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PROJECT PERFORMANCE ASSESSMENT REPORT

REPUBLIC OF RWANDA

DECENTRALIZATION AND COMMUNITY DEVELOPMENT PROJECT (IDA-H09040)

June 22, 2015

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Rwandan Franc (RWF)

2005	US$1.00	RWF 556.00
2006	US$1.00	RWF 553.00
2007	US$1.00	RWF 547.00
2008	US$1.00	RWF 543.00
2009	US$1.00	RWF 568.00
2010	US$1.00	RWF 588.00
2011	US$1.00	RWF 602.00

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CDC	Community Development Committees
CDD	Community Driven Development
CDF	Common Development Fund
CRDP	Community Reintegration and Development Project
DCDP	Decentralization and Community Development Project
DDP	District Development Plan
DGA	Development Grant Agreement
DPO	Development Policy Operation
EDPRS	Economic Development and Poverty Reduction Strategy
GoR	Government of Rwanda
ICR	Implementation Completion and Results Report
IDA	International Development Association
IEC	Information, Education, and Communication
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
ILI	Learning and Innovation
ISR	Implementation Status and Results Report
JADF	Joint Action Development Forum
M&E	Monitoring and Evaluation
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
NDIS	National Decentralization Implementation Secretariat
PAD	Project Appraisal Document
PCC	Provincial Coordinating Committee
PCO	Provincial Coordination Office
PCMU	Project Coordination and Monitoring unit
PDO	Project Development Objective
PDP	Provincial Development Plan
PPAR	Project Performance Assessment Report
RDIP	Rwanda Demobilization and Integration Program
RLDSF	Rwanda Local Development Support Fund
RPF	Rwanda Patriotic Front
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VUP	Vision 2020 Umurenge Program

Fiscal Year

Government: July 1 – June 30

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This report was prepared by Lourdes N. Pagaran. The report was peer reviewed by Paul Smoke and panel reviewed by Clay Wescott. Yezena Zemene Yimer provided administrative support.

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Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Negligible to Low	Negligible to Low	Moderate
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

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IEG Mission: Improving World Bank Group development results through excellence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This Project Performance Assessment Report (PPAR) covers the Decentralization and Community Development Project (DCDP). The objective of the project was to boost the emergence of a dynamic local economy through empowerment of communities to lead their own development process under effective local government.

The report presents findings based on review of the Project Appraisal Document (PAD), the Implementation Completion and Results Report (ICR), Development Grant Agreements, Aide-Memoires, Implementation Status and Results Reports (ISRs) and other relevant materials. In addition to project documents, information for this assessment was obtained from interviews conducted during an IEG mission in Rwanda in June and July, 2012 with government officials, project supervisors, district level government officers, members of the donor community, Bank staff, as well as scholars and decentralization-policy specialists. Data for this assessment were provided by the Ministry of Local Government (MINALOC), the Ministry of Finance and Economic Planning (MINECOFIN), the Rwanda Revenue Authority, and the Rwanda Statistical Office. The first mission was conducted by Raj M. Desai, IEG Consultant. A follow-on field mission was conducted in November 2014.

This assessment will constitute part of a clustered PPAR on local governance. The clustered PPAR evaluates three local governance projects in addition to the Rwanda DCDP—one each in Mozambique, Tanzania and Uganda—in order to identify critical lessons in the design and implementation of local governance reforms and capacity-building efforts. These lessons are intended to contribute to ongoing Bank efforts to innovate approaches to state-building, social accountability, and good governance.

Following standard IEG procedures, a copy of the draft PPAR was sent to the relevant government officials and agencies for their review and feedback. No comments were received.

Summary

Following the Rwandan genocide of 1994, the Government of National Unity, acting within the framework of the Arusha accords, resolved that decentralization and democratization were necessary to reconcile the Rwandan people. Decentralization is one of the core elements of the good governance agenda of the government under its first Poverty Reduction Strategy (PRS, 2002-2005) and enshrined in the country's Constitution of 2003 as a means to strengthen national unity and reconciliation and to bring national government closer to the people.

Three policy reforms—the Decentralization Policy (May 2000), the Community Development Policy and Strategy (May 2001), and the Fiscal Decentralization Policy (May 2001)—aimed to establish and empower district-level governments that would play a vital role in Rwanda's economic development. These laws provided the legal basis for local governance, and placed a premium on social inclusion and consensus building in the design and implementation of development programs and projects. According to the government Decentralization Policy of 2000 (page 6) decentralization was "to provide a structural arrangement for government and the people of Rwanda to fight poverty at close range and to enhance their reconciliation via the empowerment of local populations".

The post-conflict Government of Rwanda embarked on an ambitious decentralization in three phases. The first phase (2001-2005) provided the basic policy and legal framework. During this period, the first local elections in 2001 were held and subsequently all local leaders have been elected under the 2003 Constitution. The second phase (2006-2010) was characterized by major territorial reforms including the consolidation of districts and the establishment of district governments as key units for service delivery and the greater role assigned to sectors (or *secteurs*) in service delivery. The third phase of decentralization (2011-2015) envisaged further deepening of the decentralization process by extending the range of decentralized services to local government and addressing outstanding issues in capacity building, fiscal and financial autonomy of local levels.

The Rwanda Decentralization and Community Development Project (DCDP) was envisaged to contribute to Rwanda's long term goal for decentralization through the empowerment of communities and improved accountability of local governments (PAD, page 2). The project's development objective (PDO) was "to boost the emergence of a dynamic local economy through empowerment of communities to lead their own development process under effective local government." DCDP has four components: (1) Institutional Capacity Building, (2) Information, Education and Communications, (3) Community Development Initiatives, and (4) Program Coordination and Monitoring.

The total project cost at appraisal was US$20.0 million financed through a grant from the International Development Association (IDA) and a contribution of US$0.7 million from the borrower. The project was approved by the Board on June 15, 2004, and declared effective on December 23, 2004. The project's closing date was extended from September 30, 2009 to December 31, 2010.

The DCDP builds on the Bank-financed Community Reintegration and Development Project (CRDP). The CRDP was a $5 million Learning and Innovation (LIL) project, which operated in 11 districts and “laid the foundation for the government’s approach to decentralization and the subsequent legislation”[1] DCDP was to scale out the community development to 39 districts (of the original 106 districts) to further reinforce gains on the decentralization process by empowering communities to take charge of their development in the context of decentralization.

DCDP straddled between the two phases of decentralization. At the time of the project’s preparation, the first phase of decentralization was winding down; and by project’s effectiveness, the second phase was launched involving major territorial re-alignment and consolidation of districts to 30 (from 106). The project’s initial implementation was put on hold until the reconfigured districts were in place and the original project design, based on the old configuration, was aligned with the new. Over the course of the project’s implementation, the Bank had to adjust proactively and quickly in response to the rapidly changing decentralization landscape.

This review finds that the project development objective was highly relevant to the three policy reforms that were aimed at empowering district level governments, *inter alia*: the Decentralization Policy, the Community Development Policy and Strategy and the Fiscal Decentralization Policy. At appraisal, DCDP objective was highly relevant given the government’s focus on local governance and decentralization articulated under the country’s PRS for 2002-2005 and the Bank’s Country Assistance Strategy (CAS 2002-2005). At closing, the project’s development objective remains relevant to the government’s Economic Development and Poverty Reduction Strategy (EDPRS 2008–2012) and to the Bank’s Country Assistance Strategy (FY 2009-2012).

The project’s design was also substantially relevant. The development objective was plausibly linked to outcomes, outputs, activities and inputs. Its design was appropriate in a fragile post conflict environment. The demand-driven aspects enabled the project to be responsive to the needs of the local communities and adaptable to evolving capacity needs and priorities of the country’s nascent decentralization process. However, the project interventions link to the overarching objective of “boosting the emergence of a dynamic local economy” is not well articulated and measured.

The project’s development objective was achieved substantially. The project had empowered local communities and had a positive impact on improving quality and access to infrastructure services while supporting broader decentralization, local capacity building, and participatory goals for local development. It is less clear whether and to what extent the project contributed to the local “dynamism” beyond the information provided by the beneficiary assessment which has limited coverage and issues of attribution.

The cost effectiveness analysis suggests that sub-project costs were lower compared to government costs. However, it is not clear if proper comparisons are being made, since costs could be influenced by other factors that are not controlled for including location, availability

[1] IEG. 2008 Decentralization in Client Countries: An Evaluation of World Bank Support, 1990-2007: 77.

of construction materials, design and standards. The comparison was also limited to government financed projects although the original cost effectiveness design at appraisal was envisaged to include comparison with projects from non-governmental organizations and other donor financed operations. The Bank team later clarified that no comparison was made with other donor and NGO donor operations because they were few and fragmented at that time to make a significant difference on the results. On balance, efficiency is rated Modest. Overall, outcome is rated Moderately Satisfactory.

The quality of the monitoring and evaluation (M&E) is rated Modest. Data were tracked using a comprehensive M&E system to measure performance of subproject operations. However, the absence of comparator benchmarks for core institutional performance and changes in service delivery does not allow an analysis of the achievement of this objective outside of a set of outputs and process indicators. A central weakness in the M&E framework was the lack of any effective design for credible impact assessment. Although an impact evaluation was envisaged at the time of ICR preparation, further follow up at the PPAR stage suggests that the planned evaluation did not materialize.

The risk to development outcome is rated Moderate. Processes and procedures supported under the project have been adopted and mainstreamed. Sustainability of sub-projects were assured with the preparation of operational and maintenance budgets and supplemental revenue arrangements put in place at the time of closing. However, there remains a risk of sustainability at the project and institutional level. Field interviews suggest that revenue arrangements are inadequate to meet the operations and maintenance of sub-projects financed by the project.

Rwanda’s decentralization has been remarkable in many respects: profound and rapid institutional changes have taken place in the last decade with the consolidation of districts, making them financially and legally independent and responsible for coordinating service delivery. However, there are still some outstanding issues. Although transfers to districts increased dramatically from 1.4% in 2002 to 33% of domestic revenues in 2011/12, the share of block grants as a proportion of total transfers to districts has not kept pace with the speed of decentralization and responsibilities assigned to districts. Rwanda also fared low with respect to voice and accountability index in comparison to other countries in Sub-Saharan Africa. Finally, a survey done by the Rwanda Governance Board in 2012 showed that the quality of service delivery of local governments is at 70%, below the government’s target of 80%.

The Bank's performance at entry is rated Moderately Satisfactory. The project builds on lessons learned from the precursor CRDP and identified key risks with mitigating measures. The frameworks for economic analysis and M&E were comprehensive and detailed. However, there were shortcomings. Given the lessons from CRDP that monitoring of micro finance interventions did not work well, no mechanism was put in place to track, monitor and capture lessons. The major territorial reforms in 2006 did not seem to have been anticipated during preparation which led to implementation delays. Finally, the Bank did not align with the Common Development Fund (CDF), renamed Rwanda Local Development Support Fund (RLDSF), which was created in 2002 as a mechanism to pool resources for local capital grants consistent with the government’s preference.

Bank performance at supervision is also rated Moderately Satisfactory. The Bank's leadership was stable with two team leaders (TLs) during the life of the project. The TL's presence in the field beginning in 2008 enabled regular interaction with government and to respond quickly to fast changing and evolving decentralization landscape. The Bank adapted quickly and adjusted the project's coverage and scope to align with the territorial reforms and with government's priorities. However, there were shortcomings: the M&E retrofitting took place a year before closing and while the retrofitting improved the project's measurement, the indicators were mostly process oriented. The Beneficiary Assessment provided insights on the project's outcome and impact but the scope and methodology raised issues of its validity and attribution to the project.

Despite numerous changes in project elements, the project documentation has been limited to one project restructuring in 2009 to reallocate project funds and refine the project's results framework. The limited documentation of project changes through a project restructuring paper and/or grant amendments makes it difficult to establish what changed during implementation and what has actually been achieved that are attributable to the project, compared to the original project design.

