



OED REACH

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Based on the Rwanda *Country Assistance Evaluation*, conducted in collaboration with the African Development Bank.

Rwanda Country Assistance Evaluation

- During the 1990s, Rwanda was overwhelmed by ethnic strife, which led to civil war in 1990–93, and to the 1994 genocide, with the loss of 12 percent of the population and dislocation of many more. GDP dropped by 50 percent in 1994. When the new government that came to power in that year stabilized the economy and strengthened budget management, growth rebounded.
- The outcome of IDA assistance before 1994 is rated unsatisfactory—the program was too complex and did not adapt to the circumstances of the country. After 1994, IDA was successful in providing emergency relief and in stabilization and budget management. However, there was little advisory and analytical work, and much of the investment lending continued to be unsatisfactory. The outcome of IDA assistance for the period is rated moderately satisfactory overall.
- Future IDA assistance should center on reducing poverty and inequality, using the MDGs as an organizing framework. Advisory and analytical work and adaptation of projects to country conditions are also crucial.
- The evaluation conducted by the African Development Bank similarly recommends that more emphasis be placed on poverty reduction. This means a greater focus on increasing productivity and diversification in agriculture, on improving the quality of human resources, on strengthening basic infrastructure, and on institutional development. The design of a new aid strategy will require good quality economic and sector studies.

During the 1960s and 1970s Rwanda was a strong economic performer, with growth rates well above the average for Sub-Saharan Africa. But by the mid-1980s growth was decelerating, and the country was hit by destabilizing exogenous shocks to its principal export commodities: tin, coffee, and tea. The net result was decreasing export earnings and increasing external and domestic deficits.

Complicating an already difficult situation was the onset of civil war in 1990, culminating in genocide in 1994. When it was over, 12 percent of the population had been killed and 38 percent displaced. There were large demographic shifts: 30 percent of households were

headed by women, 20 percent by widows, many children became orphans, and many became heads of households. GDP fell by 50 percent in 1994. Agricultural production declined precipitously and did not regain its pre-genocide level until 1998. The emergency and reconstruction period lasted until 1998, but normal development activities have only predominated since 2001.

World Bank Assistance during the 1990s

In the pre-genocide period, 1990–94, 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.

IDA's greatest contribution in the post-genocide period has been its assistance to macroeconomic stabilization, including improved budget management, 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 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 for similar reasons as before. The most notable shortcoming of the Bank's program throughout the 1990s was the absence of a concerted effort to promote agricultural development. The Gini coefficient increased, from .29 in 1985 to .46 in 2000, when a major stated objective of IDA strategy and government programs is poverty reduction.

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 restoring budget formulation and developing a public investment program and 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.

The outcome of IDA pre-genocide assistance is rated unsatisfactory for reasons described above, while post-genocide assistance is rated moderately satisfactory, principally because of improvements in macroeconomic management. The sustainability of IDA assistance is rated unlikely because of the high degree of domestic and external risk. Institutional development impact after the genocide is rated modest, particularly because of the weaknesses in investment lending outcomes.

Recommendations

The review concluded that:

- IDA assistance should center on reducing poverty and inequality, using the Millennium Development Goals as an organizing framework.
- Increased analytical and advisory services are crucial.
- Project design should be simple, and sufficient supervision resources should be allocated to ensure adequate project supervision.

Reaction of the Borrower and Regional Management

The report was sent to the government in June 2003. The government generally agreed with the conclusions and recommendations, but found the assessment of IDA assistance in the post-genocide period too pessimistic. Furthermore, it noted that more emphasis should have been given to improving the country's export performance and necessary investment in infrastructure.

Management thought that the rating for IDA assistance after the genocide should have been satisfactory, rather than marginally satisfactory, but OED did not agree.