But increasing the net enrollment ratio will be difficult because of the continuing poor quality of education offered by the schools, even though government is likely to get closer to this goal than to some of the others. In contrast, the government has virtually attained the goal of equal enrollment representation of girls and boys in primary and secondary schools.

Reducing the poverty headcount depends on the successful achievement of a number of difficult objectives, such as maintaining high GDP growth and reducing inequality. The country remains at the beginning of a long and demanding economic transformation process.

Reducing infant mortality rates, improving the contraceptive prevalence rate, and reducing the maternal mortality rate are goals which usually change significantly only over the long term because they involve changes in attitudes, increases in per capita income, improved access to medical services, and a higher urbanization rate than that of Rwanda. Thus the targets appear difficult to achieve.

## Lending

2.11 Gross commitments from the Bank over FY90–02 were US\$690.8 million. The distribution of commitments by sector board and over time is shown in table 2.2. Commitments averaged US\$50 million per year in FY90–94, US\$45 million per year in FY95–99, and close to US\$70 million per year in FY00–02. Before the 1994 genocide, commitments were spread over a great variety of sectors. In the five years following the genocide, there were only five new projects, essentially in emergency recovery, reconstruction, and an adjustment loan in FY99. During FY00–02, lending was resumed in a number of sectors, including education, agriculture, private sector development, and health and population. Probably the most striking aspect of IDA's lending program was the relative neglect of agriculture since FY90, in spite of the importance of the sector in the Rwandan economy and the emphasis placed in the IDA strategy documents on growth and poverty alleviation: during FY90–02, only 10 percent of lending was

for rural sector (the bulk of it as late as in FY01); this compares with 40 percent during the decade of the 1980s.

**Table 2.2: IDA Lending by Sector Board, FY90-02**

<i>Sector Board</i>	<i>Total Commitments, US\$ million ??</i>												
	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Economic Policy		90.0								75.0		15.3	
Education		23.3									35.0		
Energy and Mining				26.0									
Financial Sector												7.5	
Global Info./Com. Tech.		12.8											
Health, Nutrition & Pop.		19.6											7.0
Private Sector Dev.					12.0			50.0					40.8
Public Sector Governance	4.4												
Rural Sector					15.0						5.0	48.0	
Social Development													25.0
Social Protection			19.1			50.0				5.0			
Transport	40.0								45.0				
Urban Development													
Water Supply & San.											20.0		
Total	44.4	145.7	19.1	26.0	27.0	50.0	0.0	50.0	45.0	80.0	60.0	118.6	25.0

Source: World Bank data.

2.12 Over the FY90–02 period as a whole, 26 percent of all commitments was structural adjustment lending (SAL) and another 18 percent was emerging recovery credits. Other important areas of IDA involvement included infrastructure, public enterprise reform and privatization, health and population, and education.

2.13 OED project ratings are shown in table 2.3. On the whole, ratings for Rwanda compare poorly with Bank-wide averages, and also with the Africa Region average for FY95–02. Most projects received high marks for relevance, but efficacy was mixed, with the FY99 SAL, the emergency operations and social protection credits receiving “substantial” ratings, and agriculture, most infrastructure, social sector, and private sector development projects receiving “negligible” or “modest” ratings. *Outcome* ratings for completed projects follow this pattern: while the outcome of the first structural adjustment credit was rated unsatisfactory, that of the second was rated satisfactory as was the outcome of all emergency, social protection, and telecommunications lending. However, the outcome of agriculture, all other infrastructure except telecommunications, health and education, and private sector development projects was rated unsatisfactory or highly unsatisfactory. *Institutional development impact* was rated substantial for the second adjustment operation; modest for emergency operations, social protection, and education projects; and negligible for projects in other sectors. Sustainability was rated unlikely for all lending, except for telecommunications. Thus, despite the exceptional efforts by both the GOR and IDA, the decade of the 1990s has been characterized by very partial success. In part,

**Table 2.3: OED Project Ratings (by exit year)**

		<i>% satisfactory outcome</i>	<i>% substantial inst. dev. impact</i>	<i>% likely sustainability</i>
<i>FY80-94</i>	Rwanda	62	22	38
	Africa	57	20	28
	Bank-wide	71	35	55
<i>FY95-02</i>	Rwanda	60	28	4
	Africa	68	31	42
	Bank-wide	79	44	66

Source: Annex Table 5a.

this is due to the difficult and tragic events associated with the civil war and the genocide. But, IDA project design and manner of supervision also contributed to the unsatisfactory nature of lending outcomes.

### *Stabilization and Adjustment*

2.14 There were two major adjustment credits, the first approved in 1991, during the civil war, and the second approved in 1999, five years after the genocide, as part of the transition from emergency lending to more “normal” lending. The broad objectives of both programs were similar: (a) maintaining macroeconomic stability and improving resource mobilization and management; (b) developing market-oriented agriculture and reviving the rural economy; (c) establishing the institutional and legal framework conducive to private sector growth and competitiveness; (d) privatizing state enterprises and reforming public administration, and (e) enhancing the role of women.

2.15 The objectives of the pre-genocide program were only partially achieved because of the continuation of civil war, a steep decline in coffee prices, weak GOR implementation capacity and lack of civil society support for the program. OED rated the program outcome as unsatisfactory, institutional development impact as negligible, and sustainability as unlikely.

2.16 The post-genocide program was more successful. Macroeconomic stability was maintained. State controls over the labor and agriculture markets were substantially reduced. Especially notable were the adoption of a new investment code, the passage of laws establishing the Coffee and Tea Boards, the revision of the internal Trade Law, and the abolition of the Chamber of Commerce, replaced by a private sector federation. Significant gender reforms positively affecting women were adopted. The legal and regulatory framework necessary for a functioning market economy was substantially strengthened. Mechanisms were introduced to better manage the budget and to ensure greater transparency in the utilization of public resources, e.g. the medium term expenditure framework. The adoption of the Public Service Code provided the framework for future improvements in public administration. The reform of the civil service represented a significant move toward upgrading the government’s human capital and a reduction in its cost to the government. And budgetary allocations to the social sectors were increased and maintained, despite a revenue shortfall. Given the relatively short period since the end of the genocide and the establishment of a new government, the government’s ability to accomplish these major goals is laudable.

2.17 Nevertheless and not surprisingly given the complexity of the issues confronting GOR, there were important shortcomings. Government revenue performance in 1999 and 2000 was below target due to a decline in import volumes and start up problems at the Revenue Authority. The passage of a Land Law was not part of the reforms, even though IDA had felt for some time that it was one of the most important changes necessary to promote development of market-oriented agriculture. And the government’s involvement in the war in the DRC may have slowed private investment in Rwanda, as it contributed to the general perception of insecurity in the Great Lakes region. However, what is strikingly different from the first adjustment program is government commitment to pursuing the objectives of the program and its ability to achieve many of them. While it is too early to fully assess the effects of the changes, substantial institutional progress was made. As has been the case for many years, the volatility of the prices

of Rwanda's major exports, the lack of security in the sub-region, and uncertainty surrounding the conduct and the outcome of the presidential election scheduled for 2003, make it impossible to evaluate the sustainability of the objectives achieved under the program.

### *Emergency Lending*

2.18 The Board responded immediately to the conditions created by the genocide with an Emergency Assistance Grant, in August 1994. Implemented through UN agencies, the grant was relevant and effective. Subsequent emergency recovery credits were also relevant, but their implementation was slowed down for similar reasons as those affecting projects in Rwanda generally: lack of government capacity and familiarity with Bank procedures and inadequate Bank attention to these issues.<sup>9</sup>

### *Agriculture*

2.19 IDA-assisted projects from 1985 to 1992 attempted to strengthen the institutions that are essential for natural resource conservation and to develop and disseminate technical packages that would enable farmers to increase their productivity while enhancing and sustaining the fertility of the soil. The outcome of these projects was rated unsatisfactory as they failed to achieve most of their objectives. The political and economic situations in the country were largely to blame, but project designs were also flawed because too much was expected in the prevailing circumstances.

2.20 The post genocide program in agriculture was very limited, at least until FY01, although both social protection and emergency credits included actions for the rural economy. Social protection approaches have included assistance to the agricultural sector to address the serious social problems arising from the civil war and the genocide. Social protection projects focused on immediate poverty reduction, as well as on food security and production issues. These projects address in a substantive way the issue of lack of involvement of communities in project design and implementation. The focus is on giving communities the ability to take responsibility for and make decisions relating to their basic living requirements and assisting GOR to create Community Development Committees responsible for choosing and implementing development projects at the lowest level of government. In FY99, a learning and innovation credit focused on production and productivity improvement. It took into account some of the lessons that were being learned from community participation and private sector activities at the local level. A subsequent adaptable program credit aims to equip farmers and private sector support groups and relevant government organizations with the technical and institutional capacities that would lay the foundations for participatory approaches to productivity-raising activities and other support interventions. In an effort to reduce the uncertainty associated with access to land and land utilization, this credit also requires that GOR provide leases (50 years) to farmer groups, the duration of which would be long enough to remove uncertainty over who would benefit from productivity investments and justify the drainage and irrigation infrastructure which the project would finance on lands still owned by the government. In addition, the emergency projects included assistance to replace tools, seeds, and other inputs.

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<sup>9</sup> See also: OED. 1998. *The World Bank's Experience with Post-Conflict Reconstruction*. Washington, D.C.: The World Bank.

*Infrastructure: Transport, Telecommunications, Energy, and Urban/Water Sanitation*

2.21 While IDA was aware of country and sectoral risks, its knowledge of those risks did not appear to be adequately reflected in the design and implementation of infrastructure projects, even up to the eve of the genocide. Lending objectives across the infrastructure sector were guided by the need for structural transformation, including greater involvement of the private sector, reduced drain on the government budget, creation of better trained sector staff and managers, and improving or expanding sector physical investments. These issues were important because the then-government had recognized the need to transform its economy from one dominated by the state to one based on market principles. However, projects were uniformly complex and ambitious, including the components for physical investments, as well as for fundamental transformation of the sector institutions and financing mechanisms. Large GOR recurrent cost contributions were sometimes required from a government which had experienced a decade-long decline in economic growth and large fiscal deficits. Inadequate attention was given to training project staff and GOR officials in project implementation skills.

2.22 And, IDA itself did not put as many resources into supervision as were required by project design. Implementation of projects was characterized by delays in effectiveness, lack of achievement of major project objectives, multiple extensions of closing dates and cancellations of high proportions of credit funds. While some delays can be attributed to the financial and managerial difficulties experienced by GOR during the 1990-93 civil war period, and to the horrors and destruction of the genocide, it is not clear why IDA continued to design such complex projects until the eve of the genocide. In some sectors, such as telecommunications and transport, project complexity did not prevent completion of a significant proportion of the project's physical objectives. However, for projects in the urban and energy sectors, complex project design resulted in cancellation (urban and energy) or in substantial underachievement of project goals (energy). Finally, the poverty reduction relevance of these projects in a country at such a low-level of per capita income is highly questionable.

2.23 IDA assistance to the telecommunications/postal sector was most successful, resulting in an improved postal service, which is important in a poor country where the majority of citizens cannot afford telephone service. Telecommunications services were improved via the introduction of private cellular service, but the government took the initiative more than did IDA. This improvement was important because the existing land telephone lines were old and could not adequately carry the volume of telephone traffic in Kigali, let alone in the country as a whole. IDA did reasonably well in providing infrastructure in the transport sector. In general, road construction quality appeared acceptable and major roads were completed. However, rural access road improvement suffered and institutional changes were not completed.

