



Evaluation of EU Budget Support to Rwanda (2011-2018)

Final Report

VOLUME I

November 2020

Evaluation carried out on behalf of the European Commission



Consortium composed of **GDSI Limited**,
Altair Asesores S.L., A.R.S. Progetti S.P.A., EEO Group, NSF Euro Consultants s.a,
GDSI UK Ltd, Pohl Consulting & Associates

The project is implemented by GDSI Limited, Altair Asesores S.L, NSF Euro Consultants s.a
Contact Person: Pauric Brophy

FWC COM 2015
EuropeAid/137211/DH/SER/Multi
Specific Contract N° 2019/401881

Evaluation of EU Budget Support to Rwanda (2011-2018)

This evaluation was commissioned by
the Evaluation and Results Unit of the DG DEVCO (European Commission)

This evaluation is supported and guided by the European Commission and presented by GDSI Limited. The report does not necessarily reflect the views and opinions of the European Commission or authorities of the Republic of Rwanda

Acknowledgements

The evaluation was carried out by a team of consultants led by GDSI Limited. The team was composed of:

- Dr. Geske Dijkstra, Team Leader and Expert in Evaluating Budget Support
- Ms. Ruth Maria Käppler, Aid Evaluation Expert
- Mr. Martin Caldeyro, Agriculture Evaluation Expert
- Mr. Leszek Kasprovicz, Energy Evaluation Expert
- Mr. Jonathan Kaminski, Econometrician
- Mr. Stephen Hitimana, Public Finance Management Expert
- Mr. Athanase Matata Mandevu, Decentralisation Expert
- Mr. Bernard Habimana, Research Assistant
- Mr. Mauro Napodano, Methodological Advisor (Inception phase)
- Mr. Pauric Brophy, GDSI Project Manager
- Anna Lobanova, GDSI Project Coordinator.

The main report was authored by Dr. Geske Dijkstra, Martin Caldeyro, Ruth Maria Käppler and Leszek Kasprovicz.

The evaluation team would like to thank the Evaluation Managers at DEVCO 04, Ximena Rodriguez, and, during the important final stages of the project, Konstantinos Berdos, for their support and for their fruitful and pleasant cooperation. We are also grateful to the Management Group and the Country Reference Group for their constructive comments on the different draft reports. Finally, we thank all persons in and outside Rwanda who have been willing to give their time in order to provide us with information and to share their views with us in interviews and focus groups.

LEGAL NOTICE

This document has been prepared for the European Commission however, it reflects the views only of the authors, and the European Commission is not liable for any consequence stemming from the reuse of this publication. More information on the European Union is available on the Internet (<http://www.europa.eu>).

PDF

ISBN 978-92-76-44619-4

ISSN 2529-3338

doi: 10.2841/752823

MN-03-21-452-EN-N

Manuscript completed in November 2020

The European Commission is not liable for any consequence stemming from the reuse of this publication.
Luxembourg: Publications Office of the European Union, 2021

© European Union, 2021



The reuse policy of European Commission documents is implemented by the Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39). Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.

For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders.

CONTACT INFORMATION

European Commission
Directorate-General for International Partnerships (DG INTPA)
Directorate D - Sustainable Development Policy and Coordination
Unit D.4 - Performance, Results and Evaluation; Internal Communication, Knowledge Management and Collaborative Methods
Email: INTPA-EVALUATIONS@ec.europa.eu
B-1049 Brussels, Belgium

EU International Partnerships:
https://ec.europa.eu/international-partnerships/our-impact/monitoring-and-evaluation_en

TABLE OF CONTENTS

Executive summary.....	v
1. Introduction	1
1.1. Management of the evaluation	1
1.2. Scope of the evaluation	1
1.3. Methodology and data collection	4
1.4. Context	6
1.5. Structure of this report.....	7
2. The relevance of budget support	8
2.1. Alignment with GoR policies and with EU and other DPs development strategies.....	8
2.2. Quality of performance assessment frameworks	9
2.3. Adequacy of complementary measures	11
2.4. Flexibility in adjusting to country context.....	13
2.5. Consideration of cross-cutting issues	14
3. Direct outputs of budget support.....	16
3.1. Effect on budgets	16
3.2. Predictability of budget support resources	17
3.3. Policy dialogue frameworks	18
3.4. Donor coordination.....	20
3.5. Reduction of transaction costs.....	20
4. Induced effects on policies and institutions.....	21
4.1. Macroeconomic management and domestic resource mobilization	21
4.2. PFM, transparency and accountability at central and local level	24
5. Effects on Energy sector	27
5.1. Energy policies	27
5.2. Institutional capacities for policy implementation	27
5.3. Emergence of least-cost electric system expansion planning.....	28
5.4. Use of renewable energy sources (RES)	29
5.5. Evolution of energy costs and tariffs	31
5.6. Energy access and affordability.....	31
5.7. Quality of electric services and energy losses	33
5.8. Use of biomass resources and efficient cooking methods	34
5.9. Overall	36
6. Effects on Agriculture and Nutrition	38
6.1. Agricultural and related Policies	38
6.2. Institutional capacities for policy implementation	41
6.3. Climate resilience of rural households	43
6.4. An inclusive high value chain in agriculture	47
6.5. Food and nutrition security of rural households	48
6.6. Conclusions from the econometric study	50
6.7. Overall	51
7. Conclusions	53
7.1. Conclusions on the overall effectiveness of budget support	53
7.2. Conclusions on budget support delivery	57
7.3. Sector conclusions	60
8. Recommendations	62
8.1. General	62
8.2. Budget support delivery	65
8.3. Sector recommendations	67

List of Tables

<i>Table 1: Correspondence Evaluation Questions, level and steps of analysis, and chapter in this main report.....</i>	<i>4</i>
<i>Table 2: Fixed tranches in EU budget support operations, also in percent.....</i>	<i>9</i>
<i>Table 3: Performance indicators of the ten EU budget support contracts, by type and by success (met, partially met or not met), in number and in percent of total.....</i>	<i>10</i>
<i>Table 4: Energy generated from renewable sources [GWh].....</i>	<i>30</i>
<i>Table 5: Overview of conclusions by cluster.....</i>	<i>53</i>
<i>Table 6: Overview of recommendations by cluster</i>	<i>62</i>

List of Figures

<i>Figure 1: Overview of the ten EU budget support programmes, with time period and committed amounts (including Complementary Measures)</i>	<i>3</i>
<i>Figure 2: Comprehensive Evaluation Framework.....</i>	<i>5</i>
<i>Figure 3: EU SBS, total SBS and the budget for Agriculture, in Billion RwF</i>	<i>16</i>
<i>Figure 4: EU SBS, total SBS and the budget for Energy, in Billion RfW.....</i>	<i>17</i>
<i>Figure 5: Synthesis of results for Energy.....</i>	<i>37</i>
<i>Figure 6: Synthesis of results for Agriculture and Nutrition.....</i>	<i>52</i>
<i>Figure 7: Synthesis of results</i>	<i>54</i>

The following chapters can be found in **Volume II- Annexes:**

- Annex 1. Evidence matrix
- Annex 2: Econometric analysis
- Annex 3: Project Terms of Reference
- Annex 4: Object of the evaluation
- Annex 5: Methodology and full Evaluation Matrix
- Annex 6: Context of evaluation
- Annex 7. List of respondents
- Annex 8: Bibliography
- Annex 9: Minutes of the discussion seminar.

List of acronyms

AMIS	Agriculture Management Information System
ASCBP	Agriculture Sector Capacity Building Plan
ASIP	Agriculture Strategy Investment Plan
CABIRA	Cabinet d'Ingénierie et de Recherche Appliquée
CARI	Consolidated Approach for Reporting Indicators of Food Security
CEF	Comprehensive Evaluation Framework
CFSVA	Comprehensive Food Security and Vulnerability Analysis
CIP	Crop Intensification Programme
CM	Complementary Measure
CSO	Civil Society Organisation
DFID	UK's Department for International Development
DPCG	Development Partners Coordination Group
DPO	Development Policy Operation
DPs	Development Partners
EC	European Commission
EDCL	Energy Development Corporation Limited
EDF	European Development Fund
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Enquête Intégrale sur les Conditions de Vie des ménages (Integrated Household Living Conditions Survey)
EDPRS	Economic Development and Poverty Reduction Strategy
EICV5	Integrated Household Living Conditions Survey
EQ	Evaluation Question
ESSP	Energy Sector Strategic Plan
EU	European Union
EUCL	Energy Utility Corporation Limited
EUD	European Union Delegation
FA	Financing Agreement
FAO	Food and Agriculture Organization
GBS	General Budget Support
GCCA	Global Climate Change Alliance
GDP	Gross Domestic Product
GoR	Government of Rwanda
Ha	Hectare
HLPD	High Level Policy Dialogue
IFMIS	Integrated Financial Management Information System
IL	Intervention Logic
IMF	International Monetary Fund
IR	Inception Report
JADF	Joint Action Development Forums
JRLO	Justice, Reconciliation, Law and Order
JSR	Joint Sector Reviews
LPG	Liquefied Petroleum Gas
LTR	Land Tenure Regularization Program
LUC	Land Consolidation Programme
LWH	Land Husbandry Water Harvesting and Hillside Irrigation Project
M&E	Monitoring & Evaluation
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Economic Planning and Finance
MININFRA	Ministry of Infrastructure
MTEF	Medium-Term Expenditure Framework
NAEB	National Agricultural Export Development Board
NAO	National Authorizing Officer
NAP	National Agricultural Policy
NECDP	National Early Childhood Development Programme

NGO	Non-Governmental Organization
NIP	National Indicative Plan
NISR	National Institute of Statistics of Rwanda
NSEM	National Multisectoral Strategy to Eliminate Malnutrition
NST	National Strategy for Transformation
OAG	Office of the Auditor General
OBI	Open Budget Index
OECD-DAC	Organization for Economic Co-operation and Development's Development Assistance Committee
PEFA	Public Expenditure and Financial Accountability Assessment
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PfR	Programme for Results
PMO	Prime Minister's Office
PS	Permanent Secretary
PSTA	Strategic Plan for Agricultural Transformation
RAB	Rwanda Agricultural Board
RALGA	Rwandan Association of Local Government Authorities
RBA	Rights Based Approach
RCSP	Rwanda Civil Society Platform
RDB	Rwandan Development Board
REG	Rwanda Energy Group
RES	Renewable Energy Sources
RFRDP	Rural Feeder Road Development Programme
RRA	Rwanda Revenue Authority
RURA	Rwanda Utilities Regulatory Authority
RwF	Rwandan Francs
SCAB	Strengthening Civil Society Organisation Capacity in Promoting Sustainable Agriculture Policies and Citizens Participatory Budgeting
SBS	Sector Budget Support
SE4ALL	Sustainable Energy for All Initiative
SRC	Sector Reform Contract
SWG	Sector Working Group
TA	Technical Assistance
TECAN	Technical Assistance to Enhance GoR's Capacities in the Agriculture sector for the sustainable use of land and water resources, value creation and Nutrition security
TIR	Transparency International Rwanda
ToR	Terms of Reference
TWG	Technical Working Groups
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development
US\$	United States Dollar
VUP	Vision 2020 Umurenge Program
WASH	Water, Sanitation and Hygiene Services
WB	World Bank
WFP	World Food Program

EXECUTIVE SUMMARY

BACKGROUND, CONTEXT AND OBJECTIVES

The context for budget support operations in Rwanda

Since 2003, the EU has provided budget support to Rwanda, first as General Budget Support in a joint donor framework, and since 2012 mainly as Sector Budget Support. Under the current programming (11th EDF, 2014-2020), budget support represented more than 85% of total EU aid to the country.

Rwanda presents a complex environment for EU budget support operations. On the one hand, the country has strong leadership, a clear vision on development, and well elaborated strategies. It has achieved high economic growth rates over the past 20 years while maintaining macro-economic stability and government officials at all levels are highly committed to achieving the national objectives. The Imihigo system,¹ a framework of annual performance targets to be achieved by government officials from the top level down, fosters this commitment. In this sense, the capacity of the government to achieve difficult policy targets is potentially high. The country also has strong aid coordination and well-developed structures for policy dialogue between the Government of Rwanda (GoR) and Development Partners (DPs).

On the other hand, academic literature depicts the country as being governed in a centralised way and national planning is top-down in nature.² The strong drive for economic growth leads to a prioritisation of public investment over recurrent expenditure. As a result, there has been relatively little attention given to the building of institutional capacities for planning, implementation, and monitoring of policies. Although the Imihigo system helps to focus efforts on the annual targets, it also, and perhaps somewhat paradoxically, contributes to a weakening of these capacities. It reduces efforts to achieve policy objectives that are not included in Imihigo targets or that are not (easily) measurable, such as quality aspects, and it leads to a neglect of data collection on indicators that are not in Imihigo.

Evaluation objective

The objective of this evaluation is to provide an overall independent assessment of ten EU budget support operations to Rwanda carried out over the period 2011-2018. The evaluation aims to identify lessons learnt and produce recommendations to improve current cooperation with Rwanda and inform the design of future EU's operations in the country.

The operations to be evaluated

The ten budget support operations selected for assessment comprise one General Budget Support operation and nine Sector Budget Support programmes. The nine Sector Budget Support programmes include operations in the Justice, Reconciliation, Law and Order sector (1 operation), Social Protection (1 operation), Agriculture and Nutrition (6 operations), and Energy (1 operation). The Sector Reform Contracts on Energy and on Agriculture and

¹ Government officers at all levels, and also households, commit to achieve annual performance targets that are strictly monitored.

² Matfess, Hillary (2015). 'Rwanda and Ethiopia: Developmental authoritarianism and the new politics of African strong men'. *African Studies Review*, 58 (2), pp. 181-204. Hasselkog, Malin (2018), Rwanda's 'home-grown initiatives': Illustrating inherent contradiction of the democratic, developmental state. *Development Policy Review*, 36, pp. 309-328.

Applying OECD budget support methodology	<p>Nutrition are ongoing. The total commitment on the ten operations is € 725 million.</p> <p>The evaluation carried out an in-depth analysis of the results chain for the two main sectors covered by the budget support operations, namely Energy, and Agriculture and Nutrition.</p>
--	---

MAIN EVALUATION FINDINGS AND CONCLUSIONS

Relevance of budget support	<p>In general, EU budget support inputs were appropriate and relevant in the political, economic and social context of Rwanda and were appropriately adjusted to changing GoR priorities.</p> <p>Performance indicators were relevant to the sectors they covered and were based on national strategies, thus guaranteeing their ownership. The quality of most indicators was good, meaning that they were formulated in such a way that the government had an incentive to reach the target. But there were a few exceptions, particularly in cases where the achievement of the targets was largely beyond government control. However, government officials tended to give priority to the achievement of Imihigo targets and this meant that the GoR did not always allocate sufficient attention and resources to the measurement of other indicators and targets of national plans, including the performance targets of the EU budget support programmes. This greatly reduced their incentive effect.</p>
Expanded fiscal space	<p>Most complementary measures were designed in a way that contributed to the objectives of budget support. However, a substantial proportion of the planned complementary measures on the on-going sector budget support operations were not yet carried out by 2019, due to changed GoR priorities or diverging views between GoR and the EU on the content of these complementary measures.</p> <p>The mainstreaming of cross-cutting issues in budget support operations has been uneven. Although cross-cutting issues (human rights, gender equality, good governance, environmental sustainability, climate resilience, rights-based approach, HIV/AIDS) are usually integrated in programming and planning documents, they are - with the exception of the environment and climate change – hardly evident during programme implementation.</p>
	<p>Budget support resources have contributed to expanding the fiscal space for the government and this space has mainly been used for increasing investment. There is limited correlation between the size of budget support transfers and sector budgets, and the government budget for Energy even decreased between</p>

	2015 and 2017. Predictability of EU budget support was high and transaction costs for both EU and GoR are lower than in the case of project aid.
Complementary measures	Most complementary measures were implemented successfully and helped to achieve the objectives of budget support. However, the lack of common understanding between GoR and EU on the objectives and scope of Technical Assistance to the core agencies in the Agriculture and Energy sectors made this support less effective.
Policy dialogue	EU budget support has contributed a little to the strengthening of the sector policy development processes. In agriculture, budget support has contributed to a marginal increase in the participation of the private sector, farmers' organisations and civil society in the policy dialogue. But since the demise of general budget support in 2015, the policy dialogue on macro-economic issues has weakened. In addition, the top-down nature of national planning, and the absence of the highest decision-making levels in these dialogues, limit their productivity. The different policy dialogues have been more effective for operational and technical issues than for strategic discussions on objectives, policies and (spending) priorities.
Macro-economic management	Rwanda's macro-economic management has generally been assessed as good, but there has not been any influence of EU budget support in this area. In the absence of a macro-economic policy dialogue, the EU has not been able to discuss its concerns on macro-economic policies directly with GoR.
Public finance management	Most improvements in PFM systems for, for example, budgeting, revenue mobilization, reporting, procurement and auditing, are due to government efforts and to TA offered by several DPs outside the budget support framework. However, some specific performance indicators of sector budget support contracts had a positive effect on the production of (district) budget execution reports, district performance reports, and on the publication of an Agriculture Public Expenditure Review (PER) and an Agriculture Public Expenditure Tracking Survey (PETS). With the exception of the publication of Agriculture PER and PETS, budget support has had little success in its efforts to improve transparency.
National and local governance	The contribution of budget support to improving capacities for planning, implementation and monitoring at national level is limited to a few institutions or programmes that were able to use Technical Assistance or other Complementary Measures well. These included the National Institute for Statistics Rwanda (NISR) and the National Strategy to Eliminate Malnutrition (NSEM). Technical assistance for improving capacities for implementation and especially Monitoring and Evaluation (M&E) in core agencies in Agriculture and Energy was not very effective because of an absence of mutual understanding between EUD and GoR on the content and objectives of this TA. Although EU budget support played an important role in setting up systems for M&E in energy and agriculture, these systems were still weak during the period relevant for the evaluation and there were severe limitations in coverage, reliability, validity and accessibility of data.

	<p>As mentioned above, some specific performance indicators contributed to improving (financial) reporting by districts. In addition, budget support resources may have contributed to an expansion of local government staff.</p>
Policy formulation and implementation processes in the Agriculture and Energy sectors	<p>In both Energy and Agriculture, budget support has contributed a little to improved policies. In Energy, the policy dialogue and performance indicators contributed to setting more realistic policy goals and to a greater application of least-cost electricity generation planning – although the latter was still not optimal by 2019. The EU, together with other DPs, also managed to reach an agreement with GoR on more realistic standards for solar systems, which may contribute to the further expansion of off-grid connections. The most recent strategic plan for Agriculture is of better quality than the previous ones. It has benefitted from consultations with all involved DPs and with farmers' organizations, civil society organisations and the private sector. EU budget support and other EU interventions have contributed to this participatory process. EU policy dialogue and performance indicators led to some improvements in (local) service delivery in energy and agriculture.</p>
Energy outcomes	<p>The improved planning of the electricity system, to which budget support has contributed, may lead to reduced energy costs in the future. This is very important as energy costs in Rwanda are currently among the highest in Sub-Saharan Africa. Access to energy, both on-grid and off-grid, increased, but there is little evidence that budget support contributed to this increase. In the first years of the EU budget support to the energy sector the public budget for energy decreased and this was probably a key factor in explaining the failure to achieve government targets for the number of new on-grid connections. In the last year of the evaluation period, both budget support funds and the policy dialogue may have played a positive role in improved access to energy.</p> <p>Government policies that were underpinned by budget support also set out to increase the share of renewable energy sources (RES) and to improve the balance between supply and demand of biomass resources, in particular through increasing the use of improved cook stoves. In the latter two areas, the effect of the EU efforts was limited to some increased awareness among policy makers of their importance. And although the quantity of electricity generated from RES increased somewhat, mainly due to favourable weather conditions, the share of RES in total generation capacity did not. The fact that the indicator was formulated as an increase of electricity generated from RES as compared to the previous year did not contribute to achieving the objective of reducing the share of traditional and polluting energy sources.</p>
Outcomes in Agriculture	<p>The budget support funds appear to have supported the government's agricultural modernisation policies. These policies led to higher production of the priority crops maize, paddy rice, wheat, beans, Irish potatoes and cassava, as well as of meat. Overall growth of the agriculture sector was high at 5.5%. This led to increased food self-sufficiency at the national level. However, this growth did not bring improved food security and dietary diversity to the farm families who were producing these high-priority crops.</p> <p>The agricultural modernisation policies also led to an expansion of area cropped, but this often had the unintended effect of contributing to</p>

	<p>deforestation, soil depletion, erosion and more vulnerability to climate change. In order to counter this increased vulnerability, the government has invested in irrigation, land terracing and agroforestry, but coverage is still low and quality of design and implementation is not always adequate. Progress in applying climate resilience practices, another objective of budget support, has so far been limited.</p> <p>The EU feeder roads programme has contributed to the expansion and rehabilitation of the feeder road network, which has been shown to reduce poverty and inequality in the rural communities served by these roads.</p>
Nutrition	<p>EU budget support has contributed somewhat to reducing malnutrition in Rwanda. This mainly arose as a result of specific programmes and complementary measures in the area of nutrition, and less so by programmes that supported government policies aimed at increasing agricultural production.</p> <p>More concretely, EU support to the National Multisectoral Strategy to Eliminate Malnutrition contributed to a reduction in stunting (low height-for-age in children) from 43% in 2012 to 35% in 2018, and to a reduction in wasting (low weight-for-height) among pregnant women, from 7 to 1% in the same period. However, stunting prevalence is still considered “high” by international standards.</p>
Impact on economic growth	Rwanda had a high economic growth rate over the evaluation period, averaging 7.3% per annum. Budget support funds have contributed to this growth. The fiscal space provided by the budget support resources has been used to fund public investment, which has been the key driver of Rwandan growth over the period.
Impact on poverty and equality	Over the long run (since 2005), poverty and inequality have been reduced in Rwanda, but between the two latest household surveys (2013/14 and 2016/17) the reduction in income poverty was very small and not statistically significant – despite the high growth rates. In fact, the growth elasticity of poverty reduction in Rwanda between 2001 and 2017 was less than 20%, and much lower than in comparable countries such as Senegal, Burkina Faso or Uganda. ³ This low elasticity and the stagnation in poverty reduction can be explained by structural factors, but also in part by government policies that have become less pro-poor over time. EU budget support has attempted, through policy dialogue and other inputs, to make government policies and their implementation more inclusive, but this was not very successful.