Government performance is rated Satisfactory. The government demonstrated strong ownership of the project and maintained effective working relationship with the Bank. It provided counterpart financing on time and requisite staffing for the project's oversight. It also ensured that recurrent costs are provided to DCDP funded sub-projects and staffing and equipment were provided.

The Implementing Agency performance is also rated Satisfactory. The Project Coordination and Monitoring Unit located in MINALOC performed well, providing oversight and at the same time trained local government staff and project processes, led dissemination efforts and implemented the M&E system. However, there were some implementation delays and staff turnover including the Project Coordinator's position which was left vacant for 14 months.

T**he lessons from this operation are as follows:**

- First, in a post-conflict environment with a history of highly centralized structures and dominant central government, decentralization can be fostered by well-designed participatory processes to promote demand-side governance and empower communities, along with intensive institutional and capacity building at central and local levels. In the case of Rwanda, the project provided the building blocks for fostering community participation and local accountability and enhanced social cohesion through financing of sub-projects identified by communities through a participatory planning process that feed into the Annual Action Plans for the districts.
- Second, decentralization and capacity building is a long term process and needs sustained government and Bank engagement. Sustained government commitment to build local capacity and institutions for planning, financing and revenue generation to improve local service delivery is fundamental to advancing decentralization. The project facilitated institutional capacity building for central and local government structures including providing training and technical assistance for priority setting, project planning, financial management, M&E and local development planning and

budgeting. The Bank continued its support to the government's priority areas in decentralization through a Development Policy Operation on Quality of Decentralized Delivery Support, followed by a Public Sector Governance Program for Results Operation.

- Third, in a rapidly evolving environment, flexibility to adapt to changing circumstances is critical to the continued relevance and success of the operation. This project's ability to respond quickly after a major territorial reform and rapidly evolving decentralization priorities was central to its success in achieving development objectives. The project adjusted its scope and coverage to align with the new territorial configuration, aligned its project cycle with the Performance Management Contracts ("imihigo") and provided technical assistance to help kick-start its implementation in the district.

Caroline Heider
Director-General
Evaluation

1. Background and Context

1.1 **Rwanda's approach to decentralization is motivated by its desire to break away from the past of a highly centralized structure and to address issues of poor governance** which was one of the major causes of disunity in the country. Placing local empowerment at the center stage is one of the key foundations of its decentralization policy and poverty reduction strategy. Seeking to make a sharp break with the past, among several other reforms, the Government of Rwanda in 2000 adopted an ambitious decentralization policy to be undertaken in three five-year phases.

1.2 This decentralization framework is best understood as a government response to the problems of social integration given the post-genocide environment, and the strong centralized state structures inherited by the Government of National Unity which governed following the military victory of the Rwanda Patriotic Front (RPF) and until the first post-war presidential and legislative elections were held in August and September 2003, respectively. As such, decentralization represented, almost entirely, a supply-driven governmental reform. It was not conceived to solve potential disputes between factions over the distribution of political power. As others have noted, the Rwanda Decentralization Strategic Framework/Rwanda Decentralization Implementation Plan scrupulously avoided any mention of "power sharing," and instead relied on the language of citizen empowerment, community development, participation, accountability, capacity building, etc. (Kauzya 2003). However, Rwanda-historically governed by highly centralized systems and in the aftermath of genocide-immediately faced numerous capacity shortages that posed obstacles to decentralized, localized governance.

1.3 **The first phase of decentralization** (2000-2005) provided the basic policy and legal framework (see Annex B for a timeline of political events, relevant institutional reforms, and the evolution of the Bank' portfolio). Subnational governments had begun to assume more responsibility for administrative services. Rwanda was previously divided into districts "prefectures," which were divided into "communes." At the same time, in 2002, a process of administrative consolidation began, with prefectures being replaced with provinces, and prefectures being replaced with districts. An interim arrangement included: (i) 12 provinces, and 106 districts; (ii) an additional administrative level of municipality *(umujyi)* inserted between district and lower (sector and cell) levels; and (iii) the lowest administrative level was that of the *nyumba kumi*, non-salaried representatives responsible for ten households, including their own. During this phase, preparations were also made to devolve service delivery from the districts to the sectors. The 106 districts, on the other hand, were considered fiscally unsustainable and faced a number of capacity constraints.

1.4 The main engagement by the Bank with the government in the area of decentralization during this period was through the CRDP, a $5 million LIL Credit.[2] The project was approved on October 15, 1998, became effective March 31, 1999, and closed on June 30, 2003). The project was a community-driven development operation that provided resources, decision making, and responsibility for implementation and monitoring directly to

[2] A Bank-financed Food Security (P002261) Phase 3 project served as a pilot to test new processes for participation and decentralization in an urban setting.

community groups. The project's development objectives as stated in the Development Credit Agreement were to (i) assist returnees and other vulnerable groups through a process of community-based reintegration and development; and (ii) strengthen the capacity of local communities and the administration at the communal and national levels for the implementation of development projects. The project was implemented through the commune level with the new Community Development Committees (CDCs) which were appointed by the elected commune councils with administrative and financial autonomy.[3] Established under the Community Development Policy in 2001, CDCs performed several functions including taking a central role in sub-project elaboration and execution, procurement for goods and works and coordination with local partners. CDCs are established at each level of the local government structure (at district, sector and cell levels).

1.5 The project faced major political resistance and hurdles which led to a substantial delay between negotiations and effectiveness. There was also limited capacity at local levels which was expected following the genocide which led to delays in disbursements. The project achieved its objectives (with moderate shortcomings and rated Moderately Satisfactory by IEG) and demonstrated that community-driven development can work (but lacked evidence that this was achieved through re-integration of returnees and other vulnerable groups), and strengthened capacity of local communities and the administration at the communal and national levels for the implementation of development projects .Other donors were active in this area beginning in the late 1990s in supporting decentralization including the African Development Bank, the European Union, USAID and UNDP as well as bilateral donors including the Netherlands and Germany.

1.6 The Decentralization and Community Development Project (DCDP) approved in 2004, straddled between the first and second phases of decentralization, was envisaged to scale up the community development initiatives under the CRDP and to reinforce the decentralization process. DCDP was to build needed institutional capacity for local governments in districts and promote information-awareness campaigns to build public support for both the DCDP and wider decentralization reforms. The DCDP also supported the mainstreaming of decentralized project management cycle and financial management through district-level development plans, and by financing several sub-projects initiated by communities in districts. In parallel with DCDP, the Bank also supported a series of Development Policy Operations Poverty Reduction Strategy 1-3 (approved in 2006) and Public Sector Capacity Building Project in support of the government's decentralization.

1.7 **The second phase (2006-2010)** continued territorial re-alignment and focused on establishing district governments as key units for service delivery. In 2006, Rwanda completed its administrative reform, reducing the number of provinces from twelve to five, abolishing the *umujyi* and, officially, the *nyumba kumi*. The second phase also established clear hierarchies and an intricate organization leading from *gihugu* (country) to *umudugudu* (village) and, informally, even lower. The official structure was given the following five levels: 5 *intara* (provinces), 30 *uturere* (districts), 416 *imirenge* (sectors), 2,146 *utugari* (cells) and 14,876 *imidugudu* (villages). The number of districts was thus reduced from 106

[3] Communes were subsequently abolished in favor of districts. However, the CDCs were retained and are established at different levels of the local government structure (district, sector and cell).

to 30; the sectors were consolidated from over a thousand to 416 and given an enhanced service delivery mandate. This triggered enormous need for reorientation and capacity building at both the district and sector level (see Annex B Table B.2 for a summary of territorial reforms).

1.8 The 2006 territorial reform defined the roles of the different tiers. The provinces are deconcentrated bodies of the central government and perform coordinating functions on behalf of the national government. Kigali City Council which is considered a separate entity is in charge of strategic planning and M&E for urban development. The local government structures refer to the districts and within districts are sectors and cells. The 2006 Law Determining the Organization and Functioning of the District states that the District is an "autonomous administrative entity with a legal status with administrative and financial autonomy". The district is in charge of economic development including agriculture, tourism and small medium sized enterprise and coordinate planning, financing and service delivery. The district consists of an elected council and administration headed by an executive committee composed of the district mayor and two vice-mayors. The executive committee is elected by the council from among its members. The sectors and cells are administrative entities of the district. The sector is responsible for the administration of basic services, and data collection and reporting while the cell is responsible for community mobilization (needs assessment and prioritization). Both sectors and cells each have executive committees which are responsible for day to day administration and supported by technical staff that include CDCs. The village is not an administrative unit but functions as center for grassroots mobilization and information dissemination. The sector ministries interact with the districts to implement their sector activities at the local level.

1.9 The use of performance contracts or "*imihigo*" was introduced in 2006 to enhance service delivery and to boost local development. The '*imihigo*" constitutes the focus of the planning process between the center and the districts. The performance contract is signed between the President of the Republic and the district mayor (see Box 1.1). "*Imihigo*" is based on a traditional practice where individuals publicly commit to certain acts or deeds. The process which continues to this day is known to have enhanced upward accountability but there is greater scope for improving downward accountability between local government and the local communities.

Box 1.1. Performance Contracts: The Rwanda Imihigo System and District

Performance contracts (*Imihigo*) are contracts between the President of Rwanda and various government agencies detailing what the respective agency or institution sets itself as targets along several of indicators. The stated objective of the *Imihigo* system is to improve the speed and quality of execution of government programs, thus making public agencies more effective. Since 2006 this approach has been used by local government authorities for setting local priorities in district development plans (DDPs), setting annual targets and defining activities to achieve them. When preparing the performance contracts each local government administrative unit determines its own objectives (with measurable indicators), taking into account national priorities, as highlighted in the International and National strategic documents, such as the Millennium Development Goals (MDGs), the Vision 2020 Umurenge (social protection) Program, and the Economic Development and Poverty Reduction Strategy (EDPRS). Once DDPs are drawn up, Annual Action Plans (AAPs) are prepared annually by all budget agencies, including district authorities, specifying activities meant to be completed within a year. The performance contract is inserted as a sub-component of the AAP, highlighting priority activities and associated indicators that are to be used to measure the performance of the local authority. The *Imihigo* are set yearly but evaluated every six months.

Imihigo activities are to be selected on the basis of criteria such as:

- Impact on the welfare of the local population
- Local job creation
- Local "ownership"
- Connection to targets described in national priorities (Vision 2020, EDPRS, MDGs, etc.)
- Cost effectiveness
- Effect on local social cohesion/conflict mitigation

The consolidation and reconciliation of national and local priorities at the district level and discussion of draft *Imihigo* with central government authorities is undertaken, after which the Imihigo is presented to stakeholders and approved.

1.10 **The third decentralization phase (2010-2015)** envisaged to extend the range of decentralized services to local governments and to further deepen the advances made on capacity and organization reforms. It also sought to put in place and build capacity on financial management and social accountability and provide greater fiscal autonomy of local governments. The third phase would address issues that have emerged in the implementation of the second phase. These include: ensuring full participation of communities in decision making, clarifying what services are decentralized to local governments and retained by sectoral ministries, strengthening service delivery at local levels by putting in place service charters and service standards, consolidating local economic development initiatives and clarifying the role of local government in creating a favorable environment. During this period, the Bank has provided support through a Quality of Decentralized Service Delivery Support Development Operation ($50 million, approved on 2013 and closed on 2014), and followed by a Public Sector Governance Program for Results Operation ($100 million) which was approved by the Board in October 2014.

1.11 Some commentators have argued that "decentralization" may be a misnomer for the particular governmental reform implemented in Rwanda in 2006. While the restructuring of administrative units combined with the responsibilities given to local units did suggest formal devolution, decentralization also involved the central government enhancing (informally and formally) its own ability to assure compliance from local governments. First, the administrative reform maintained jurisdictional layers fully controlled by the national government (i.e., the provinces) while, in effect, increasing its ability to gather information from a newly consolidated district-government structure. Second, alongside the restructured, multiple levels of administrative units, the RPF also maintained parallel branches at each level, and indeed, was the only political party able to do so, thus potentially expanding the scope of single-party rule (Purdeková 2011).