*Public Enterprise Reform and Private Sector Development*

2.24 Initially IDA focused on the reform and eventual privatization of public enterprises, as a way of reducing the drain on the budget and of promoting private sector development. In the early stages, the focus was as much on reform as on privatization. The strategy was to redefine the role of government, to improve the legal and institutional framework for public enterprises, and to increase GOR efficiency. Later IDA's focus shifted to creating a business environment which would make the private sector the major source of economic growth by removing legal

and regulatory impediments, providing a line of credit to enterprises, and technical assistance to entrepreneurs. Perhaps the clearest lesson from the completed projects is that embarking on public enterprise reform/privatization required government commitment and management, if not mastery of the political, as well as the financial and economic issues.

2.25 The pre-genocide investments accomplished few of their goals, not just because their implementation was affected by the civil war, but because objectives would have negatively affected the managers and workers in the targeted enterprises. The public enterprise law was approved by the Council of Government two years behind schedule, but was later rejected by the Constitutional Court. Only one liquidation and four privatizations occurred out of an anticipated total of about 90 restructurings/privatizations. However, a privatization law was passed in 1996. Regrettably, in a World Bank internal document, IDA found “the text of the law ill-conceived and non-supportive of the reform process. It did not define the basic principles underlying the privatization process, nor the institutional and legal framework for privatization.” But the major question is whether the environment was right for privatization in the absence of government commitment and the need for government to maintain popular support during the civil war.

2.26 The restructured post genocide investments fared poorly, as well. Under the Private Sector Development Project, a line of credit experienced the highest implementation rate, if that is measured by uptake and not by outcome. The line of credit was completely disbursed for 14 projects. However, a major objective, the creation of jobs, was not successful. Only 380 jobs, at a cost of US\$18,400 per job, were created due to these projects, and four of the 14 projects were in arrears. Since no performance indicators were specified for these activities, it is impossible to evaluate what IDA contributed. The new IDA post genocide strategy reprises some of the themes of the pre-genocide program, by emphasizing streamlining of the business environment, reducing costs and increasing the efficiency of utilities, and providing finance and technical assistance to entrepreneurs. While it is too early to evaluate this approach, the complexity of its design, in view of limited GOR capacity, raises the question of whether it is too similar in design to pre-genocide operations.

2.27 As of February 2002, GOR had privatized 41 enterprises, the most important of which were in the agriculture sector. Also significant were privatizations of the national oil distribution company, the national printing company, an alcoholic beverage plant, and two mining companies. A private, national cellular telephone company has been created, which is a substantial improvement for the telecommunications sector. However, major privatizations, including the telephone company and the national water and energy utility, were not realized. Given the difficulties encountered in attempting privatization, it may be useful to consider other strategies to provide water and energy, especially to the rural areas.

2.28 For the energy sector, the lack of achievement of program objectives is particularly troubling. After the genocide, the focus of sector assistance shifted back and forth between restructuring Electrogaz to improve its efficiency, and privatizing it. This dichotomy persisted until the very end of the project when the government made a decision to hire a private operator for five years and then to privatize the utility. The hiring of the private operator has not yet occurred. Restructuring of the utility was not achieved and fundamental institutional weaknesses, like the lack of a financial management system, were not addressed. After ten years of discussions, some progress was made in reaching agreement between IDA and the government

on the creation of an enabling legal and regulatory framework for the utilities. A law permitting privatization of the telecommunications utility was passed, as was a law removing Electrogaz's monopoly in the water and energy sectors. The law creating a multi-sector regulatory agency was passed and the agency created, even though it is not yet operational.

2.29 After a long period of attempting privatization, the major question is whether IDA should have concentrated on privatizing some of the major entities like the national telephone company and the utilities, or whether focusing on assisting them to function better would have been more realistic. The long delays in privatizing the larger entities suggests that internal and external factors have combined to make privatization an uphill battle. GOR financial and technical weaknesses have been mentioned earlier; and changes in strategy also hindered progress. For example, in 1998 GOR delayed changes to the utility when it rejected the winning bidder for an Electrogaz management contract, without providing sufficient explanation for this action. It then decided that Electrogaz should be split into three entities, each of which should be privatized by end 2000. When a study indicated that privatization would be unlikely, GOR switched back to hiring a private operator for Electrogaz, with privatization after five years. Additionally, frequent changes in GOR staff implementing the program made it difficult to make steady implementation progress.

2.30 IDA performance in providing assistance could have been better and more timely. Post-genocide restructuring was delayed until 1998. Perhaps IDA could have cancelled a substantial portion of the energy sector project after the genocide, as it had proposed, and concentrated on working with GOR to develop a consensus on what to do with the utility. Additionally, getting a better handle on the utility's finances and improving its operation would have been useful interim achievements, which would have furthered restructuring or privatization of the utility.

### *Health and Population*

2.31 Pre-1994 GOR policies and IDA strategy focused on improving maternal and child health, nutrition services, family planning policies, and strengthening the capacity of the Ministries of Health and the National Population Office. Outcomes of this assistance were mixed. IDA had set ambitious population growth rate and family planning services targets which were not achieved. As well, the institutional strengthening goals were not met. While exogenous factors played a substantial role, IDA can be faulted for its ambitious targets and for not fully realizing the extent to which there was social opposition to family planning. Bank performance was also adversely affected by the high turnover in team leaders, five team leaders in seven years.

2.32 In the post genocide era, IDA has emphasized reconstruction of health clinics and strengthened pharmaceuticals delivery, while reducing emphasis on population policy and family planning. As in the agriculture sector, social protection projects have been used as a vehicle combining a focus on poverty reduction, with restoration of services and increased community involvement. Tangible support for six districts in Rwanda was provided under the restructured health project via increased access to health services, HIV/AIDS education, and pharmaceuticals. But, goal achievement and implementation has been hampered by a shortage in counterpart funds. Also, the strategy of reduced emphasis on population policy may need to be revisited.

## *Education*

2.33 IDA's strategy in the late 1980s and early 1990s was based on the need to reverse the deterioration in the quality of primary and secondary education, the declining enrollment in primary education, and the weakening of education institutions which had occurred in the 1980s. A two-stage strategy was adopted, the first focused on primary education: structure, access and equity, quality and cost, and financing. In a second stage, the focus was to be on secondary education. The overall objective was to assist GOR in achieving affordable, higher quality development of the education sector. But these objectives were not achieved. IDA assistance reinforced GOR policy toward decentralization in the early 1990s by decentralizing management of resources for school infrastructure and development to the communes. But the project outcome was unsatisfactory. While resources for school construction were transferred to communes, the technical and financial demands of construction programs were too difficult for local capacities. Financial and administrative management was weak and problematic at local and at central levels. Government counterpart funding was limited and project accounts were often incomplete. The only satisfactory outcome was the emergency construction of schools which permitted children to return to schools after the war. However school construction was poor and the quality of education very low. The project also reduced the duration of primary education from 8 to 6 years, removing the vocationally oriented grades seven and eight, which had proven ineffective in increasing skills and costly to maintain. By removing those grades, access to general primary education was increased. IDA performance was unsatisfactory in supervision and monitoring.

2.34 After the genocide, IDA focused initially on rehabilitation and construction of schools, especially at the primary level, via the restructuring of the existing project. As a result, enrollment in primary education has substantially increased, while the ratio for secondary education has shown marginal improvement, and the percentage of girls enrolled at primary and secondary levels is equal to that of boys. But other highly relevant objectives were not achieved. The objective of improving the quality of primary education was put on hold, even though highly relevant. There remains a shortage of qualified teachers and of educational materials. And the planning and management capacity of the central government was not strengthened. In 1998 and 2000, two new projects were financed to meet key sector and poverty-related objectives defined in the country strategy. The two projects support community-based initiatives in local governance and in development activities. Also included is community-based school rehabilitation and construction, as well as support to improve the quality of primary and secondary education. The social protection approach embodied in the new projects was designed as a precursor to the sector wide approach program (SWAP) that has been adopted under the PRSP.

## **Analytical Services**

2.35 Formal analytical and advisory work, since 1985, as well as ongoing analytical and advisory activities (AAA), are shown in annex A, table 4. While there were several economic and sector reports before the genocide, little has been produced since, except for informal work and a number of still ongoing studies. In the early 1990s, IDA produced studies for the energy, transport, agriculture, and financial sectors and one poverty report. These reports provided the basis for the design of the pre-genocide stabilization program. They were relevant and accurately identified the major issues facing the government. The poverty report reviewed the impact of

economic decline and civil war, but was issued during the genocide, precluding any impact on IDA and government strategy.

2.36 After the genocide the only analytical work processed to formal dissemination was the 1998 Poverty Note, which documented the extent to which poverty had increased due to the genocide. The work was relevant and timely; report conclusions were an input into the CAS, focusing on means of increasing agricultural output, improving social services, and developing legal and institutional frameworks favoring the poor. Informal work included public expenditure reviews (PERs) on “rebuilding public expenditure management” and on “reforming public expenditure management” in the transition from emergency to development. Both were timely and focused on issues important to the restoration of macroeconomic stability. IDA also completed PERs for the health and education sectors which clarified for government the staffing, learning materials and resource generation, and management weaknesses in the social sectors. In addition, informal sector work included an agriculture strategy note, which was reviewed by the World Bank Quality Assurance Group (QAG). The quality of the analysis was rated satisfactory and fit well with the work of other donors. However, its strategic relevance and timeliness were rated marginal and it was faulted for making recommendations which were only marginally realistic in light of the government’s social, political, and administrative constraints.

2.37 The Rwanda program was not unique in this respect. An internal assessment in the late 1990s of Bankwide economic and sector work provides a partial explanation of why analytical work may have received relatively fewer resources than lending activities. It noted that economic and sector work was weakest in Africa and in the Latin America and Caribbean regions and it offers a conclusion which applied to the entire Bank. “Finally it is often unclear what the priority of ESW is within the Bank. Too often task teams feel that their ESW responsibilities are secondary to those of preparing lending operations. As a result, ESW timetables often are the first to be dropped or postponed during crunch periods. With staff typically over programmed, ESW tends to get lower priority and quality can suffer because of this. In some cases this may be appropriate and in others it may not be appropriate.” However, the relative paucity of analytical work in the post-genocide period is a major weakness of IDA assistance. In a country such as Rwanda where IDA’s knowledge of the conditions and constraints to development is limited and where the challenges are immense, adequate AAA, which is discussed with government and formalized, is doubly important.

### **Aid Coordination**

2.38 Before the genocide and during the post-genocide emergency period IDA and UNDP coordinated assistance through the Donor Round Table mechanism, jointly managed by the government and UNDP. IDA did not lead a CG “consultative group” mechanism. The organization’s working relationship has been mixed in the aftermath of the genocide due to the lack of a fully staffed World Bank country office for two years after the genocide, as well as to such factors as UNDP’s relatively scarcer expertise in macroeconomic management. Relations between the two agencies also experienced some stress when GOR asked IDA to formulate a proposal permitting IDA to assume greater leadership in aid coordination (1996), and the proposal was then passed to UNDP. Since 1997 it appears that a de facto division of labor has been instituted between UNDP and IDA, with IDA initiating coordination for meetings on macroeconomic issues, including external debt issues and the PRSP. IDA had a large role in

assisting GOR in organizing the recent PRSP process, involving donors, the private sector, and civil society. IDA also involved other donors in the formulation of the most recent CAS, notably assisting GOR in formulating the concept of donor funded sector wide assistance programs and participating in discussions identifying lead donors for some sectors.

2.39 Discussions with donor and government representatives presented a picture of only modest gains in donor coordination in recent years. Donors felt that the government lacked an adequate financing information system, especially for funding from bilateral and non-governmental organizations, to adequately manage externally funded projects. The creation of the government coordination agency, Central Projects and External Finance Bureau (CEPEX), which monitors multilateral and bilaterally funded programs, is an improvement because it gives donors a central office with which to coordinate. But much work remains before the government will have sufficient staff and systems to effectively manage all donor assistance. Donors also felt that there needed to be better coordination among themselves. While regular meetings were held to discuss assistance in some sectors under the auspices of bilateral or multilateral donors, e.g. education assistance coordinated by the Department for International Development (UK) and agriculture sector assistance coordinated by the Food and Agriculture Organization, in general sectoral assistance coordination was not perceived as effective. Individual donor perceptions about IDA participation in sectoral aid coordination varied widely from positive (in the education sector) to inconsistent (agriculture sector).