KEY RECOMMENDATIONS

OVERALL

A continuation of EU budget support

Given its potential for systemic change, EU budget support should be continued. The relative importance of budget support in the EU's overall

³ World Bank (2019), Rwanda: Systematic Country Diagnostic.

aid portfolio should be dependent on the level of commitment by GoR and EU to the key conditions for making budget support more effective. These key conditions are elucidated in the recommendations presented below. Should full commitment to the implementation of these recommendations not be evident, the EU may consider a more balanced approach, carefully paying attention to the possibilities of other aid modalities, including project aid, for achieving policy objectives.

Budget support has provided the fiscal space to drive economic growth through public investment but its impact on institutions, policies and their implementation has in most instances been limited. It is important to improve the conditions for effective budget support in line with the recommendations that follow below. At the same time, earmarked support in the form of project aid, or budget support operations with a strong output focus like the Rural Feeder Roads programme, have been shown to achieve more concrete results and impact. Project aid also allows for the provision of direct support to civil society, private sector and to vulnerable groups or regions. Depending on the progress made in implementing the recommendations, the EU may consider a larger share of project support in the aid portfolio.

Recommendation for EU and GoR.

Higher level GoR engagement for effective policy dialogue

In future budget support operations, a higher government level should be engaged in the HLPD, for example the Prime Minister's Office and/or the President's Office, in addition to the ministers.

Although fora for the sector policy dialogues and for the dialogue on Public Finance Management do exist, the top-down planning existing in Rwanda and the fact that the highest decision-making levels are absent from these dialogues, limit their effectiveness. In practice, the existing policy dialogues are more effective for discussing operational issues than for more fundamental policy issues. For all these reasons, it is essential that any future budget support operations secure a regular policy dialogue between the EU and the highest decision-making levels. It may be considered to alternate meetings with the highest levels ("summit HLPD") with regular HLPD meetings, while also strengthening reporting channels between GoR representatives in the latter meetings and higher GoR officials.

Recommendation for EU and GoR.

Providing for a macro-economic dialogue

In future budget support operations, it would be desirable to re-establish a macro-economic dialogue between the GoR and the EU, other concerned donors, and the IMF.

Given the large volume of EU budget support grants, it is important that the EU is able to discuss macro-economic and fiscal policies with the GoR. Currently there is no adequate forum for discussing these policies in Rwanda. The re-establishment of a macro-economic dialogue between GoR and all concerned donors (EU, World Bank, etc.) plus the IMF would solve this issue. Preferably, this dialogue should be held more than once a year.

	Recommendation for EU and GoR.
Support to the private sector, civil society and farmers' organisations continues to be important	In, or next to, future budget support operations, the EU should continue, and increase, support to private sector, civil society and farmers' organisations to strengthen them, to promote their participation in SWGs and TWGs and to help them engage in policy-making, policy implementation and M&E processes. This can be done through Complementary Measures and through project interventions.
More attention to improving the management and use of data	Recommendation for EU. The government should dedicate more attention and resources to improving information management and use of data. It may consider the establishment of a national quality assurance system for M&E at the level of MINECOFIN, Prime Minister's Office (PMO) or President's Office. Such a high-level M&E system would benefit from engagement of civil society and private sector representatives, as well as from support from Development Partners.
More attention to cross-cutting issues	Recommendation for GoR. In the future budget support operations, more attention should be paid to cross-cutting issues, in particular to the Rights-Based Approach (RBA), gender equality and climate change. These cross-cutting issues should not only be mentioned in project documents, but they should be effectively applied and monitored during the whole implementation period.
The need to have a permanent dialogue on scope and content of Technical Assistance	Recommendation for EU and GoR. Complementary measures including Technical Assistance should be continued. A better and more permanent policy dialogue between EUD and beneficiary institutions is essential to harmonize expectations about the objectives and scope of Technical Assistance, and this dialogue should also lead to agreement on the institutional reforms to be achieved with this assistance.
Continue innovative efforts for increasing visibility of EU and its activities and values	Recommendation for EU and GoR. The EU should continue its innovative approach for making the EU, its activities and values visible in Rwanda. It is difficult to increase the visibility of results of budget support programmes since all results are achieved through national government budgets and policies. The EU should therefore continue its innovative visibility strategy in which resources from both project aid and budget support are pooled in a way that targets the overall visibility of the EU Rwanda.

	Recommendation for EU.
The careful selection of an appropriate mix of performance indicators	<p>In future budget support operations, performance indicators for the variable tranches should be a mix of process, policy, output and outcome indicators.</p> <p>Both EU and GoR should pay careful attention at the design stage to discussing and agreeing upon the definitions, measurement and methods of data collection of the indicators, including their reference values. Indicators that cannot be measured in a reliable way should not be included. In addition, indicators should be designed in such a way that there is at least some link between government efforts and the achievement of the indicator.</p>
	Recommendation for EU and GoR.
Continuing to improve energy policies	<p>A future budget support operation in Energy should continue to focus on support for improving policies and in particular on the application of least-cost system planning with emphasis on demand-side management, on improving M&E systems, on increasing the share of renewable energy resources, on reducing the gap between supply and demand of biomass resources and on increasing the use of improved cooking stoves. In considering future budget support for the sector, careful consideration should also be given to the potential for blended finance.</p>
	Recommendation for EU and GoR.
Towards an improved indicator for RES	<p>A possible approach for developing an effective indicator for an increase in Renewable Energy Sources (RES) involves an open and participatory planning process for developing an energy generation expansion path. This agreed path may serve as basis for an agreed time schedule for the construction and dispatch of renewable energy generation.</p> <p>Reliance on an indicator emphasizing the actual construction of RES generation is preferable to using the current indicator, which assesses the actual annual output of RES generation and may result in payments favouring good atmospheric conditions rather than the actual RES capacity development.</p>
	Recommendation for EU and GoR.
Continuing to improve policies in agriculture and nutrition.	<p>Future budget support programmes in agriculture and nutrition should focus on support for improving policies, such that more attention is paid to farmers' participation, improving climate resilience, fostering agricultural research and extension services, avoiding the side effects of current policies (such as soil depletion, deforestation and erosion), and improving food security at household level. In addition, they should focus on strengthening implementation capacities and on strengthening capacities for M&E.</p>
	Recommendation for EU and GoR.

1. INTRODUCTION

The European Commission has commissioned a team of consultants led by GDSI, Ireland, to evaluate EU budget support to Rwanda over the period 2011-2018. The general purpose of the evaluation is:⁴

- To provide the parties involved in this evaluation and the wider public with an overall independent assessment of budget support operations to Rwanda.
- To identify key lessons and to produce recommendations to improve current and inform future cooperation with Rwanda.

The evaluation is to be used by the EU Headquarters and the EU Delegation in Rwanda, the European External Action Service (EEAS), the Government of Rwanda (GoR), in particular the Ministry of Finance and Economic Planning (MINECOFIN), the Ministry of Infrastructure (MININFRA), the Ministry of Agriculture and Animal Resources (MINAGRI) and other agencies involved. In addition, the results may benefit other Development Partners in the sectors covered by this evaluation, as well as civil society, researchers, farmer organisations and the private sector. The evaluation is also meant to serve as mid-term evaluation of the on-going Sector Reform Contracts in the Agriculture and Energy sectors. Finally, the evaluation results are expected to inform the new 6-year cycle of EU cooperation with Rwanda.

This main report summarizes the results of our assessment of EU budget support operations in Rwanda and outlines the key conclusions and recommendations. The content of this main report is based on detailed findings as provided in Volume II (Annex 1). This Introduction discusses the scope of the evaluation and the methodology applied, and it briefly sketches the context for the evaluation.

1.1. Management of the evaluation

The overall evaluation process was led by a Management Group (MG). The MG is composed of a representative of the Ministry of Economics and Finance (MINECOFIN) on behalf of the Government of Rwanda, a representative of the EU Delegation in Rwanda, and representatives of EEAS and of several concerned services of DG DEVCO (04 Evaluation, C1 Agriculture, C6 Energy, and A4 Budget Support). The Evaluation Manager in the DG DEVCO Evaluation Unit had a pivotal role in facilitating the evaluation process and assuring its quality. Members of the MG have assisted the evaluators by providing information and access to key stakeholders in the country. In addition, they have provided valuable comments to drafts of the Inception Report, Desk Report, and Final report.

In parallel with the MG, a Country Reference Group was established in order to provide feedback to the MG and to also review draft reports. Members of the Country Reference Group included stakeholders from other ministries and agencies concerned, representatives of the private sector, civil society, farmers' organisations, other Development Partners, and academics. It was chaired by a member of the EU Delegation. The Country Reference Group discussed the draft Inception Report and the draft Final Report.

1.2. Scope of the evaluation

The evaluation covers ten budget support operations of the European Commission. They comprise one General Budget Support operation and nine Sector Budget Support programmes. One Sector Budget Support programme focuses on the Justice, Reconciliation, Law and Order (JRLO) sector,

⁴ Terms of Reference see Annex 3 of Volume II of the report.

one on Social Protection, six are related to Agriculture and Nutrition, and one focuses on the Energy sector (Figure 1).

The EU budget support resources could be spent by the Government of Rwanda (GoR) at its own discretion. They were accompanied by policy dialogue and by so-called “complementary measures”, resources earmarked for specific activities. In addition, for each (usually) annual disbursement, the Government of Rwanda (GoR) had to meet four general eligibility criteria (for disbursement of the fixed tranches) as well as specific performance indicators (determining the extent of disbursement on the variable tranches). The evaluation therefore covers the four different *inputs* of budget support:

- Financial resources
- Policy dialogue on (sector) strategies, policies and implementation
- General eligibility criteria and disbursement indicators
- Complementary measures.

The total commitment on the ten operations was € 725 million. Some programmes started before 2011, and some committed amounts were not paid during the evaluation period, either because they were not due yet or because variable tranches were not paid or complementary measures not (yet) agreed upon.⁵ The total actually disbursed amount during the evaluation period was therefore € 538 million. The large majority of this, € 527 million, was for the budget support component and the remainder was for the complementary measures.

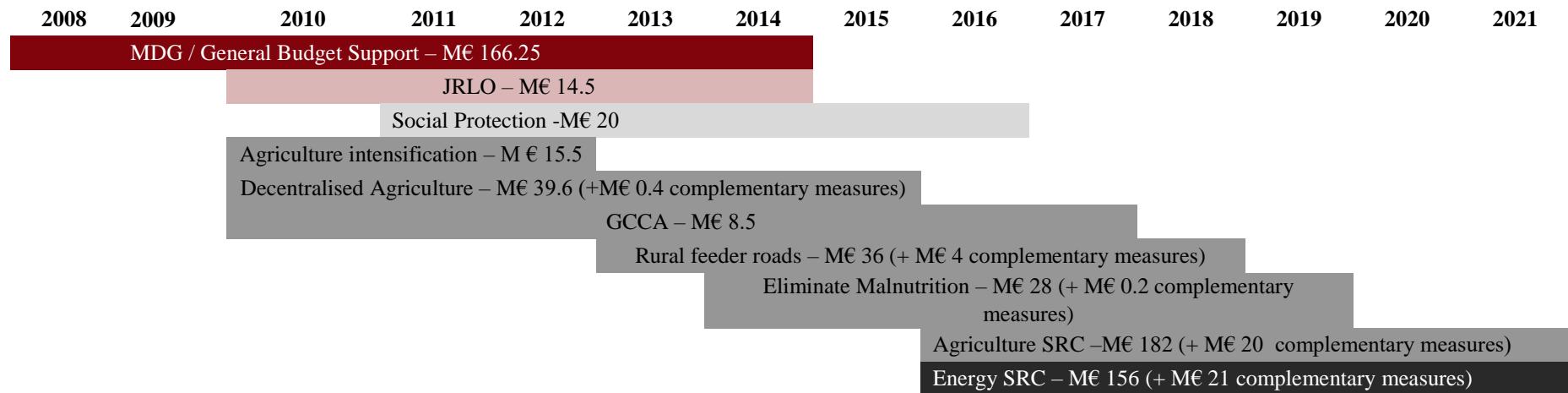
The general eligibility conditions that had to be met for the fixed tranches of the (usually) annual disbursements covered three topic areas: sector policies, macro-economic management and stability, and Public Finance Management (PFM). From 2015 onwards, a fourth eligibility criterion was added, namely that of Transparency. Disbursements indicators for the variable tranches included process (policy) and outcome related indicators. The majority of these indicators was assessed to be met; some of them were not (fully) met and this led to postponement or disallowance of part of the planned disbursement. Most complementary measures were technical assistance activities, but they also included studies, evaluations, communication activities, and audits.⁶

In line with its Terms of Reference, the sector focus of this evaluation is on Agriculture and Nutrition, and Energy. These are also the sectors covered by the most recent, and still ongoing, Sector Reform Contracts (Figure 1). This evaluation also examines outcomes for the two general entry conditions, namely macroeconomic management and stability, and PFM and transparency. In addition, it looks at outcomes for decentralization and local governance – both of which are important for service delivery in agriculture and nutrition and discussed in the policy dialogues around PFM and agriculture.

⁵ See Annex 3 of Volume II of the report for details on the object of the evaluation.

⁶ Five of the ten operations did not include Complementary Measures, see Annex 4, Object of evaluation.

Figure 1: Overview of the ten EU budget support programmes, with time period and committed amounts (including Complementary Measures)



1.3. Methodology and data collection

This evaluation applies the Comprehensive Evaluation Framework (CEF) recommended by the OECD/DAC.⁷ This Framework is based on an intervention logic of budget support, consisting of five *levels*: inputs, direct outputs, induced outputs, outcomes, and impact. Taking into account the effects of other inputs (government resources and policies, other external assistance) and other factors (for instance weather conditions, changes in export prices), and if a number of assumptions is met, the intervention logic (or CEF) reflects the causal chain through which budget support inputs are expected to contribute to the envisaged impact. Figure 2 presents the CEF that formed the basis for this evaluation.

Following these five levels, our Inception Report has formulated nine Evaluation Questions with several corresponding Judgement Criteria and Indicators.⁸ Table 1 shows the main topics of the nine Evaluation Questions (EQ) and the relationship between EQ and level of analysis.

Table 1: Correspondence Evaluation Questions, level and steps of analysis, and chapter in this main report

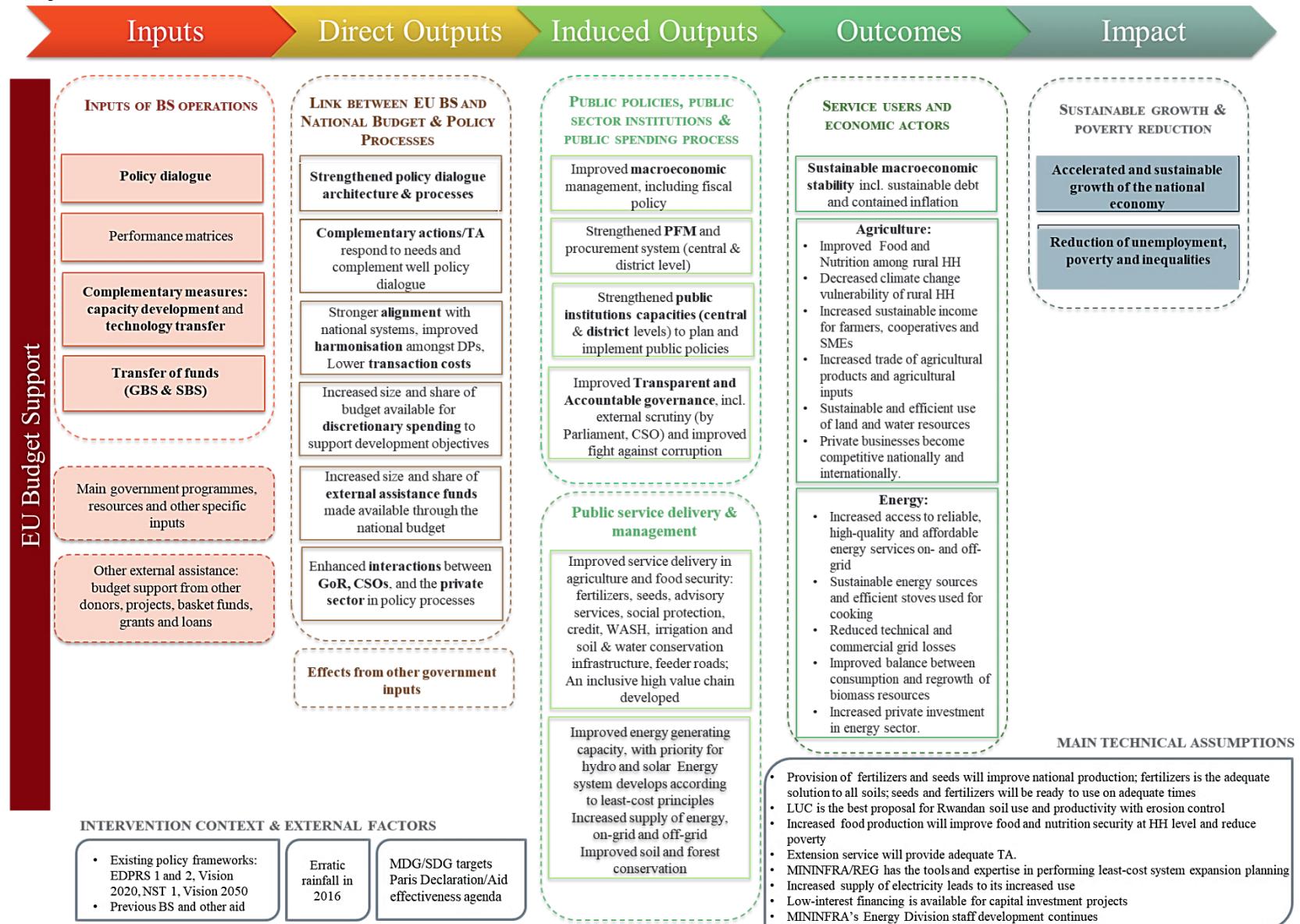
Number of EQ	Evaluation Question (EQ)	Level	Step	Chapter in main report
1	Relevance of the design of budget support	1: Inputs 2: Direct outputs 3: Induced outputs	1	2
2	Direct outputs			3
3	Macro-economic management			4
4	Public Finance Management			
5	Local governance			
6	Policy formulation and implementation processes, in particular in Agriculture and Energy sectors			5 (Energy) 6 (Agriculture)
7	Outcomes in energy	4: Outcomes	2	5
8	Outcomes in agriculture and nutrition			6
9	Impact on growth and poverty reduction	5: Impact		7
All	All	All	3	All

The CEF also distinguishes between three *steps* in the analysis. Step 1 covers inputs, direct outputs and induced outputs (levels 1, 2 and 3) and EQs 1-6 (Table 1). It involves a contribution analysis, tracing the causal links from inputs, via direct outputs to induced outputs, taking all other possibly influencing factors into account. Step 2 first identifies the actual outcomes and impact (levels 4 and 5) as intended by the government, and then examines what the determining factors for these outcomes and impact variables are. It covers evaluation questions 7, 8 and 9 and involves an attribution analysis. In order to identify causal factors for the outcomes in energy and agriculture, in particular, we carried out an econometric analysis. Throughout all five levels of analysis, we also looked for unintended side effects of budget support. Step 3 brings steps 1 and 2 together, and again involves a contribution analysis. The preliminary findings for step 1 and 2 are compared and then reassessed in order to identify, in a qualitative way, the contribution of budget support to government policies and to the outcomes and impact that budget support programmes intended to achieve. All chapters in this report reflect this reassessment.

⁷ Van der Linde, M., & Valmarana, C. (2012). *Evaluating budget support: Methodological approach*. Report of the Budget Support Evaluation Steering Group. Paris: OECD DAC.

⁸ See Annex 5 for the full Evaluation Matrix.

Figure 2: Comprehensive Evaluation Framework



The findings are based on an extensive study of documents and on a large number of interviews and focus groups discussions.⁹ Documentary evidence included policy documents, reports, studies, evaluations, and statistics available on the web and provided by the EU and GoR, as well as academic literature (see Annex 8 for the full list). We conducted interviews with:

- Policy officers of the EU (in Brussels and in Kigali)
- Policy officers of GoR, both at central and local level
- Representatives of other Development Partners,
- Civil society organizations
- Private sector organisations and representatives
- Members of Parliament
- Consultants involved in Technical Assistance
- Other independent experts.

In total, more than 100 interviews and focus groups discussions were conducted.¹⁰ In carrying out such a wide consultation exercise, the team assured triangulation of findings.

The team members visited Rwanda twice (excluding the dissemination phase). There was a first visit of one week in May 2019, in which the evaluation was presented and discussed with all stakeholders and a first round of interviews was held. Following the preparation of Inception and Desk Reports, a second visit to Rwanda was made in October 2019, with the aim of filling in remaining data gaps and to verify and expand the preliminary answers. After the second visit, the team recorded all (final) evidence according to JCs and indicators (Volume II, Annex 1), and, on this basis, prepared the main report.