1.12 Others have argued that while Rwanda's decentralization is characterized by tight control from the center, this is not uncommon in other decentralizing countries in Africa and elsewhere. However, Rwanda's decision to consolidate districts is unlike other countries that embarked on decentralization and proceeded to expand districts to gain political patronage

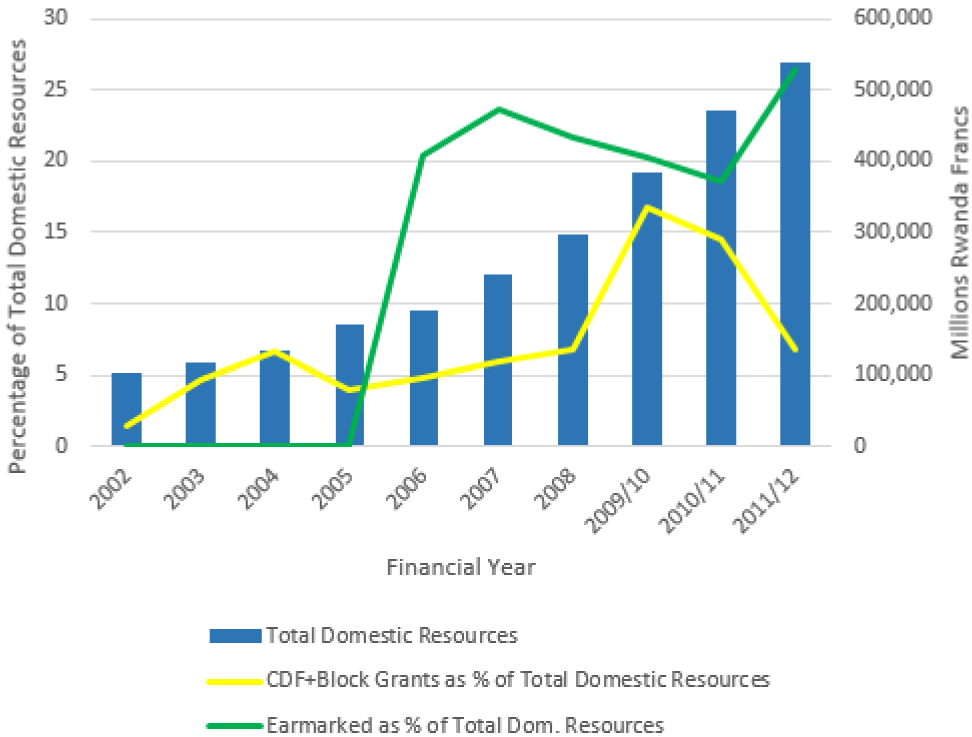
(Uganda and Tanzania for example). The argument proceeds that the Rwandan case of decentralization is a response by the political elite's perceived vulnerability to external and internal threats. The collective experience of genocide, its search for legitimacy, the volatility of international environment and its dependence on external assistance prompted the political elites to design local institutions that allow for swift implementation of its development agenda and limit elite capture and political competition (Chemouni, 2014).

1.13 The goal of the government's *Fiscal and Financial Decentralization Policy* (2006) was not only to pursue efficiency in the provision of services at the local level, but also local economic development alongside the alleviation of poverty. Meanwhile the *Law on the Organization and Functioning of the District* (2006) assigned local governments in Rwanda a series of tax and non-tax revenue sources. The main local tax sources included the property tax, the trading license tax, and rental income tax, which were formerly collected by the central government and were devolved to the local level. While local governments had a degree of discretion in determining tax rates, they were not be permitted to create new taxes or define the tax base for local revenue sources.

1.14 Thus local governments in Rwanda were to be funded by a combination of conditional and unconditional grants, as well as by an assortment of local revenue sources. According to the African Development Bank, between 20% to 25% of public expenditures took place at the subnational level (African Development Bank, 2010). The percentage of expenditure financed by own-source revenue (12%) is higher than Uganda (5%) and Tanzania (7%), but lower than Kenya (57%). Thus, some have raised, concern about the capacity of local governments to engage in sufficient revenue mobilization (Tumukunde, Kiessel, and Khawar, 2008).

1.15 Transfers to the districts have been increased significantly since the second phase of decentralization. However, the block grants which permit greater autonomy have not kept with pace with the expanding range of services including facilitating local economic development initiatives assigned to local governments.

Figure 1.1. Share of Transfers to Total Domestic Resources (RWF in millions)



Source: Ministry of Local Government. Governance and Decentralization Sector Strategic Plan, 2013/14-2017-2018.

1.16 **Voice and accountability**. From 1996 to 2012, Rwanda's performance showed significant improvements in five of the six dimensions of the World Governance Indicators (WGI) - government effectiveness, political stability, control of corruption, regulatory quality and rule of law. Ratings are comparable or better rated than middle income countries. However, Rwanda's ranking on voice and accountability has not significantly improved, and is lower than other country groups including Sub-Saharan Africa.

1.17 The Rwanda Governance Scorecard published in 2012 by the Rwanda Governance Board using eight indicators show that service delivery in local governments is at 70%, up from 2010, but still falling short of the top rated category of 75% and above.

2. Objectives, Design, and their Relevance

Objectives

2.1 According to the Development Grant Agreement (DGA, p.20), the project's development objective (PDO) was "to boost the emergence of a dynamic local economy through empowerment of communities to lead their own development process under effective local government." The PDO in the Project Appraisal Document (PAD) was similarly stated as in the DGA. In addition, the PAD articulated four specific development objectives (PAD, p. 2): (i) strengthen district capacity to lead a process of planning and consultation with local communities, translating their development priorities into sub-projects which are incorporated into Districts' strategic development plans; (ii) develop a matching-grants system to finance the sub-projects; (iii) validate procedures for decentralized project-cycle management and financial management, through implementing the sub-projects, to replicate as basic operating procedures in Rwanda's overall decentralization program; and (iv) introduce and promote public awareness programs.

2.2 The project was designed to build on and scale up the CRDP and reinforce the gains made on empowering communities in the context of decentralization. DCDP was envisaged to scale up CRDP's coverage of 11 to 39 districts (of the original total of 106 districts), while making improvements to address the shortcomings of that operation. With the territorial reform in 2005-2006, the number of districts was consolidated to 30 and the project covered 17 of the 30 districts for community development subproject financing, and all 30 districts for capacity building, information, education and communication support.

2.3 The assessment will use the PDO in the Development Grant Agreement.

Relevance of Objectives

2.4 At appraisal, the project's development objective was highly relevant to the government's Poverty Reduction Strategy Paper (PRSP, 2002-2005) which placed good governance as one of its key priority areas for poverty reduction and economic growth, with decentralization as one of its cornerstone. Given the country's history of conflict, good governance is considered a prerequisite for poverty reduction involving increased participation by local communities. In its 2002 PRSP, the government noted that "Decentralization is central to the creation of democratic structures of governance in Rwanda. Encouraging people to work together at a local level is central to overcoming the divisions that have been so destructive in the past. Decentralization also allows local Governments to respond to local needs and can increase the accountability of Government to the people" (para 217, page 62).

2.5 The project's development objective was also consistent with the Bank's Country Assistance Strategy (2002-2005) which supported the government's PRSP under three broad themes that include revitalization of the rural economy, private sector development and employment creation and human and social development. DCDP was envisaged to support the rural communities in social and economic development through its sub-project financing at the district level.

2.6 At closing, the DCDP objective remained relevant given the government's continued focus on good governance as articulated in its Economic Development and Poverty Reduction Strategy (EDPRSP 2008–2012). It is also consistent government's Governance flagship program which placed emphasis on empowering citizens in social, political and economic development and further decentralization to enhance accountability at all levels of government.

2.7 The project's objective was relevant to the Bank's CAS for 2009-2012. The two CAS pillars are promoting economic transformation and growth and reducing social vulnerability. They encompass provisions for improving access to and quality of key economic infrastructure services, strengthening management of public resources at central and local levels, and supporting village initiatives that reform and develop delivery of basic services. The CAS emphasized the importance of capacity building at central and decentralized levels, which DCDP was envisaged to support (CAS, para 84, page 21).

Design

2.8 The project consisted of four components:

- **Component 1: Institutional Capacity Building** (appraisal cost: US$7.0 million; actual: US$ 5.6 million). This component supported the government's decentralization policy by strengthening the institutions' and communities' to plan, implement, manage, finance and maintain development activities. The component also financed building technical, financial management, organizational and operational capacities of the provincial, district, town and commune development committees and community based groups in the participating districts and towns. In addition, it contributed to the establishment and improved management of control mechanisms to strengthen accountability and transparency of local administrations vis-à-vis the communities they serve. This component also supported the strengthening of participatory planning systems to allow communities to participate in development planning and provide mechanisms for targeting the most vulnerable groups. Activities financed by the project included a broad spectrum workshops and job training at all levels of implementation: national, provincial, district, secteur and cellulele level- based on identified needs. During the territorial reform in 2006, adjustments were made on the coverage and type of support provided to the different levels of government.
- **Component 2: Information, Education, and Communication** (appraisal cost: US$2.3 million; actual cost: US$1.3 million). This component provided financial and technical support for the development and implementation of information, education, and communication (IEC) strategy to support decentralization process informed and mobilized the population regarding the DCDP. It was implemented in a two-way process: from the top–down to provinces, districts, sectors, cells, and communities; and from the communities to the districts to the provinces. The component was intended to help inform and educate key stakeholders at all levels on the objectives, activities and modalities of decentralization and the relevant laws and regulations. Activities supported include the project's monitoring and evaluation.
- **Component 3: Community Development Initiatives** (appraisal cost: US$8.5 million; actual cost: US$11.9 million). This component provided sub-grants to participating communities in 39 of the 106 districts under the original district configuration. Under the old administrative boundaries, it was hoped that a third of the old communes would receive such grants; by project closure, 17 out of 30 of the newly-drawn districts participated in the grants program. Sub-projects to be financed were to be identified in a participatory planning process, resulting in an agreement by the communities on Five-Year Strategic Development Plans and on Annual Action Plans for the districts. Sub-projects related to social and economic infrastructure include: education, health, social protection, transport and water supply infrastructure.

The component was to complement training activities of Component 1, by providing decentralized entities and communities the opportunity to learn by doing during the planning, preparation, and implementation of the sub-projects. In addition, the component financed the design and piloting of microfinance activities.

- **Component 4: Project Coordination and Monitoring** (appraisal cost: US$1.6 million; actual cost: US$ 2.2 million). The project supported the coordination and management at central and decentralized levels. This included provision of materials and equipment for the Project Coordination and Monitoring Unit (PCMU) at the national level within the Ministry of Local Government (MINALOC) alongside four Provincial Coordination Offices (PCOs) to assist provinces and districts. The PCMU and PCOs were to be responsible for monitoring and evaluating project progress, and to manage technical assistance to the districts in their respective jurisdictions. This component also financed the external evaluations of the project including the effectiveness of the participatory methods and its administrative arrangements and mechanisms and the carrying out of the financial and technical audits of the project.

Relevance of Design

2.9 The project's components and planned activities were closely linked to the specific development objectives. The results chain plausibly links the specific development objectives to intermediate outcomes, outputs, activities and inputs. The planned activities including capacity building for communities, central and local levels, financing for subprojects identified through participatory planning process and activities to inform and educate on the objectives and modalities of decentralization were likely to lead to empowered communities. The planned activities to integrate planning and budgeting, and strengthen district capacity to plan, implement, manage, finance and maintain development are likely to enhance effective government. The demand driven nature of the sub-project financing identified by communities through a participatory planning process could plausibly empower communities and enhance effectiveness of district administrations to respond to the needs identified by communities.