### 3. Development Impact

3.1 It is difficult to have much “development” impact in circumstances such as those prevailing in Rwanda over the past decade. Nevertheless, IDA has made some significant contributions to help the country return to a growth path. Through its emergency lending, IDA assisted Rwanda in recovery, resettling and integrating refugees, and in reconstruction; all of which contributed also to a needed process of national reconciliation. Through its dialogue and adjustment lending, IDA assisted in the implementation of key policy, legal, and institutional measures, which were the basis to stabilize the economy, improve budget management, help the economy rebound from the genocide, and successfully restart the growth process. In view of the government’s technical and financial weaknesses, it is unlikely that these achievements would have been possible in the timeframe of a few years without IDA assistance.

3.2 The dialogue on policy and strategy through CASs, PERs, and the PRSP helped the government develop an integrated strategy for the country. It brought attention to some crucial issues, including poverty and public expenditure management. But the lack of more AAA sectoral services was a major weakness, given the demographic and economic dislocations caused by the civil war and the genocide.

3.3 On the investment lending side, IDA’s impact has been less successful. Apart from some isolated successes, such as improvements in the main road network and some legislation and new institutions to promote private sector development, little was achieved. A major shortcoming has been inadequate attention to agricultural development and to population policy. Project lending regularly failed for two main interrelated reasons: overly ambitious design and inadequate supervision given the country condition. Overall, IDA assistance to macroeconomic institution building and stabilization improved over the evaluation period. After the genocide, IDA assistance targeted major weaknesses and risks. And the dialogue with GOR became more effective. In contrast, sectoral assistance remained relatively weaker and project restructuring, which accounted for the bulk of sectoral assistance until FY00, did not respond effectively to changed country circumstances, nor to long-standing capacity and financial constraints.

3.4 On balance, the outcome of IDA assistance to Rwanda is rated unsatisfactory before 1994 and moderately satisfactory thereafter. Even though both the relevance and efficacy of the Bank’s strategy after 1994 left much to be desired, the few achievements in extremely demanding circumstances warrant the moderately satisfactory rating.

3.5 The sustainability of the Bank’s achievements is rated unlikely because of the continued high degree of risk in the country circumstances. These include the uncertainty associated with the return of troops to Rwanda from DRC, the unresolved conflicts in the Great Lakes region and the unpredictability of the population’s response to upcoming elections. Recent social research on important characteristics contributing to conflict<sup>10</sup> points to both greed and grievance factors. Among the former, a disproportionate share of income derived from primary commodity exports is a major factor. The grievance factors include such conditions as ethnic fractionalization, low secondary school enrollment, high population growth, low per capita income growth, as well as

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<sup>10</sup> Collier, Paul, and Anke Hoeffler. 2000. *Greed and Grievance in Civil War*. Policy Research Working Paper No. 2355. Washington, D.C.: The World Bank.

geographic and historical factors. On virtually all counts, Rwanda exhibits characteristics which are associated with a high probability of conflict. The improvements, in macroeconomic policy and in budgetary management and execution, will only persist if the government can manage other economic challenges—the external debt, agricultural development—as well as political and security issues.

3.6 The institutional development impact of the Bank's assistance strategy has been mixed. Before the genocide the impact was negligible, both because of government reluctance and scarce implementation capacity. After 1994, there have been some important successes such as the creation and operation of the Auditor General's Office, the National Tender Board, and CEPEX and the creation of the Private Sector Federation and the Office of Investment. There have been less successful efforts to revitalize telecommunications and utilities and to strengthen the management of the social sectors. Overall, institutional development impact after the genocide is considered modest, particularly because of the weaknesses in investment lending outcomes.

## 4. Contributors' Performance

### IDA Performance

#### *Pre-Genocide*

4.1 During the early 1990s IDA understood the fundamental reasons for the economic difficulties Rwanda faced and tried to persuade the government to change its longstanding policies and give a greater role to the private sector, reduce public subsidies to failing enterprises, increase and diversify agricultural production, improve the quality of social services, and develop a more inclusionary legal system. IDA only partially persuaded the government to undertake change. Completion reports on projects starting implementation during those years all report weak government commitment.

4.2 IDA's project design did not adequately reflect the human and financial constraints confronting the government. Nor was IDA fully able to supervise projects adequately, or provide continuity in staff assigned to oversee project implementation in some key sectors. Quality at entry, while not formally measured, was poor, as evidenced by data on project effectiveness delays.

4.3 While IDA country strategy statements clearly indicate that it was aware of the potential social and security issues faced by GOR, investment projects and the stabilization program contained conditions which were enormously difficult for the government to fulfill, given the political and security issues with which it was confronted. While the strategy had some relevance, it overreached in terms of design and execution.

#### *Post-Genocide*

4.4 IDA adopted a different philosophy of interacting with the government. QAG ratings suggest that project design improved significantly. GOR officials stated that project goals were more relevant and that participatory preparation methods helped. Project implementation and goals were better understood by government implementers, as well as by stakeholders. IDA has focused on increasing participation of government stakeholders and project beneficiaries, inclusion of women in project activities, supporting a larger role for the private sector in economic development, and inclusion of other donors and NGOs in donor conferences and in strategy sessions. The changing role of the country office, while continuing to evolve, has been an important element in strengthening IDA's rapport with the government. On the other hand, GOR has noted, as recorded in the minutes of CEPEX-led country portfolio review meetings, that remaining problems in IDA supervision include slow processing of procurement and disbursement applications, and frequent changes in project staff. Some GOR implementing agencies felt that there was a shortage of operational staff in the Kigali country office and that some of those staff appeared relatively inexperienced. Other causes for concern include continued project design complexity.

## **Borrower Performance**

4.5 The government was a partner with IDA and the IMF throughout. However, in the early 1990s, while the government did begin to rethink its development objectives, commitment was weak. It was, for example, unable to complete the conditions for the release of the second tranche of the first stabilization program, partially due to political and security concerns. And while it agreed to the complex operations in the energy, urban, and public sectors, it was only partially willing and technically able to meet project conditions. Indeed the ICR for the first stabilization program faults the government for not having built a constituency for economic reform.

4.6 Since July 1994 and increasingly since 1997, GOR has demonstrated both willingness and capacity to better choose and manage its IDA portfolio. Certainly in the macroeconomic management and budgetary domains and in the preparation of the PRSP, the government has performed in a strong manner, with the exception of the privatization of utilities. Despite its weaknesses, the government has developed a portfolio management mechanism, involved the populace and donors in the delineation of the PRSP goals, put in place an impressive effort to gather and analyze basic data to update its knowledge of basic social parameters and to provide the basis for further policy development and analysis.<sup>11</sup> With respect to the economic problems confronting it at the end of the genocide, the government is to be commended for its sustained and improved capacity to manage the economy.

## **Aid Partners Performance**

4.7 The main agencies providing assistance to Rwanda during the challenging 1990s included, apart from the World Bank, are the European Union, IMF, AfDB, Germany, United Kingdom, United States, Netherlands and Belgium. Both donors and GOR have indicated that aid coordination could be improved, both between GOR and the donors, and amongst the donors themselves. CEPEX, created in the Ministry of Finance and Planning in 1996, regularly reviews donor-funded programs. Since 1997 it has held annual reviews of assistance provided by IDA and by the AfDB, noting the strengths and weaknesses of the two donors, as well as its own strengths and shortcomings. To further improve donor coordination, the PRSP includes a proposal, to adopt a sector wide approach program (SWAP) to donor assistance. Lead donors would be selected for all sectors. The donor would assist GOR in developing sector strategy, coordinating donor activities in the sector, as well as harmonizing disparate donor procedures. And the most recent IDA CAS was developed using extensive consultation with other donors, in conjunction with the PRSP process. Drafts of the CAS were shared with other donors.

4.8 IDA, AfDB, and IMF have collaborated closely in the post-genocide period. The AfDB assistance to the Ministry of Finance, to improve the management of public finance, was complementary to that provided by IDA and IMF. In January 1997, AfDB, IDA, and IMF developed the Framework for Economic Policies, which defined the actions necessary to move

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<sup>11</sup> During the period under review the government made a major effort to improve its knowledge on social conditions in Rwanda through a variety of surveys and analyses. These include, among others, a Core Welfare Indicators Questionnaire, a Demographic and Health Survey, a Multiple Indicator Cluster Survey, a Household Living Conditions Survey, a Food Security Survey, and a Public Expenditure Tracking Survey. Also the first census since 1991 is now underway and data are expected to be available in 2004.

from the emergency period to development programs. More recently, an understanding was reached on which institution would take the leading role in specific sectors or areas. The AfDB remains handicapped by not having an on-the-ground presence in Rwanda, which would permit it to interact with GOR and other donors, on an on-going basis. Finally, IDA and IMF cooperated in assisting Rwanda to access the E-HIPC initiative, as well as in producing the Joint Staff Assessment of the Government's PRSP.

## 5. Conclusions and Recommendations

5.1 IDA assistance in the pre-genocide period had few positive results. Adjustment lending was unsuccessful largely because of the circumstances created by the civil war. The outcome of investment lending also was generally unsatisfactory, due both to deficiencies in IDA project design and supervision methods, as well as to limited human and financial government absorptive capacity. After 1994, IDA was most successful in assisting the government in stabilizing the economy and putting in place better methods and institutions for managing the budget, developing a public investment program, and overseeing the use of national funds. By contrast, the outcomes of much of the investment lending continued to be unsatisfactory for similar reasons as before. On balance, the outcome of the Bank's assistance in the post-genocide period was moderately satisfactory because of the success of the assistance in providing emergency relief and in stabilization and budget management, in extremely challenging circumstances.

5.2 This evaluation recommends that future IDA assistance center on reducing poverty and inequality, using the MDGs as an organizing framework. This implies much more focus than before on increasing agricultural productivity, on diversifying production and on transforming agricultural output into higher value-added products, and on increasing and diversifying exports. In addition, improving the quality of education and human capital, reducing population growth, and enhancing the enabling environment for private sector development should be priority areas. The timing and sequencing of privatization are also important. These priorities are specified in the Government's PRSP. The focus of assistance to the utilities sector should be on delivery of the most basic services to the population. Privatization, *per se*, should be a secondary consideration in the context of the Rwandan economy. These are areas which are not well articulated in the PRSP.

5.3 While Rwanda is not explicitly classified as a low income country under stress, many of the recommendations for those countries are applicable. Increased analytical and advisory services are crucial. Drawing lessons from the experiences of other countries which underwent profound social and economic dislocation could be of much help. Project design should be simple and sufficient IDA resources must be allocated to ensure close project supervision. And IDA should continue to closely coordinate its efforts with other donors, with the objective of becoming more selective in its interventions.