1.4. Context¹¹

Rwanda is a small landlocked country in Eastern Africa, with a population of 12.3 million. Around one million people live in the capital, Kigali. It has an annual Gross National Income per capita of US\$ 780, which means it is still classified as a low-income country. The country has a turbulent history. The political and economic context is still heavily influenced by the genocide that took place in 1994, which had an important impact on the human and institutional capacities in the country.

Since 1994, the Rwanda Patriotic Front under the leadership of President Paul Kagame runs the country. Rwanda has been praised as a highly successful developmental state.¹² The country has experienced high growth rates, 7.3 % on average between 2000 and 2018. According to official figures, the poverty rate reduced from 60% in 2001 to 38% in 2017.¹³ Furthermore, it is, together with Cape Verde, perceived to be one of the least corrupt countries in Africa.¹⁴

On the other hand, many academics point to the authoritarian features of the Rwandan state and the limited political space for civil society and citizens in general.¹⁵ Rwanda had a score of 22 (out of 100) on political rights and civil liberties in the 2020 Freedom of the World Index, which means that

⁹ See Annex 5 for a full description of the data collection methods.

¹⁰ Annex 7 contains the full list.

¹¹ See Annex 6 for full country background.

¹² Booth, D., & Golooba-Mutебbi, F. (2012). Development patrimonialism? The case of Rwanda. *African Affairs*, 111(444), 379-403.

¹³ NISR 2018, EICV 2016/17 main report.

¹⁴ Transparency International report 2017.

¹⁵ Matfess, H. (2015). 'Rwanda and Ethiopia: Developmental authoritarianism and the new politics of African strong men'. *African Studies Review*, 58 (2), pp. 181-204. Purdeková, A. (2011). 'Even if I am not here, there are so many eyes': Surveillance and state reach in Rwanda. *The Journal of Modern African Studies*, 49(3), 475-497. Thomson, S. (2011). Whispering truth to power: The everyday resistance of Rwandan peasants to post-genocide reconciliation. *African Affairs*, 100(440), pp. 439-456.

the country is characterized as “not free”.¹⁶ Some scholars argue that despite clear progress in a number of development indicators, the level of inequality (at the start of our evaluation period) was still very high and that this may pose a threat to sustainable development in the country.¹⁷

As compared to many other Sub-Saharan African (SSA) countries, Rwanda has a strong ownership of its national policies and has formulated clear and ambitious development goals. The (current) National Strategy for Transformation (NST 1, 2018-2024), for example, aims to achieve upper middle-income status by 2035. Government officials have a high commitment to national objectives. One factor contributing to this is the Imihigo system. Government officials at all levels, and even households, promise to achieve annual performance targets. These targets are based on the national development strategies and are strictly monitored. The flipside of this system is that monitoring and accountability focus solely on the agreed targets and indicators, disregarding other development objectives or objectives that cannot be easily measured. The Imihigo system on the one hand increases the country’s implementation capacity, as government officials give priority to the achievement of the targets. On the other hand, they may weaken these capacities in so far as other objectives and less measurable priorities are concerned.

Over the years, donors have generously supported the government’s ambitious development plans. Although aid in relation to the country’s Gross National Income (GNI) declined over the evaluation period, it still represented 13.8% of GNI in 2017.¹⁸ Since 2008 the government has implemented a Division of Labour, according to which donors are assigned to specific sectors.

From 2000 onward, many donors began to provide general budget support (GBS) in a harmonized framework. The EU joined in 2003. However, in 2008 the international enthusiasm for GBS began to wane, and in 2012, when a UN report showed that Rwanda was actively supporting military groups in neighbouring Democratic Republic of Congo in 2012,¹⁹ donors suspended GBS and the dialogue framework around GBS was dismantled. Most donors switched to project aid, but some (EU and UK) started to provide Sector Budget Support, while the World Bank continued with (sector) policy development loans.

1.5. Structure of this report

This main report summarizes the evaluation results, highlighting key messages. The chapter structure broadly follows the order of the Evaluation Questions, with chapter 2 covering EQ 1, chapter 3 covering EQ 2, and chapter 4 covering EQs 3, 4 and 5 (Table 1). Chapters 5 and 6 each focus on one of the main sectors of EU budget support: Energy, and Agriculture plus Nutrition. Finally, chapter 7 presents the conclusions and covers EQ 9, and chapter 8 presents the recommendations. At the start of chapters 2-6 in this main report a reference is made to the paragraphs in Annex 1 in Volume 2 where more information can be found.

¹⁶ Freedom House, Freedom of the World Index 2020. <https://freedomhouse.org/countries/freedom-world/scores>

¹⁷ Ansoms, A., & Rostagno, D. (2012). Rwanda's vision 2020 halfway through: What the eye does not see. Review of African Political Economy, 39(133), 427-450. Reyntjens, F. (2014). Political governance in post-genocide Rwanda. Cambridge: Cambridge University Press.

¹⁸ World Development Indicators, accessed 30 January 2020. The average over 2009-2011 was 18.1%.

¹⁹ UN Security Council, Addendum to the interim report of the Group of Experts on the Democratic Republic of the Congo (S/2012/348) concerning violations of the arms embargo and sanctions regime by the Government of Rwanda.

<http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/DRC%20S%202012%20348%20ADD%201.pdf>

2. THE RELEVANCE OF BUDGET SUPPORT

This Chapter presents the answer to EQ1: To what extent was the design of the budget support programmes appropriate and relevant in view of the political, economic and social context in Rwanda, the GoR’s policy framework, and the EU and other Development Partners’ development strategies? Additional information can be found in Annex 1, in particular JC 1.1, 1.2, 1.3 and I 2.3.1 and I 2.3.3.

After an assessment of the extent of alignment of budget support programmes with country policies and context and with EU and other Development Partners’ development strategies, the bulk of this chapter is dedicated to an assessment of the relevance, quality and adequateness of the design of budget support programmes, and in particular of the performance indicators and complementary measures.

2.1. Alignment with GoR policies and with EU and other DPs development strategies

EU budget support interventions are highly relevant for the implementation of the GoR’s own policies and strategies.

All budget support operations during the reference period are strongly aligned with the national policy framework, for example, with Economic Development and Poverty Reduction Strategy – EDPRS I (2008-2012), EDPRS II (2013-2018) and sector policies (see Annex 1, JC 1.1, Table 18). By supporting GoR’s own policies, the EU has, in principle, assured relevance and ownership of the budget support interventions.

Overall, budget support inputs – a combination of financial inputs, dialogue, performance indicators and in most cases complementary measures – were appropriate and relevant in the political, economic and social context in Rwanda. They were suitable to support the achievement, to the extent possible, of expected government policy outcomes. Interviews and the documentary review carried out show that the EUD was well aware of the political, macroeconomic or governance-related risks threatening the success of budget support and cared about mitigating them. Budget support programmes were designed by the EUD in dialogue with Rwandan sector ministries and the Ministry of Finance and Economic Planning (MINECOFIN).

Budget Support programmes are well coordinated with EU and other Development Partners’ development strategies. The EU budget support operations show a high level of coherence with the EU Cooperation Strategy and National Indicative Programmes (NIP). This coherence was almost complete under the 11th EDF and NIP 2014-2020, when the two big Sector Reform Contracts were signed as foreseen in the NIP (for agriculture/nutrition and energy sectors). During the 10th EDF, several smaller sector budget support programmes were signed that were not explicitly mentioned in the NIP, but were in line with it. They were financed under the Global Climate Change Alliance (GCCA). EU budget support is also in line with EU global strategic orientations. The EU is committed to international aid effectiveness principles, according to which budget support is the preferred implementation modality.²⁰ In 2013, the EU made the strategic decision to favour SBS above GBS, and Rwanda was considered to meet the conditions for SBS quite well, with rather good systems for policy planning, implementation and to some extent also monitoring.²¹ However, there are also some limitations in the capacities of GoR to implement their policies, and the policy-implementation gap

²⁰ See, for example, the Agenda for Change (2011) and the European Consensus on Development (2017).

²¹ Interview with DEVCO staff.

seems to have widened over the evaluation period due to, among other factors, the increasing complexity of policies.²²

There is evidence that the EU has taken into account the interventions of other Development Partners (DPs).²³ Coordination with the strategies of other DPs is done by the GoR, which assigns certain sectors to specific donors in the framework of the Division of Labour, and through discussions in the Sector Working Groups (see also next Chapter).

2.2. Quality of performance assessment frameworks

The quality of most performance indicators in terms of relevance, ownership, coverage and measurability were found to be usually good, but there were a few exceptions, particularly in cases where the achievement of the targets was largely beyond government control. There is an appropriate distribution between fixed and variable tranches.

The quality of design of budget support operations is high and generally respects the EU budget support guidelines. Almost all budget support disbursements comprised a fixed and a variable tranche. The fixed tranche would be disbursed if the general entry conditions regarding macro-economic management, PFM²⁴ and sector policies were positively assessed. The variable tranche was linked to the achievement of predefined performance indicators. The exception was SBS for Agricultural Intensification (D-21623) which only had a fixed tranche. In most cases the fixed tranche corresponded to between 50% and 70% of the programme value, with the performance component accounting for between 30% and 50% (Table 2). Budget support performance frameworks are part of the formal agreements established between the EU and GoR (Financing Agreements) and as such, a regular dialogue is held on them.

The mixture of variable and fixed tranches assured, on the one hand, a certain predictable inflow of funds thanks to the fixed tranches;²⁵ on the other hand, it gave an incentive to the Government of Rwanda to achieve the foreseen indicators for variable tranches. In this way, the EU could encourage progress in policy making and/or implementation. Discussions related to the indicators and their achievement proved to be a good instrument for maintaining the dialogue around progress in policy implementation.

Table 2: Fixed tranches in EU budget support operations, also in percent

Programme / Year	Fixed tranche M€	Total in M€ (excluding CM)	Fixed Tranche, in % of total excluding CM
D-21004 MDG (no complete FA available)	122.5	175	70.0
GCCA (1)D-21553 Environment and Natural Resources	2.3	4.555	50.5
D-21572 Decentralised Agriculture	20.6	39.6	52.0
D- 21623 Agricultural Intensification	15.5	15.5	100.0
D-21680 SBS for the JRLO Sector	8	12	67.0
D-22173 SBS Social Protection	13	20	65.0
D-23259 Feeder Roads	24	36	66.7
D-24780 SBS Nutrition	16	28	57.1

²² Interview EUD staff.

²³ See the donor matrix, showing which donor is active in the different sector, in NIP 2014-2020.

²⁴ From 2015 onward, transparency was added to PFM.

²⁵ Although fixed tranches theoretically could be withheld, in practice they were always disbursed, as the overall assessment of the general entry conditions was positive.

GCCA (2)D-37416 Land administration and land-use monitoring	2	4	50.0
D-37486 Agriculture and Food SRC	85	182	46.7
D-38107 Energy SCR	104	156	66.7

Performance indicators in general had a good coverage of the sectors and were relevant for triggering improved sector performance. Most indicators were of good quality, in the sense of being formulated in such a way that the government had an incentive to reach the target. However, the evaluation team identified a few indicators that were (partly) beyond control of government institutions. This holds true, for example, for the increase in off-grid energy connections of Solar Home Systems (for which private sector is largely responsible) and for the indicator stipulating an annual increase in energy generation from renewable resources (solar, hydro, wind). This increase depends to a large extent on weather conditions so does not have an incentive effect on the government. To some extent, it also holds true for indicators on food security.

Budget support programmes had a mixture of process, policy, output and outcome indicators. In practice output indicators were more likely to be met than the other types of indicators (Table 3). However, this does not mean that they were more relevant or more successful in triggering change. They may simply have been easier to meet. It is not possible to draw a conclusion on the relative strength of the different types of indicators for fostering desired processes, policies or programme objectives. The relative value of the various indicator types depends on the specific context of the sector

Table 3: Performance indicators of the ten EU budget support contracts, by type and by success (met, partially met or not met), in number and in percent of total

Type of indicator	In absolute numbers				In percent				Total
	Met	Not met	Partially met²	Total	Type of indicator	Met	Not met	Partially met²	
Process	10	3	3	16	Process	63	19	19	100
Policy	5	2		7	Policy	71	29	0	100
Output	31	2		33	Output	94	6	0	100
Outcome	17	5	4	26	Outcome	65	19	15	100
PFM¹	23	2	1	26	PFM	88	8	4	100
Total	63	12	7	82	Total	77	15	9	100

¹Indicators related to Public Finance Management (PFM) are sometimes classified as process, and sometimes as outcome, depending on the objective of the budget support programme; for this reason they are also separately listed (in italics). The total in the last row only includes them once.

²This category also includes met later (once case) and not clear (one case).

Sources: Financing Agreements and Disbursement Notes of the ten contracts.

Performance indicators were usually based on national strategies, thus guaranteeing their ownership. The EUD organized specific meetings for agreeing on the indicators and on how, and by which institution, they would be measured and reported. The outcomes of these discussions were clearly laid down in the FAs. Nevertheless, in some cases the GoR was not able to meet the targets, and disbursements related to a specific variable tranche were reduced or had to be postponed. Sometimes Rwandan partners faced difficulties in presenting the evidence for the achievement of the targets due to inadequate monitoring and reporting, and in other cases the targets were not achieved. In both cases, there may have been some issues with the design of the programme, and in particular, with the formulation of performance indicators and targets, as will be shown below.

Interviews with EUD and GoR officials reveal that GoR officials sometimes had not sufficiently understood the definitions of the indicators and/or how the data should be measured and collected. Rwandan officials suggested that they had sometimes accepted the proposed indicators, even though

they did not fully understand the exact definition of indicators or the data collection process – in order not to delay the approval of the budget support programme. Furthermore, due to staff rotation the persons participating in the discussions on indicators were not necessarily still in function when it came to reporting. As a result, the National Institute of Statistics Rwanda (NISR) or the sector performance monitoring systems were not able to present the data when needed. In some cases, administrative information was provided which was not considered valid evidence for the achievement of the indicators.²⁶ However, it sometimes also happened, for example in the Agriculture SRC, that insufficient attention and resources were allocated to the measurement of the indicators.

Some targets were not achieved because they were probably set at too high a level; in other cases, the resources provided to the sector institution (budget, staff) were not sufficient. Interviews with EUD staff and government officials suggest that targets defined in national policies are often very ambitious. The EUD looks for alignment with national targets but also for defining targets which are realistic and achievable. Thus, in some cases the EUD managed to convince the Government of Rwanda to set targets (triggers) at a lower level than in the government plans.

The EUD has been in continual dialogue, both formally and informally, with the relevant sector agencies to advise on possible risks for non-achievement of triggers. In addition, some of the complementary measures focused on increasing the monitoring capacity. While some indicators have been adjusted to more realistic levels, EU efforts were less successful for making sure that adequate resources were made available to sector institutions for meeting the targets or for improving data quality and reporting.

2.3. Adequacy of complementary measures

Complementary measures as foreseen in the FAs were relevant for the objectives of budget support, and many have indeed contributed to these objectives. However, for some it was difficult to achieve an agreement between GoR and EUD, and some faced challenges in their implementation.

Five out of ten budget support operations comprised complementary measures. Most complementary measures were technical assistance activities, but they also included studies, evaluations, communication activities, small projects selected on the basis of a call for proposals²⁷ and audits. Technical Assistance included support for data collection, monitoring and evaluation, and other capacity building for sector institutions and for the NISR. The EU also financed studies to support policy formulation, studies to prepare baselines for performance indicators and feasibility studies relevant for the targeted sectors. Although these complementary measures are not directly aiming to help the GoR to achieve performance indicators, they contribute significantly to strengthening capacities in the sector institutions and permit investment in studies and other activities which otherwise would not have been undertaken. Further complementary support closely linked to budget support was provided under other EU modalities or programmes (e.g. Framework Contracts and Food Facility managed by EU; Technical Cooperation Facility and PFM basket fund managed by MINECOFIN).

In general, complementary measures as foreseen in the FAs were adequate and relevant for the country context and they contributed to the objectives of budget support. However, by mid-2019, only about one-third of the total funds for complementary measures committed under ten budget support operations had been disbursed.²⁸ This can be explained by the fact that two recent SRCs with

²⁶ Interviews with EUD officials.

²⁷ This concerns “implementation of national food safety measures (2 lots)” under SCR Agriculture.

²⁸ Information provided by EUD and by DEVCO, see Annex 4: Object of the evaluation.

large amounts allocated to complementary measures are still under implementation and as such the funds related to their complementary measures have not yet been fully disbursed or are even not yet contracted. In addition, some complementary measures for the SRC Malnutrition are on-going.

Many of the intended complementary measures were implemented as foreseen and were useful to the GoR. Examples include:

- Support for the monitoring of achievements of the Multi-Sectoral Strategy to Eliminate Malnutrition (under the SBS Malnutrition programme),
- Support to GoR for the formulation of PSTA 4 and the 3rd Agricultural Sector Investment Plan (ASIP 3), implemented by FAO,
- Support to the NISR for the testing and implementation of an Agricultural Household Survey, for conducting Comprehensive Food Security and Vulnerability Analysis (CFSVA) in 2018, and for conducting agricultural impact analysis. The latter two were implemented by WFP and the World Bank, respectively.

However, other complementary measures were not implemented as foreseen or faced some challenges in implementation or in reaching their objectives fully. A specific challenge was related to the interpretation of the scope of the Technical Assistance (TA) provided to different institutions under the SRC Agriculture and SRC Energy. While the original aim of this TA was the long-term improvement of capacities, interviews with GoR and EUD stakeholders suggest that the ministries or senior staff of Ministries were more interested in support with daily operations and for achieving their Imihigo indicators. This created some tensions between the technical assistance team and the beneficiary institutions.

Under the SBS programme for feeder roads, several complementary measures provided TA for establishing a feeder roads unit at MINAGRI that would work together with the Roads Authority and with local governments in strengthening maintenance capacities. However, the approach was changed during project implementation in line with decentralization policies. As such, after the end of the programme, the maintenance unit in MINAGRI was closed, its staff was dismissed and responsibility for maintenance of feeder roads was fully transferred to the districts.²⁹ During our district visits we found that this is now carried out by members of Community Associations who receive some payment from district governments. However, these actions are limited to clearing and carrying out small repairs.

Under the ongoing SCR Energy, half of the funds for complementary measures were originally allocated to the preparation of feasibility studies for the renewable energy sector. These funds have so far remained unused as the GoR changed priority and/or studies were financed by other development partners.³⁰ As a result, these funds have to be reallocated.

The difficulties in achieving agreements between GoR and EU on the design and content of some of the TA activities under the complementary measures limited the capacity development at MINAGRI and MININFRA, for example in improving data collection for their own M&E and for the EU performance indicators.

Nevertheless, complementary measures were generally useful. They permitted an investment of resources directly in sectors and activities which were considered essential for the success of the budget support intervention. The activities financed under complementary measures would probably not have been carried out if the EU had provided funding to the general budget only. By financing

²⁹ Interviews with EUD and with local governments.

³⁰ Interviews with EUD. See also chapter 5.

these complementary measures, it could be assured that some financial means and human resources were available to the sector in the short-term.

VISIBILITY

Making budget support visible is a challenge but EUD has accepted this challenge and the overall visibility of the EU and its values and activities is good.

In cases where complementary measures were included in a budget support operation, one of these measures aimed to promote the visibility of the EU in Rwanda. In general, making the results of budget support programmes visible is a challenge as all results are achieved through national government budgets and policies. As the GoR makes little effort to credit the EU with results achieved through budget support programmes or with project aid, the EU has to be proactive and undertake its own visibility actions.

EUD has developed a visibility strategy and has opted to use funds available for visibility under different budget support programmes and projects for the financing of a common visibility plan. The funds are used for fostering the overall visibility of actions of the EUD. Under a service contract, different groups of activities are financed: annual events (i.e. street fair for the Day of Europe, exhibitions, a road truck travelling to different districts providing information on EU, concerts or films with European artists); and specific events (football matches, food fair, opera, hip-hop festival, film festival, participation of businesses in the AgriShow at EU village).

No data are available on the proportion of the population that is aware of EU and EU activities in Rwanda, but the impression is that the EU's visibility actions have been most effective amongst the better-off population living in Kigali and/or amongst those with access to modern communication systems.

2.4. Flexibility in adjusting to country context

The EU has demonstrated flexibility in adjusting budget support inputs to an evolving country context.

In general, budget support programmes focused on the objectives of governments strategies valid at the time of programme formulation. The majority of budget support programmes received several addenda to the Financing Agreement over their lifetime. Most frequently, these addenda extended the lifetime of the programme, redefined the disbursement calendar or redefined indicators.

In 2018, the GoR requested amendments to the Financing Agreements of the on-going SRCs in the agriculture and energy sectors, which have been approved. The amendment for the Energy SRC mainly relates to an adjustment of the implementation modalities for the complementary measures, a revision of the methodology for calculating the variable tranche payment, and modifications and updates for some indicators for the variable tranches. Amendments to the Agriculture SRC mainly relate to extending the periods of contracting, implementation and execution of the Financing Agreement as well as a revision of the methodology for calculating the variable tranche payment. It also modifies and updates some indicators for the variable tranches. Interviews with both EUD and government representatives confirm that the EU has shown a high level of flexibility. The ongoing TA program (TECAN) to MINAGRI is currently being evaluated, and EU and GoR are negotiating new projects in the energy sector in order to spend the funds originally allocated to studies.

If performance indicators were not achieved, in several cases the opportunity was given to postpone achievement of these indicators, or even to use the undisbursed funds for other needs of GoR in the

same sector, in the form of project aid.³¹ During the visit of the evaluators, projects under discussion in the energy sector included, for example, expanding improved cooking stoves in schools, or supporting the private sector. To the extent that these projects benefit the sector ministry plans, this practice may reduce the incentive effect of the performance indicators of the variable tranches. While regular budget support resources flow to the national budget and do not automatically increase sector budgets, these projects do. This means that the sector ministry is not negatively affected by the non-performance and is actually benefitting from an intervention under project aid. On the other hand, the practice may be justified if the non-performance is caused by factors beyond the control of the sector ministry.