2.10 The DCPD design was appropriate in a fragile post-conflict country setting. The demand-driven aspects allowed the project to adapt to evolving priorities of the government, including alignment of the project cycle with the Performance Management Contracts (*imihigo*) (see Box 1.1 on Rwanda performance contracting system). This PPAR found that the DCDP supported the performance contracting system through two principal means, that is, through provision of technical assistance to help kick-start implementation of district development plans and, and through support for communication activities among the subnational governments and citizens that increased awareness of the performance contracts system. The flexible design also facilitated institutional capacity building support for the secteurs as envisioned in the 2006 policy change, and allowed the project to support the first integrated social safety net program launched in 2007.

2.11 However, there were shortcomings: the objective statement of "boost the emergence of a dynamic local economy" had no direct link to components and activities and no measurement to indicate that it has been achieved or the project has contributed to it. Although component 3 supported a pilot microfinance activities, there is no specific output or intermediate outcome in the results chain to link these activities to this dimension of the project objective. The dimension “effective government” has no direct measurement under the original results framework. But this has been rectified with the retrofitting of the results framework at mid-term review. On balance, the relevance of design is rated Substantial.

Implementation Arrangements

2.12 At the national level, MINALOC through its PCMU was responsible for the overall direction and implementation of decentralization and community development policies. MINALOC also enforced standards and guidelines for matters such as local financial management. MINALOC maintained a coordinating committee for overall project oversight, to disburse IDA funds to the districts, and to finance district-level capacity building activities.

2.13 Four Project Provincial Coordination Offices (PCOs) were responsible for outreach and technical assistance to the Districts in their respective provinces throughout the sub-projects implementation cycle. Since the provinces oversee activities of districts, Provincial Coordinating Committees (PCCs) ensured that district plans followed national sector policies. Provinces also ensured that financial procedures were being followed by districts.

2.14 The District Community Development Committees (CDCs) were the “executing agents” of Community Development Initiatives. The CDCs identified the sub-projects to be co-financed by IDA and conducted environmental and social screening to conform with IDA requirements. CDCs also supervised sub-contracted firms that implemented sub-projects.

2.15 All DCDP sub-projects were selected from the Annual Action Plans in the districts' Five-Year Plans. By legal mandate (Laws no. 04/2001 and 05/2001 regarding function of districts and urban centers) the CDCs formulate the Five-Year District Development Plans (DDPs) and the Annual Plans and budget. Within the DCDP, the CDCs were responsible for: (i) ensuring the relevance, technical and financial soundness of all activities contained in the development plan; (ii) identifying sub-projects for IDA co-financing; (iii) preparing detailed estimated budgets and procurement plans, and conducting environmental and social screening to conform with IDA requirements; (iv) supervising implementation of the sub-projects, most of which will be contracted to local firms e.g. for infrastructure construction; (v) managing the flow of funds for sub-projects; and (vi) organizing capacity building activities at all levels of the district.

2.16 The PAD describes the participatory approach as follows (para 6.2, page 32). “The decentralization process in Rwanda has created an enabling environment for civil society at all levels to participate in the development discourse. This leads the way for the project to seek the involvement of the primary stakeholders in the earliest stages so they are ready to execute the project. There are two foci: (i) the iterative process that produces the District development plans, and (ii) implementation of Community Initiative sub-projects.

2.17 In the iterative planning process, the *Cellules*, *Secteurs* and Districts are assisted by the project to use participatory, rapid rural appraisal techniques as well as other participatory techniques for local community consultations on their assets and needs. The project interventions (e.g. training, advisors) facilitate communities to identify their own problems and solutions, prioritize those solutions and then develop plans, setting indicators of success. Decisions on priorities are taken in the CDCs with approval of the communities. The CRDP has had good success from encouraging communities also to assess whether the very marginal and vulnerable groups have been addressed, and if not, which measures could be taken. Communities also participate in the implementation of sub-projects through in-kind contributions (local materials, labor, land, time) and monitoring. Feedback mechanisms allow regular discussions between local government agents implementing the project and stakeholder communities.

3. Implementation

3.1 The project was, approved by the Board on June 15, 2004, and declared effective on December 23, 2004. The Mid-Term Review was completed on November 1, 2007. The project's closing date was extended once, on June 24, 2009, from September 30, 2009 to December 31, 2010, to make up for time lost due to early implementation delays. Planned and actual disbursements by component financed are given below:

Table 3.1. Total Project by Component, Original Estimates and Actual

Component	***Original allocation (in US$ million)***	***Actual disbursement (in US$ million)***
Institutional capacity building	7.0	5.6
Information, Education, and communication	2.3	1.3
Community development initiative	8.5	11.9
Project coordination and management	1.6	2.2
Project preparation facility refinancing	0.5	0.08
TOTAL	**19.9**	**21.0**

Source: PAD and ICR.

3.2 Figure B.1 in the Annex B shows the allocation of DCDP project funds by province and sub-component, classified by MINALOC as projects "for local infrastructure" (chiefly for the construction of health centers and schools, as well as their supplies), "to support local revenue generation" (agricultural inputs and livestock), and "for local capacity building." The first two categories comprise the Community Development Initiatives. The graph shows that the bulk of allocations were in the form of infrastructure development, and approximately two-thirds of all DCDP disbursements were to the poorer southern and western provinces.

3.3 The DCDP was delayed by over one year due to weaknesses in local government capacity, as well as the uncertainties that accompanied the territorial reform which took place in 2006. In particular, territorial-administrative changes and the realignment of subnational entities created large bottlenecks for a project that was to be implemented mainly through the new district governments. It is clear that the Bank—given the nature of this decentralization project—would have benefited from carrying out deeper political economy analysis that could have anticipated the realignment of responsibilities that territorial reform would produce, especially since territorial reform was an intended part of the government's decentralization strategy adopted in 2000. The Bank team later clarified the given the nature in which reforms were introduced and immediately implemented in Rwanda, the fact that the project was able to cope with the changing needs and environment is a design strength.

3.4 Consequently requisite staff skills and capacity were limited in the 30 districts that had been created out of a consolidation of 154 communes to undertake devolved functions of planning, financing and implementation of sub-projects. Although the project engaged with sector ministries early in project implementation, the lack of sectoral capacity at the districts represented an additional constraint. Sectors responded by including the new districts' incremental capacity needs in budgetary plans, and attempted to absorb various district budget items into the ministerial budgets. However the lack of preparation for the effects of territorial reform represents a miscalculation.

3.5 Following mid-term review, the project attempted to address problems of functionality and sustainability of assets and equipment acquired under community subprojects. Interviews with MINALOC indicated that there were problems with access and use of basic equipment in, e.g., health centers as well as concerns of their functionality. The project assessed these problems on a project-by-project basis and, although there is no evidence that projects were cancelled as a result of these risks, project officials did coordinate with sectoral ministries to ensure that adequate training was in place. In addition, the project responded by revising indicators in order to improve measurability and reallocating grant proceeds from unallocated funds to the Community Development Initiatives (component 3) to allow provision of basic equipment.

3.6 Fiduciary weaknesses at the district level were an additional concern, creating major bottlenecks in implementation. In particular district governments struggled to monitor and supervise construction of subcontractors, and in some cases, subprojects were abandoned. DCDP staff responded by requiring additional contractual covenants to prevent abandonment, and in those cases where abandonment occurred, moved to solicit new bids quickly.

3.7 During project implementation, various performance indicators monitored and tracked information for the DCDP progress reports, Bank mission reports, and ISRs. The following information was provided: (i) outputs related to DCDP training like local government training and the formulation of community development plans; (ii) number of subprojects completed by typology; (iii) outputs related to IEC; and (iv) community level results from qualitative assessments. Based on lessons learned and support under the DCDP: (i) the community-driven development (CDD) approach has been adopted countrywide; (ii) recommendations from an M&E assessment for districts has been mainstreamed into district M&E; and (iii) the District Development Plan model was adopted in all districts in addition to the 17 supported by the project.

Design and Implementation of Monitoring and Evaluation

3.8 The PAD provided a comprehensive Monitoring and Evaluation (M&E) framework (see p. 3 and Annex 14, pp. 98-107) that was intended to capture data and track project progress and performance on several aspects including: (i) project and sub-project operations; (ii) project finance, procurement and cost accounting; (iii) consultation and communication strategy; (iv) identification and mitigation of social and environmental impacts; and (v) impact of the DCDP on poverty reduction and community development. Key performance indicators were identified for each of these aspects. However, the key performance indicators are at the level of outputs and intermediate outcomes associated with project components. It was envisaged that a sub-projects data base will be maintained at the provincial level by the four provincial project officers. An MIS officer in the PCMU was expected to coordinate the preparation of quarterly reports on sub-project implementation and undertake analytical and information dissemination activities.

3.9 During project implementation, M&E performance indicators were monitored to provide information for project progress reports, mission reports, and ISRs. After the mid-term review, some of the performance indicators were revised to make it more outcome focused. Additionally, a beneficiary assessment was conducted in November 2010 which examined a sample of subprojects implemented in 17 districts across all part of the country, and which interviewed both direct beneficiaries as well as community stakeholders and focus groups regarding project implementation. However, there was no specific tracking mechanism to track progress and report on the lessons from the pilot micro-finance activities. An impact evaluation that was envisaged to be conducted at project closure did not materialize. Additional weaknesses in the M&E framework are discussed elsewhere.

3.10 Interviews confirm that implementation of M&E was delayed due to staff turnover. The mid-term review therefore encouraged renewed focus on M&E to ensure availability of data for project evaluation. However, this review finds that much of the M&E emphasized project outputs and process over achievement of outcomes. Outputs related to training (namely, number of staff trained), to formulation of community development plans, and to the promotional/awareness campaign were monitored for DCDP progress reports. Only community-level results from qualitative assessments were used in monitoring progress in outcomes. This review finds that progress in local empowerment and district government autonomy were less adequately monitored. More importantly, there was no component within the M&E framework to permit comparison of DCDP-funded communities with non-DCDP communities.

3.11 **Safeguards Compliance**. The project was Environmental Category B and triggered an environment assessment. The environmental assessment was conducted jointly with district-level environmental specialists during appraisal and during oversight and monitoring of infrastructure sub-projects. Each subproject was reviewed by project staff and local government representatives for adverse impacts, and mitigation measures were proposed and applied where necessary.

4. Achievement of the Objectives

4.1 The project's development objective was "to boost the emergence of a dynamic local economy through empowerment of communities to lead their own development process under effective local government."

4.2 The project logic is that empowerment of communities to lead their own development process under effective local government was to be achieved through (i) strengthening of district capacity to lead a process of planning and consultation with local communities, (ii) development of capacity for decentralized project cycle management and financial management, (iii) a matching grant system to finance sub-projects, and (iv) implementation of a public awareness program. The "means" to achieve the project's objective correspond to the four specific objectives stated in the PAD. The PDO dimension that relates "to boost the emergence of a dynamic local economy" is treated as an overarching objective and the project's contributions will be commented upon but not rated.

Outputs:

4.3 **Strengthen district capacity to lead a process of planning and consultation with local communities (Outputs refer to all 30 districts)**

- 10,771 local government staff were trained in the areas of financial management, leadership, planning, procurement, conflict management, M&E, etc.
- 107, 386 CDC and other community members were trained in priority setting, project planning, financial management, M&E, participatory development planning processes.
- Among the presumed results of the training, all districts/CDCs formulated a development plan and budget by the second year of the project exceeding the target of 75%. Achievement was delayed due to the rapid introduction of the territorial reforms that were not integrated in the original project design.
- The introduction of the governments performance based contracts (imihigo) coincided with the launching of District Development Plans which accelerated the implementation of plans and budget execution rates. In cases where project activities were included in the performance based contracts, the results were delivered faster than those were not included.
- The project provided technical assistance in the drafting of District Development Plans (Annual Plans and Five Year Plan), tailoring this technical support to focus on the selection of sector priorities and the preparation of development strategies that would form the basis for "district-to-sector" consultations, along with consultations with MINECOFIN. The project also provided technical assistance in developing "implementation and resource plans," and in performing financial programming to project costs and financing requirements. By 2007, all districts participating in CDD initiatives (subprojects) were implementing annual action plans on time.

