

1. Project Data:		Date Posted : 12/17/2008	
PROJ ID : P092944		Appraisal	Actual
<b>Project Name :</b> Second Poverty Reduction Strategy Credit	<b>Project Costs (US\$M):</b>	55.00	55.00
<b>Country:</b> Rwanda	<b>Loan/Credit (US\$M):</b>	55.00	55.00
<b>Sector Board :</b> PO	<b>Cofinancing (US\$M):</b>	--	--
<b>Sector(s):</b> Central government administration (45%) Health (15%) General energy sector (15%) General water sanitation and flood protection sector (13%) Primary education (12%)			
<b>Theme(s):</b> Poverty strategy analysis and monitoring (33% - P) Other financial and private sector development (17% - S) Education for all (17% - S) Health system performance (17% - S) Decentralization (16% - S)			
<b>L/C Number:</b> CH189			
	<b>Board Approval Date :</b>		11/10/2005
<b>Partners involved :</b>	<b>Closing Date :</b>	12/31/2006	12/31/2006
<b>Evaluator :</b>	<b>Panel Reviewer :</b>	<b>Group Manager :</b>	<b>Group:</b>
Rene I. Vandendries	Kris Hallberg	James Sackey	IEGCR

## 2. Project Objectives and Components:

### a. Objectives:

The overarching objective of this operation, the Poverty Reduction Support Grant (the second in a series of three DPLs), was to help the Government of Rwanda implement key policy actions outlined in its July 2002 Poverty Reduction Strategy Paper (PRSP). The focus of the PRSP was on (a) creating a favorable private sector investment climate that would promote macroeconomic stability and sustained economic growth; (b) improving quality, coverage, and equity of basic service delivery through improved expenditure efficiency; and (c) supporting overall improvement of public expenditure management and governance, with an emphasis on transparency and accountability to citizens' voice and participation .

**b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Components (or Key Conditions in the case of DPLs, as appropriate):**

In line with the overarching objective there were three main components : (a) Private sector-led growth; (b) improved service delivery in four key sectors : education, health, water, and energy; and (c) strengthened public sector underpinnings for improved service delivery .

In this second operation the main emphasis was on : starting the actual privatization process and developing export strategies; scaling up service delivery improvements in education and health while starting the process in the water and energy sectors; and, taking concrete action to improve public sector financial management, including adoption of a procurement code .

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

This was a single tranche DPL for US\$55 million, all in the form of an IDA grant . It was fully disbursed upon completion of prior actions . There was no delay in the closing date which came about one year after approval . There was no cofinancing . A variety of other donors provided simultaneous budget support .

**3. Relevance of Objectives & Design:**

The objectives of this operation as well as of the series of three DPLs were highly relevant . They were aligned with the Bank's 2002 CAS which was designed to assist Rwanda in the transition from a post -conflict situation to sustainable development, with emphasis on the rural economy, private sector development, human and social development, and an effective public sector . The design of the operation as well as of the series of three DPLs took into account the very challenging conditions in Rwanda and were realistic, with a well-sequenced series of actions and reforms . On the other hand, the targets set for this second DPL in the series were mainly in the nature of actions and processes rather than outcomes .

**4. Achievement of Objectives (Efficacy):**

In the area of private sector development considerable progress was made in launching the privatization program in diverse areas such as hotels, coffee and rice . An Export Promotion Strategy was developed and a regulatory framework for microfinance adopted . Efficacy in this area is rated as *substantial*.

More progress was made in providing capitation grants to schools, increasing to RwF 1,000 per student, and performance-based contracts with community health centers were scaled up . A water policy was drafted and energy tariffs increased . Efficacy in this area is rated as *substantial*.

In the area of improved public expenditure management progress was made towards a single Treasury Account and a Treasury Management Committee was established . Adoption of a public procurement code was delayed . Efficacy in this area is rated as *substantial*.

**5. Efficiency (not applicable to DPLs):**

N.A.

**a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :**

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome:

The program document contains a large number of quantified outcomes with targets generally set for the end of the series of three DPLs. Evaluation of these outcomes will be done in the context of the ICR review of the third operation. At this stage it is possible to note the significant progress towards the primarily institutional objectives (section 4 above). Substantial efficacy and high relevance combine for a satisfactory outcome rating.