2.5. Consideration of cross-cutting issues

The attention to cross-cutting issues in EU documents related to budget support programmes has gradually increased during the evaluation period. Cross-cutting issues are systematically mentioned in project documents, but they are – with the exception of governance, the environment and climate change – hardly evident during programme implementation.

The programmes financed under the 11th EDF address cross-cutting issues more comprehensively than those financed under the 10th EDF. Some of the cross-cutting issues such as climate change, governance and rights-based approach gained importance during the 11th EDF as a result of the new European Consensus on Development. The Budget Support Guidelines (September 2017) announced a strategic shift in EU development policy towards stronger conditionality on human rights, democracy and the rule of law, the role of civil society and other elements of good governance. Similarly, a review of GoR policy documents shows that the importance given to cross-cutting issues by GoR has increased during the same period.

Governance: Governance aspects are systematically covered by indicators for the release of the fixed tranches of budget support interventions, in the form of PFM-related eligibility criteria. Furthermore, through complementary measures and other projects, the EU supports the Government's objective of accountable governance by strengthening the control and oversight capacity of public institutions such as Ministry of Justice, Parliament, Ombudsman, Office of the Auditor General, MINECOFIN and National Institute of Statistics of Rwanda (horizontal accountability). These actions also build civil oversight capacity and participation (vertical accountability). Furthermore, complementary measures support governance-related activities such as drafting of PSTA4, TA to planning and TA to monitoring.

Rights-based approach: The European Consensus on Development commits the EU and its Member States to implementing a rights-based approach (RBA) to development cooperation, encompassing all human rights. RBA aims to align development cooperation policies to the human rights commitments of partner countries; it is key to ensuring that no one is left behind and helps address the multiple discriminations faced by people in vulnerable situations. A rights-based approach means that individuals and communities should be fully supported to participate in the development of policy and practices which affect their lives, and to be aware of and to claim rights where necessary.

Such a participatory approach has rarely been applied in most budget support programmes during the evaluation period. The recent budget support programmes, and in particular in agriculture, are the exception in the sense that EUD promoted the participation of farmers' organizations and civil society in SWGs and policy development processes. Furthermore, the EU fosters the RBA with project aid.

³¹ Interviews with EUD officials.

It can also be mentioned that the Sector Reform Contract (SRC) to Support Rwanda's National Multi-Sectoral Strategy to Eliminate Malnutrition includes reference to human rights issues related to child and maternal health as well as legal issues around poverty reduction, food security and changing property rights arising from Rwanda's 2005 Land Reform which includes farmland consolidation.

Gender: Policy documents have addressed gender equality issues at various levels, reflecting the integration of these issues in the national policy framework. Important attention has also been given to these issues by many DPs. However, the level of gender mainstreaming in Budget Support operations – as illustrated by the limited inclusion of gender-related objectives and performance indicators in the SBS financing agreements and monitoring and evaluation activities – has remained weak. There exists no real gender approach nor have specific studies been undertaken for defining gender specific needs.

However, the Financing Agreements in energy and agriculture mention explicitly that a gender-mainstreamed and rights-based approach is to be followed; the objective is to ensure that both men and women benefit equally from EU project and programme activities and to make it possible to measure progress in those sectors. The SRC Energy includes a performance indicator that was considered more important for women than for men, namely improved cooking stoves. For the ongoing SRC agriculture and nutrition, it was attempted to include gender-related indicators, but it proved not possible as, according to EUD staff, there were insufficient gender disaggregated data available for measuring them. Yet, the National Gender Statistics Reports undertaken annually do present some gender indicators that might have been relevant for the SRCs.

Environment and Climate Resilience: The CSP/NIP 2014-2020 indicates clearly that environmental assessments will, if necessary, be undertaken during the identification and formulation phases. The level of mainstreaming of the environment and climate change in Budget Support operations is relatively high: two budget support interventions were financed under the Global Climate Change Alliance (i.e. both GCCA programmes). The EU financed a Strategic Environmental Assessment (SEA) of the Agriculture Sector in Rwanda (Safege, 2011-2012). This study gives an overview of the key environmental issues/challenges in the sector. This SEA was conducted during the formulation phase of Rwanda's Strategic Programme for the Transformation of Agriculture III (PSTA3) for the period 2013-2018. Some budget support programmes, for instance SRC agriculture and GCCA, have contributed to reduced vulnerability to climate change as one of their objectives. Environment and climate change are streamlined in the recent SCRs in Agriculture and Energy. These recent programmes have several indicators related to agro-forestry, the sustainable management of resources, irrigation, and terracing with adequate monitoring of soil acidity. However, the evaluators could not identify specific indicators on expanding research on, and implementation of climate resilient agricultural practices.

HIV/AIDS: HIV/AIDS as a crosscutting issue is not very present in the budget support operations subject to this evaluation. A single budget support operation made reference to HIV/AIDS. This was in Complementary measure C-367786, Institutional Support to Feeder Road Rehabilitation and Maintenance, and it simply encourages contractors to be aware of this disease and obliges them to take out health insurance for their employees. The absence of HIV/AIDS in EU budget support interventions is also related to the fact that EU is not active in the education or health sector, and that no relevant indicators are available in Rwanda for persons affected by HIV/AIDS.

3. DIRECT OUTPUTS OF BUDGET SUPPORT

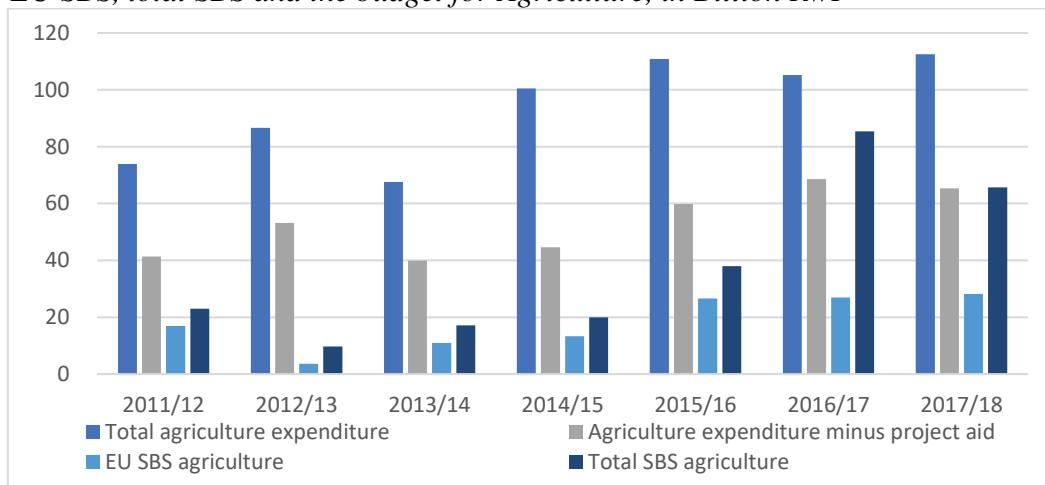
This Chapter presents the answer to EQ 2, “To what extent have the financial and non-financial inputs of EU budget support contributed to creating new opportunities for the GoR and improved the aid framework? And which have been the determining factors?” Additional information can be found in Annex 2, in particular JC 2.1, 2.2, 2.4. This chapter first examines the effects of EU budget support on government spending, then on policy dialogue, and finally on donor coordination and the reduction of transaction costs.

3.1. Effect on budgets

The size of the budget available for discretionary spending has increased due to EU budget support, but this has not always led to additional resources for the targeted sectors.

Budget support funds have contributed to the expansion of discretionary expenditure. Indeed, all budget support has been provided as unearmarked support to the National Budget. However, EU budget support did not always lead to an increase in the budgets for the agriculture and energy sectors.

Figure 3: EU SBS, total SBS and the budget for Agriculture, in Billion RwF



Sources: for EU SBS: file inventory disbursements; for budget data: MINECOFIN (revised budgets, organisational classification, including district expenditure), for SBS from other donors: MINECOFIN data.

When comparing total EU budget support for agriculture³² with the total budget for agriculture, they move together in all years except 2012/13, 2013/14 and, to some extent, 2016/17 (Figure 3). The same conclusion can be drawn when comparing EU budget support with the relevant part of the agriculture budget (excluding project aid for the sector).³³ When including SBS from other donors, the trend is more or less the same. However, it is striking that in 2016/17 and 2017/18, the total budget support for the sector exceeded the agriculture budget minus project aid.³⁴

The budget for the energy sector decreased during the first two years of the EU Energy SRC (Figure 4). This decline was not mentioned in the EU sector policy assessments or discussed in the sector policy dialogue. In 2017/18, when GoR received a large Energy Policy Development Loan from the

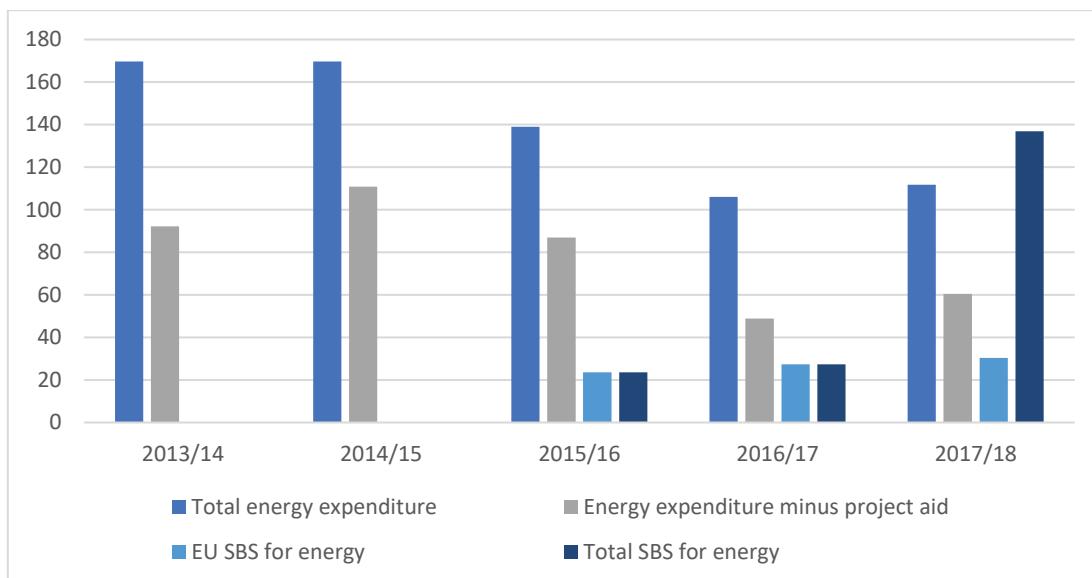
³² Including SBS contracts for Agriculture intensification, Decentralised Agriculture, GCCA, SRC Malnutrition and SRC Agriculture. We exclude the feeder roads contract as feeder roads are under a different organisation in the GoR budget.

³³ The total sector budget includes expenditure financed by (on-budget) project aid. Since budget support cannot influence that part of expenditure, the relevant comparison is with the sector budget excluding project aid.

³⁴ The (actual) outturns proved even lower than the revised budget presented here (see below).

World Bank, the energy budget increased somewhat, but, even then, the increase was not in proportion to the size of that loan.

Figure 4: EU SBS, total SBS and the budget for Energy, in Billion RfW



Sources: for EU SBS: file inventory disbursements; for budget data: MINECOFIN (revised budgets, organisational classification, including district expenditure), for SBS from other donors: MINECOFIN data.

Government officials confirmed that, in general, an increase in sector budget support does not automatically lead to an increase in the sector budget. The sector budgets are determined on the basis of the nationally defined priorities and performance indicators and take account of sectoral absorption capacities. Given that EU performance indicators are aligned with the national ones, the GoR argues that achieving them is automatically taken into account as well. Government officials explain the decrease of the energy budget by pointing out that, during these years, the private sector began to make huge public investments in generation capacity. Yet, this can only be a partial explanation. The government could have allocated more resources to transmission and distribution in order to meet its targets for the increase of on-grid connections – targets which were missed.

3.2. Predictability of budget support resources

Predictability of budget support resources is high.

The six-year duration of the most recent SRCs has further enhanced predictability. If there are delays in disbursement, they are in most cases a few months only. With the exception of one case, disbursements were always made in the same fiscal year. Delays are often due to lack of robust evidence on achievement of indicators in the disbursement request. For example, in SRC Agriculture and Nutrition the EUD had to ask the National Authorizing Officer (NAO) on several occasions to improve presentation of the claim for disbursement and to provide suitable evidence of achieving the indicators.³⁵

As discussed in Chapter 2, not all variable tranches were released fully. Budget support programmes financed under the 10th EDF achieved most of the objectives related to indicators for variable tranches. Recent budget support interventions under the 11th EDF (SRC Energy and SRC Agriculture

³⁵ Review of EU documentation related to tranche release, interviews with EUD staff and GoR officials.

and Nutrition) face some more problems in achieving their objectives in terms of performance indicators, often because: a) the targets may have been too ambitious and/or the sectors did not receive sufficient funding and/or they planned to achieve the objectives with the involvement of the private sector and this did not work out; or b) there is no reliable system available to provide suitable evidence – even though the sectors sometimes consider that they have achieved the targets.³⁶

The EUD is in continual dialogue with GoR to advise on how to overcome challenges in achieving indicator targets in order to improve predictability. During HLPD and other meetings between EUD staff and GoR officials, possible risks and challenges of non-achievement of the targets are discussed in order to give GoR sufficient time to prepare the evidence on achievement of the targets.

3.3. Policy dialogue frameworks

EU budget support has contributed to some extent to the strengthening of the sector policy development processes and to an important but small increase in the participation of the private sector, farmers' organisations and civil society, in particular in the agriculture sector dialogue. But the policy dialogue on macro-economic issues is weak. In addition, the top-down nature of national planning, and the absence of the highest decision-making levels in these dialogues, limit their productivity. The different policy dialogues have been more effective for operational and technical issues than for strategic discussions on objectives, policies and (spending) priorities.

In general, Rwanda has had good frameworks for policy dialogue in place at national and sector level and both DPs and GoR are committed to this dialogue. Nevertheless, there are some limitations to this policy dialogue.

With the dismantling of General Budget Support in 2012, the associated policy dialogue on macro-economic policies and related issues came to an end. For GoR, the Development Partners Coordination Group (DPCG) is now the forum for discussing macro-economic issues. However, for the donor community this forum is too big for in-depth discussions as it includes all Permanent Secretaries (PS) and all donors. In addition, donor representatives in DPCG may not have macro-economic expertise, and their interest in macro-economic issues may vary as most of them do not provide budget support.

When GBS ended, the GoR strengthened sector policy dialogues by setting up Sector Working Groups (SWG) in which all donors active in the sector participate. Donors are joined by the relevant government agencies at Permanent Secretary level by civil society (often) and by private sector representatives (more rarely). The three SWGs relevant for this evaluation are Agriculture, Energy and PFM. The EU has strengthened the policy dialogue in these SWGs in different ways. The Energy SRC had a specific performance indicator and target on setting up an operational M&E unit in MININFRA, and one that required this unit to present forward and backward reviews of the sector (which are then discussed in the SWG). GoR officials credit these EU indicators, and the policy dialogue with the EU, with an improvement of the operation of the SWG in general: meetings are held more regularly, and there is better coordination of activities.

The EU has strengthened both the SWG Agriculture and SWG PFM by being the co-chair of these Groups for several years.³⁷ The other co-chair of these groups is the main Ministry involved. According to government officials and representatives of other DPs, the EU has helped to secure more regular meetings, more policy-relevant topics on the agenda, and has improved meeting reports.

³⁶ For details see Annex 1, J.C. 2.1.

³⁷ In PFM from 2015 to 2018, and in Agriculture from 2015 and on-going.

However, opinions vary on the effectiveness of the PFM policy dialogue. Some argue that partners are willing to work together for improvements and that there is mutual trust. Others indicate that policy dialogue in these areas focuses on operational issues and that more fundamental issues are not discussed. In addition, the PFM Consultative Forum, the highest policy dialogue forum in this area, has not met since 2017.

In Agriculture, the EU has contributed to strengthening the SWG also by other means. First, the EU hired a consultancy firm to support the formalization of the Agricultural Sector Working Group.³⁸ Secondly, the EU contributed to the increased participation of private sector, farmers' groups and civil society in the Agriculture SWG and in technical working groups. This was done through the policy dialogue and through specific support (complementary measures) to, for example, farmers' organizations and civil society umbrella organizations. Although progress has been achieved, this participation still needs improvement.³⁹

There is some participation of private sector companies in the Energy SWG, but civil society participation is lacking – mainly because there are hardly any civil society organisations active in the sector. Civil society is also absent from the PFM policy dialogue although there is evidence of some civil society organisations being invited for the latter.⁴⁰

A continuing challenge for all SWGs is the understaffing of government institutions; this sometimes hampers preparation of and reporting on policy dialogues, despite the support that is provided by the EUD and other DPs for these monitoring units. In addition, there are limitations in the extent to which these dialogues can allow for exchanges of views on fundamental issues. The large number of participants make real discussions or dialogues difficult. It has also proven to be difficult to discuss politically sensitive issues. For example, the EU and other donors are not always able to put the allocation of government expenditure on the agenda. Results of the policy dialogue are also constrained by the fact that the highest decision-making levels, Ministers or the Prime Minister's Office, are absent in such dialogues.⁴¹ As a result, the scope of these dialogues is often limited to more operational issues.

In addition to these platforms in which all donors participate, budget support allowed the EU to have a “High-Level Policy Dialogue” (HLPD) between the EU and the GoR on the Sector Reform Contracts. Participants are the sector Minister and representatives of the related key departments, and from EUD the Head of Delegation, Head of Cooperation and the head of the respective sector. Compared to the SWGs, this forum allows for more discussions on policy issues, as it only includes one donor (the EU)⁴² and the relevant government agencies in the sector. However, many policy issues remain difficult to address. One important reason is that decisions on these policies are made at a higher government level.⁴³ Another issue is that the government and the EU do not have the same understanding of the objectives and scope of this policy dialogue. The EU sees it as a forum for discussing broader policy issues, while for the GoR, and in particular for MINECOFIN, it is mainly meant to discuss the performance indicators of the EU budget support operations.⁴⁴ Nevertheless, the EU and through the EU, some EU Member States, can sometimes use the HLPD to tackle issues more

³⁸ Financed outside budget support under another instrument (Framework Contract)

³⁹ Interviews with DPs, private sector organizations and CSOs.

⁴⁰ Interview Transparency International Rwanda (TIR). TIR staff pointed to time constraints, and the same probably holds for other organisations.

⁴¹ Interviews with GoR officials and EUD staff, analysis of lists of participants in meetings

⁴² In the energy sector, (EU member state) Belgium has participated as well.

⁴³ Level of the President or Cabinet

⁴⁴ Interviews with EUD and MINECOFIN.

effectively than would have been possible if they had been acting individually or had only been providing project aid.⁴⁵

3.4. Donor coordination

EU budget support has contributed somewhat to improved donor coordination through the provision of technical assistance and has played a positive role in donor coordination in sectors where the EU is active.

At a general level, the GoR shows leadership in donor coordination, allocating sectors for intervention to each donor. However, there is no well-established coordination mechanism for technical assistance and capacity building interventions. Coordination of TA at sector level is sometimes assigned to particular institutions or agencies; for example, USAID's Power Africa has collected the information related to the energy sector. Furthermore, donors exchange information on intended capacity building interventions in the SWGs, but full information on what other donors are doing is usually not available. In Agriculture, the EU has taken the initiative to map all TA to the sector, on the basis of information provided by DPs.⁴⁶

The positive role played by EU budget support in donor coordination generally is already evident from the EU contributions to improving the different sector policy dialogues. In addition, there is some further evidence that EU budget support operations have had a positive effect on donor coordination:

- EU's involvement in donor coordination and joint sector reviews and other papers is appreciated by the other donors and by the private sector. The EU responses and comments to key sector papers are found useful by other actors.⁴⁷
- EU leadership was important in the formulation of a common position amongst DPs on the definition of standards for solar panels (see also chapter 5).
- EU leadership was important in the formulation of a common position of DPs on the National Feeder Roads Policy and Strategy.⁴⁸

3.5. Reduction of transaction costs

Transactions costs of budget support are lower than for project aid and have been reduced over time due to the larger size of recent sector budget support operations.

Both GoR officials and EUD staff confirmed that transaction costs (especially time) involved in managing budget support are lower than for managing project aid. EUD respondents emphasised the extensive work related to the preparation and management of SRCs, but confirmed that it would be impossible to manage the same amount of development resources (as implemented through SRCs) by using a project approach. They also confirmed that the significantly larger size of budget support interventions (under the 11th EDF) has reduced workload compared to small budget support interventions (under the 10th EDF).⁴⁹ They added that budget support programmes imply a different workload distribution in the EUD with more workload on expat staff (in particular management and middle management) and less on local and finance and contract staff.

⁴⁵ The case study Rwanda on the evaluation of EU sustainable energy cooperation (2011-2016), and interviews with EU member state and EUD staff.

⁴⁶ The evaluators received this list from EUD; it was last updated in May 2018 (See Table 31 in Annex 2).

⁴⁷ Interviews with DPs and GoR officials

⁴⁸ Joint Development Partners' comments on the draft National Feeder Roads Policy and Strategy, Kigali 10.12.2015.

⁴⁹ This holds true for the SBS contracts; the GBS under the 10th was the largest of all.

The evaluators have made an approximate estimation of the transaction costs to the EU for budget support and project approach. The information for making the comparison is mainly based on interviews with EUD staff during the field visits, general information known about budget support programmes, analysis of documentation prepared related to tranche releases, and experiences of the evaluators related to reporting needs for interventions under the project approach.⁵⁰ The exercise shows that the transaction costs of the project approach (even with projects of an average size of M€ 20) are more than 60% higher than those of the SRC. If the (estimated) average size of projects is around M€ 10, the transaction cost difference between the two approaches increases considerably.