## **Annex A: Statistical Annexes**



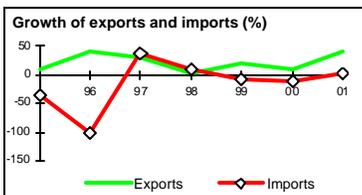
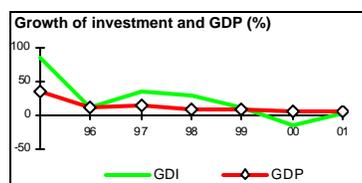
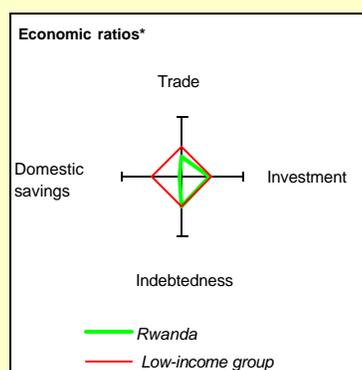
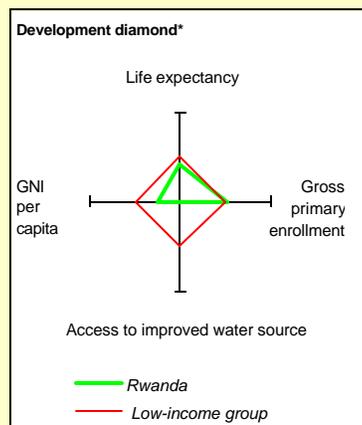
## Annex Table 1: Rwanda at a glance

9/18/02

POVERTY and SOCIAL	Rwanda	Sub-Saharan Africa	Low-income		
<b>2001</b>					
Population, mid-year (millions)	8.7	674	2,511		
GNI per capita (Atlas method, US\$)	220	470	430		
GNI (Atlas method, US\$ billions)	1.8	317	1,069		
<b>Average annual growth, 1995-01</b>					
Population (%)	5.2	2.5	1.9		
Labor force (%)	5.5	2.6	2.3		
<b>Most recent estimate (latest year available, 1995-01)</b>					
Poverty (% of population below national poverty line)	60	..	..		
Urban population (% of total population)	10	32	31		
Life expectancy at birth (years)	49	47	59		
Infant mortality (per 1,000 live births)	107	91	76		
Child malnutrition (% of children under 5)	29	..	..		
Access to an improved water source (% of population)	..	55	76		
Illiteracy (% of population age 15+)	31	37	37		
Gross primary enrollment (% of school-age population)	100	78	96		
Male	..	85	103		
Female	..	72	88		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1981</b>	<b>1991</b>	<b>2000</b>	<b>2001</b>	
GDP (US\$ billions)	1.3	1.9	1.8	1.7	
Gross domestic investment/GDP	13.3	14.0	17.5	18.4	
Exports of goods and services/GDP	9.8	7.3	8.3	9.3	
Gross domestic savings/GDP	1.4	3.3	1.4	1.9	
Gross national savings/GDP	9.8	12.3	12.5	11.9	
Current account balance/GDP	-5.1	-1.7	-5.0	-6.5	
Interest payments/GDP	0.2	0.3	12.8	12.2	
Total debt/GDP	14.9	42.4	72.1	77.3	
Total debt service/exports	4.7	16.0	28.1	24.9	
Present value of debt/GDP	..	..	12.1	14.0	
Present value of debt/exports	..	..	176.4	180.2	
	<b>1981-91</b>	<b>1991-01</b>	<b>2000</b>	<b>2001</b>	<b>2001-05</b>
(average annual growth)					
GDP	1.6	1.9	6.0	6.7	6.4
GDP per capita	-1.3	-0.5	3.5	4.1	3.8
Exports of goods and services	2.3	1.5	9.4	39.9	1.8

STRUCTURE of the ECONOMY	1981	1991	2000	2001
(% of GDP)				
Agriculture	43.5	33.0	41.4	40.5
Industry	22.2	21.5	20.5	21.6
Manufacturing	16.8	16.6	9.7	9.8
Services	34.3	45.5	38.1	37.9
Private consumption	78.6	84.7	88.0	86.4
General government consumption	20.0	12.1	10.5	11.7
Imports of goods and services	21.8	18.1	24.4	25.8
	<b>1981-91</b>	<b>1991-01</b>	<b>2000</b>	<b>2001</b>
(average annual growth)				
Agriculture	0.4	4.2	9.1	8.3
Industry	0.9	-0.2	3.4	7.6
Manufacturing	1.2	-1.7	-4.1	9.5
Services	4.2	2.1	3.6	4.4
Private consumption	1.7	1.9	4.6	2.0
General government consumption	4.7	-0.8	1.1	18.2
Gross domestic investment	0.2	4.9	-15.1	3.0
Imports of goods and services	3.2	..	-11.4	4.0

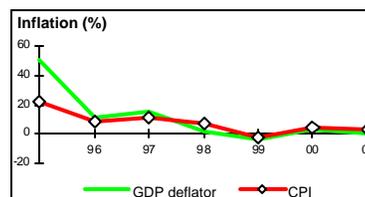


Note: 2001 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

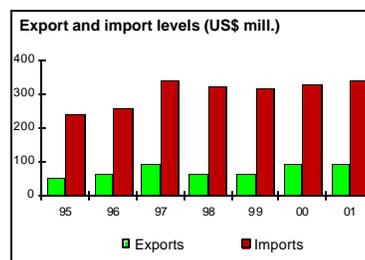
## PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	6.5	19.6	3.9	3.4
Implicit GDP deflator	7.7	15.0	3.2	0.2
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	12.2	15.1	18.7	19.8
Current budget balance	1.2	-1.1	6.1	5.6
Overall surplus/deficit	..	-8.2	0.1	-1.1



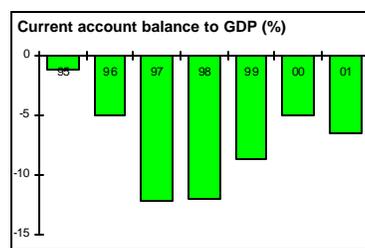
## TRADE

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total exports (fob)	113	96	90	93
Coffee	..	58	23	19
Tea	..	22	24	23
Manufactures	..	2	42	48
Total imports (cif)	..	302	328	340
Food	..	35	47	52
Fuel and energv	..	39	94	73
Capital goods	..	54	53	51
Export price index (1995=100)	..	71	107	108
Import price index (1995=100)	..	89	105	108
Terms of trade (1995=100)	..	79	102	100



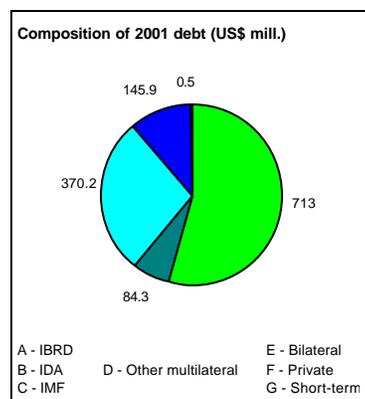
## BALANCE of PAYMENTS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Exports of goods and services	151	140	150	159
Imports of goods and services	329	345	441	440
Resource balance	-178	-205	-291	-281
Net income	9	-11	-15	-20
Net current transfers	103	183	217	191
Current account balance	-67	-33	-90	-110
Financia items (net)	46	99	100	121
Changes in net reserves	21	-66	-10	-11
<b>Memo:</b>				
Reserves including gold (US\$ millions)	173	110	191	212
Conversion rate (DEC. local/US\$)	92.8	125.1	390.0	443.0



## EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	197	810	1,305	1,316
IBRD	0	0	0	0
IDA	65	390	692	713
Total debt service	8	23	42	40
IBRD	0	0	0	0
IDA	1	4	11	14
Composition of net resource flows				
Official grants	..	..	267	234
Official creditors	25	78	32	51
Private creditors	0	-1	4	13
Foreign direct investment	..	..	8	4
Portfolio equity	..	..	..	..
World Bank program				
Commitments	14	147	77	96
Disbursements	7	48	37	53
Principal repayments	0	2	6	8
Net flows	7	47	31	45
Interest payments	1	2	5	5
Net transfers	7	44	26	40



**Annex Table 2: Rwanda - Economic and Social Indicators, 1990-2000**

Series Name												Average 1990-2000					
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Rwanda	Mozambique	Uganda	Cambodia	Bosnia- Herzegovina	Low income countries
	GDP growth (annual %)	-2.40	-2.51	5.87	-8.10	-50.20	35.20	12.70	13.80	8.90	7.60	6.00	-0.19	6.35	7.02	4.80	27.28
GNI per capita, Atlas method (current US\$)	370.00	320.00	310.00	260.00	140.00	190.00	200.00	220.00	230.00	240.00	230.00	230.00	210.00	300.00	260.00	1,230.00	410.00
GNI per capita, PPP (current international \$)	950.00	920.00	980.00	900.00	550.00	740.00	830.00	790.00	840.00	880.00	930.00	930.00	800.00	1210.00	1,440.00	..	1,980.00
Agriculture, value added (% of GDP)	33.20	32.99	35.19	35.86	51.11	46.80	49.40	48.27	47.40	43.60	43.66	42.50	32.92	48.18	48.74	19.89	26.77
Manufacturing, value added (% of GDP)	18.67	16.57	12.76	12.13	18.35	10.58	12.67	13.28	13.04	12.34	11.52	13.81	9.98	7.28	5.40	19.55	18.11
Services, etc., value added (% of GDP)	41.68	45.51	45.01	44.65	27.14	35.72	30.67	31.12	31.41	34.94	35.10	36.63	46.70	36.72	36.52	54.14	42.66
Exports of goods and services (% of GDP)	5.61	7.32	5.54	5.22	6.30	5.18	5.93	7.74	5.43	5.66	8.31	6.20	12.33	9.81	24.39	24.58	21.62
Imports of goods and services (% of GDP)	14.07	18.06	18.18	20.66	64.79	25.97	25.76	25.48	22.95	22.58	24.05	25.69	38.47	21.80	33.89	71.56	23.97
Current account balance (% of GDP)	-3.32	-1.77	-4.07	-6.60	-6.13	4.47	-0.60	-3.34	-4.10	-3.73	-0.38	-2.69	-17.36	-10.41	-4.60	..	..
Total debt service (% of exports of goods and services)	14.01	16.20	20.26	19.93	13.03	20.44	19.86	14.09	17.00	25.86	27.50	18.90	23.94	38.71	2.56	..	20.87
Gross international reserves in months of imports	1.40	3.70	2.55	1.35	1.29	3.04	3.31	3.67	4.60	4.51	5.33	3.16	3.53	3.28	2.26	..	4.13
Gross domestic savings (% of GDP)	6.20	3.28	1.64	-0.90	-46.79	-5.79	-4.33	-2.84	-1.82	-2.60	-0.54	-4.95	-5.15	3.63	6.21	-12.79	20.50
Index of consumer prices (1995 = 100)	34.10	40.80	44.70	50.30	..	100.00	107.40	120.30	127.80	124.70	130.10	14.30	34.11	14.67	5.39	..	..
Current revenue, excluding grants (% of GDP)	10.84	10.89	10.52	..	..	..	..	..	..	..	..	10.75	..	10.88	..	..	14.85
Expenditure, total (% of GDP)	18.94	19.92	20.10	24.36	..	..	..	..	..	..	..	20.83	..	17.17	..	..	17.46
Overall budget balance, including grants (% of GDP)	-5.28	-3.16	-5.51	-6.94	..	..	..	-9.20	-8.30	-9.70	-8.90	-7.10	..	-2.57	..	..	-3.87
Population, total (million)	6.95	7.15	7.35	7.54	6.23	6.40	6.73	7.90	8.11	8.31	8.51	7.38	15.85	19.25	10.63	3.88	2,235.43
Population growth (annual %)	2.80	2.78	2.60	-19.08	2.69	4.98	16.01	2.62	2.50	2.35	2.10	2.05	2.10	3.11	2.77	1.97	2.03
Urban population (% of total)	5.30	5.38	5.46	5.54	5.62	5.70	5.80	5.90	6.00	6.10	6.20	5.73	33.58	12.60	14.23	41.01	29.69
Illiteracy rate, adult total (% of people ages 15 and above)	46.74	45.43	44.08	42.70	41.29	39.84	38.49	37.12	35.80	34.52	33.21	39.93	61.39	38.30	35.56	..	41.50
School enrollment, primary (% gross)	69.64	81.26	78.77	85.70	91.81	94.11	91.07	..	114.36	..	..	88.34	61.96	88.86	119.30	71.61	90.94
Immunization, DPT (% of children under 12 months)	84.00	91.00	85.00	83.00	23.00	83.00	89.00	73.00	85.00	85.00	..	78.10	54.70	54.40	40.51	69.75	60.06
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	..	..	41.00	41.00	60.00	47.00	30.00	..	72.99
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	..	..	..	8.00	8.00	43.00	79.50	18.00	..	40.63
Life expectancy at birth, total (years)	40.19	..	34.78	..	..	38.19	..	40.47	..	39.99	39.94	38.93	43.74	43.83	52.72	72.64	58.20
Mortality rate, infant (per 1,000 live births)	132.40	..	144.00	..	..	132.00	..	124.00	..	..	122.74	131.03	141.94	96.32	92.48	15.12	82.00

Source: WB SIMA database as of 07/29/2002.