**a. Outcome Rating :** Satisfactory

## 7. Rationale for Risk to Development Outcome Rating:

Most of the achievements of PRSC-2 should be sustainable. The reforms were very basic, well designed, well sequenced, and they have received strong government support. Nevertheless, the region remains potentially volatile and the expected large volumes of budget support could lead to fiscal indiscipline.

**a. Risk to Development Outcome Rating :** Moderate

## 8. Assessment of Bank Performance:

The design of the Bank's assistance closely paralleled the government's PRSP as well as the Bank's CAS. With solid analytical work as a foundation, the reforms were well sequenced. There was continuity in Bank teams and close cooperation with other donors providing budget support, although this cooperation took some time to develop. The Bank also worked closely with the government and was highly supportive of the government's decentralization efforts and of the importance of MTEFs. Supervision was synchronized with the twice-yearly joint budget support reviews (jointly with government and other donors) and made good use of the monitoring and evaluation findings as well as the annual PRSP progress reports.

**a. Ensuring Quality -at-Entry:**Satisfactory

**b. Quality of Supervision :**Satisfactory

**c. Overall Bank Performance :**Satisfactory

## 9. Assessment of Borrower Performance:

The government's commitment to the reforms and its ability to coordinate the actions of many ministries and government agencies, as well as the activities of a multiplicity of donors, were exemplary. At the same time, ICR guidelines suggest that the combination of a highly satisfactory rating for government performance with a satisfactory rating for implementing agency performance yields a satisfactory (not highly satisfactory) overall rating for borrower performance.

**a. Government Performance :**Satisfactory

**b. Implementing Agency Performance :**Satisfactory

**c. Overall Borrower Performance :**Satisfactory

## 10. M&E Design, Implementation, & Utilization:

**Design:** Responsibility for monitoring the government of Rwanda's overall poverty reduction programs rests with the Ministry of Finance and Economic Planning. The same ministry was responsible for implementing the Bank's PRSCs and for coordinating the completion of actions.

**Implementation and Utilization** : Several surveys were undertaken at the household and firm levels to establish baseline data and enable monitoring of progress towards targets . A results framework was drawn up to track progress for 11 key indicators. CRCs are being monitored and an impact evaluation of performance-based contracting in the health sector is also underway . Institutional reforms have led to improved coordination between Statistics, Planning and Budget . Sector cluster groups composed of representatives of donors and government counterparts were set up to ensure harmonization between development partners and the government in support of the government's overall poverty reduction strategy efforts .

**a. M&E Quality Rating** : Substantial

**11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement / Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Moderate	Moderate	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Performance :</b>	Highly Satisfactory	Satisfactory	See section 9 above.
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

**13. Lessons:**

The ICR contains good lessons from the experience with DPLs in Rwanda, three of which stand out .

- General budget support can be much more effective than individual projects in promoting better resource allocation among and within sectors as well as in promoting appropriate sector strategies and policy reform.
- Continuous dialogue and continuity in Bank teams are essential for success .
- Coordination and harmonization with other donors and their policies is greatly enhanced by joint analytical work.

**14. Assessment Recommended?**     Yes     No

**15. Comments on Quality of ICR:**

The ICR is well written and contains all information needed for an adequate evaluation of the program of PRSCs. At the same time, the ICR did not follow ICR guidelines which require a separate analysis, discussion and tabular presentation of the achievements of each one of the three operations . While the ICR rates each operation implicitly ( "there would be no difference in the ratings for each individual operation " , para 37 of the

ICR), the separate analysis is missing . On the other hand, the ICR does provide enough detail to make it possible to write an ICR review for each one of the three operations, even though the presentation in the ICR is rather complex (Table 2 of the ICR). With these reservations, IEG rates the quality of the ICR as satisfactory . There are also a few inconsistencies in the indicators' table : the numbers suggest that the export to GDP ratio did not exceed the target (as opposed to what is stated in the text), and the primary school completion rate of 52 percent and immunization coverage of 98 percent are alternatively said to have been achieved in 2006 or 2007.

**a.Quality of ICR Rating** : Satisfactory