Budget Support interventions are highly appreciated by MINECOFIN for the reason that it provides flexible financing to the budget. For MINECOFIN, budget support involves participation in HLPD and preparation by NAO of many documents for the disbursement requests – which imply relatively low transaction costs.

But the burden on sector officials is higher. Sectors must make efforts to meet the general eligibility requirement (good sector policies) and must achieve the specific triggers for the variable tranches – without necessarily getting additional resources, as shown above. In addition, they must engage in an intensive policy dialogue with EUD: both formally in the HLPD but also informally through regular dialogues with EU officials. The situation under a project approach is very different: projects usually include the establishment of a well-staffed and well-equipped management unit permitting it to work under considerably easier conditions on the achievement of specific results for targeted beneficiaries. Yet, due to the fact that resources are used through the government's own budgeting, procurement and implementation systems, and since indicators are, in principle, aligned with GoR own targets, overall transaction costs for budget support are much lower than for project aid, both for the EU and the government.

4. INDUCED EFFECTS ON POLICIES AND INSTITUTIONS

This chapter discusses the induced effects of the different budget support inputs on macro-economic management and domestic revenue mobilization, on the quality of Public Finance Management (PFM), and on strengthening local governance (Evaluation Questions 3, 4 and 5). For a full overview of findings on all JCs for these Eqs, see Annex 1. The chapter first assesses the effects on macroeconomic management and domestic revenue mobilization, and then the effects on PFM, transparency and local governance.

4.1. Macroeconomic management and domestic resource mobilization

The effect of the different budget support inputs on macroeconomic management, macroeconomic stability and domestic revenue mobilization was limited. The resources helped to finance investment and thus may have contributed to the high economic growth. However, it appears that GoR macro-economic and fiscal policies were not sufficiently pro-poor and the EU, through its budget support operations, did not manage to reverse this.

Over the evaluation period, EU budget support funds constituted 3% of Rwandan government expenditure, on average. The trend is quite stable, with a dip in 2012/13 and a slight decrease in the

⁵⁰ Experiences gained by the evaluators as project managers for EU programmes and as evaluator or ROM experts of EU interventions implemented under project approach.

two most recent years (2.8% in 2017/18 and 2.4% in 2018/19).⁵¹ There is no joint framework for budget support anymore⁵² and the share in the budget is low compared to countries where such joint frameworks exist: in previous budget support evaluations for Sub-Saharan African countries, the (joint) amount provided as budget support ranged between 6% (Ghana) and 23% (Burundi) of government expenditure, with an average of 13%.⁵³

In theory, the domestic macroeconomic effect (i.e. on public finance) of budget support *funds* can be: i) an increase in expenditure; ii) a reduction in the deficit after grants (or a reduction in public debt through debt amortisation); iii) a reduction in tax revenues; or iv) some combination of the three. The second possibility implies a contribution to macroeconomic stability, while the third is obviously a non-desired effect.⁵⁴ In the case of Rwanda, there is no evidence for these two possibilities. Domestic revenues have increased, with the share of tax revenues to GDP rising from 12.4% in 2010/11 to 16.0% in 2018/19. And the budget deficit remained more or less stable over the evaluation period, except for the years 2012/13 and 2018/19, when it was somewhat higher.⁵⁵ Given the government's ambition to foster growth and development, the most likely effect of the fiscal space provided by the resources has been an increase in expenditure. This is confirmed by a high-level government officer who stated that the EU budget support grants have helped to increase investment.⁵⁶ This implies that there is no contribution to (internal) macroeconomic stability.

With regards to the external accounts, budget support grants may help to increase imports, increase reserves, increase debt payments, or decrease exports, decrease other capital inflows, or lead to capital flight.⁵⁷ In Rwanda, they most likely allowed for a combination of an increase in imports (to the extent necessary for investment) and a reduction in capital inflows (loans) for financing the current account deficit. To the extent that the latter has materialized, there has been a small contribution to (external) macroeconomic stability.

Another expectation is that budget support resources influence the composition of spending, and in particular lead to more allocative efficiency than project aid. This usually means that governments can allocate more resources to recurrent expenditure, since project aid is usually tied to investment projects. For Rwanda, the evidence shows that the GoR most likely used the resources for investment. Nevertheless, allocative efficiency may still have improved due to the flexible fiscal space provided by budget support funds.

The other budget support inputs, the policy dialogue and Technical Assistance (TA) may have influenced domestic revenue mobilization and macroeconomic management. However, the contribution of the EU budget support inputs in these areas is marginal. First, as discussed in chapter 3, the policy dialogue on macro-economic issues has weakened since the demise of GBS in 2012. The main dialogue is between GoR and the IMF. The EU and other development partners are invited to give their views during briefing and debriefing meetings of all IMF (bi-annual) missions to the country. But for donors this is not the same as having a direct dialogue with GoR. In theory, the

⁵¹ Volume II, Annex 1, JC 2.1.

⁵² Although a few bilateral donors (UK, Netherlands, Belgium) continued to provide sector budget support after the demise of GBS, they all stopped doing so after a couple of years, and since around 2016 only the World Bank remains as (other) budget support donor with its Development Policy Loans.

⁵³ Dijkstra, G (2018). Budget support, poverty and corruption: A review of the evidence. Report 2018-04, Expert Group for Aid Analysis (EBA), Stockholm. www.eba.se

⁵⁴ When including the other inputs of budget support, policy dialogue and complementary measures, budget support is often expected to *increase* tax revenues.

⁵⁵ Measured in percent of GDP; data from MINECOFIN and (for GDP): NISR. See JC 3.1 in Annex 1 of Volume II.

⁵⁶ See also chapter 3, showing that the links between sector budget support and sector budgets are weak.

⁵⁷ See G. Dijkstra, A. De Kemp and D. Bergkamp, Budget Support: Conditional Results, IOB evaluation No 369, The Hague, Ministry of Foreign Affairs The Netherlands, 2012, p. 96; in turn based on H. White and G. Dijkstra, Programme Aid and Development: Beyond conditionality. Routledge, 2003.

Development Partners Coordination Group (DPCG) could provide a forum for a macro-economic dialogue. However, a meeting with all Permanent Secretaries and all donors, most of which do not provide budget support, is different from, and much less effective than, a meeting with MINECOFIN and budget support donors only. The EU, together with EU Member States, also has access to the Article 8 consultations with GoR.⁵⁸ It once tried to raise a concern on the macro-economic situation in this forum, but it appeared that the government did not really want to discuss the issue in this framework.

Second, the EU budget support programmes did not include complementary measures to support macroeconomic management or domestic revenue mobilization. The EU did contribute to a PFM basket fund which has helped (among other things) to improve capacities of the Rwanda Revenue Authority (RRA), but this is not directly related to budget support. In addition, there is an on-going separate EU TA project to the RRA on transfer pricing. This project is well-appreciated by the government, but again, this is not part of the budget support inputs.

Over the evaluation period, the IMF assessments of macroeconomic policies have always been positive. The macroeconomic assessments of EUD, produced for all budget support disbursements as part of the eligibility criteria, have also been positive over the evaluation period. But these assessments usually also contain some critical remarks. Indeed, most macro-economic indicators are good, and many show a positive trend.⁵⁹ But there are some areas of concern with respect to Rwanda's macroeconomic policies.

A first issue is the somewhat high budget deficit and the related increase in public debt. The deficit (after grants) was around 5% of GDP between 2013/14 and 2017/18 and increased to 7% in 2018/19.⁶⁰ The debt/GDP ratio increased from 13% in 2010 to 35% in 2018.⁶¹ Although most of the debt is still concessional, the non-concessional part of the debt is gradually increasing. According to the latest Debt Sustainability Analysis conducted by IMF and World Bank staff, the debt is still sustainable⁶² but opinions vary about whether future growth rates will be high enough to sustain the debt.⁶³

Secondly, and although tax revenues in percent of GDP have increased, this share is still low. The general opinion among GoR, IMF and most DPs is that it has become increasingly difficult to raise revenues further, given the small tax base due to the large informal economy. However, many companies benefit from tax exemptions for an estimated cost of 3.3% of GDP.⁶⁴ According to the World Bank, these exemptions can be reduced, and this view is shared by EUD.⁶⁵

A third concern regards the composition of spending. First, we have pointed out that GoR most likely used the fiscal space provided by budget support resources for investment. Yet, public investment was already quite high⁶⁶ at around 40% of total spending over the evaluation period (with no clear

⁵⁸ Article 8 of the Partnership agreement between the members of the African, Caribbean and Pacific Group of States on the one hand and the European Community and its member states on the other hand stipulates that there is a regular political dialogue between the parties with the aim of fostering shared priorities and agendas. https://eur-lex.europa.eu/resource.html?uri=cellar:eebc0bbc-f137-4565-952d-3e1ce81ee890.0004.04/DOC_2&format=PDF

⁵⁹ See Annex 1, JC 3.1 and 3.2 for an overview.

⁶⁰ MINECOFIN budget data, based on revised budgets.

⁶¹ World Bank, World Development Indicators database.

⁶² IMF, Debt Sustainability Analysis, June 2019.

⁶³ Many interviews with government officials and with donors.

⁶⁴ Bode et al (2017). "Attracting investments while raising tax revenue: Recommendations for reviewing Rwanda's tax incentives". Policy note, International Growth Centre, Kigali, cited in World Bank (2018), Rwanda: Future drivers of growth, p. 131.

⁶⁵ They should be targeted better and should be linked to performance and to sunset clauses. World Bank 2018, Rwanda, Future drivers of growth; and interviews with EUD officials.

⁶⁶ For example, while in 2016 public investment (gross fixed capital formation) as share of GDP was 3.4% in Sub-Saharan Africa, on average (calculated from World Bank, World Development Indicators, accessed 27 May 2020), it was 10.9% in Rwanda (MINECOFIN figures).

trend). In view of the consistent complaints on understaffing in government agencies,⁶⁷ a larger allocation to recurrent expenditure (including staffing) might have been better. In addition, there are concerns about the relatively low investment in agriculture (less than 10% of total investment), on the low spending on education, and on the high fiscal losses in the energy sector due to, among other factors, excessive investment in power supply in combination with agreements guaranteeing high prices to suppliers regardless of actual demand.⁶⁸ Another worrying trend is that the share of the budget going to subsidies for state-owned companies including Rwandair, export promotion activities, pre-financing peace-keeping operations and servicing debt is increasing. All in all, there are doubts about the pro-poorness of government macro-economic and fiscal policies.

GoR is aware of the fact that the EU assesses the macroeconomic situation for each disbursement but does not perceive this as something to worry about as long as its policies are on track with the IMF programme⁶⁹ – which has so far always been the case. It has an intensive dialogue with the IMF in which the IMF usually approves the policies and it considers that “the IMF represents the donors” on that matter. However, EUD does not always fully agree with the assessments of the IMF and perceives the lack of opportunities to directly discuss macroeconomic policies with GoR as a factor limiting the effectiveness of budget support.

4.2. PFM, transparency and accountability at central and local level

There have been improvements in PFM, in local governance capacities and, to a much lesser extent, in transparency, but the contribution of budget support has been limited. The policy dialogue played a small role in initiating improvements in the more technical aspects of PFM, and some of the performance indicators targeted to specific PFM or transparency issues at sector levels were successful.

PFM systems have improved over the evaluation period, and this holds in particular for internal controls on execution, the timely production of budget execution reports and procurement systems.⁷⁰ In addition, the capacities for external oversight by, for example, the Office of the Auditor General (OAG) and Parliament have improved. The main factors driving these positive developments were the willingness and efforts of the GoR, and technical assistance provided by donors. This TA came from the IMF, the World Bank, and other donors, often through the PFM basket fund to which the EU contributed. The PFM basket funds has sub-funds for the OAG and the RRA. TA was especially helpful by introducing technical improvements such as IFMIS and the e-Procurement system.

The policy dialogue on PFM sometimes played a role in initiating and/or coordinating these improvements. This policy dialogue takes place in the PFM Consultative Forum, the PFM TWG and the sub-TWGs for RRA and OAG, in which the EU is an active participant.⁷¹ The donors often recommended the carrying out of diagnostic studies, and the conclusions of these studies sometimes lead to changes in policies and procedures, and to technical assistance to support these changes.

Some of the EU’s specific performance indicators may have contributed to the timely publication of budget execution reports. The Decentralised Agriculture programme (with disbursements between 2011 and 2015) included as one of its performance indicators that 90% of districts should submit financial reports on the previous year’s budget execution. This condition was always met, as 100%

⁶⁷ Many interviews with government officials and with donors.

⁶⁸ World Bank, Rwanda: Systematic Country Diagnostic 2019, and for high energy costs: Kojima. M and C Trimble (2016), Making power affordable for Africa and viable for its utilities. World Bank, AFREA and ESMAP and World Bank, 2019, Program document for a development policy credit to GoR for a Third Rwanda Energy Sector Development Policy Financing.

⁶⁹ Interview high-level government official.

⁷⁰ See for details Annex 1, JC 4.2.

⁷¹ As highlighted in chapter 3, the PFM Consultative Forum is the highest body for the policy dialogue, but it has not met since 2017.

of districts submitted these reports. The SRC Energy stipulated that there should be a mid-year budget review in Energy within three months of the end of the period, and that quarterly execution reports had to be published within 45 days of the end of the period. Both conditions were met when they were assessed (May and September 2016, respectively). However, the level of disaggregation in the MININFRA budget execution report was not considered sufficient for this trigger to be considered as “met” in May 2016.

Furthermore, although the share of government entities that receive an unqualified opinion on their financial statements from the Office of the Auditor General (OAG) has increased from 36% in 2012/13 to 57% in 2017/18, there are big problems with agencies that are important for the on-going EU budget support operations. RAB, REG, EUCL, and EDCL still received an adverse opinion on their financial statements in 2016, 2017 and 2018. And most districts (28 out of 30) received a qualified opinion.⁷² In the case of districts, this is often due to the fact that OAG examines consolidated statements that include reports of entities not yet included in IFMIS (schools) and about which OAG cannot check the accuracy of the statements.⁷³

Decentralisation and local governance capacities: Some improvements have also occurred in the fiscal framework for decentralisation and in capacities for service delivery in districts, although the contribution of budget support to these improvements was limited. The resources may have contributed to an expansion of local government staff. During our visits to four districts we found that district staff for implementation of agricultural and nutrition policies and for auditing had increased, and recently districts also have an Energy Maintenance Officer. However, a recent study assessed the capacities at district level as still insufficient,⁷⁴ and the satisfaction with agricultural and livestock services is lower than that with all other government services.⁷⁵

As to the role of the policy dialogue, the EU sometimes attends the meetings of the SWG on Decentralisation and local governance but is not a very active participant. However, the PFM policy dialogue to some extent also covers district PFM capacities, and for example, discusses and promotes the roll-out of IFMIS and of the e-Procurement system.

Complementary measures related to the SRC Agriculture aimed to improve district planning capacities by improving data collection and availability. One technical assistance project established the Agriculture Management Information System (AMIS) to support planning at central and district level. In practice, data are collected for monitoring progress on Imihigo targets only. While districts supply information for the AMIS, they do not have their own MIS and work with excel sheets systems for monitoring the district plans.⁷⁶

Transparency: In the area of fiscal transparency, there are fewer improvements, and the PFM policy dialogue has not been able to change this. For example, the EU has argued unsuccessfully for a long time to publish the full OAG Reports (and not just the summary) and to publish budget execution reports in more detail, so that they can be compared with the budgets. Donors, and in particular the EUD, advocated for including the improvement of fiscal transparency in the recently adopted PFM Sector Strategic Plan (2019-2024), but the GoR did not want this. In 2019, the IMF carried out a Fiscal Transparency Evaluation,⁷⁷ but the results are not yet public. Nevertheless, the GoR made an action plan in order to address the recommendations of the IMF Transparency Evaluation, and also

⁷² OAG Executive Summary Annual Report 2018.

⁷³ Interview with OAG.

⁷⁴ Ministry of Local Government (2019), “Assessment of the impact of decentralisation policy implementation in Rwanda, 2001-2017.”

⁷⁵ Rwanda Governance Board, Citizen Score Card 2018.

⁷⁶ Interviews with staff in Rulindo and Rubavu. This issue was not raised in the other two districts visited.

⁷⁷ This IMF Evaluation has a slightly different content from what the EU considers “transparency”, for example covering technical issues like fiscal risk analysis. Source: interview with MINECOFIN official.

to improve the country's score on the Open Budget Initiative (OBI).⁷⁸ This action plan was provided to the evaluators but it is not public.⁷⁹ According to this document, Budget Framework Papers (the MTEF) are now (since the 2019/2020 budget) made public two months before they are discussed in Parliament.

Some of the triggers for variable tranches of EU budget support were linked to the transparency objective. In the Energy SRC, the EU linked part of one of the variable tranches to MININFRA making available a sufficiently disaggregated budget execution report, but this condition was not met. Another performance indicator asked for publication of the OAG report on MININFRA and REG. This condition was not met either. However, the EUD does receive these reports since then, which can be considered a partial success.

In view of the consistent adverse OAG opinions on RAB – the agency with most spending in agriculture – and the qualified OAG opinions on the financial statements of most districts, the EU has required an Agriculture Public Expenditure Review (PER) and an Agriculture Public Expenditure Tracking Survey (PETS), in 2017/18 and in 2018/19, respectively. Both had to be conducted according to World Bank guidelines. Although both conditions were not (fully) met at the moment of the disbursement decision, the reports met the required standards later and are now publicly available. They have contributed to improving the transparency of agriculture expenditure.

The EU Decentralized Agriculture programme included a performance target on the percentage of districts submitting a performance report – later called Imihigo report – on the previous year. The target increased from 50% in 2011 to 90% in 2014. While the baseline (2006-2008) was zero, the targets were always met, so this implies a strong increase in the number of performance reports presented. For the final year (2015), the indicator involved a harmonization of standards for Imihigo reporting, and this was also considered met. This can be considered a success. However, we do not know if this progress has been consolidated. The evaluation team observed that districts do publish their service charters and Imihigo performance reports on notice boards, often also at sector level. But while Imihigo plans are sometimes on districts' websites, Imihigo reports are not.⁸⁰ So the evaluation team was not able to check the content and extent of harmonization of these reports.

Participation and accountability. Through other interventions, the EU has contributed to improving participation and accountability. One of these interventions is the “Strengthening Civil Society Organisation Capacity in Promoting Sustainable Agriculture Policies and Citizens Participatory Budgeting” (SCAB) project. With this support, Cladho-ActionAid Rwanda presented their concerns on the budget to the Parliamentary Budget Committee.⁸¹ The EU also supports civil society organizations that engage in expenditure tracking: Cladho, RCSP and TIR. The most active NGO in this area is TIR. It engages in advocacy at local level on the basis of OAG reports. It has had some success in changing policies, for example achieving a reduced interest rate for VUP (social protection) services.

⁷⁸ This score increased from 11 in 2010 to 36 in 2015, but then decreased to 22 in 2017. According to OBI, fewer budget documents were publicly available in the latter year but according to other observers, not much changed between 2015 and 2017. <https://www.internationalbudget.org/wp-content/uploads/rwanda-open-budget-survey-2017-summary-english.pdf>.

EUD,

Transparency and oversight of the budget, March 2017.

⁷⁹ MINECOFIN, Summary findings and recommendations from Fiscal Transparency Evaluation and OBI, action plan status 21 October 2019.

⁸⁰ Own observation for the four districts visited.

⁸¹ rwanda.actionaid.org/stories/2019/civil-society-platforms-present-budget-framework-concerns-parliamentary-committee-0

5. EFFECTS ON ENERGY SECTOR

This Chapter presents the answers to EQ 6, “To what extent and through which mechanisms (funds, dialogue and TA) has budget support contributed to an improvement in policy formulation and implementation processes, and to its related accountability (including in public service delivery)?” and to EQ 7, “To what extent, in the Energy sector, have the development outcomes (including nutrition, food security, gender and inclusive development) pursued through the policies and programmes supported by budget support been (or are being) achieved? Which have been the determining factors of their achievement?” Additional information can be found in Annex 1, under EQ 6 (energy) and EQ 7.

The chapter begins by assessing the effects of EU Budget Support on policies and implementation capacities, and then examines the outcomes of the policies and the possible factors that explain these outcomes, in particular related to least-cost electricity system planning and the evolution of energy costs, access and affordability, quality of services and energy losses, and use of biomass resources and efficient cooking methods.

5.1. Energy policies

EU budget support has contributed to the improvement of energy policies and strategies and to an improvement in policy making and monitoring frameworks.

Over the past two decades several national strategies were developed, which to varying degrees, have affected the energy sector. At the start of EU budget support, the monitoring frameworks for these policies and strategies were weakly developed.⁸² The EU Budget Support, through policy dialogue and through its performance indicators, contributed to more structured reviews of policies and their implementation.⁸³ This can be seen as a direct output of budget support (Figure 5).

Examples include establishing bi-annual Backward and Forward Looking Sector Reviews, periodic meetings of the Sector Working Group (SWG), Technical Working Groups (TWG) and High Level Policy Dialogue.

Many of the strategies and policies in the energy sector contained very ambitious targets. The EU, together with other DPs, used policy dialogues to bring in a great deal of realism that helped to establish more attainable targets or alternative courses of action (an induced output).

5.2. Institutional capacities for policy implementation

EU budget support has had limited effect so far on implementation capacities but it has contributed to setting up a Monitoring & Evaluation (M&E) system that – although still weak during the evaluation period – is gradually gaining strength.