4.4 **Support and Replicate Decentralized Project Cycle Management and Financial Managemen**t

- All 17 districts implemented annual action plans on time (meeting the target); 15 of the 17 implemented annual actions according to their development plans (falling short of the target).
- All 17 districts submitted annual audit reports that were assessed as unqualified (meeting the target) by the Auditor General and 14 districts submitted those reports on time (below the target of 17).

- 530 subprojects were completed and in use. The operation financed sub-projects, inter alia, in education, housing and health, including 378 capacity-building sessions. All infrastructure subprojects financed by the project are provided with a maintenance budget one year after completion.
- Capital was provided mainly for rotating livestock or similar activities (with the exception of micro-projects in Huye District in the Southern Province) in two windows: one for vulnerable groups and another for the less vulnerable. The Mid-Term Review observed that the DCDP did not have the comparative advantage in operating micro-finance activities, which appear to be consistent with the findings under the CRDP. According to the BA, most of the respondents reported improved living conditions (67%) manifested through improved nutrition and household consumption and access to farm inputs and increased farm outputs.
- According to the findings in the BA, projects reflected local priorities, with 85 percent citing schools as being a top priority, about 75 percent cited the importance of "market projects, and over one third identifying health facilities as a priority. The market projects in the DCDP covered mainly the construction of market stalls for sale of agricultural produce. They did not include business and entrepreneurial skills training.
- The project's subproject cycle procedures have been incorporated as the basic operating procedures in Rwanda's overall decentralization and community development programs.

4.5 Develop a Matching Grants System

- DCDP provided districts with training needed to select priority sectors, agree on their own contribution, and request both district and DCDP grant contributions for financing. This approach was similar across districts and was developed with input from local government officials, specialists, and most critically through community participation.
- Matching grants were provided in the form of land or labor (in-kind by communities) for, e.g., the construction of schools and health centers as well as a 5 percent cash contributions toward total subproject costs. A MINALOC review of subprojects based on outputs, outcomes, and sustainability arrangements finds that 83 percent of subprojects were implemented in a satisfactory manner by early 2010 (compared to 75 percent in 2006) but that this was below the end-project target of 90 percent).
- Information regarding the number of participants in community consultative meetings is not available systematically, and even if such evidence were available, it is not independently verifiable. Anecdotal evidence suggests significant variation in levels of participation in the planning process.
- Table B.3 lists DCDP allocations on a district per-capita basis and sub-project. The table also scales per-resident allocations by average household expenditures. The last column shows total DCDP allocations as a percentage of district budgetary expenditures. Although the bulk of DCDP resources in absolute terms were channeled to poorer provinces, there is considerable variation in the size of allocations relative to household wealth and district budgets (both of which themselves are closely correlated). This variation is expected because of the demand-

driven nature of the allocations. In some cases, the provincial capitals—Gicumbi (which received over 58 percent of all DCDP funds allocated to the Northern Province) and Nyanza—received large amounts of project funds. In the East it is the district of Gatsibo that has received nearly half (46 percent) of provincial funds; Rubavu in the West, where the main border crossing with the DR Congo is located, has received about 30 percent of provincial funds.

- Figure B.2 examines relationships between per-resident DCDP disbursements and two measures of district need: average per-capita income, and poverty incidence. Both graphs show clustering among districts that received more DCDP funds and those that received less, but no clear relation to district need. For comparison, similar disbursements by the Rwanda Local Development Support Fund (RLDSF) for the budget year 2010 are also shown. The RLDSF was formed from the merger of the CDF and the VUP (only non-VUP fund allocations are show in the figures). From this limited district-level data, it is difficult to discern any clear pattern: project resources were not allocated based on need, nor on the basis of a budgetary envelope. Despite these uncertainties, the matching grants system did establish incentives for participatory allocation of resources to sub-projects.

4.6 **Introduce and Promote Public Awareness Programs**

- DCDP organized radio and television broadcasts on the decentralization effort to raise awareness. To promote learning by doing and knowledge sharing between subnational governments Imihigo Magazine was launched following the introduction of performance contracts to enhance district efficiency in fulfilling the objectives of the District Development Plans.
- A series of pamphlets on salient features of the reform (laws, revised policy elements, and information regarding central and local government relationships and co-responsibilities) were also distributed.
- At closing, 60% of community members, civil society organizations, non-governmental organizations and private sector actors were knowledgeable about each other's roles and responsibilities regarding the decentralization process.
- In interviews, district-level officials also noted that the public awareness effort has opened space for district governments to deviate from national priorities, but that the performance contracting system is still managed through a strong top-down process, with central authorities responsible for sanctions and, in some cases, pushing for the firing of officials in district governments in under-performing districts. In addition, most of the promotional campaigns activities were managed, however, by central authorities—including media efforts and pamphlet distribution.

Outcomes

4.7 All 30 districts achieved at least 75% of budget execution by project closing, exceeding the target of 17. All districts are current in updating their rolling development plans through consultative processes, exceeding the target of 75%. The project's capacity building efforts catalyzed the participation of 375,000 villagers in 12,500 communities during the life of the project.

4.8 The project created community assets including 14 health centers, 420 classrooms, 5 bridges, 19 secteurs offices, 20 houses for vulnerable groups, 5 solar facilities and one modern market. All of these assets reached 100% completion and are functional.

4.9 Project impacts were captured in the Beneficiary Assessment (BA) conducted in 2014. According to the 2010 BA, the construction of the classrooms responded directly to community concerns which included: overcrowding in classrooms (42 percent), long distances to schools (36 percent), and poor quality of education (14 percent). The number of students per classroom decreased from 46 to 27 and by 2008, the number of teachers increased by 72 percent. Completion rates increased from (pre-project) 43 to 71 percent.

4.10 The BA further indicates that investments in education led to positive outcomes: improved quality of education in the targeted communities (61 percent); improved classroom conditions (32 percent); reduced distance to get to school for both teachers and students (36 percent of respondents); a reduction in classroom crowding (42 percent), and increased enrollment rates (70 percent). Similar to the outcomes in education, the uptake of new and modern health care and hygiene practices directly benefited communities.

4.11 About 31 percent of the beneficiaries cited improved quality of services and facilities, and 16 percent confirmed improved equipment quality and a reduced crowding leading to more timely responses. While one quarter found being in walking distance of the health centers a positive outcome (from 4 hours to 20 minutes in Nyamagabe District), 69 percent believed health services had improved. 62 percent of beneficiaries benefited through access to cheap organic (natural) manure collected from animal waste and increased farm output; the remaining 38 percent reported an increase in farm output the assessment indicated that 90 percent of the respondents noted an increase in income from the sale of manioc. Without a credible counterfactual, it is impossible to attribute these outcomes to the DCDP.

4.12 The BA, however, sampled respondents only in a subject of 6 districts (out of the 17) in which DCDP projects were carried out. These 6 districts were chosen to represent both richer and poorer districts, but ultimately these districts were also those with the largest number of DCDP projects "to ensure that the sampled districts provided a single stop for an exhaustive survey." The beneficiary assessment, however, did not sample any respondents in districts were there were no DCDP projects, nor in any locales in DCDP districts were no projects were implemented. This lack of a defined "control" group raises doubts on a number of subsequent beneficiary findings.

4.13 In summary, the project supported the technocratic structure of the central state and its local structures and processes, reaching out where possible to encourage community participation. Decentralization in Rwanda combines some devolution to local authorities with a provincial layer fully controlled by the national government, and parallel branches at each level run by the single, ruling party. The Government believes that this constrained form of decentralization Rwanda has adopted is appropriate for the country context. The technical/institutional structure is the foundation of an effective government and technical reforms are a comparative advantage of the Bank, which must in any case work within the boundaries of national government priorities.

Efficiency

4.14 Several strands of theory on fiscal federalism and liberal democracy provide normative arguments that local governments are the best form of organizing efficient delivery of services. The theory of fiscal federalism states that welfare gains can be achieved when distribution and stabilization functions are performed by central government while allocative functions are assigned to local governments (Oates, 1972). Under the liberal democracy theory which provides the basis for democratic decentralization, local governments are assumed to be better able to respond to their constituencies because of their intimate knowledge of their localities (Smith, 1985). However, the comparative advantage of local governments have been questioned particularly on the assumption of allocative efficiency. It is argued that in many developing countries, the issue is not matching supply with demand, but in providing basic services which is already known; and jurisdictional differences are not about preferences but on income (Smoke, 1989). It is argued that decentralization could in fact lead to loss in productive efficiency due to incompetence of local bureaucrats and higher overhead costs (Prud'homme, 1995).

4.15 Crook and Manor (1994) argued that decentralization is likely to involve higher startup costs but shows enough promise on its own merits that justify continued central government support. Empowering communities and local government can better provide public goods than central authorities in some functional areas (Wescott, 2005; Myerson, 2006). IEG's 2008 evaluation on decentralization noted that better results from Bank operations are realized when there was greater clarity on the type of fiscal and administrative decentralization pursue and support the client's decentralization strategy. DCDP's support to Rwanda's decentralization provides some evidence of quality and access to infrastructure services and improved level of community participation. The overall picture emerging from the decentralization process in Rwanda is mixed and suggests that there is improved upward accountability, particularly through the "imihigo" process but there are still areas for improvement in downward accountability and service delivery.

4.16 Conventional measures of economic efficiency such as net present value and internal rate of return were not computed at appraisal due to the challenges associated with the identification and valuation of project activities ex-ante for demand driven type of operations. However, the PAD provided a detailed framework for assessing the cost-effectiveness of sub-projects at completion. It envisaged to compare the project's sub-projects cost effectiveness against a selected number of comparator NGOs and other donor assisted projects (PAD, page 49-50). It was also expected that cost effectiveness indicators will be used for project monitoring including average cost per each type of sub-project and impact and efficiency of indicators for each type of subproject by sector category.

4.17 At closing, the key measure of cost effectiveness is the cost per beneficiary or unit of each subproject constructed, compared to similar government projects. On average, DCDP subprojects appear to be cost effective, based on the information provided in the ICR and confirmed with interviews of principals. For example:

- Community infrastructure subprojects for schools averaged US$138 in capital cost per beneficiary per year for DCDP versus over US$370 for the government;

- For health centers, DCDP cost averaged US$12 per beneficiary compared to US$15 for the government;
- Schools were set up and running in four months (one-half the time required by the government);
- Health centers were set up and running in eight months (one third the time required by the government;
- Supervision missions and the technical audits generally confirmed that high standards and sectoral norms were maintained in over 97 percent of DCDP subprojects.

4.18 Despite these savings, there was no comparison performed with respect to non-governmental cost benchmarks or other similar donor assisted projects. The Bank team later confirmed that this was not undertaken because there were few and fragmented donor and NGO operations. Although there is evidence that the DCDP did economize on costs relative to the public-sector standard in Rwanda, it is not clear whether community and GoR capital costs, in these comparisons, funded comparable projects. Interviewees also noted that the DCDP minimized the number of price revisions and related additional costs. However, there were fiduciary weaknesses at the district level that sometimes led to abandonment of sub-projects (see para 3.5)

4.19 The technical audit sampled 26 of the subprojects across the country and corroborated cost efficient execution of subproject execution, as reflected in the 96 percent rating provided in the study. DCDP appears to have functioned as a relatively cost-effective instrument matching infrastructure needs in communities in a manner consistent with the country's overall development strategy. Additionally, interviews with MINALOC and district officials did indicate that DCDP funds were disbursed effectively and in a timely manner from district current accounts. However, there was some inefficiencies: the project took longer by a year longer to implement from its original closing date and project management was higher compared to appraisal cost. The latter was explained by the increased geographic coverage in response to territorial reforms and the project's extension by one year.