## Annex Table 3: External Assistance to Rwanda

## Annex Table 3a: External Assistance to Rwanda

<i>Calendar Years</i>	<i>1990-1994</i>	<i>1995-1997</i>	<i>1998-2001</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
<b>Average Net Official Flows</b>						
<b>(\$US million):</b>						
DAC Countries, Total	259.0	256.7	182.8	192.4	177.6	151.2
Multilateral, Total	152.7	209.1	155.3	192.4	146.3	141.4
IDA	29.1	38.2	53.3	63.5	30.9	57.1
AfDB (African Dev.Bank)	-0.2	-0.1	-0.1	-0.1	-0.2	-0.1
AfDF	12.5	11.0	9.7	9.9	1.0	11.9
Other donors	3.9	0.5	0.1	0.1	0.2	0.1
All Donors, Total	415.6	466.3	338.3	384.9	324.1	292.7
Official aid per capita	59.0	66.5	40.2	43.3	38.1	33.6
Official aid as % of GDP	79.9	26.5	19.0	19.0	16.7	16.3
<b>Memo item:</b>						
Average GDP at market prices						
(current US\$ million)	520.4	1,760.7	1,778.5	2,023.9	1,934.8	1,794.5
Average population (million)	7.0	7.0	8.4	8.3	8.5	8.7

Source: Geographical Distribution of Financial Flows to Aid Recipients, OECD website as of 03/05/2003.

## Annex Table 3b: IDA Commitments by Sector, FY1980-2002 (US\$ million)

<i>Sector Group</i>	<i>Total Commitment, US\$ million</i>						<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>1980-1989</i>	<i>%</i>	<i>1990-1999</i>	<i>%</i>	<i>2000-2002</i>	<i>%</i>			
Agriculture	110.5	37.6	15	3.1	78	38.3	5	48	25
Economic Policy			75	15.4	15.3	7.5		15.3	
Education	25.6	8.7	23.3	4.8	35	17.2	35		
Electric Power and Energy	9	3.1	26	5.3					
Finance	16	5.5			7.5	3.7		7.5	
Health, Nutrition and Population	10.8	3.7	19.6	4	7	3.4		7	
Info and Communication	7.5	2.6	12.8	2.6					
Law and Public Administration	9.8	3.3	4.4	0.9					
Multi-sector	7.4	2.5	140	28.7					
Private Sector Development			12	2.5	40.8	20		40.8	
Social Protection			74.1	15.2					
Transportation	36.9	12.6	85	17.4					
Urban Development	32	10.9							
Water/sanitation/flood protection	28	9.5			20	9.8	20		
Grand Total	293.5		487.2		203.6		60	118.6	25

Source: World Bank Business Warehouse as of 07/29/2002.

**Annex Table 4: Rwanda - Selected Economic and Sector Work, 1985-2003**

<b>Formal ESWs</b>	<b>Date</b>	<b>Report No.</b>
<b>Country Assistance Strategy</b>		
Rwanda - Country Assistance Strategy: progress report	06/11/99	19397
Rwanda - Country assistance strategy	11/21/02	24501
<b>Sector Report</b>		
Rwanda - Issues and options in the energy sector	07/31/91	8017
Rwanda - Poverty reduction and sustainable growth	05/16/94	12465
Rwanda - Poverty note: rebuilding an equitable society - poverty and poverty reduction after the genocide	06/19/98	17792
Greater Great Lakes regional strategy for demobilization and reintegration	03/25/02	23869
<b>ESMAP Paper</b>		
Rwanda - Improved charcoal cookstove strategy	08/31/86	ESM59
Rwanda - Improved charcoal production techniques	02/28/87	ESM65
Burundi, Rwanda, Zaire - Evaluation of l' Energie des Pays des Grands Lacs (EGL)	02/28/89	ESM98
Rwanda - Strategie nationale de l' environnement au Rwanda: plan d' action environnemental - note de presentation	10/31/91	E15
Rwanda - Commercialization of improved charcoal stoves and carbonization techniques: mid-term progress report	12/31/91	ESM141
<b>Active ESWs</b>		
Social Sec. Exp. Fin.	1999	
National Water Resource Management	2003	
Financial Accountability Review and Action Plan	2003	
Country Status Report-EFA Fast Track Initiative (Education Sector)	2003	
Rwanda-Public Expenditure Review	2003	
Rwanda-Country Economic Memorandum	2003	
Country Gender Assessment	2004	
Rural Energy and Environment	2004	

Source : Imagebank and SAP.

## Annex Table 5: Rwanda - OED and Supervision Ratings

Table 5a: OED Ratings

Country	Total Evaluated \$m	o/w Adjustment \$m	Outcome		Inst. Devel. Imp.		Sustainability	
			% Satisf. Adj.	% Satisf. Adj.	% Substan. Adj.	% Substan. Adj.	% Likely Adj.	% Likely Adj.
<i>Exit FY 1980-1994</i>								
Bank wide	154250	36454	71	69	35	42	55	58
AFR	23981	8564	57	53	20	20	28	31
<b>Rwanda</b>	<b>234</b>	<b>..</b>	<b>62</b>	<b>..</b>	<b>22</b>	<b>..</b>	<b>38</b>	<b>..</b>
Mozambique	221	177	100	100	0	0	40	50
Uganda	813	444	23	0	10	0	31	29
Cambodia	..	..	..	..	..	..	..	..
Bosnia-Herzegovina	..	..	..	..	..	..	..	..
<i>Exit FY 1995-2002</i>								
Bank wide	139666	47477	79	85	44	43	66	75
AFR	18991	7084	68	82	31	35	42	56
<b>Rwanda</b>	<b>363</b>	<b>141</b>	<b>60</b>	<b>64</b>	<b>28</b>	<b>64</b>	<b>4</b>	<b>0</b>
Mozambique	1159	632	91	100	81	100	82	100
Uganda	1054	486	85	100	45	63	49	57
Cambodia	163	103	100	100	37	0	37	0
Bosnia-Herzegovina	599	173	100	100	52	48	76	48

1) The Institutional Development Impact and Sustainability ratings have been in use only since FY89. Hence, the data for these two ratings for the period before FY91 applies for smaller levels of total net commitment than shown in columns 2 and 3 of the table.

2) Source: OED ratings database as of 06/30/2002.

Table 5b: Supervision Ratings for Active Projects

Country	No. of projects	Net commit., \$m	Projects at risk, %	Commitment at risk %
Bank wide	1551	103263	16	15
AFR	374	15465	22	24
<b>Rwanda</b>	<b>8</b>	<b>186</b>	<b>13</b>	<b>26</b>
Mozambique	17	953	18	16
Uganda	24	921	8	10
Cambodia	14	301	21	26
Bosnia-Herzegovina	19	364	0	0

Source: World Bank Business Warehouse as of 07/29/2002.

**Annex Table 5c: OED Assessments of Closed Projects**

Project ID	Eval. Date (FY)	Sector/Project	OED ratings				
			Outcome	Sustainability	ID Impact	Efficacy	Relevance
<b>Structural Adjustment</b>							
P002248	1996	Structural Adjustment Credit	unsatisfactory	unlikely	negligible	substantial	moderate
P057294	2002	Econ Recovery Credit	satisfactory	non-evaluable	substantial	substantial	high
<b>Emergency Lending</b>							
P039154	1999	Emergency Grant	satisfactory	uncertain	not rated	substantial	high
P039154	1999	Emergency Recovery	satisfactory	uncertain	modest	substantial	high
P048389	1999	Emergency Reintegration	satisfactory	uncertain	modest	substantial	high
<b>Agriculture</b>							
P002221	1996	2nd Integrated Forestry	unsatisfactory	unlikely	negligible	..	..
P002219	1998	Agricultural Services	highly unsat.	unlikely	negligible	negligible	modest
<b>Agriculture/Social Protection</b>							
P002261	2002	Food Security and Social Action	satisfactory	non-evaluable	modest	substantial	high
<b>Infrastructure</b>							
P002232	1995	Urban Institutions	highly unsat.	unlikely	negligible	negligible	high
P002222	2000	2nd Water Supply	unsatisfactory	unlikely	negligible	negligible	substantial
P002245	2000	2nd Telecommunications	satisfactory	likely	substantial	substantial	substantial
<b>Health and Education</b>							
P002216	1994	Family Health	moderately sat.	unlikely	modest	na	na
P002217	1995	3rd Education Project	unsatisfactory	unlikely	modest	na	na
P002242	2000	1st Education Sec Cr	unsatisfactory	unlikely	negligible	negligible	substantial
<b>Public Ent. Reform and Private Sector</b>							
P002255	1997	Public Enterprise Reform	unsatisfactory	unlikely	negligible	negligible	substantial
P002262	2001	Private Sector Development	unsatisfactory	unlikely	negligible	modest	modest

**Annex Table 6: Costs of Bank Programs for Rwanda and Comparator Countries, FY1991-2001****Annex Table 6a**

<i>Regions/ Countries</i>	<i>Total costs, \$m</i>	<i>Lending completion costs, \$m</i>	<i>Supervision costs, \$m</i>	<i>ESW completion costs, \$m</i>
Bank	3478	1243	1151	1084
AFR	921	314	360	247
<b>Rwanda</b>	<b>16.1</b>	<b>6.2</b>	<b>7.6</b>	<b>2.2</b>
Mozambique	26.8	10.9	12.4	3.6
Uganda	43.2	16.0	20.5	6.8
Cambodia	12.9	6.3	3.5	3.0
Bosnia-Herzegovina	17.2	8.6	6.3	2.2
<i>Percentages</i>				
Bank	100	36	33	31
AFR	100	34	39	27
<b>Rwanda</b>	<b>100</b>	<b>39</b>	<b>47</b>	<b>14</b>
Mozambique	100	40	46	14
Uganda	100	37	47	16
Cambodia	100	49	27	23
Bosnia-Herzegovina	100	50	37	13

**Annex Table 6b: Efficiency of IDA Lending**

<i>Regions/ Countries</i>	<i>Total costs, \$m</i>	<i>Number of projects approved in 1991- 2001</i>	<i>Commit- ment, \$m</i>	<i>Commitment for satisfactory and nonrisky projects, \$m</i>	<i>Average costs per project, \$1000</i>		<i>Average costs \$ per \$1000 of commitment for satisfactory and non-risky projects</i>		<i>Memo Average project size, \$m</i>
					<i>per approved project, \$1000</i>	<i>Average costs of commitment</i>	<i>per \$1000 of commitment</i>	<i>per \$1000 of commitment</i>	
Bank	3478	2671	242060	208551	1302	14.4	16.7	91	
AFR	921	689	30191	24695	1337	30.5	37.3	44	
<b>Rwanda</b>	<b>16</b>	<b>18</b>	<b>621</b>	<b>481</b>	<b>893</b>	<b>25.9</b>	<b>33.4</b>	<b>34.5</b>	
Mozambique	27	26	1499	1412	1033	17.9	19.0	57.6	
Uganda	43	41	2130	1968	1055	20.3	22.0	52.0	
Cambodia	13	16	430	383	804	29.9	33.6	26.9	
Bosnia-Herzegovina	17	35	710	710	490	24.2	24.2	20.3	

Source: World Bank Business Warehouse, Resource Management, Report 2.3. Direct Costs by Service Across Fiscal Years, as of August, 2001.