The institutional framework of the sector was strengthened in 2014 with the creation of REG Ltd. and its subsidiaries: Energy Utility Corporation Limited (EUCL) and Energy Development Corporation Limited (EDCL). MININFRA has been responsible for formulating policies, and REG, EUCL and EDCL are implementing agencies. This has made for a clearer allocation of responsibilities, but the sector still experiences significant capacity gaps in planning and implementation and also in some technical skills. The Energy SRC contributed to the setting up of an M&E unit in MININFRA but so

⁸² Technical Assistance Facility for the Sustainable Energy for All Initiative West and Central Africa. EuropeAid/134038/C/SER/Multi Contract No 2013/335152 Rwanda.

⁸³ EU documents, and Interviews with EUD and GoR staff.

far it focuses on indicators included in the JSRs, on Imihigo targets, and on indicators for DP funded projects. Our own research showed that the available data on the energy sector are not consistent across sources, formats, time periods (fiscal versus calendar year, quarterly versus annual), and years in which they are presented. Some data are simply inaccurate.⁸⁴ Some EU complementary measures were targeted to improve capacities at MININFRA and REG, and also to improve data collection, but due to the aforementioned lack of common understanding of aims and scope of this TA, it has not achieved much up to the end of the evaluation period. Yet, there are some indications of recent improvements, especially in the M&E system.⁸⁵

5.3. Emergence of least-cost electric system expansion planning

The policy dialogue and performance frameworks related to budget support helped to transform sector planning from a politically driven process to one that is based on economically justified decisions. Nevertheless, it was work-in-progress by the end of the evaluation period with room for further improvements. EU complementary measures could have supported improvement but the GoR did not use this opportunity yet.

Originally, the planning for expansion of electricity generation capacity in Rwanda was done in a fairly arbitrary way. This resulted in overly ambitious targets⁸⁶ based neither on properly assessed future demand nor selection of adequate generation technologies. The optimistic projections for load growth (i.e., demand) in the country did not materialize and the push for more generating capacity resulted in the construction of more power plants. The effect was an excessive reserve margin, substantially exceeding, for some years, the present value of 40%, while 15% would be more appropriate and sufficient.⁸⁷

As a result of the dialogue between EUD together with other Development Partners and GoR, a shift towards evidence-based planning has been observed. The new approach, relying on least-cost planning principles and computer based modelling, resulted in the preparation of planning scenarios for long-term capacity expansion and consideration of various generation options.⁸⁸ The process was still under development at the end of the evaluation period, as REG staff were continuing to gain competence in structuring planning scenarios. There were several gaps observed in the scenario planning, the elimination of which would make the results more realistic and meaningful. The absence of analyses of the risk of pursuing particular types of generation technologies is one such gap. Additionally, a study to identify the economic and technical limitations of the sizes of various generation options, especially renewables, would be a useful supplement to the long-term planning. Furthermore, the emphasis so far is primarily on generation technologies while the impact of demand-side options, especially active load management, has been neglected.

EU Budget Support, through its complementary measures, could have played a major role in completing these and other studies. However, MININFRA has not used this opportunity yet.⁸⁹

⁸⁴ The detailed list and examples of encountered issues with data quality is presented in Volume II, Annex 1, under JC 7.1.

⁸⁵ Based on comments from GoR and EUD staff to our draft report.

⁸⁶ ESSP 2012-2018, ESSP 2018-2024 called for construction of 563 MW and 512 MW of generating capacity respectively, while the 2018 installed capacity of 218 MW was more than sufficient for 150 MW of electric load.

⁸⁷ Calculations based on data provided by MININFRA. By 2019, 15% has become the official target for the reserve margin.

⁸⁸ Rwanda Least-Cost Power Development Plan (LCPDP) 2019-2040. June 2019

⁸⁹ Interview with EUD on May 10, 2019.

5.4. Use of renewable energy sources (RES)

The EU performance indicator for the use of renewable resources was set in a way that meant that its achievement was more dependent on weather conditions than on government efforts; it did not lead to a reduction in the share of non-renewable and heavily polluting resources, such as diesel and peat.

One of the objectives of the EU's budget support in energy is to support the GoR in the setting-up and implementation of its sustainable energy policy. Sector Reform contracts may support the EU's SE4ALL (Sustainable Energy for All) action agenda with the aim of improving the enabling environment, attracting investments, reducing energy poverty and boosting sustainable growth.⁹⁰ The SE4ALL initiative has three objectives to be achieved by 2030:

1. Ensure universal access to modern energy services.
2. Double the global rate of improvement in energy efficiency.
3. Double the share of renewable energy in the global energy mix from 18% in 2012 to 38% in 2030.⁹¹

In line with these objectives, one of the EU's Budget Support indicators in Rwanda (Indicator no. 5), is based on the share of electricity generated from renewable sources in the energy mix. The name of the indicator is misleading, since the disbursements under this indicator are not dependent on the *share* of renewable energy sources, but on achieving a greater *amount* of electricity generated from renewable sources as compared with that output in the previous year.⁹² The main intention of using this indicator for the purposes of Budget Support was to increase the energy output from RES and decrease the output of peat generation, which is a main source of pollution.⁹³ However, as will be explained below, the formulation of this indicator raises some questions and appears not very effective for achieving the intended aims.

The energy output from RES power plants throughout the year depends primarily on weather conditions (precipitation, solar insolation), and the timing and size of the electric load. During favourable weather and power system conditions, the energy generation is not problematic; the situation changes when these conditions are not favourable and availability of energy from the RES units decreases.

During the period of 2015-2019, the output of energy generated by RES and corresponding compliance with the triggers for disbursements is presented in Table 4 below:

⁹⁰ European Commission, International Cooperation and Development. "Budget support and sustainable energy: Methodological Note". Also, teleconference with EC official, April 8, 2020.

⁹¹ Current share of renewable energy in the global energy mix in Rwanda is above 50%.

⁹² Indicator 5-Share of generated electricity from renewable sources in the energy mix. Performance target: additional energy generated from renewable energy sources in energy mix including imports (hydro, geothermal) compared with baseline/previous year. Financing Agreement Sector Reform Contract Special Conditions, Annex 1, Appendix 2, Table C.

⁹³ Teleconference with EC official, April 8, 2020.

Table 4: Energy generated from renewable sources [GWh]

Evaluation period Disbursement number	2014-2015 Baseline	2015-2016 Third Disbursement	2016-2017 Fourth Disbursement	2017-2018 Fifth Disbursement*	2018-2019 Sixth Disbursement*
RES actual outputs [GWh]	292.0	361.5	370.7	429.8	451.0
Increase in RES energy from the previous period [GWh]		69.5	9.2	59.1	21.2
Minimum increase in required energy output [GWh]		14.5	15.0	16.0	17.0
Disbursement [€]		1.2 M (100%)	0.7 M (70%)	1.0 M (100%)	1.0 M (100%)

Source: RURA Annual Reports

* - estimates

The third disbursement in 2017 was paid in full as the difference between the renewable energy output during the period of 2015-2016 and the base year exceeded many times the defined criterion. During the following, fourth disbursement, the increase in RES energy generation was smaller than required, resulting in a 30% decrease in the payment. The fifth disbursement was expected⁹⁴ to be paid in full, as the difference between the evaluated periods was, again, significantly higher than required. The situation is expected to be repeated during the Sixth Disbursement, since the difference in outputs is higher than required. Yet, as explained above, the achievement of the objectives was more due to favourable weather conditions than to government efforts.

A further question is whether or not the increase in renewable energy generation has resulted in displacing heavily polluting thermal generation, primarily diesel and peat, which was one of the cornerstones of establishing this indicator in the first place. During the evaluation period (2015-2018), the share of RES-generated energy has decreased by 4 percentage points from 56% to 52%, while at the same time the share of energy generated by non-RES has actually increased from 44% to 48%, with the share of energy generation from peat increasing by 2 percentage points. So, while the overall objective of reaching outputs in terms of GWh was fully accomplished, the objective of decreasing the share of thermal generation, especially from peat, was not.⁹⁵

Setting minimum increments of energy output each year as qualifiers for budget support variable tranche disbursement is not stimulating more RES output when the weather and system conditions are favourable while the same criterion unnecessarily penalises the beneficiary when the RES output drops when the conditions are not favourable.^{96,97}

⁹⁴ The fifth and sixth Disbursements are outside of the official scope of the Budget Support evaluation; however, they are presented here as a supporting information.

⁹⁵ For a more extensive discussion and more numerical data please refer to Volume II, Annex 1, EQ 7, Judgement Criterion 7.1.

⁹⁶ There is an absence of energy storage options during the Budget Support timeframe.

⁹⁷ While redefining the indicator is beyond the scope of this report a suggestion is made here regarding indicator's possible improvements: a modification to the indicator may be made to stimulate an economic dispatch of all available units, resulting in the lowest possible cost of reliably meeting the electrical load. In the long run this approach will result in the lowest operational costs to the electric utility, a critical factor in the current REG's financial situation. To even out the playing field and fairly compare of available generation technologies, the cost adders may be factored during the planning process into the cost of energy generated by the polluting resources, to reflect their negative environmental externalities.

5.5. Evolution of energy costs and tariffs

Partly as a result of improved energy planning, the average cost of electricity generation is projected to start a downward trend in 2022, making the electric service more affordable. Tariff reforms have reduced costs for some consumers and EU budget support resources may have facilitated this. But costs are still high.

It is expected that the new approach to energy planning will result in a better selection and use of supply-side (generation) options and, consequently, will lead to an eventual decrease in annual energy generation costs. This outcome can be associated with Budget Support, through the influence of the EU and other DPs on improved policies. It may also have an effect on the high energy retail prices (see below). The cost reduction will not happen immediately as the system still struggles with the consequences of earlier investments in thermal, diesel and fossil-based generation. A noticeable change in the rising annual energy costs is projected to happen after 2022, when the contracts for costly thermal (diesel) generation are expected to expire⁹⁸ and the composition of generating resources is realigned by bringing less expensive generation on-line.

Affordability of on-grid connections steadily improves. The high costs of energy generation translate into high retail energy prices, which, while being cost-reflective, remain the highest among the Sub-Saharan African countries.⁹⁹ To soften the impact of high on-grid tariffs on low-income consumers and make the electric service more affordable, a new block tariff structure was introduced in January 2017, with the lowest block designed for the lowest energy consumption tier.

Similarly, to make the existing industrial consumers more competitive and prevent them from moving from Rwanda to neighbouring countries and, at the same time, to attract new businesses to choose Rwanda as their base of operation, the industrial tariffs have been lowered as well. There is no evidence of EU Budget Support having an influence on the tariff formulation process. However, some funds from the GoR budget were transferred to REG to compensate it for the decrease in industrial tariffs and the associated loss of revenue.¹⁰⁰ Budget Support resources may have facilitated these transfers.

5.6. Energy access and affordability

On-grid connections did not progress as intended in the early years (2015-2017), due to, among other factors, less than expected financial transfers from the GoR budget. The situation has improved in the last year of the evaluation period and shows a possible positive impact of the Budget Support funds, without which even the current level of on-grid connections would not have been possible to achieve.¹⁰¹

The electrification of Rwanda is ongoing through expansion of customer on-grid connections to the electric distribution network and through customer off-grid connections to individual Solar Home Systems (SHS) and micro-grids.¹⁰² Originally, ambitious goals were set to provide electricity to 70% of households - 48% on-grid and 22% off-grid - by the end of 2018.¹⁰³ Later, the next edition of ESSP¹⁰⁴ called for yet another set of ambitious goals: electrification of the entire country by the end

⁹⁸ Rwanda Least-Cost Power Development Plan (LCPDP) 2019-2040. June 2019.

⁹⁹ <https://www.statista.com/statistics/503727/retail-electricity-prices-in-africa-by-select-country>. See also Volume II, Annex 1, JC 7.2.

¹⁰⁰ Details are presented and discussed in Volume II, Annex 1, JC 7.2.

¹⁰¹ Interview with MININFRA.

¹⁰² Micro grids is a niche development in Rwanda, serving only 3,236 consumers. Rwanda Off-grid Sector Status Report 2018. Update August 2019. Energising Development.

¹⁰³ ESSP 2012-2018

¹⁰⁴ ESSP 2018-2024

of 2024 - 52% on-grid and 48% off-grid. The EU Budget Support disbursement schedule called for more moderate results; the indicative targets for mid-2020 were set at 42% on-grid and 18% off-grid, a total of 60%. This target was significantly lower than the one established by the GoR for the end of 2018. The World Bank's DPO targets for 2020 were similar - 61% for total connections, 38% on-grid and 23% off-grid.

On-grid and off-grid connections continue to increase. Access to, and use of, electricity has clearly increased over time. According to the regression analysis carried out for this evaluation (see Annex 2 in Volume II), the increases in on-grid and off-grid electricity connections have been due to additional government investment (on-grid), and private sector and NGO contributions (off-grid), especially in rural areas. According to the Forward Looking Sector Review 2018/2019,¹⁰⁵ 1,371,950 households are connected to electricity (51% of total households), which includes 1,021,734 households connected to on-grid (38% of total households), and 350,216 households connected to off-grid (13% of all households). This was slightly lower than the Budget Support performance indicators' values for the variable tranche of the fourth disbursement, but sufficient for the EU to be considered met. The indicators for on-grid and off-grid access for the third tranche were not fully met. The government had misunderstood the calculation methodology and believed that it had reached over 95% of the target while in fact performance was lower.

Affordability of electricity remains an issue. Despite the increase in the number of connections and the overall improvement in service reliability (see below), there are households that have active connection to the electricity service but have yet to take full advantage of it. Those customers face the dilemma of whether to buy food first before prepaying the electric service.¹⁰⁶ Other consumers in poor households limit the electricity usage to lighting only and try to limit the overall consumption to 500 RwF, the amount which they consider affordable. The average residential electricity consumption continues to remain the lowest among the sub-Saharan countries. The increased access to electricity services has not been accompanied by an increase in purchases of electrical appliances or an increase in the overall households' energy consumption. Similar trends exist amongst the off-grid consumers.¹⁰⁷

The EU and other Development Partners have contributed to an improvement in standards for off-grid solar systems which facilitates continued private sector engagement. However, , affordability and future pace of off-grid connections' growth remain an issue. The progress in off-grid electrification during 2015-2017 was faster than in on-grid electrification. Since off-grid solutions are mainly provided by the private sector and NGOs, the influence of government policies or resources, including Budget Support funds, is limited. The increase in off-grid connections in the early years was primarily driven by customers that could easily afford the system or at least make on-time periodic payments agreed with the system provider. It wasn't unusual for well-off customers to acquire solar systems in addition to on-grid connections in the areas where the power supply was unreliable due to frequent and/or prolonged interruptions of power. In addition, assistance in the provision of the Solar Home Systems by NGOs helped to some extent.

Another factor that positively affected the sales of solar systems was the resolution of the issue of standards for the systems offered on the market, including imported units.¹⁰⁸ Due to extensive

¹⁰⁵ Forward Looking Sector Review 2018/2019.

¹⁰⁶ Interview in Nyagatare. This interviewee estimates that 20 to 30% of the population in this rural area is connected but does not use electricity.

¹⁰⁷ Scaling up off-grid solar energy access through improved understanding of customers' needs, aspirations and energy use of decentralised (SMART) Solar Home Systems – a case study of BBOXX customers in Rwanda. Iwona Magdalena Bisaga, Centre for Urban Sustainability and Resilience. Department of Civil, Environmental and Geomatic Engineering, Faculty of Engineering University College London, 2018.

¹⁰⁸ In order to prevent poor quality equipment from entering the market the GoR introduced minimum technical standards without consulting them with the private sector.

dialogue between the GoR and the EUD and other Development Partners, the GoR reconsidered and adopted revised standards in 2018.¹⁰⁹ These revisions made the units more affordable and eliminated the uncertainties faced by the manufacturers and importers of the solar equipment.

However, the future expansion of off-grid connections may face a considerable challenge, especially in view of the 2024 target of 48% of all households connected to off-grid. Originally, during 2016-2018 the consumers who could easily afford the Solar Home Systems became the owners of such systems. Currently, the bulk of prospective off-grid consumers fall into Ubudehe categories 1 and 2, have a low income and rely heavily on instalment payments. The minimum monthly payments for the simplest solar system are four times higher than the equivalent of electricity consumed.¹¹⁰ The service providers no longer take back the solar systems from the non-paying consumers; the systems are deactivated until the consumer has resources to make the payments upon which the systems are activated again. According to MININFRA, a discussion with the World Bank is taking place regarding establishing financial assistance to prospective off-grid customers.¹¹¹

5.7. Quality of electric services and energy losses

The quality of electricity services has improved, and energy losses have decreased significantly but not due to EU budget support. Consumer complaints handling is lagging behind.

Frequent system interruptions and extended periods without electricity services are slowly becoming a thing of the past. Although the interruptions continue to occur, they are announced by the REG in advance and are not taking customers by surprise any more.

Unlike the World Bank programme, , the original EU Budget Support scheme did not have any performance indicators related to system reliability. After Addendum No. 2 to Financial Agreement No. RW/FED/038-107, signed in mid-2019, such a performance indicator (a System Average Interruption Duration Index), has been introduced. In addition, the EU financed critical activities outside of the Budget Support, which positively contributed to improvements in quality of service and to a decrease in energy losses. Improvements in the transmission and distribution systems can be attributed primarily to projects, including an EU aid project in the area of Kigali.¹¹²

Nevertheless, quality of service is still an issue, especially in rural areas. It is not unusual, especially for the early line extensions, to end up with connecting lines that are inadequate for the purposes they serve. Specific examples include the absence of three-phase lines connecting commercial and small industrial facilities as well as insufficient line capacity to provide enough electricity for existing or future demand.¹¹³

Complaint handling is advancing but still needs improvement. As of 2018, the satisfaction of the residents of Rwanda with the electric service ranked 13th out 15 sectors.¹¹⁴ However, the satisfaction level of 61.3% was higher than the 2017 level of 58.1%,¹¹⁵ and the 2014 level of 37.7%, which was then the last out of all sectors.¹¹⁶ The fact that electric services are ranked that low is disturbing yet

¹⁰⁹ Ministerial Guidelines on Minimum Standards Requirements for Solar Home Systems. Ministry of Infrastructure, August 10, 2018.

¹¹⁰ Rwanda Off-grid Sector Status Report 2018. Update August 2019. Energising Development.

¹¹¹ MININFRA, MG meeting on April 8, 2020.

¹¹² Energy Efficiency through Reduction of Losses in Kigali Grid Network.RW/FED/032-759.Total EDF contribution €23 mln.

¹¹³ Interviews and own observations during visits to Nyagatare and Ruhango districts.

¹¹⁴ Rwanda Citizen Report Card Survey. Rwanda Governance Board 2018.

¹¹⁵ Rwanda Citizen Report Card Survey. Rwanda Governance Board 2017.

¹¹⁶ Rwanda Citizen Report Card Survey. Rwanda Governance Board 2014.

somewhat understandable considering the fact that the work on improving the reliability of the electric service is ongoing.

In countries where large scale modernization of the electricity supply system takes centre stage, the main thrust of donors' support is directed towards infrastructure issues; the consumer issues become secondary. The Budget Support scheme did not include any indicators addressing the state of consumer affairs and its possible improvements, and thus, in a way, deemphasized its importance. Despite administrative rules and regulations being in place¹¹⁷ and REG's efforts to be more responsive and proactive to consumer issues, the keeping of records of the complaints filed leaves a lot to be desired. The records at RURA are incomplete and not properly categorized, and no records are kept at either REG or MININFRA.¹¹⁸ With the absence of this information, it is challenging to identify the main issues affecting the utility company-consumer relationship or to plan possible corrective measures.

The experience of other developing countries¹¹⁹ suggests that, unless donors give specific attention to this area, it will continue lagging behind. The preliminary work has been done by the World Bank, which established a result indicator in its Development Policy Operation for the GoR to initiate implementation and publishing of an annual customer satisfaction survey starting in 2020.¹²⁰

5.8. Use of biomass resources and efficient cooking methods

The use of biomass resources continues to the detriment of the country's forest resources while the implementation of efficient cooking lags behind. The EU Budget Support has, to date, brought some increased awareness among policy makers but has failed to bring any change in practice.

The use of biomass and efficient cooking are, perhaps, the issues that have received most attention in the policy dialogue. Although these issues are gradually better understood, they are nevertheless yielding very limited results. The imbalance between the demand for biomass and its sustainable supply has been documented through studies and forest inventories. The EU included performance indicators for variable tranche disbursements on sustainable forestry, sustainable biomass energy, and cook stove efficiency with varying degrees of success. Again, the GoR set ambitious goals to be reached by 2024: reduction by half the number of households using three stone and traditional stoves; increase of the number of households using cleaner cooking energy technologies to 80%; and reduction of the use of biomass to 42%.¹²¹

It has been recognized at the outset of the Budget Support activities that limited technical capacity existed within ministries to effectively deal with these issues. On the one hand, awareness is increasing due to dialogue initiated between EUD and the GoR, resulting in establishing baselines, initiating various studies and identifying elements for proper planning. On the other hand, society as a whole is slow in selecting alternative cooking fuel. Using biomass for cooking is very much entrenched in cultural habits.

Increasing the use of improved cookstoves is important for reducing demand for firewood but also for improving the living conditions of women, as they are usually the ones who do household chores, including preparation of meals. By cooking with firewood, and to some extent with charcoal, they

¹¹⁷ Regulations and Guidelines, Rwanda Utilities Regulatory Authority.

¹¹⁸ Interviews with staff MININFRA.

¹¹⁹ For example, Armenia, Georgia, Kyrgyzstan, Tajikistan, and Ukraine (personal experience of evaluation team). Failure to give attention to customer issues proved to lead to protesting in the streets.

¹²⁰ Third Rwanda Energy Sector Development Policy Financing. The World Bank, August 2, 2019.

¹²¹ ESSP 2018-2024

face serious health risks, not to mention the inconvenience and substantial time required to handle the firewood. Therefore, women should be the ones who want to make the change and seek the use of better cooking methods.