4.20 With respect to efficiency of the matching grants program, it is useful to explore whether the DCDP component helped fulfill district demand that the CDF/RLDSF did not. The two graphs in figure B.2 compare allocations of both programs (cumulative allocations for the DCDP, allocations only in 2010 for the RLDSF) by district resident, and as a percentage of district budgetary expenditures. The graphs show that DCDP allocations—as seen above—are split between 12 districts receiving the largest portions of DCDP funding (above 7.5% of district budgets, and more than RWF 1,750 per resident) and those receiving smaller amounts (less than 4% of the budget and less than RWF 900 per resident). Under these conditions, DCDP funds might have worked in a complementary manner to the RLDSF if it had directed funds into districts that were not well funded by the RSDLF. However, figure B.2 shows no such complementarity: all districts receive similar amounts of RLDSF money, whether measured on a per-resident basis or as a fraction of district budgets.

4.21 On balance, efficiency is rated **Modest.**

5. Ratings

Outcome

5.1 The project's objective was highly relevant to the government's policy on decentralization in the context of Rwanda's poverty reduction objectives under the PRSP (2002-2005) and EDPRS (2006-2012) and its flagship Governance program. It is also highly relevant to the Bank's CAS at appraisal and closing. While the project's design logic- the link between project interventions and associated outputs and outcomes- is aligned with the empowerment of local communities and effective local government dimension of the objective, it has tenuous links to the overarching objective of "boosting the emergence of a dynamic local economy".

5.2 The project's objective was substantially achieved in terms of empowering local communities under an effective government. The project did have a positive impact on improving quality and access to infrastructure services while supporting broader decentralization, local capacity building, and participatory goals for local development. It is less clear whether and to what extent the project contributed to any local "dynamism" beyond information from a beneficiary assessment based on respondent's recall that lacked credible counterfactual information, or beyond the expectation that investment grants should improve local economic conditions, particularly the micro-finance activities supported by the project which was limited.

5.3 The sub-projects supported by the project is cost-effective to government projects. However, there is no information whether the GoR capital costs funded comparable projects. There was also no comparison with similar projects funded by non-governmental organization and other donor funded operations. The Bank team clarified later that other comparable operations from NGOs and other donors were few and fragmented. On balance, efficiency of the project is Modest. Overall outcome rating is therefore Moderately Satisfactory.

Risk to Development Outcome

5.4 Processes, procedures, and service delivery assessment tools supported by the project (community development subproject preparation and implementation, M&E manuals) have been adopted and mainstreamed in government. Sustainability of subprojects financed under the project is supported by government action on staffing and provision of consumables. As the project closed, districts provided evidence that their regular operational and maintenance budgets will cover these assets to ensure their regular maintenance. Supplementary revenue arrangements have also been put in place, including user fees set by community/parent committees.

5.5 Interviews with MINALOC and district officials suggested, however, that these revenue arrangements will be inadequate to meet the needs of operations and maintenance for the infrastructure put in place by the DCDP. Field visits to two sub-projects (Mimuri Health Center and Tagagwe Secondary School) in Nyagatare District confirmed that operations and maintenance costs present an issue for a smooth functioning of the facilities.

5.6 The decentralization reform is being deepened under the third phase whose implementation started in 2011, with increasing responsibility on decentralized services assigned to districts and sectors. However, there remains some risks to sustainability. First, fiscal arrangements for ensuring greater autonomy of district governments have been put in place since 2006 under the Fiscal and Financial Decentralization Policy; but more needs to be done to ensure greater autonomy of districts to mobilize own resource revenues. Second, although the various institutions that promote active engagement at the local government level, such as the National Decentralization Implementation Secretariat (NDIS) and Community Development Committees (CDCs) are now playing a greater role in local government development, many of these remain weak.

5.7 At the local level, the Joint Action Development Forum (JADF) acts as a mechanism designed to achieve improved service delivery and economic development at the local level by improving accountability and coordination of relations between the demand side (consumers, citizens, farmers) and the supply side (local governments and service providers). To date, civil society organizations and private-sector participants have minimal involvement in the JADF, with extremely limited input into District Development Plans.

5.8 For these reasons, the overall risk to development outcomes is rated as moderate.

Bank Performance

QUALITY AT ENTRY

5.9 The project builds on the Community Reintegration and Development Project (CRDP) which was the Bank's first operation in support of the government's decentralization policy. Lessons learned from CRDP's implementation and from other operations in the country and elsewhere on decentralization and community driven development were taken into account in the design of the operation. The Project Preparation Fund (PPF) and Policy and Human Resources Development Fund (PHRD) supported the project preparation to ensure the project's readiness for implementation. The project's focus on institutional and capacity building was responsive to the government's request and was appropriate in the context of enormous capacity gaps in the country that was in the process of rebuilding and transitioning from post- conflict.

5.10 The Bank identified key risks associated with institutional and capacity gaps, political security and fiduciary issues and provided appropriate mitigating measures. The economic effective analysis provided in the PAD (Annex 4) was quite extensive and the M&E framework was comprehensive given the post-conflict context of the operation. The decision to work directly with local governments with decentralized project coordination units was a risk given enormous institutional and capacity weaknesses, but well considered and informed by the experience of CRDP and consistent with the government's preference with risk mitigation measures built into the design of the project.

5.11 However, the Bank did not seem to have anticipated the major territorial reforms launched in 2005-2006 which contributed to delays in project effectiveness and implementation. While advance preparatory work was undertaken prior to the Board, the project's staff was not in place and the FM system was not established at the time of Board approval. Despite lessons from CRDP, the pilot micro finance activities supported here did not provide for a mechanism to monitor and report on the performance and lessons learned.

5.12 In considering project-design alternatives, the Bank initially chose not to fund DCDP activities through the Commune Development Fund (later the RLDSF), opting to observe how effective the CDF was before contributing funds directly. However, at mid-term, the Borrower noted that the CDF was working well albeit with some shortcomings and that most other donors supporting decentralization had begun operating through the more harmonized system allowed by the CDF, in accordance with the Paris Declaration principles. MINALOC at the time indicated a preference towards channeling project funding through the CDF. However, while the project was restructured in 2009, the Bank chose not to include as part of the restructuring provisions to permit this more harmonized system. Interviews with MINALOC and Bank principals indicate that there was a mutual reluctance to return to the Board of Executive Directors for the higher level restructuring that would have been necessary.

5.15 An alternative explanation provided by the task team suggests that "the CDF absorption levels were not impressive at the time of the Mid-Term Review, completion levels for the CDF supported sub projects were also low and the agency was generally struggling with regard to implementation capacity. While this did not imply that CDF was not doing well, it meant that relative to a Bank funded project with a specific timeline to implement, joining the CDF was not considered feasible not desirable at that stage."

5.13 On balance, the Bank's performance at entry is rated **Moderately Satisfactory.**

QUALITY OF SUPERVISION

5.14 The Bank fielded 11 supervision missions during the life of the project. The supervision team was stable: the same TL was involved from preparation until 2008 when the project team leadership changed over to the TL based in the field who was also part of the team during preparation. The team's presence in the field enabled regular interaction with government counterparts and allowed the Bank to respond quickly to a fast changing and evolving decentralization landscape.

5.15 The rapid territorial reform under the second phase of decentralization in 2005-2006, delayed the project's effectiveness and implementation start. The Bank managed to adapt quickly to the changing environment by adjusting the scope of the project from 39 of the original 106 districts to 17 of the 30 newly reconstituted districts. It also adjusted the scope and coverage of the project's institutional capacity building to take into account the expanded roles assigned to districts and sectors on service delivery. Shortcomings—including weak technical and managerial skills from contractors, and limited supervision by district staff—were addressed in consultation with community leaders and local governments with the result being that changes were introduced into training programs and contracts re-launched.

5.16 Despite changes in scope and coverage, only one restructuring of record was approved in June 2009 to reallocate funds and refine the project's results framework. The refinements in the results framework took place a year prior to project closing. However, the indicators were more process oriented versus outcome oriented. The project's outcome and impact was provided in the Beneficiary Assessment but the methodology is flawed while the planned impact evaluation did not materialize.

5.17 On balance, Bank performance at supervision is rated **Moderately Satisfactory**.

Borrower Performance

GOVERNMENT PERFORMANCE

5.18 The Government of Rwanda demonstrated strong commitment to the project by providing counterpart financing on time and requisite staffing needed for proper functioning of the project. Recurrent costs for DCDP-supported operations were provided through block grants by central authorities to district governments. The government also ensured adequate equipment and staff for sub-projects financed under the project by providing equipment for health facilities and ensuring that teachers are assigned to schools. However, during implementation, there were some government policies that affected project implementation (transport and freeze in salaries and staff turn-over).

IMPLEMENTING AGENCY

5.19 The project implementation unit within MINALOC performed well while managing project activities and in addressing bottlenecks. MINALOC trained local government staff and communities in project processes, led dissemination efforts, and implemented the M&E system. Finally, an extensive outreach program using print and electronic media was employed to send messages to leaders and the local population about DCDP opportunities for stakeholder participation. However, there were implementation delays and challenges. There was staff turnover, including the Project Coordinator's position which was vacant for 14 months. On balance, the implementing agency performance is rated Satisfactory.

Monitoring and Evaluation

5.20 The quality of M&E is rated as modest. Project performance data were to be tracked using a comprehensive M&E system that would capture project and subproject operations; project finance, procurement, and cost accounting; the consultation and communication strategy; the identification and mitigation of social and environmental impacts; and the impact of the project on poverty reduction and community development. Indicator selection, and training and capacity building activities, were designed to ensure that the project would complement and reinforce broader institutional strengthening activities at the provincial, district, and sub-district levels.

5.21 Based on lessons derived from project M&E data, the community-driven development approach has been adopted nationwide, recommendations from an M&E assessment for districts have been mainstreamed into district M&E, and the project's district development plan model has been adopted in all districts (in addition to those supported by the project).

5.22 However, a weakness in the M&E framework was the lack of any effective design for credible impact assessment or for attributing intended outcomes to project objective. . All M&E reporting only offers before-after comparisons in DCDP-communities without reference to credible counterfactual cases. As such, the M&E framework examines DCDP outputs but cannot assess impact. A Beneficiary Assessment, e.g., illustrates the limitations of the M&E framework. A Beneficiary Assessment was conducted in November 2010, which examined a sample of subprojects implemented in 17 districts across the country. Both direct beneficiaries as well as stakeholders participating in project implementation were interviewed on an individual basis and through focus groups. This assessment relied on respondents' recollection of conditions prior to the project, and it did not establish any effective control group. Moreover, the beneficiary assessment instrument relied heavily on subjective, perception-based questions to gauge service quality. On the other hand, the project lacked an effective district benchmarking system, either for service delivery or for governmental performance—through an expert assessment of PFM, of human resources issues, or of other capacities. The absence of this type of baseline measurement can be considered a flaw in the M&E framework. Finally, PDO indicator 1: Districts with at least 75% budget execution rate, has a baseline of “0” which is clearly incorrect; thus while the target was achieved, it is not possible to tell how much improvement took place.

6. Lessons

6.1 There are three lessons from this operation:

- First, in a post-conflict environment with a history of highly centralized structures and dominant central government, decentralization can be fostered by well-designed participatory processes to promote demand-side governance and empower communities, along with intensive institutional and capacity building at central and local levels. In the case of Rwanda, the project provided the building blocks for fostering community participation and local accountability and enhanced social cohesion through financing of sub-projects identified by communities through a participatory planning process that feed into the Annual Action Plans for the districts.
- Second, decentralization and capacity building is a long term process and needs sustained government and Bank engagement. Sustained government commitment to build local capacity and institutions for planning, financing and revenue generation to improve local service delivery is fundamental to advancing decentralization. The project facilitated institutional capacity building for central and local government structures including providing training and technical assistance for priority setting, project planning, financial management, M&E and local development planning and budgeting. The Bank continued its support to the government’s priority areas in decentralization through a Development Policy Operation on Quality of Decentralized Delivery Support, followed by a Public Sector Governance Program for Results Operation.
- Third, in a rapidly evolving environment, flexibility to adapt to changing circumstances is critical to the continued relevance and success of the operation. This project’s ability to respond quickly after a major territorial reform and rapidly evolving decentralization priorities was central to its success in achieving

development objectives. The project adjusted its scope and coverage to align with the new territorial configuration, aligned its project cycle with the Performance Management Contracts ("imihigo") and provided technical assistance to help kick-start its implementation in the district.