\* The amount of total costs includes lending completion, supervision, and ESW costs.

\*\* Lending, supervision, and ESW costs are actual costs for active, closed, dropped, and all other projects in Bank's operations in FY1991-2001.

**Annex Table 7: Rwanda - Senior Management, CY1991-2002**

<i>Year</i>	<i>VP</i>	<i>Div. Chief / Country Director</i>	<i>Resident Representative</i>
1991	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Emmanuel Akpa
1992	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Emmanuel Akpa
1993	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Julio Gamba
1994	Edward V. K. Jaycox	Francisco Aguirre-Sacasa	Julio Gamba
1995	Edward V. K. Jaycox	Michael N. Sarris	Julio Gamba
1996	Callisto Madavo	Michael N. Sarris	R. Venkateswaran
1997	Callisto Madavo	Nils O. Tcheyan	R. Venkateswaran
1998	Callisto Madavo	Nils O. Tcheyan	R. Venkateswaran
1999	Callisto Madavo	Emmanuel Mbi	R. Venkateswaran
2000	Callisto Madavo	Emmanuel Mbi	Edward K. Brown
2001	Callisto Madavo	Emmanuel Mbi	Edward K. Brown
2002	Callisto Madavo	Emmanuel Mbi	Edward K. Brown

*Source:* The World Bank Group Directory.

**Annex Table 8: Rwanda - Millennium Development Goals**

<i>Indicators</i>	<i>1990</i>	<i>1995</i>	<i>1999</i>	<i>2000</i>
<b>Eradicate extreme poverty and hunger</b>				
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	29.4	27.3	..	..
Population below minimum level of dietary energy consumption (%)	37	..	39	..
<b>Achieve universal primary education</b>				
Net primary enrollment ratio (% of relevant age group)	65.9	..	90.9	..
Percentage of cohort reaching grade 5 (%)	60	..	..	..
Youth literacy rate (% ages 15-24)	72.6	78.5	82.4	83.3
<b>Promote gender equality</b>				
Ratio of girls to boys in primary and secondary education (%)	97.6	..	99.8	..
Ratio of young literate females to males (% ages 15-24)	86	91.4	94.7	95.4
Share of women employed in the nonagricultural sector (%)	14.6	..	..	..
Proportion of seats held by women in national parliament (%)	17.1	17.1	17.1	..
<b>Reduce child mortality</b>				
Under 5 mortality rate (per 1,000)	..	202	..	202.9
Infant mortality rate (per 1,000 live births)	132.4	132	..	122.7
Immunization, measles (% of children under 12 months)	83	84	86.9	..
<b>Improve maternal health</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	2300	..	..
Births attended by skilled health staff (% of total)	22	..	..	..
<b>Combat HIV/AIDS, malaria and other diseases</b>				
Prevalence of HIV, female (% ages 15-24)	..	..	10.6	..
Contraceptive prevalence rate (% of women ages 15-49)	21	..	..	..
Number of children orphaned by HIV/AIDS	..	..	270.0 thousand	..
Incidence of tuberculosis (per 100,000 people)	..	..	381	..
Tuberculosis cases detected under DOTS (%)	..	..	37	..
<b>Ensure environmental sustainability</b>				
Forest area (% of total land area)	18.5	..	..	12.4
Nationally protected areas (% of total land area)	..	14.6	14.7	..
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..
Access to an improved water source (% of population)	..	..	..	41
Access to improved sanitation (% of population)	..	..	..	8
Access to secure tenure (% of population)	..	..	..	..
<b>Develop a Global Partnership for Development</b>				
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	1.7	1.3	3.2	7.2
Personal computers (per 1,000 people)	..	..	..	..
<b>General indicators</b>				
Population	7.0 million	6.4 million	8.3 million	8.5 million
Gross national income (\$)	2.5 billion	1.2 billion	2.0 billion	2.0 billion
GNI per capita (\$)	370	190	240	230
Adult literacy rate (% of people ages 15 and over)	53.3	60.2	65.5	66.8
Total fertility rate (births per woman)	6.7	6.3	..	5.9
Life expectancy at birth (years)	40.2	38.2	40	39.9
Aid (% of GNI)	11.3	54.4	19.4	18.1
External debt (% of GNI)	27.7	79.6	67.1	71.6
Investment (% of GDP)	14.6	15	14.3	15.2
Trade (% of GDP)	19.7	31.2	28.2	32.4

Source: World Development Indicators database, April 2002.

## **Annex B: List of Persons Interviewed**

### **Country Office**

Edward K. Brown, Country Manager  
 Marie-Chantal Uwanyiligira, Operations Officer  
 Guido Rurwangwa, Economist  
 Tony Kayonga, Operations Officer

### **Donors**

Mr. Laurent Gashugi, FAO  
 Mr. Marc James, Head of Office, DFID  
 Mr. Jeremy Lester, Head EU Office  
 Mr. Tore Rose, Resident Representative, UNDP  
 Mr. Phillip Dyer, Resident Representative, UNICEF\*  
 Mr. Ron Mponda, UNHCR\*

### **Government**

Dr. Donald Kabeuka, The Minister of Finance and Economic Planning  
 Mr. Ephraim Karenzi, Secretary General, Ministry of Finance  
 Mr. Vincent Karega, Director, Poverty Observatory  
 Mr. Francois Kanimba, Deputy Governor, Central Bank of Rwanda  
 Mr. Justice Mahundaza, Director, CEPEX  
 Mr. Sam Kanyarukiga, CEPEX, Ministry of Finance  
 Mr. Jean Kanyamuhanda, CEPEX, Ministry of Finance  
 Dr. Ezechias Rwabuhiri, Minister of Health  
 Mr. David Musemakweli, Executive Secretary, National Tender Board  
 Mr. Aaron Makube, Executive Secretary, Ministry of Agriculture  
 Mr. Alfred Mutibwa, Director of Planning, Ministry of Agriculture  
 Mr. Robert Bayigamba, Executive Secretary, Privatization Secretariat  
 Mr. Emmanuel Mudide, Executive Secretary, Ministry of Education  
 Mr. Bruno Mranafinzi, Director of the Water Department  
 Mr. Straton Nzeyimana, Director of Roads  
 Mr. Gatera, Director, Road Fund  
 Mr. John Ruzibuka, Director, National Population Office  
 Mr. Claver Cyiza, Director of Planning, Ministry of Education  
 Mr. Alphonse Nkeshimana, Staff, CAPMER (SME development agency)  
 Mr. Albert Butare, Assistant Rector, Kigali Institute of Technology

### **Civil Society**

Ms. Fatuma Ndagiza, Director, National Reconciliation Commission  
 Mrs. Berthe Mukamusoni, Forum of Female Parliamentarians

### **Projects**

Mr. Jean Marie Kabarega, Coordinator, Health and Population Project  
 Mr. Patrick Ruguimire, Coordinator, Transport Project  
 Mr. Rwagansana, Coordinator, CAMERWA, Pharmaceuticals Distribution Agency, Health and Population Project

Mr. Leon Fundira, Pharmacist, CAMERWA  
 Mr. Joseph Matsika, Coordinator, Human Resources Development Project  
 Mr. Joseph Nyirimana, Coordinator, Rural Markets Project  
 Mr. S. Ndutiye, Coordinator, Rural Water Supply Project  
 Mr. Jean Antoine Munyakage, Director, Competitiveness and Enterprise Development  
 Mr. Venuste Rusharaza, Coordinator, Rural Support Project  
 Mr. Adolphe Bazatoha, Coordinator, Community Reintegration and Development Project

## World Bank

<u>Front Office</u>	Emmanuel Mbi, Country Director Chukwuma Obidegwu, Lead Economist
<u>Conflict Resolution and Community Development</u>	Markus Costner Abdou Salam Drabo
<u>Education</u>	Milonga Miatudila
<u>Health</u>	Susan Opper
<u>Agriculture</u>	Ousmane Badiane
<u>Transport</u>	Kingson Khan Aparara
<u>Energy</u>	Ludmilla Butenko
<u>Private Sector Development</u>	Lucy Fye
<u>Telecommunications</u>	Svetoslav Tintchev
<u>Urban and Water Supply</u>	Catherine Farvacque

## IMF

Mr. Abdikarim Farah, Resident Representative, Kigali  
 Mr. Harald Finger, Economist

## Participants in Focus Group on Conflict Prevention Framework

### Guests

Kathryn Casson, DFID  
 Alison des Forges, Human Rights Watch  
 Heather Kulp, Search for Common Ground  
 John Prendergast, International Crisis Group  
 Robert Rhodes, USAID  
 Peter Uvin, Tufts University

### World Bank Staff

Christophe Prevost, AFTU2  
 Pierre Romand-Heuyer, AFC09  
 Shonali Sardesai, Conflict Prevention Unit, ESSD  
 Per Wam, Conflict Prevention Unit, ESSD

**Rwanda Country Assistance Evaluation**  
**MANAGEMENT ACTION RECORD OF OED RECOMMENDATIONS AND MANAGEMENT RESPONSES**

<b><i>Major Monitorable OED Recommendations Requiring a Response</i></b>	<b><i>Management Response</i></b>
<p><i>Reducing poverty and inequality are major challenges for Rwanda, as are increasing agricultural productivity and strengthening the private sector as a source of employment. IDA assistance should be centered on:</i></p> <ul style="list-style-type: none"> <li>• Helping resolve the technical and institutional constraints to development of the agriculture sector.</li> <li>• Improving the quality of health and education services, delivery of basic infrastructure services, and ensuring that adequate resources are allocated to the poor.</li> <li>• Adopting a more gradual approach to private sector development that emphasizes the rule of law and property rights development.</li> </ul> <p><i>Increased analytical and advisory services are warranted in support of all of the above.</i></p>	<ul style="list-style-type: none"> <li>• Management concurs with the importance of the proposed areas. These areas are part of the priorities identified in the Poverty Reduction Strategy Paper, which is centered around six priority themes: rural development and agriculture transformation, human resource development, economic infrastructure, private sector development, governance, and institutional capacity building. Within the context, the current CAS, discussed in December 2002, focuses on four priorities: (i) the revitalization of the rural economy; (ii) private sector development and employment creation, (iii) human and social development, and (iv) the effectiveness of public sector. These priorities are consistent with OED recommendations. During the preparation of the corresponding operations, management will pay close attention to the focus within each area proposed by OED.</li> <li>• Similarly, as indicated in the CAS, management intends to develop analytical and advisory services in Rwanda—including a rural sector and agriculture strategy, a review of public expenditure in the social sectors, and a small enterprise and a competitiveness analysis.</li> </ul>



## **Guide of OED's Country Assistance Evaluation Methodology**

1. This methodological note describes the key elements of OED's country assistance evaluation (CAE) methodology.<sup>1</sup>

### ***CAEs rate the outcomes of Bank assistance programs, not Clients' overall development progress***

2. An assistance program needs to be assessed on how well it met its particular objectives, which are typically a sub-set of the Client's development objectives. If an assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, OED rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

### ***Assessments of assistance program outcome and Bank performance are not the same***

4. By the same token, an unsatisfactory assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

5. OED measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and

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<sup>1</sup> In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other AAA, the consistency of Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

### *Evaluation in Three Dimensions*

6. As a check upon the inherent subjectivity of ratings, OED examines a number of elements that contribute to assistance program outcomes. The consistency of ratings is further tested by examining the country assistance program across three dimensions:

- (a) a *Products and Services Dimension*, involving a “bottom-up” analysis of major program inputs—loans, AAA, and aid coordination;
- (b) a *Development Impact Dimension*, involving a “top-down” analysis of the principal program objectives for relevance, efficacy, outcome, sustainability, and institutional impact; and,
- (c) an *Attribution Dimension*, in which the evaluator assigns responsibility for the program outcome to the four categories of actors (see paragraph 4. above).