The role of women as decision makers in a household was not specifically addressed by any of the EU Budget Support indicators. However, as a result of the country's electrification, new opportunities for enhancement of household operations became available. That included choices of fuels for lighting, cooking, and other functions. The divisions between urban and rural areas remain with women more often making decisions regarding, for example, the acquisition of cook stoves, in rural areas, while men more often do so in urban areas. The decision-making responsibility shifts to men when it comes to choosing household appliances, especially those not related to the kitchen.¹²²

However, the improved stoves were distributed over two years to a mere 0.9% of the households instead of the expected 5% a year, thus failing to comply with the EU Budget Support indicators.¹²³ The energy efficient cook stoves offered by non-profit organizations and private organizations proved to be too expensive for purchase by the majority of the consumers.¹²⁴ Another problem is that the use of improved cookstoves requires changing culturally embedded habits and practices. This may indicate that Budget Support is not an effective tool in changing those culturally embedded habits and customs.

There are also misconceptions among consumers regarding the economics of using certain cooking fuels, like charcoal vs. LPG.¹²⁵ It is a prevailing belief that charcoal is cheaper than gas. Another argument is that charcoal is safe while the gas is prone to explosions, while at the same time the environmental effects of indoor pollution due to charcoal combustion are totally neglected. The charcoal production is very inefficient-it takes 10 tons of wood to produce 1 ton of charcoal. To complete the "charcoal picture" it has to be noted that charcoal production is a very profitable business, controlled by a powerful lobby.

In order to facilitate large scale fuel switching, the alternative fuels have to be widely available. However, the LPG distribution network and logistics of delivery are still getting off the ground.¹²⁶ Demand for firewood continues to increase and exceeds sustainable production capacity of forest resources. When it comes to the sustainability of forestry, the situation is alarming. The Budget Support indicator regarding the proportion of annual wood demand sustainably met locally did not show any improvement by the evaluation date of June 2017. On the contrary, instead of showing that proportion to grow to 81%, it showed a negative trend.¹²⁷ The proportion of annual wood demand sustainably met locally has steadily decreased to 47% in 2017 and will continue to fall to 30% until 2021/2022.¹²⁸ This is an alarming situation for Rwanda although more related to rural development rather than the energy sector itself. It is a complex issue where a comprehensive approach to addressing all facets of the issue, not just the demand, is necessary.

¹²² Beyond Connections. Energy Access Diagnostic Report Based on the Multi-Tier Framework. The World Bank Group 2018.

¹²³ EU Communication re. Disbursement for Fiscal Year 2017/2018, 3rd fixed tranche (M€ 22), and 3rd variable tranche (maximum M€ 10), 20/12/2017. EU Communication re. Disbursement for Fiscal Year 2018/2019, 4th fixed tranche (M€ 20), and partial 4th variable tranche (M€ 6.7), 7/3/2019.

¹²⁴ Interview with NGO staff.

¹²⁵ Liquefied Petroleum Gas.

¹²⁶ Interviews in the districts, October 28-30, 2019.

¹²⁷ EU Communication re. Disbursement for Fiscal Year 2018/2019, 4th fixed tranche (M€ 20), and partial 4th variable tranche (M€ 6.7), 7/3/2019.

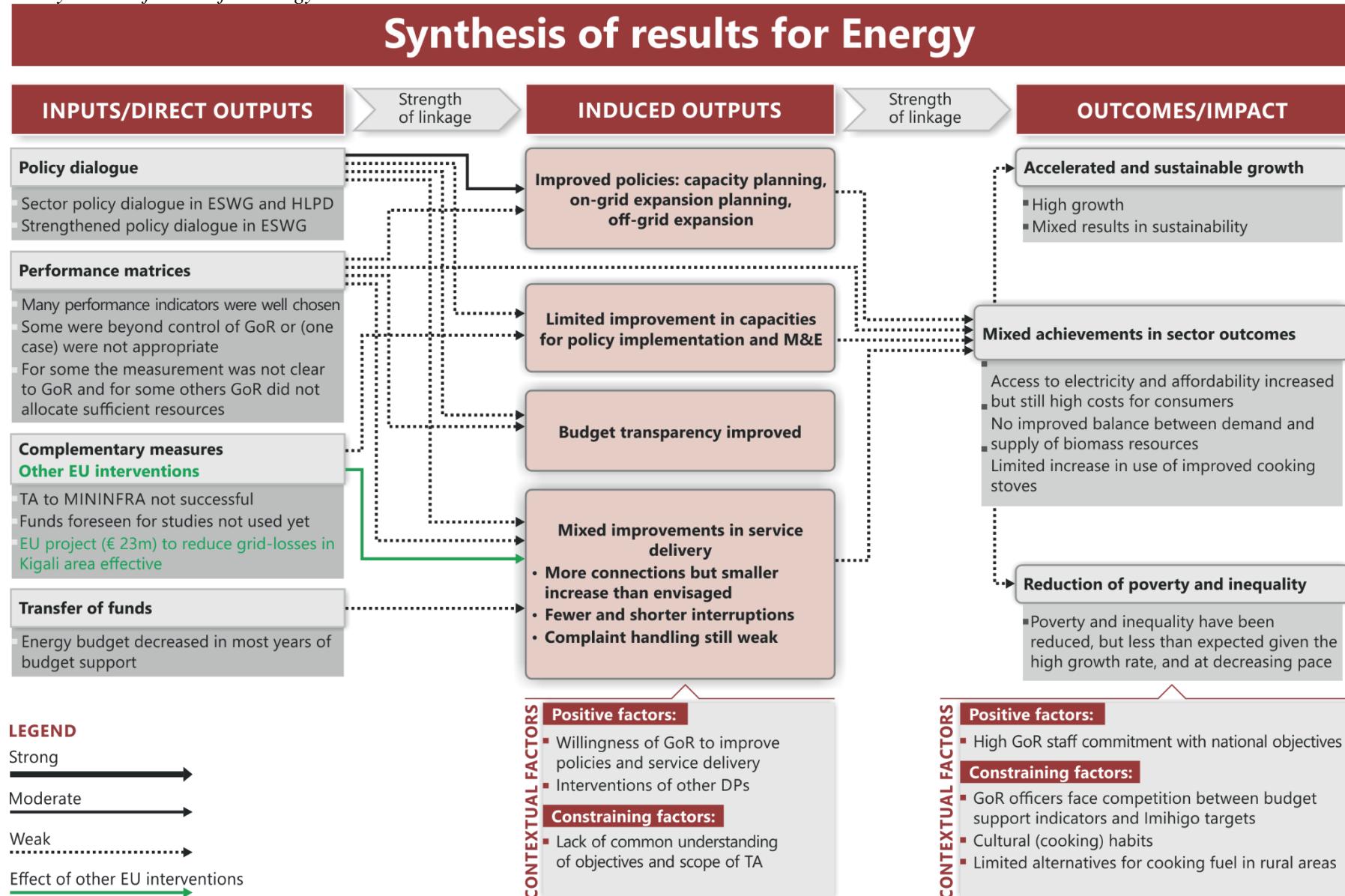
¹²⁸ idem

5.9. Overall

Figure 5 shows the results for the energy sector. A somewhat strengthened policy dialogue is the only direct output. The transfer of funds was in most years not accompanied by an increase in the public energy budget, so the link with “improvements in service delivery” only holds true for the last year of the evaluation period. Most linkages between budget support inputs and induced outputs are weak, but the effect of budget support, and in particular of the policy dialogue, on improved policies is “moderate”. In the case of “capacities for policy implementation and M&E”, and “budget transparency”, linkages are only due to some specific performance indicators or complementary measures. The strongest effect observed in this figure is the effect of “other EU interventions” (in green), and in particular that of a project that improved the reliability of electricity transmission and delivery in the Kigali area.

As a result of (mostly) weak linkages to induced outputs, the contribution of budget support to positive outcomes and impact has also been limited. There may be a limited budget support contribution to increased on-grid and off-grid access. In addition, the improved energy capacity planning, to which EU budget support contributed, is expected to help to reduce the high energy costs in the future.

Figure 5: Synthesis of results for Energy



6. EFFECTS ON AGRICULTURE AND NUTRITION

This Chapter presents the answers to EQ 6, “To what extent and through which mechanisms (funds, dialogue and TA) has budget support contributed to an improvement in policy formulation and implementation processes, and to its related accountability (including in public service delivery)? And to EQ 8, “To what extent, in the Agriculture sector, have the development outcomes (including nutrition, food security and inclusive development) pursued through the policies and programmes supported by budget support been (or are being) achieved? Which have been the determining factors of their achievement?”

The chapter analyses how the different budget support inputs, through direct and induced outputs, contributed to Rwandan development outcomes in Agriculture and Nutrition. Figure 6: provides an overview. Additional information can be found in Annex 1, in particular JC 6.1, 6.2, 6.3, 6.4 (Agriculture), 8.1, 8.2, 8.3, 8.4 and 8.5, and in Annex 2. The chapter begins with assessing the effects of EU budget support on policies and implementation capacities, and then examines the outcomes of the policies and the possible factors that explain these outcomes, in particular related to improving climate resilience, establishing a high value chain in agriculture, and improved nutrition. A final section highlights the main results of the econometric study.

6.1. Agricultural and related Policies

There is a huge need for increasing agricultural production and productivity in Rwanda. GoR has taken up these challenges by carrying out agriculture modernization policies, and EU budget support can be considered to have supported these policies. These policies increased production but had unintended side effects on soil erosion, land degradation, and deforestation; in addition, the success of these policies was hindered by limited farmer participation.

Rwanda suffers historically from a structural food deficit situation which is due to fragile soils with low levels of productivity and high and rising population density.¹²⁹ The problems are exacerbated by subsistence farming systems and fragmented land. Land is the most valuable and productive asset, as also revealed by the econometric analysis (Annex 2). However, domestic production has not been able to meet the food needs of the population, resulting in food imports and food aid. Raising productivity levels in smallholder farms therefore represents an important potential driver of economic growth and poverty reduction in Rwanda. Consequently, GoR has been implementing a long-term agricultural transformation strategy to address this structural issue. The EU Budget support SBS Agriculture Intensification¹³⁰ (M€ 15.5 for the period 2010-2012), Decentralised Agriculture (M€ 40 for the period 2010-2016 and SRC Agriculture (M€ 182 for the period 2016-2021) have contributed with funds, complementary measures and policy dialogue to the implementation of this GoR long-term policy package, which includes:

- The Crop Intensification Program (CIP), launched in 2007, to increase national agricultural productivity of high-potential food crops (maize, wheat, rice, Irish potato, cassava, soya bean, paddy rice and beans); contributing to self-sufficiency and food security at the national level.
- The Land Use Consolidation (LUC), launched in 2007 and implemented from 2008 onward, as a major agricultural land transformation strategy in Rwanda, to reorganize highly fragmented land distribution and maximize/improve its use.
- The LUC policy is also linked to the ‘Villagisation’ known as the new resettlement programme ‘Imidugudu’, which started earlier in 2004. This programme concentrated the entire population

¹²⁹It increased from 321 people/km² in 2000 to 512 people/km² in 2019. (World Population Prospects, 2019).

¹³⁰SBS Agriculture Intensification didn't include complementary measures.

in villages in order to provide better housing, and more access to services (water, schools, health centres, markets, microfinance, off-farm businesses opportunities, social security and other benefits). It also aimed at a better land use through liberating land for agriculture/crop production.

- The Land Tenure Regularization Programme (LTR) developed a complete record of land tenure information during 2009 to 2013 used in LUC. All forms of tenure were brought under one statutory system.
- The Decentralisation policy was introduced in 2000 with three goals: the promotion of good governance; the reduction of poverty and the promotion of efficient, effective and accountable service delivery.¹³¹ It includes fiscal and financial decentralisation.
- The Zoning policy implemented in 2016 focuses on the territorial organization of value chains, for example improving the linkages between coffee washing stations (CWSs) and farmers, improving traceability of coffee, and reducing the role of middlemen in order to strengthen agricultural export growth.

Use of consolidated land allows farmers to benefit from the various services under CIP: (i) subsidised seeds and fertilisers, (ii) extension services, (iii) post-harvest handling and storage (e.g. driers and food storage facilities) (iv) irrigation and mechanization by public and private stakeholders, and (v) concentrated markets for inputs and outputs. GoR has heavily promoted the use of fertilizers in the last decade. According to MINAGRI, the amount of fertilizers distributed has increased by almost 24% in the period 2011-2018, from 44,294 to 55,152 MT. Also, according to RAB, the use of improved seeds by small farmers has increased from 3% in 2006 to 12.5% in 2018. The timeliness of farmers' access to seeds and fertilizers has improved since the introduction of the Smart Nkunganire System (mobile phones) by RAB in 2018.

As a result, the cultivated area for the five priority crops (maize, rice, wheat, beans and Irish potatoes) has increased by approximately 130,000 hectares, equivalent to 15% of the cropping area, during the period 2014-2018.¹³² This increased cropping area resulted in an increase in national production of priority crops. Only wheat had an important increase in productivity (by 53 %), from 0.72 T/ha in 2013/2014 to 1.10 MT/ha in 2017/2018. Irish potatoes had a smooth growth trend in productivity. Beans and paddy remained stable. Maize had a drop in the last two years.

However, the transformation from subsistence farming to a competitive and market-oriented agricultural sector faces some challenges, as discussed in some recent academic research on Rwanda. This research shows another perspective of the policies that have been implemented in recent years:

- The increase in cropping area led to unintended side effects of deforestation, soil erosion, and greater rain run-off, increasing the vulnerability to climate change (further explained in 6.3).
- The increased production of priority crops (monocropping) at the national level may not have benefited vulnerable populations or food security at the household level,¹³³ and may have reduced diet diversity (further explained in 6.5).¹³⁴

Another issue of note in this long-term policy package is the limited farmers' involvement in its design and implementation. The central national planning process provides little space for farmers in the decision-making process on how to use their land, which crops to grow, and to whom to sell their production. Farmers' participation is limited to: (i) providing their land parcels; and (ii) farming the

¹³¹ Good Governance and Decentralization in Rwanda Vol. VI Special Issue. RDB. June 2018.

¹³² Based on NISR data presented in Annex 1, JC 8.2

¹³³ Ansoms,A et al. (2018), The Rwandan agrarian and land sector modernisation: confronting macro performance with lived experiences on the ground, Review of African Political Economy, 45:157, 408-431, DOI: 10.1080/03056244.2018.1497590.

¹³⁴ Del Prete et al. (2019), Land consolidation, specialization and household diets: evidence from Rwanda. Food Policy.; 83:139–49
<https://doi.org/10.1016/j.foodpol.2018.12.007>

consolidated plots as officials request. Farmers' inclusion in LUC is voluntary but it is a prerequisite to access GoR programme/benefits (seeds, fertilizers, etc.). Ntihinyurwa and Masum show that 75% of the farmers participating in LUC were not consulted on the LUC policy, and 79% did not have a say in crop selection. Farmers are induced to grow the priority crops chosen by the government and this may be seen as a diminution of farmers' land use rights.¹³⁵

Something similar happens with the development of geographic "zones" around coffee washing stations (CWSs). Coffee farmers within a geographic zone are obliged to only sell to a specific CWS and that CWS must only buy from designated farmers. While zoning may bring some organization to the coffee sector, it will do so by limiting the choices farmers and CWSs have in their trading partners.¹³⁶ According to a study on farmers' perceptions,¹³⁷ there are unintended outcomes such as: (i) almost 50% of farmers do not know about the zoning policy or if it applies to them; (ii) Farmers feel negatively toward zoning, believing that it does not raise coffee cherry prices, and that it largely benefits coffee washing stations (CWSs) rather than farmers. Other issues raised include the reduction of farmers' incomes through lack of buyer competition, weakening cooperatives by splitting members across multiple zones, and distributing zones such that CWS capacity may not match coffee supply.

The EU budget support has contributed to improved policies and policymaking in the agriculture sector through policy dialogue and through specific complementary measures and other interventions, but these improvements are small, recent and have limited impact on the above-mentioned challenges.

As discussed in chapter 3, the policy dialogue process on agriculture in the ASWG has improved thanks to a Complementary Measure (TA) to strengthen this ASWG. In addition, the inclusion of farmers' organizations in the policy development process for PSTA 4¹³⁸ in 2018 can be considered a major success of the EU budget support.¹³⁹ The EU has promoted this participation via: (i) the policy dialogue; (ii) specific other interventions to strengthen these farmer organisations and CSOs; and (iii) complementary measures (through contracting FAO) that supported GoR in developing PSTA 4 and also proposed the inclusion of farmers organizations in the consultations on this new policy. This is an example of policy dialogue, complementary measures and other cooperation tools coming together in a synergistic way. Furthermore, the PSTA 4 is considered a better strategy than the previous ones. It has benefitted from broad participation (farmers' organisations, CSOs and many DPs). This consultation process was managed by FAO as part of the EU's complementary measures.

The EU also fostered participation of farmers and their representatives in policy processes outside the budget support framework, for example via the SCAB project¹⁴⁰ (see chapter 4). Civil society organisations that advocate for the interests of the rural poor, were supported in doing budget analysis. They presented their views, for example on the need for more investment in maintenance of irrigation and in capacities for doing soil analysis, to the Parliamentary Budget Committee, but it is not known whether this led to changes in the budget.¹⁴¹

¹³⁵ Pierre Damien Ntihinyurwa and Fahria Masum, Participatory Land Use Consolidation in Rwanda: From Principles to Practice. FIG Working Week 2017. Helsinki, Finland, May 30, 2017.

¹³⁶ AGRI LOGIC. Value Chain Analysis for the Coffee Sector in Rwanda Report for the CBI – 27 July 2018

¹³⁷ Gerard, A et al. Stakeholder Perceptions on Geographic Zoning in Rwanda's Coffee Sector and Opportunities for Policy Adjustment. Feed the Future. Innovation Lab for Food Security Policy. Policy Research Brief 42 Africa Great Lakes Region Coffee Support Program (AGLC). July 2017.

¹³⁸ This was in line with recommendation 11 of the Mid-Term Review PSTA 3, p. 94. COWI. February 2017.

¹³⁹ Interviews EUD, FAO, other DPs and CSOs and farmer organisations.

¹⁴⁰ SCAB Project: Strengthening Civil Society Organisation Capacity in Promoting Sustainable Agriculture Policies and Citizens Participatory Budgeting in Rwanda, implemented by Action Aid, Collective of Alliances and Leagues for the Defence of Human Rights in Rwanda (CLADHO) and Civil Society umbrella organization (CCOAIB).

¹⁴¹<https://rwanda.actionaid.org/stories/2019/civil-society-platforms-present-budget-framework-concerns-parliamentary-committee-0>.

However, the improvements in policy processes described in this paragraph are small and recent, so they did not have effects on agricultural outputs or outcomes during the evaluation period.

The EU supported agricultural policies, outputs and outcomes also with another budget support programme, namely the Rural Feeder Roads Development Programme (RFRDP). RFRDP aimed to enhance market access and reduce transport costs for people as well as for goods. It provided € 40 million and had very specific performance indicators. Cumulatively, 700 kilometres of feeder roads had to be rehabilitated and 500 kilometres had to be maintained according to specific procedures in 7 Districts. These road rehabilitation and maintenance targets were achieved. In this case, one could infer the existence of a direct relationship between the EU funds and outputs (Figure 6:). In addition, an Impact Evaluation¹⁴² of feeder roads in Rwanda concluded with suggestive evidence that investing in feeder roads supports the development of the most inaccessible and disadvantaged areas. This study showed that feeder road rehabilitation increases average household income in remote villages by US\$74 per year. This is linked directly with poverty reduction and reduction of inequality. Three other donors contributed to expanding and rehabilitating the feeder road network: Netherlands, USAID and World Bank.

6.2. Institutional capacities for policy implementation

The EU supported capacities for implementation and monitoring in agriculture through complementary measures and through the policy dialogue. However, there were important changes in the institutions involved in the agriculture sector, which affected implementation and M&E capacities during the period of the evaluation and thus also the effects of the EU efforts.

MINAGRI and its agencies had several organizational and capacity needs assessments showing their organizational and capacity constraints for effective implementation.¹⁴³ As a result, MINAGRI, RAB and NAEB were restructured to deliver EDPRS II and PSTA 3 in 2014. The restructuring reflected the national process of decentralisation of authority to districts, which is still on-going. MINAGRI was defined as responsible for policy setting and strategic planning for the sector; RAB, NAEB and local governments were exclusively charged with policy implementation, with greater authority and autonomy. Even in ideal circumstances, it takes time for such a comprehensive restructuring process to deliver and to become effective. In this case, the alignment of responsibilities, tasks, professional needs, competences and procedures was not sufficiently reviewed and defined.¹⁴⁴ As a result, the Agriculture Sector Capacity Building Plan (ASCBP)¹⁴⁵ observed some internal organizational issues at MINAGRI, such as:

- (i) "Management responsibilities are rarely delegated"
- (ii) "Management and organisational processes are highly centralised"
- (iii) Staff observes "communication challenges"
- (iv) "Consequently, (there is) no open learning environment (at MINAGRI), which discourages knowledge sharing, team spirit, constructive debate, and efficient quality service delivery."

¹⁴² Rwanda Feeder Roads Impact Evaluation. Data and preliminary analysis. March 20, 2019. WB, EU and DIME.

¹⁴³ Bizoza, C et al. Capacity Strengthening Strategy through Capacity Needs Assessment for Country Level. Strategic Analysis and Knowledge Support System (SAKSS). March 2014. Coffey International Development Ltd. Capacity Needs Assessment for MINAGRI. Final Report. July 2013.

¹⁴⁴ MTR PSTA 3. COWI. February 2017.

¹⁴⁵ MINAGRI, Agriculture Sector Capacity Building Plan 2013-2018 (ASCBP), August 2013.