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Annex A. Basic Data Sheet

DECENTRALIZATION AND COMMUNITY DEVELOPMENT PROJECT (GRANT H094-RW)

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	20.7	21.0	101.0
Loan amount	20.0	21.0	105.0
Cancellation	0.0	0.6	0.0

Cumulative Estimated and Actual Disbursements

	FY05	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY11*
Appraisal estimate (US$M)	3.4	7.2	11.2	15.0	18.7	20.0	20.0
Actual (US$M)	1.6	2.6	9.5	14.7	16.8	20.1	21.0
Actual as % of appraisal	47.0	36.1	84.8	98.0	89.8	105.0	105.0
Date of final disbursement: 08/03/2010							

Project Dates

	Original	Actual
Initiating memorandum	01/23/2003	01/23/2003
Negotiations	03/03/2004	05/05/2004
Board approval	06/15/2004	06/15/2004
Signing	06/30/2004	06/30/2004
Effectiveness	12/23/2004	12/23/2004
Closing date	09/30/2009	12/31/2010

Staff Inputs (staff weeks)

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US$ thousands (including travel and consultant costs)
Lending		
FY03	21	114.80
FY04	50	170.32
FY05		0.00
FY06		0.00
FY07		0.00
FY08		0.00
Total	**71**	**285.12**
Supervision/ICR		
FY03		0.00
FY04		0.00
FY05	8	48.00
FY06	18	48.36
FY07	16	33.54
FY08	21	75.19
FY09	20	0.00
Total:	**83**	**205.09**

Annex B. Additional Tables

Table B.1. Decentralization Timeline and Evolution of Bank Portfolio

Year	Major events	Institutional reforms	Evolution of the Bank's portfolio for decentralization
1998 – 1999	Post-genocide government of national unity under President Pasteur Bizimungu and Vice President Paul Kagame	National Program for "strengthening good governance for poverty reduction" launched Ministry of Local Government created	April 1998: First post-genocide Country Assistance Strategy discussed by the Executive Directors March 1999: Community Reintegration and Development Project (CRDP) becomes effective
2000 – 2001	March – April 2000: Bizimungu resigns amid constitutional crisis, replaced by Kagame October 2001: traditional *gacaca* courts begin to adjudicate genocide cases	First phase of Decentralization Strategic Framework Community Development Policy incorporates legal framework for decentralization National Decentralization Policy devolves some authority to levy taxes to local level and re-directs revenues from central to local governments	March 2001: Mid-term review of CRDP
2002 – 2003	October 2002: Rwandan troops withdrawn from DRC May 2003: new constitution adopted August 2003: Kagame wins the first post-genocide presidential elections	Common Development Fund established as mechanism through which all donors are encouraged to administer funding for community based development Initial efforts at administrative consolidation of sub-national governments	June 2003: CRDP closed

	October 2003: Rwandan Patriotic Front wins absolute majority in parliamentary elections		
2004 – 2005	2004: 10th anniversary of the Rwandan genocide March 2005: Main Hutu rebel group, FDLR, ends armed struggle	Ministry of Local Government restructured	February - June 2004: Decentralization and Community Development Project (DCDP) appraised and approved by Board December 2004: DCDP becomes effective May 2005: Public Sector Capacity Building Project becomes effective December 2005: Second Poverty Reduction Support Grant (PRSG), which includes support for empowering local communities, becomes effective
2006		Second phase of Decentralization Strategic Framework begins Fiscal and Financial Decentralization Policy revised Law on the Organization and Functioning of the District adopted Territorial reform consolidates various subnational divisions, replaced by smaller numbers of ethnically-diverse administrative areas Performance-based (*imihigo*) contracting system introduced	December: 2nd PRSG closed

2007	November: peace agreement signed with DRC to hand over genocide suspects to International Criminal Tribunal for Rwanda	Vision 2020 *Umurenge* Program (VUP) adopted encompassing several "pillars" for development, including "good governance and a capable state"	November: Mid-term review of DCDP
2008	September: Rwanda Patriotic Front (RPF) wins large majority in parliamentary elections	VUP implementation begins in pilot sectors Community Development Policy revised	
	October: Rwanda joins East African Community; decides all education will be in English instead of French	Rwanda Public Procurement Authority established	
2009	November: Rwanda admitted to the Commonwealth		March: 5th Poverty Reduction Support Grant (PRSG), which is intended "to foster broad based growth in the context of enhanced decentralization reforms" becomes effective
2010	August: Kagame wins new term in presidential elections	Third phase of the Decentralization Strategic Framework begins	December: DCDP closed

Table B.2. Territorial Reform

Administrative Level	Pre-2006		Post-2006
National Government			
A	Prefecture (12)	→	Province (5)
B	Sub-prefecture (22)	↘	
C	Commune (154)	→	District (30)
D	Sector (1,544)	→	Sector (416)
E	Cell (9,104)	→	Cell (2,146)
Village			

Figure B.1. DCDP Disbursements by Province

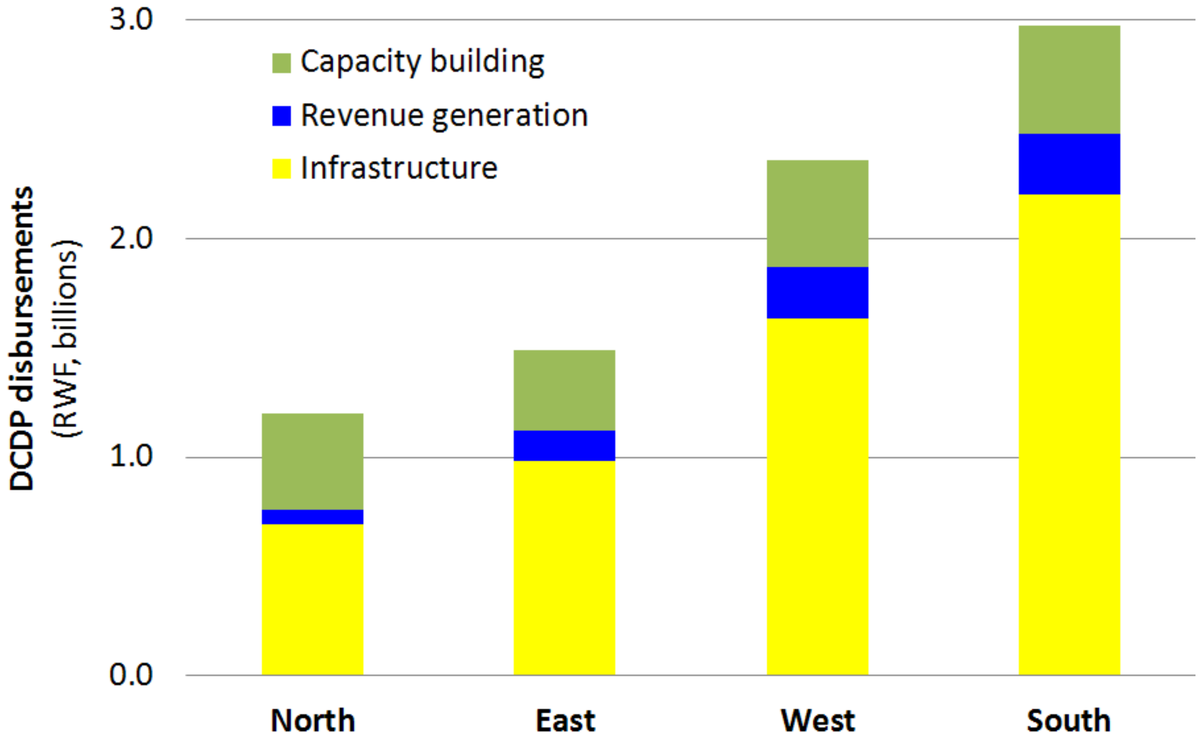


Table B.3. DCDP Disbursements by District and Category

Province	District	DCDP spending per district resident by sub-component: Infrastructure	Revenue generation	Capacity building	Total	Total DCDP spending per person (% of average household expenditures)	Total DCDP spending (% of budget)
East	**Bugesera**			463	463	1.02	1.80
	Gatsibo	1,825	272	334	2,431	5.92	9.82
	Kayonza			186	186	0.43	0.70
	Kirehe			93	93	0.25	0.43
	Ngoma			146	146	0.32	0.58
	Nyagatare	1,610	248	287	2,145	2.73	7.66
	Rwamagana*	233		264	497	0.82	2.06
North	**Burera**	246		315	561	2.17	2.98
	Gakenke			92	92	0.22	0.46
	Gicumbi*	1,386	183	370	1,938	5.27	10.06
	Musanze			330	330	0.70	1.55
	Rulindo	467		298	766	2.04	3.25
South	**Gisagara**	1,319	189	493	2,001	5.84	9.27
	Huye	1,883	209	425	2,517	5.17	10.34
	Kamonyi			111	111	0.33	0.49
	Muhanga			137	137	0.29	0.61
	Nyamagabe	1,460	207	362	2,029	6.17	8.60
	Nyanza*	2,341	263	341	2,945	6.14	10.87
	Nyaruguru	1,803	240	335	2,378	8.40	7.44
	Ruhango			192	192	0.53	0.73
West	Karongi*			112	112	0.19	0.41
	Ngororero	1,616	204	456	2,276	5.39	8.76
	Nyabihu	1,183	221	427	1,831	4.89	8.50
	Nyamasheke			165	165	0.44	0.72
	Rubavu	1,715	229	400	2,343	5.02	10.01
	Rusizi			225	225	0.44	1.00
	Rutsiro	1,350	207	206	1,764	4.75	8.41

Source: MINALOC (2012), Réalisations du DCDP dans les Districts et Provinces du Rwanda.
Notes: Author’s calculations. Population figures for districts are from the 2002 census. Average household expenditures are deflated by regional price deflators, based on the 2005 Household Living Conditions Survey. District budgets are for the 2011 budget. Provincial capitals are marked with a *, the 17 pilot districts are in bold.