### *Rating Assistance Program Outcome*

7. In rating the outcome (expected development impact) of an assistance program, OED gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. OED's task is then to validate whether the intermediate objectives produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

## Ratings Scale

9. OED utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The assistance program achieved at least acceptable progress toward all major relevant objectives, <u>and</u> had best practice development impact on one or more of them. No major shortcomings were identified.
<i>Satisfactory:</i>	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
<i>Moderately Satisfactory:</i>	The assistance program achieved acceptable progress toward <i>most</i> of its major relevant objectives. No major shortcomings were identified.
<i>Moderately Unsatisfactory:</i>	The assistance program did <i>not</i> make acceptable progress toward <i>most</i> of its major relevant objectives, <i>or</i> made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>most</i> of its major relevant objectives, <i>and</i> either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Highly Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>any</i> of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated as: *high, substantial, modest, or negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

11. **Sustainability** can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and,
- resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

**BANQUE AFRICAINE DE DEVELOPPEMENT  
RWANDA : EVALUATION DE L'AIDE AU PAYS**

**Résumé**

1. Le Rwanda est un petit pays enclavé, à forte densité de population, situé dans la région des grands lacs d'Afrique centrale. Ce pays, un des plus pauvres du monde, a été marqué par le génocide de 1994 qui a entraîné environ un million de morts, trois millions de personnes déplacées et réfugiées, une chute de moitié du produit intérieur brut et une aggravation de la pauvreté. Depuis 1994, le pays a fait des progrès significatifs sur la voie de la reconstruction et du développement mais il doit continuer à relever un défi majeur, celui de la lutte contre la pauvreté qui touche 60% de la population en 2001.
2. Dans sa stratégie de réduction de la pauvreté, le pays est confronté à plusieurs défis dont le maintien d'un climat de paix dans une région instable, le renforcement des ressources humaines et des capacités institutionnelles ainsi que la maîtrise de la croissance démographique face à l'insuffisance des terres cultivables. Il est aussi confronté à des contraintes macroéconomiques comme la forte dépendance envers l'aide extérieure, le déficit des finances publiques grevées par les dépenses de sécurité, la faible compétitivité due aux coûts élevés des facteurs de production, une grande sensibilité aux aléas climatiques et aux fluctuations des cours mondiaux du café et du thé.
3. Sur la période 1994-2002, les stratégies d'assistance de la Banque au Rwanda ont été, dans l'ensemble, cohérentes avec les priorités du pays et de la Banque. Leur conception a connu une amélioration progressive avec la prise en compte de nouveaux éléments d'analyse requis dans la préparation des Documents de stratégie par pays (DSP). Cependant, elles ont manqué de sélectivité et de spécificité faute d'études économiques et sectorielles de bonne qualité, susceptibles d'enrichir à la fois le dialogue de politique, la qualité du portefeuille de projets et la valeur ajoutée de la Banque dans la coordination de l'aide. L'absence de politique post-conflit au niveau de la Banque a été un handicap de même que le manque d'un cadre analytique global accepté par le Gouvernement et la communauté des bailleurs de fonds.
4. Les secteurs les plus prioritaires dans les DSP 1996-98, 1999-2001 et 2002-2004 sont l'agriculture et le social ainsi que l'appui aux réformes et à la gestion économique. Les priorités à l'intérieur des secteurs sont pertinentes malgré quelques lacunes. La plupart des thèmes transversaux (environnement, gouvernance, genre..) ont été pris en compte dans les DSP ; cependant, cela ne s'est pas manifesté par des actions suffisamment concrètes au niveau de la mise en oeuvre et du suivi. Les exercices du DSRP finalisé en 2002 et du DSP 2002-2004 finalisé en juillet 2003 basé sur le DSP ont montré certaines améliorations. Ces efforts doivent être approfondis pour une stratégie plus sélective et plus spécifique et pour l'élaboration d'indicateurs et de mécanismes de suivi/évaluation.
5. Quant à l'assistance hors prêts (études, assistance technique, dialogue de politique et coordination de l'aide), elle a été faible. Faute d'études de base de bonne qualité, le

rôle de la Banque a été limité en matière de dialogue de politique et d'élaboration des politiques sectorielles. La Banque a participé aux grandes réunions de coordination des bailleurs de fonds et au processus d'élaboration du DSRP. Mais elle a été handicapée par la faiblesse générale de la coordination de l'aide au niveau du pays et de la communauté des donateurs ainsi que par le manque de représentation locale. La mise en place du CEPEX à partir de 2000 a toutefois amélioré cette coordination ; et la nécessité de renforcer davantage le système d'information et de suivi a conduit le Gouvernement à entreprendre en 2002 un renforcement du CEPEX avec l'appui de la Banque.

6. Les résultats des interventions de la Banque ont été amoindris par de multiples problèmes d'exécution imputables tant à la Banque qu'au Gouvernement Rwandais. L'exécution des projets a souffert de retards à tous les stades : mise en vigueur, démarrage effectif, acquisition de biens et services, décaissement. La fréquence des missions de supervision de la Banque a été adéquate à partir de 1998 mais leur qualité a été insuffisante car elles n'ont pas pu résoudre effectivement les problèmes rencontrés. Elles ont porté sur les réalisations physiques et financières sans considération des objectifs de développement qui, il est vrai, sont souvent mal définis. Ces faiblesses de la Banque sont liées, en partie, aux contraintes de ressources humaines qui obligent les task managers à suivre plusieurs projets dans plusieurs pays, d'où des retards dans le traitement et le suivi des dossiers.

7. Les relations entre la Banque et le Rwanda ont souffert de l'absence d'une représentation de la Banque sur place et d'un problème de communication. Les deux partenaires ont eu des difficultés pour trouver en temps opportun des solutions d'entente efficaces dans plusieurs cas. Après des débuts difficiles qui contrastent avec le constat établi dans ce domaine, la Banque a progressivement pris en compte la nécessité du renforcement des capacités institutionnelles y compris dans ses propres projets. Les longs délais de réponses de la Banque aux demandes de non-objection dans les procédures d'acquisition de biens et services ont fait l'objet de multiples récriminations de la partie rwandaise.

8. Les retards d'exécution ont réduit l'efficacité de l'assistance de la Banque car les effets attendus de la mise en œuvre des projets ont tardé à se réaliser. En outre, l'accent mis sur les investissements physiques notamment en infrastructures au détriment des dimensions institutionnelles a réduit l'impact de l'assistance de la Banque sur le développement du pays, en particulier dans l'agriculture et le développement rural ainsi que dans l'éducation et la santé. L'impact sur le développement institutionnel a été limité à cause de l'accent insuffisant mis sur le renforcement des capacités nationales. Par contraste, l'appui à l'ajustement structurel a obtenu des résultats satisfaisants grâce à un fort engagement des autorités du pays et au soutien des bailleurs de fonds dont les Institutions de Bretton Woods et la Banque.

9. La durabilité est relativement satisfaisante dans le domaine macroéconomique, compte tenu des effets consolidés de la longue période de croissance (taux de croissance moyen de 12,5% par an sur 1995-2001), de recul de l'inflation (de 64% en 1994 à 3,3% en 2001) et de résorption progressive des déséquilibres budgétaires. Elle reste peu

satisfaisante au niveau des autres secteurs compte tenu du manque de mécanisme de pérennisation. La Banque devrait par conséquent accorder une plus grande attention au renforcement des structures de soutien aux projets telles que les cellules techniques, de planification et de suivi au niveau des ministères sectoriels. Les mécanismes de suivi / évaluation devraient aussi être renforcés.

10. Ainsi, malgré les efforts réalisés par le pays et par la Banque, l'assistance de la Banque au Rwanda est jugée dans l'ensemble peu satisfaisante. Si la pertinence et la qualité à l'entrée ont été relativement satisfaisantes, les difficultés et retards d'exécution ont fortement réduit la réalisation des objectifs, l'efficacité et l'impact institutionnel. La Banque a effectué en 1999 et 2001 des revues de portefeuille au Rwanda, qui ont abouti à des conclusions et recommandations pertinentes. Mais, faute de suivi efficace, celles-ci n'ont pas entraîné d'amélioration significative de la performance du portefeuille. Les rapports de revue ont été d'ailleurs beaucoup plus critiques à l'égard du pays que des manquements de la Banque, l'exposé du point de vue des autorités du pays et des autres parties prenantes ayant manqué dans ce genre d'exercice, ce qui a réduit son efficacité.

11. La présente évaluation recommande que la stratégie de la Banque mette davantage l'accent à l'avenir sur la réduction de la pauvreté en utilisant le cadre de base du Document de stratégie de réduction de la pauvreté (DSRP) et des objectifs de développement du millénaire (ODM). Ceci implique notamment pour le Rwanda, petit pays à prédominance rurale, un accent plus marqué sur l'augmentation de la productivité et la diversification dans le secteur agricole, l'amélioration de la qualité de l'éducation et du capital humain ainsi que le développement institutionnel et le renforcement des infrastructures de base. Le DSP 2002-2004 du Rwanda prend en compte certaines de ces orientations. Cependant, bien que les orientations souhaitables soient maintenant largement identifiées, elles demandent une concrétisation effective et durable.

12. D'une manière spécifique, les principales recommandations, basées sur les leçons tirées de l'expérience, portent sur l'élaboration et la mise en œuvre d'une politique post-conflit et d'une stratégie d'assistance plus sélective et plus spécifique basée sur des études économiques et sectorielles de bonne qualité, une plus grande attention à la bonne gouvernance et au renforcement des capacités nationales, un accent plus marqué sur l'impact sur le développement et les indicateurs de développement, la réalisation de revues de portefeuille conjointes (Pays/Banque) et participatives, le renforcement de la présence de la Banque sur le terrain et le développement en son sein d'une culture d'auto-évaluation.



**AFRICAN DEVELOPMENT BANK  
RWANDA COUNTRY ASSISTANCE EVALUATION**

**Executive Summary  
(Translation from French)**

1. Rwanda is a small land-locked country located in the Great Lakes region of Central Africa, characterized by high population density. This country, one of the poorest in the world, has been scarred by the genocide of 1994, which saw around one million people killed, produced three million displaced people and refugees, halved the gross domestic product and saw worsening poverty. Since 1994, the country has made significant progress along the road to reconstruction and development but it still has to face up to a major challenge, the fight against poverty, which affected 60% of the population in 2001.

2. In its poverty reduction strategy, the country faces several challenges, including maintaining peace in a turbulent region, strengthening human resources and institutional capacity and controlling demographic growth in the face of insufficient cultivable land. It is also faced with macroeconomic constraints such as high dependence on external aid, a public finance deficit burdened by security expenditure, poor competitiveness owing to the high cost of the factors of production and great sensitivity to climatic vagaries and fluctuations of global trends in coffee and tea.

3. Over the period 1994-2002, the Bank's aid strategies for Rwanda have, on the whole, been consistent with the Bank's and Rwanda's priorities. Their design has been progressively improved, consideration being made of new elements of the analysis required in the preparation of Country Strategy Papers (CSP). However, they have lacked selectivity and precision owing to a lack of good quality base line economic and sectorial studies, which could simultaneously boost dialogue on policy, the quality of the portfolio of projects and the value added by the Bank in the coordination of aid. The Bank's lack of post-conflict policy has been a stumbling block, as has the lack of a global analytical framework accepted by the Government and the group of fund providers.