Figure B.2. District-level per-capita Disbursement's, DCDP and RLDSF

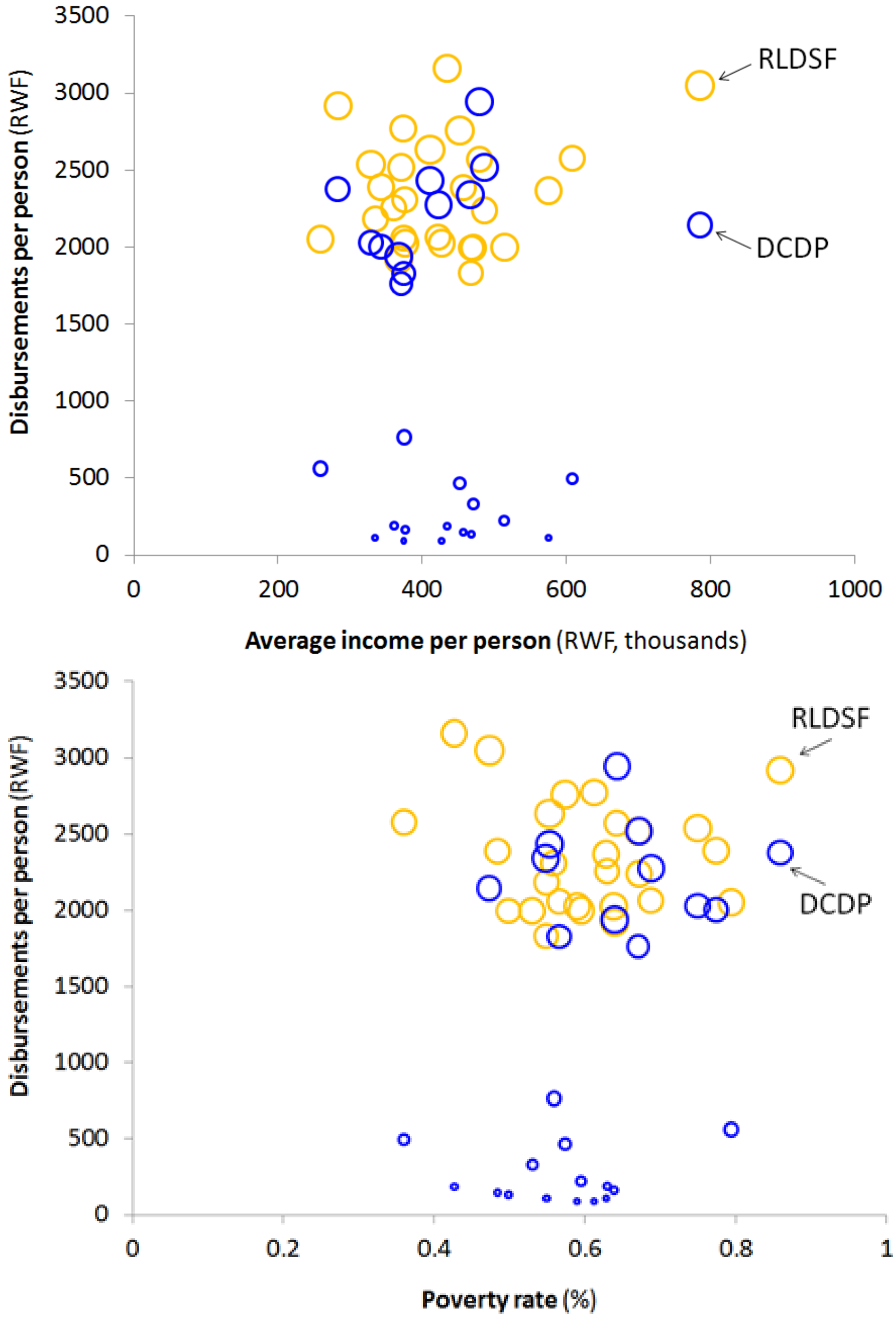


Figure B.3. Comparison of DCDP and RLDSF Allocations by district Population and Budget

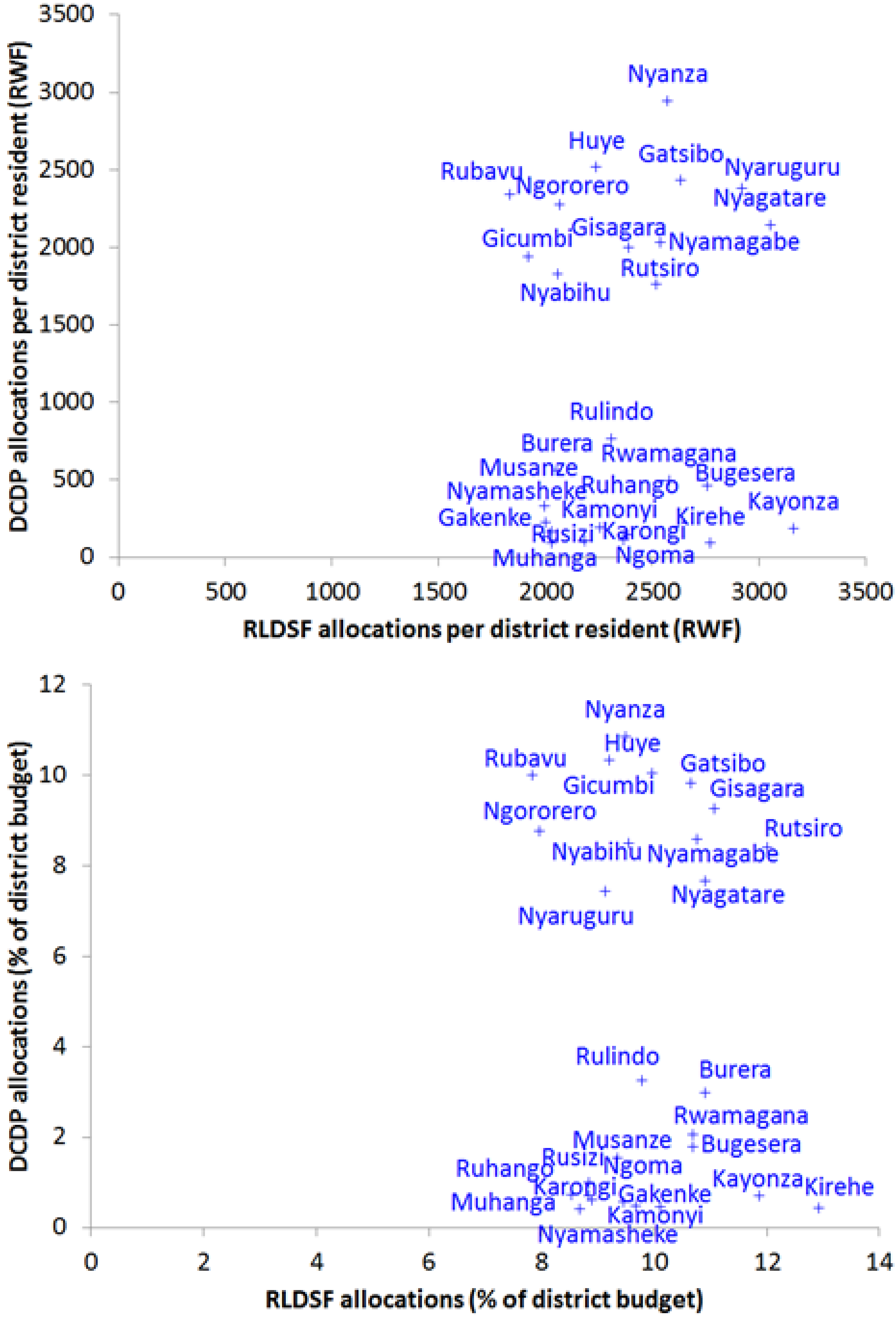
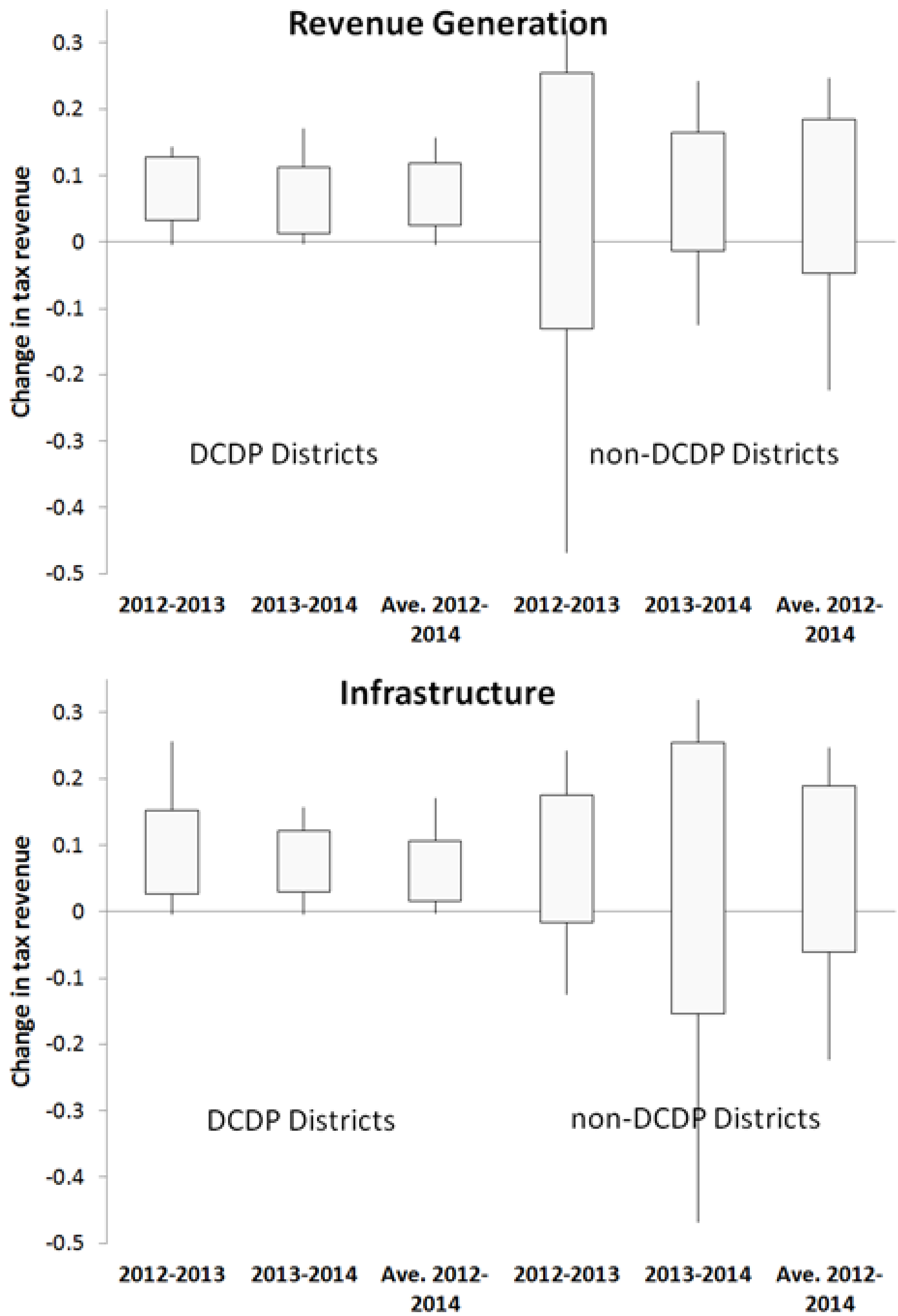


Figure B.4. Changes in District Tax Revenue by DCDP Participation



Source: MINALOC 2012.
Note: Graphs show plus and minus one standard deviation, along with minima and maxima of changes in tax revenues generated by districts. 2014 budgets are projected.

Table B.4 Changes in Tax Revenues by District Type

Budget Year	DCDP districts	Non-DCDP districs
2012 to 2013	0.080	0.062
	(0.047)	(0.193)
2013 to 2014	0.063	0.076
	(0.050)	(0.089)
Average	0.071	0.069
	(0.046)	(0.116)

Source: MINECOFIN, 2014.
*Note*s: Figures are changes in district-generated tax revenue as a fraction of total district budget since 2012 budget year. DCDP districts are those districts receiving DCDP revenue-generating grants only.

Annex C. List of Persons Met

Mr. James Musoni, Minister, MINALOC

Mr. Cyrille Turatsinze, Permanent Secretary, MINALOC

Mr. Logan Ndahiro, National Coordinator DCDP, MINALOC

Mr. Sylvere Bisamanza, DCDP Single Agency Coordination Unit, MINALOC

Ms. Pitchette Kampeta, Permanent Secretary, MINECOFIN

Mr. Christophe Nzegiyaremye, Fiscal Decentralization Coordinator, MINECOFIN

Mr. Patrick Marara, Accountant General, MINECOFIN

Mr. Pierre Habiyaremye, Budget Administration, MINECOFIN

Mr. Bright Ntare, Coordinator for External Affairs, MINECOFIN

Ms. Alice Mutoro, Institute for Policy Analysis of Rwanda

Ms. Pamela Abbot, Institute for Policy Analysis of Rwanda

Mr. Adolphe Bazatoha, Member of Parliament (former DCDP Coordinator)

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