4. The top-priority sectors in the CSPs 1996-98, 1999-2001 and 2002-2004 are agriculture and social sectors, as well as support for reforms and economic management. Priorities within sectors are significant in spite of some gaps. Most cross-disciplinary themes (environment, governance, gender etc.) have been taken into account in the CSPs. However, this has not been demonstrated in sufficiently concrete actions at the level of implementation and monitoring. The actions of the PRSP drafted in 2002, and of the CSP 2002-2004, drafted in July 2003, based on the CSP, have shown some improvements. These efforts must be increased for a more selective and more specific strategy, and to produce monitoring/assessment indicators and mechanisms.

5. As regards "non-loan" aid (studies, technical assistance, dialogue on policy and aid coordination), this has been poor. Owing to the lack of good quality base line studies, the Bank's role has been limited with regard to dialogue on policy and drawing up

sectorial policies. The Bank has taken part in the Round Table coordination meetings of fund providers and in the drafting of the PRSP. However, it has been hampered by the general weakness of aid coordination at a country level and at the level of the community of donors, as well as by the absence of local representation. Nevertheless, the implementation of CAPE from 2000 has improved this coordination and the need to strengthen the system of information and monitoring has led the Government to strengthen CAPE in 2002 with support from the Bank.

6. The results of the Bank's intervention have been diminished by many implementation problems attributable to both the Bank and the Rwandan Government. The implementation of projects has suffered from delays at every stage: roll-out, effective kick-off, acquisition of goods and services, disbursement. The frequency of inspections by the Bank has been adequate since 1998 but their quality has been insufficient since they have not been able to effectively resolve problems encountered. They have concerned physical and financial results with no consideration for development objectives which are, it is true to say, often poorly defined. These failings of the Bank are linked, partly, to the human resource constraints which compel task managers to pursue several projects in several countries, thus leading to delays in the processing and monitoring of dossiers.

7. Relations between the Bank and Rwanda have suffered from the lack of Bank representation in the country, and from communication problems. In numerous cases, both parties have had difficulties finding effective agreement solutions in good time. After a difficult start, in contrast to the report drawn up in this area, the Bank has progressively taken account of the need to strengthen institutional capacity, including in its own projects. The long response time of the Bank to non-objection requests in the acquisition procedures of goods and services has received many complaints from the Rwandan side.

8. Delays in implementation have reduced the efficiency of the Bank's aid since the expected effects of the implementation of projects have been slow to appear. Furthermore, the emphasis placed on physical investments particularly in infrastructure, to the detriment of institutional and qualitative aspects, has reduced the impact of the Bank's aid in the country's development, particularly in agriculture and rural development, as well as in education and health. The impact on institutional development has been limited by the insufficient emphasis placed on bolstering national capacity. Conversely, supporting structural adjustment has yielded satisfactory results thanks to a large commitment from the country's authorities and the support of fund providers, such as the Bretton Woods Institutions and the Bank.

9. Sustainability is relatively satisfactory in the macroeconomic sphere, considering the consolidated effects of the long period of growth (average rate of growth of 12.5% year on year 1995-2001), decreasing inflation (from 64% in 1994 to 3.3% in 2001), and the progressive reduction of budgetary imbalances. Sustainability remains unsatisfactory in other sectors, considering the absence of a sustainability mechanism. The Bank should consequently place more emphasis on strengthening project support structures such as

technical, planning and monitoring units at the level of sectorial ministries. Monitoring/assessment mechanisms should also be strengthened.

10. Thus, in spite of the efforts made by the country and the Bank, the Bank's aid to Rwanda is considered less than satisfactory on the whole. While initial relevance and quality were relatively satisfactory, difficulties and delays in implementation have greatly diminished the achievement of objectives, efficiency and institutional impact. In 1999 and 2001, the Bank reviewed the Rwanda portfolio, which yielded significant conclusions and recommendations. However, owing to a lack of effective monitoring, they have not led to any significant improvement in the performance of the portfolio. Review reports have also received a great deal more criticism with regard to the country than regarding failings on the Bank's behalf, since an account of the point of view of the country's authorities and other interested parties at country level was missing in this type of action, which reduced its effectiveness.

11. This assessment recommends that the Bank's strategy should, in future, place more emphasis on the reduction of poverty using the basic framework of the Poverty Reduction Strategy Papers (PRSP) and the Millennium Development Goals (MDG). For Rwanda in particular, a small, predominantly rural country, this means a greater emphasis placed on increasing productivity and diversification in the agricultural sector, improvement of the quality of education and human resources, as well as institutional development and strengthening of basic infrastructure. The CSP 2002-2004 for Rwanda takes account of some of these recommendations. However, although the desirable guidelines have largely been identified, they require effective and sustainable realization.

12. Specifically, the main recommendations, based on lessons learned from experience, concern the drawing up and implementation of a post-conflict policy and a more selective and specific aid strategy based on good quality economic and sectoral studies, closer attention paid to good governance and strengthening national capacity, a greater emphasis placed on the impact on development and development indicators, the carrying out of joint and participatory reviews (Country/Bank) of the portfolio, reinforcing the Bank's presence in the country and the development within the Bank of a culture of self-assessment.



## Government Comments on the Draft CAE

REPUBLIC OF RWANDA



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Kigali, ...03 SEP 2003.....

N° 3007/03/MD/HIN

*R. Kyle Peters,*  
Senior Manager  
Country Evaluation and Regional Relations  
Operations Evaluation Department  
World Bank  
Washington  
United State of America

Dear Sir,

Rwanda Country Assistance Evaluation

1. I thank you for the above report submitted to us on June 5 and would like to make the following observations as per your request.

1.1. In general we welcome the conclusions and the recommended actions by the evaluation team. In particular we welcome the observation that Rwanda deserves adequate resources to close the financing gap to promote socio-economic growth.

.../...

Nonetheless we find the conclusions that IDA assistance to Rwanda has not been effective too premature. We are not surprised that pre 1994 interventions were largely unsuccessful given the prevailing socio-economic options and institutional environment at the time. However since 1994 we see the assessment as too pessimistic. It is true that project design has been sometimes too complex for a country with limited capacity, that underlying analytical support has not been adequate, that project supervision has not always reflected the needs, but despite these very valid observations, our assessment is that IDA support to Rwanda given the special circumstances of the country has to a large extent delivered the results.

Rwanda can today be considered one of the successful cases of post conflict reconstruction, and IDA support from the early stages has contributed significantly.

1.2. We do concur with the recommendation that future IDA interventions be in line with the PRS and consistent with the need to attain the Millennium Development Goals (MDGs). The areas identified are in consonance with the above and with our Vision 2020:

- Increasing Productivity and value of agriculture
- Diversification of the economy and promotion of exports
- Human Resource Development
- Improving the enabling environment for the private sector.

Here we would like to emphasize that:

- Given Rwanda's unsatisfactory export performance (a current account deficit of 17% of GDP), promoting exports is primordial for the

country to improve its debt sustainability and reduce its reliance on aid.

- Improving the enabling environment for private sector, means significant increase in investment in infrastructure, in particular to increase the availability of, and reduce costs of energy, water and telecommunication. Increased investment in the transport sector is vital for a small landlocked country.

The team observes that privatization per se should be a secondary consideration in the context of the Rwandan economy. Our view is indeed that it should not be an end itself but a means to increase economic efficiency and attract investment. Perhaps what is more important in situations such as Rwanda is the timing, sequencing and the phasing of the exercise.

In general terms we would like to make the following further observations:

- Rwanda is a post conflict country, we feel that the criteria for assessing “development impact” should be somewhat different. Firstly the “counterfactual” is important, “what would have happened in the absence of IDA support?” Secondly in designing the projects and programs “limited capacity” should be assumed and compensated for until “steady state” is attained. Among others, strengthening local Bank offices is vital in early stages.
- As expected in a post conflict country, as a result of the conflict, institutional memory and information on different economic and social variables is limited, and project design should be flexible. Often projects and programs have suffered due to unnecessary rigidity.

- We welcome the report's observation that though Rwanda is not classified as a low income country under stress, project design should be simple and greater coordination between Government, IDA and other donors intensified.

Government of Rwanda considers that the intervention by IDA in Rwanda after 1994 to be, on balance, a success on efficiency, sustainability and development impact. However lessons are being continuously drawn as to how best to attain the above results in post conflict cases. One of the lessons we are learning is that the assessment of IDA (or any other donor) intervention has to be in context of all the other interventions i.e. Government itself, IDA and all other donors.

We continue to analyze the report and we intend to provide you a further detailed review in due course once all stakeholders have had time to make their respective inputs.

Highest Consideration

*Donald KABERUKA*  
Donald KABERUKA

Minister of Finance and Economic Planning

KIGALI

RWANDA



**The World Bank**

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**OED Response to Government Comments**

October 16, 2003

His Excellency Dr. Donald Kaberuka  
Minister of Finance and Economic Planning  
Kigali  
Republic of Rwanda

Dear Minister Kaberuka:

***Rwanda: Country Assistance Evaluation (CAE)***

I thank you for your broad comments and I appreciate learning that in general you agree with the conclusions of the report, particularly the assessment that Rwanda needs adequate resources to close its financing gap, that IDA interventions be consistent with the Government's poverty reduction strategy, and that project design be simple.

*Rwanda's unsatisfactory export performance.* The research undertaken for the CAE supports your concern that Rwanda's export performance is too weak to improve the country's debt sustainability, as well as reduce its reliance on external aid. Your concern has been reflected in the report.

*Private sector development and privatization.* I also concur and the evaluation supports your belief that improving the enabling environment for the private sector means that there should be more investment to increase provision of basic services, water, energy and telecommunications. But as the evaluation states, we do not believe that privatization should be an end in itself. Rather, if it makes sense to privatize utilities as an efficient and effective means of providing basic infrastructure services, it should be used. But if pursuing privatization slows down and/or interferes with expanding access to basic services, in part because privatization of utilities is inherently complex, or regulatory capacity is too weak to provide adequate safeguards, then the more important policy objective should be to expand access, increase the reliability of services and enhance the regulatory environment, while improving the performance of public utilities.

*Moderately satisfactory rating and a counterfactual.* Neither the Government nor IDA performed well before the genocide. The programs of both were negatively affected by the civil war and increasingly difficult country economic situation. However, what was particularly striking about the IDA program was the lack of coordination between the risks clearly identified in the country assistance strategies and the lack of reflection of those risks in project design. Thus the unsatisfactory outcome rating. After the genocide, IDA program performance was strong with respect to macroeconomic and budgetary issues and the institutional changes needed to promote stability and better resource management and transparency. However, in marked contrast, sectoral project outcomes

Dr. Donald Kaberuka

-2-

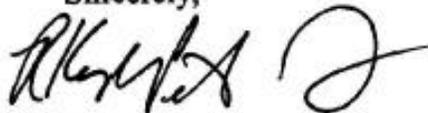
October 16, 2003

were noticeably weaker. Sixty percent of disbursements for investment projects were evaluated as having unsatisfactory outcomes. With such a large percentage of unachieved objectives, it is not possible to rate the overall program outcome higher than moderately satisfactory.

As you note in your letter, it would have been useful to answer the question, "What would have happened in the absence of IDA support?" The evaluation research clearly indicated that IDA assistance had a positive impact on socio-economic conditions in Rwanda in the post-genocide period. However, in the absence of evaluation systems which would permit the measurement of pure IDA-sponsored program effects separately from the effects of other donor programs, it is inherently very difficult to identify what IDA uniquely contributed to post-genocide reconstruction and development. Nevertheless, as stated in para 3.1 of the evaluation, our judgment is that "In view of the Government's technical and financial weaknesses, it is unlikely that these achievements would have been possible in the timeframe of a few years without IDA assistance."

Please accept my sincere thanks for the spirit of cooperation and partnership reflected in your comments.

Sincerely,



R. Kyle Peters  
Senior Manager

Country Evaluation and Regional Relations  
Operations Evaluation Department

cc: Mr. Mohamed Alhousseyni Toure, Country Manager, Rwanda

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