Although restructuring led to some improvements, MINAGRI, RAB and NAEB continued to face similar challenges to fulfil their mandates in policy development and implementation.¹⁴⁶ As policies have become ever more complex, the gap between policy design and implementation has widened over time. While policies initially focused on delivering basic infrastructure and inputs, they now include engaging with the private sector, developing agri-food value chains, and strengthening core information systems relevant for evidence-based policy making and implementation. This requires new capacities and skills and more inter-sectoral and inter-institutional coordination. Another problem was that Imihigo performance contracts linked to specific policy goals attracted the full attention of officials.

In 2019, MINAGRI with support of the World Bank developed a new organisational review with a capacity needs assessment of MINAGRI, including a plan to improve organizational effectiveness,¹⁴⁷ within the context of the new PSTA 4. The study was a disbursement indicator of World Bank Program-for-Results (PfR) Phase 2. By end 2019, the results of the study were not publicly available.¹⁴⁸ The World Bank has linked the institutional restructuring process to disbursement indicators of PfR Phase 2.

Given these institutional constraints, it has been difficult for the EU to improve the effectiveness of MINAGRI's policies.

Some complementary measures in this area were successful. EU budget support attempted to strengthen capacities for implementation and monitoring through several Complementary Measures. The EU commissioned a Strategic Environmental Assessment (SEA)¹⁴⁹ of the Agriculture Sector in Rwanda in 2012, which provided useful baseline information to optimise future policy development (PSTA 3 and EDPRS) on environmental management and resource use. This SEA identified factors that limited agricultural development and the environment in strategic areas -soil and water management, acid soils and nutrients, crops selection, climate change, rural feeder roads, M&E. This information was used in the SRC Agriculture for defining triggers for the release of budget support funds. Some other Complementary Measures were also successful, such as the support to the National Institute of Statistics (NISR) for GIS/remote sensing and ICT-based data supplies for the collection, storage and management of agricultural survey data, and the support to the WB for the design, testing, implementation and dissemination of rigorous agricultural impact evaluation, an activity which is still on-going. The support to NISR has improved the Institute's technical capacities and equipment to upgrade the National Seasonal Agriculture Survey. The Comprehensive Food Security and Vulnerability Analysis (CFSVA) 2018 was also successfully carried out and provided useful data. All reports are publicly available.

The EU-funded TA for MINAGRI to improve government policy, strategic planning, PFM and M&E capacities in the sector was much less successful. Although by the end of 2019 an evaluation of this TA was conducted, it is already clear that there is no common understanding of its role or purpose. MINAGRI is questioning the usefulness of EU-TA, specifically TECAN¹⁵⁰ and the TA to NAEB (see for the latter 6.4). MINAGRI expects support on a day-to-day basis. It wants to optimise the TA program by applying time-based contracts rather than task-based contracts. In the view of EUD, TA is not supposed to do the daily work of government staff. In addition, the GoR should assign more technical counterpart staff in order to benefit from knowledge transfer, since, at the moment, staff absorption capacity is limited. Similar differences in views hold for other DPs' TA to MINAGRI, for example AGRI-TAF (of DfID).

¹⁴⁶ World Bank, Rwanda - Transformation of Agriculture Sector Program 4 Program-for-Results Phase 2. PAD. May 2018

¹⁴⁷ The World Bank Implementation Status & Results Report. Seq 3. PfR-Phase 2. 11-Nov-2019

¹⁴⁸ Interview with DP staff

¹⁴⁹ SAFEGE. Strategic Environmental Assessment of the Agriculture sector in Rwanda. (SEA). January 2012

¹⁵⁰ Interview PS MINAGRI

In addition, there is no evidence that EU policy dialogue improved the restructuring process of MINAGRI and related agencies. Policy implementation and M&E continued to face such constraints as:

- According to PSTA 4, the Planning and Programme Coordination Directorate of MINAGRI is meant to be a central pillar for the implementation, as well as for the monitoring and reporting on budget support indicators. However, it has the same staff as in 2016. The EUD and other DPs requested MINAGRI to strengthen this Unit, but so far without success.¹⁵¹ MINAGRI argues that it is waiting for the result of the WB Organizational Development study mentioned above and wants to limit staff costs.¹⁵²
- The M&E system (AMIS) implemented in MINAGRI (supported initially by EU and later by DFID) mainly focuses on Imihigo indicators. RAB and Districts submit data for it but do not use the AMIS system for their own purposes. Some RAB departments are developing their own M&E system in parallel, duplicating the AMIS.
- The EU and other DPs question the quality of some data, in particular administrative data provided by MINAGRI, RAB and NAEB. There are significant differences between administrative data that often reflect double counting when data over several years are presented, and data from specific studies to monitor performance indicators, for example in area under irrigation and agroforestry.¹⁵³

As mentioned in chapter 4, EU budget support had some induced outputs in the area of sector specific PFM improvements, in particular through performance indicators for the variable tranches. However, although important in itself, the production of district budget execution reports and performance reports, and the publication of Agriculture PER and PETS cannot be expected to have major effects on agricultural outputs and outcomes.

6.3. Climate resilience of rural households

On the one hand, GoR has increased national climate resilience through investment in irrigation, erosion control and agroforestry. On the other hand, coverage is still low, the new climate smart agriculture practices are still only at research and/or seed multiplication stage, and the increase in cropping area has generated deforestation, soil erosion, and greater rain runoff, which, in turn, exposes rural households even more to climate change. Budget support did not have much influence on improving climate resilience of poor rural households.

Rwanda is highly vulnerable to climate change and strongly reliant on rain-fed agriculture both for rural livelihoods and for export crops such as tea and coffee. A large proportion of Rwanda's inhabitants is very poor and lives in rural areas. They are directly dependent on natural resources, including water availability and soil quality. Therefore, the effects of a changing climate are strongly felt by the Rwandan economy and population. Changes in precipitation and temperature negatively affect crop yields and quality and increase the risk of new parasites and pests to humans, cattle and plants. Heavy rainfalls produce erosion and landslides, which can block roads and lead to shortages in production inputs.

GoR aims to deal with this important structural issue through: (i) investment in irrigation; (ii) better land use and erosion control; (iii) expanding agroforestry; (iv) developing specific climate-smart agriculture practices. However, as will be detailed below, progress is slow. One of the reasons for

¹⁵¹ Interview EUD and DPs staff.

¹⁵² Interview MINAGRI PS and Planning Unit Staff.

¹⁵³ Interviews several DPs, EUD and MINAGRI staff, 3rd EU Disbursement Note 13/11/2017 and EU disbursement Notes.

this slow progress is that investment in agriculture constitutes only 10% of total investment in Rwanda, which can be considered low given the huge challenges in this area and the large share of the population dependent on this sector (70%).¹⁵⁴ Budget support did not have much influence on this low level of investment. As shown above (chapter 3) there is not much relationship between EU budget support for agriculture and agriculture expenditure, and the policy dialogue in agriculture was not able to change this either.

Another reason for the limited effectiveness in addressing climate change are the unintended side effects of agricultural policies as mentioned above (6.1). These policies (CIP, LUC) increased national production through land use changes and cropland expansion, but at the expense of Rwandan forest areas.¹⁵⁵ While cropland only occupied 25% of the territory in 1990, this had risen to 58% in 2016, with massive deforestation as a result.¹⁵⁶ This deforestation, is linked with erosion and reduction in national soils' rainwater infiltration capacity. In addition, the push for monocropping, the lack of crop rotation and the intensive use of fertilizers in some areas affected soil structure and soil fertility and promoted erosion. This means these policies contributed to bigger climate change exposure. In addition, measures to foster erosion control and irrigation were not always fully adequate either, as will be detailed below.

There has been investment in radical terracing, but the quality of design and implementation of terracing does not take the soil acidity sufficiently into account. EU budget support has so far not been able to influence this.

Rwandan soils are naturally fragile. Karamage and co-authors estimated the national soil loss due to erosion at 595 million tons per year, of which 95% was due to cropland erosion.¹⁵⁷ The soil erosion rate increases exponentially with the slope of the cropland linked with high rainfall. Soil erosion reduces soil fertility and causes declining cropland productivity. It also produces environmental damage in the form of sedimentation, pollution and increased flooding. The Rwandan landscape is characterised by high mountains and hills with very steep slopes which are the major cause of soil erosion and sedimentation. Almost 77% of all cultivated land in Rwanda is under the category of "moderate to high erosion risk soils" (slopes between 13-55%). Only 23% are classified under the "no or low erosion risk" category.¹⁵⁸ Overcultivation and expansion onto marginal lands and steep slopes is as a result of land scarcity and demographic pressure.¹⁵⁹ The people cultivating these marginal croplands are usually poor and use their available resources until depletion.

One of the solutions to erosion adopted by GoR is the implementation of radical terraces. This can be an effective measure to curb soil erosion risk in mountainous areas.¹⁶⁰ According to MINAGRI data, during the period 2012-2018, the number of hectares with radical terracing implemented increased from 46,246 ha in 2012/13 to 118,399 in 2017/2018, reaching almost 15% of the area with high to very high erosion risk. At the same time, the number of hectares with progressive terracing also increased, from 802,292 to 932,282. Although this implies a high national investment, the social costs of soil erosion can be higher than the costs of applying terracing, and it therefore makes sense for public policy to support the application of terracing.

¹⁵⁴ World Bank, Rwanda: Systematic Country Diagnostic 2019.

¹⁵⁵ Using firewood for cooking contributes to deforestation as well.

¹⁵⁶ Karamage, F et al. Modelling Rainfall-Runoff Response to Land Use and Land Cover Change in Rwanda (1990–2016). Water 2017, 9, 147; doi:10.3390/w09020147 www.mdpi.com/journal/water 2 February 2017.

¹⁵⁷ Karamage, F et al. Extent of Cropland and Related Soil Erosion Risk in Rwanda. Sustainability 2016, 8, 609; doi:10.3390/su8070609. <http://www.mdpi.com/journal/sustainability>

¹⁵⁸ Ministry of Lands, Environment, Forestry, Water and Mining (MINITERE, 2007)

¹⁵⁹ The Nile River. Abdelazim, M Editor Faculty of Engineering Egypt. Springer 2017.

¹⁶⁰ "The mean cropland erosion rate in Rwanda could be reduced by 79% using radical terracing, leading to a drastic decrease of national soil loss by 75%". Source Karamage, F et al. Extent of Cropland and Related Soil Erosion Risk in Rwanda. Sustainability 2016, 8, 609; doi:10.3390/su8070609. , p. 13.

Another important issue is the quality of terracing related with soil acidity. Soil Acidity is a major constraint to agricultural production in Rwanda affecting physical and chemical soil conditions. Almost 75 % of Rwanda's land is below the critical threshold (Ph below 5.5) of soil acidity.¹⁶¹ This is associated with a number of toxicities to plants (Aluminium) as well as mineral deficiencies.¹⁶² Most of the crops grown in Rwanda have limited tolerance to acid soils.¹⁶³ Therefore, farmers and national production/productivity would benefit a lot if this acidity would be measured regularly (every two to three years), in order to determine the lime requirements that can neutralise the acidity.¹⁶⁴ If this does not happen, soil conservation measures cannot have an effect on production or on poverty reduction.

The SRC Agriculture includes a specific indicator for the next disbursement on “*No of Hectares handed over to farmers with an acceptable level of soil acidity (pH >5.2)*”. The aim of this indicator is to increase awareness of the importance of quality (adequate soil Ph) next to quantity (number of hectares terraced) and to foster the development of an integrated approach to acid soils management, including and the broad lime adoption by farmers.

Despite support offered by the EUD, the GoR may face a challenge in reporting on this indicator in a timely fashion. Our visits to districts revealed that soil acidity is not consistently measured yet.¹⁶⁵

There has been important government investment in irrigation, with some role for budget support in particular through quantitative performance indicators, but area coverage is still low (9%). The quality of design, implementation and maintenance of big irrigation and drainage systems is not fully adequate and EU budget support has not been able to change this to a meaningful extent.

Irrigation allows farmers to move from rain-fed agriculture to diversified, high value crops, thus increasing cropping intensity, land productivity and reducing exposure to droughts. For this reason, irrigation development is a key priority for the Ministry of Agriculture. Irrigation was initially focused on lowlands (marshland areas) but GoR is extending irrigation to the hillside with higher costs and is also fostering small-scale schemes.

The national potential area for irrigation is almost 580,000 ha.¹⁶⁶ According to MINAGRI data, during the period 2012-2018, the number of hectares under irrigation increased by 180% in all 3 systems (marshland, hillside and small-scale schemes). Approximately 52,000 hectares¹⁶⁷ are currently catered for by irrigation schemes countrywide. Budget support performance targets for irrigation expansion were achieved. Nevertheless, only 7-9% of national potential area is currently under irrigation schemes.¹⁶⁸

The irrigation development is government led (not demand driven) with the aim of achieving national food security. It focusses on an increased supply of irrigation water to water users through the construction/rehabilitation of new/existing irrigation and drainage infrastructure (freely provided by GoR), together with the establishment and training of Irrigation Water Users' Associations (IWUA)

¹⁶¹ PSTA 4. July 2018.

¹⁶² One Acre Fund. Managing Soil Acidity with Lime (2015)

¹⁶³ Nduwumuremyi A, et al. (2014). Soil acidity analysis and estimation of lime requirement for rectifying soil acidity. Int. Inv. J. Agric. Soil Sci. Vol. 2(2):22-26.

¹⁶⁴ FAO soils portal: (<http://www.fao.org/soils-portal/soil-management/management-of-some-problem-soils/acid-soils/en/>) accessed April 2020.

¹⁶⁵ Situational evaluation done by Evaluation Team at the moment of Rwanda Field visit at Rulindo and Rubaru district, Interviews with EUD and MINAGRI staff.

¹⁶⁶ National Irrigation Master Plan 2010. Rwanda; and Rwanda Irrigation Policy and Action Plan. 2013

¹⁶⁷ MINAGRI Annual Report 2017/2018. September 2018.

¹⁶⁸ With MINAGRI data the share is 9%, an EUD study concludes that coverage is lower, namely 7%.

to be responsible for the management of the newly constructed/rehabilitated irrigation systems. However, this has not always led to the development of profitable and sustainable irrigated agriculture resulting in higher crop yields and more net income for farmers. This can be explained, at least to some extent, by the lack of farmers' participation and by inadequate management and maintenance. An academic study shows that only a minority of farmers has adopted the technology for hillside irrigation four years after its introduction. This was due to failures in labour and land markets in Rwanda. With so few farmers using irrigation within the scheme and benefiting from it, the gains in cash income are not sufficient for paying maintenance costs.¹⁶⁹

EU budget support attempted to improve the quality of irrigation systems. A budget support complementary measure involved a study to assess the current state of irrigation and generated data for improving irrigation systems. This study found that only 25% of marshland irrigation systems and 38% of hillside irrigation systems had a "good" overall physical condition, whereas respectively 58% and 46% were "moderate" and 15% were considered "poor". The main challenges were related to operational problems at intakes (gates missing, intakes blocked), flooding, over-irrigation and/or poor drainage, low water use efficiency and poor farmer organization within schemes. Also, in 91% of the assessed marshland and in 77% of the hillside irrigation systems, farmers experienced labour shortages, especially during land preparation, seeding, weeding and harvesting. In marshlands, soil fertility and yields start diminishing due to the lack of proper irrigation and/or drainage maintenance or management. Only 20% of farmers paid the irrigation service fee (ISF) to IWUA for maintaining the irrigation scheme.¹⁷⁰ The results of this study were meant to be integrated in an updated Irrigation Masterplan, which was a priority for the government. It was also a performance indicator for disbursement of the variable tranche for the 4th disbursement on the SRC Agriculture and nutrition. However, in 2018 the EU concluded that there was no draft Plan yet and that this target was not met.¹⁷¹

The GoR is implementing an agroforestry policy to protect against soil erosion and climate change. However, this is not sufficient to counter deforestation arising from other policies.

The GoR is implementing an agroforestry policy to protect against soil erosion and climate change, by planting multipurpose tree species to deliver wood, fodder fruits and fix nitrogen to the soil. The EU supported this by having an indicator for disbursement of the variable tranche stipulating an increase in the area under agroforestry. In addition, the EU commissioned a study (as a complementary measure) in order to verify the area under agroforestry and its increase. Using Geographic Information Systems, this study found that the area under agroforestry increased from 87,000 to 176,919 hectares between 2014 and 2018.¹⁷² This increase of almost 90,000 hectares was just sufficient for disbursement. However, deforestation in Rwanda has continued and accelerated between 2010 and 2016, with 349,500 hectares of forest areas lost in that period on a net basis.¹⁷³

According to data provided by RAB, specific climate-smart agricultural practices (other than applying irrigation and agroforestry) are currently at early research stage or are in the seed multiplication phase. None is available for farmers and/or adopted by farmers yet. There is no evidence of a role of EU budget support in supporting these specific practices.

¹⁶⁹ Jones, Maria and et al. 2019. Factor Market Failures and the Adoption of Irrigation in Rwanda. Policy Research working paper; no. WPS 9092; Impact Evaluation series. Washington, D.C.: World Bank Group.

¹⁷⁰ Transtec/SHER/Agrotec, 2016 Technical assistance in the establishment of a baseline of agricultural households using irrigation systems. Final Report. Volume 1.

¹⁷¹ EU Disbursement note for the 4th tranche of the SRC Agriculture and nutrition, p. 4.

¹⁷² COWI, Preparation of Agroforestry Public Investment Projects. Intermediary Report. December 2018.

¹⁷³Karamage, F et al. Modelling Rainfall-Runoff Response to Land Use and Land Cover Change in Rwanda (1990–2016). Water 2017,9,147; doi:10.3390/w9020147 www.mdpi.com/journal/water2 February 2017.

6.4. An inclusive high value chain in agriculture

Developing an inclusive high value chain in agriculture is one of the objectives of EU budget support, but it is in its initial stages and EU budget support interventions have so far had a limited impact on this objective.

Between 2013 and 2018, the agriculture sector grew by 5.5% on average, with a range of variation between 3 and 7%. An average growth of 5.5% is considered relatively high by international standards. In addition, agriculture exports have increased while imports decreased. Favourable commodity prices over the evaluation period contributed to a reduction of Rwanda's trade deficit from US\$ 1371 million in 2012 to US\$ 871 million in 2017.

EU attempts to strengthen capacities for upgrading agricultural exports have had limited success so far. -SRC Agriculture has dedicated complementary measures to strengthen the capacity of NAEB/MINAGRI to upgrade the specialised quality infrastructure needed for agricultural exports including coffee, tea, fruit and fresh vegetables, honey, flowers, etc. These complementary measures include: (i) the improvement of the laboratory buildings to international standards to allow the analytical equipment to be installed and operated in conditions which will allow the laboratory to receive ISO 17025 accreditation; and (ii) TA for the strengthening of the technical advisory function of NAEB designed to catalyse the export growth. However, the tender for supplying and installing the laboratory equipment closed in November 2019 so no results can be visible yet. Furthermore, NAEB authorities had their doubts on the value of EU Technical Assistance (implemented in May 2018) because it had, in their view, limited results so far.¹⁷⁴

The EU also supported the GoR objective to increase employment in export-oriented value chains. However, it is difficult to show results in this area, also due to lack of data. The SRC Agriculture and nutrition had a performance indicator for disbursement of the variable tranche on "number of people employed in export-oriented agriculture". But achievement of this indicator was beyond government control and also impossible to measure. For these reasons, in 2018 the indicator was changed to the number of coffee farmer groups trained in improved practices through "Farmer Field Schools". Achievement of the targets was expected to raise both the quality and quantity of employment in the export value chain, and in particular in the important coffee sector.

It is difficult to find data on the trend in employment in export agriculture. According to NAEB,¹⁷⁵ six agro-processing tea plants were established in the period 2014-2019. They employ 196 permanent and 8,610 temporary workers. According to the Rwanda Development Board, export diversification has increased due to a number of new products such as stevia and essential oils. However, the proportion of persons mainly working in market-oriented agriculture has decreased from 39% to 37% between February 2017 and February 2019, while the proportion of agricultural workers mainly involved in subsistence agriculture increased from 61% to 63%.¹⁷⁶ This is the opposite of the desired trend towards more workers in market-oriented agriculture.

¹⁷⁴ At the time of Evaluation Mission, the tender for purchasing laboratory equipment was on going, and little practical results could be seen.

¹⁷⁵ NAEB staff interview.

¹⁷⁶ NISR, Labour Force Survey, May 2019.

6.5. Food and nutrition security of rural households

EU budget support has contributed somewhat to reducing malnutrition in Rwanda. This mainly arose as a result of specific programmes, complementary measures and the policy dialogue in the area of nutrition, and less so by programmes that supported government policies aimed at increasing agricultural production.

EU budget support interventions through SRC Agriculture and SRC Malnutrition included two main lines of action to enhance the Food and Nutrition Security of rural households in Rwanda: one fostering agriculture production and the other supporting Rwanda's National Multisectoral Strategy to Eliminate Malnutrition (NSEM):

- The Agriculture PSTA 3 and 4 seek to achieve food security through production growth and food availability. These include several programmes to increase nutrition-sensitive food production, such as the Crop Intensification Programme (CIP) (higher yields), Land Husbandry Water Harvesting and Hillside Irrigation project (LWH), livestock and milk production (Girinka Program-One Cow per poor family and One Cup of milk per child program in schools), aquaculture, kitchen gardens, small animals, etc.
- The NSEM comprises improved child assessments, the creation of vegetable gardens in schools, a school feeding programme, provision of micronutrients and vitamins, the strengthening of multi-sector capacities at central and local level and other measures.

The SBS to eliminate Malnutrition contributed positively to the NSEM through policy dialogue and several complementary measures. To begin with, the NSEM itself was the result of improved nutrition governance. Together with other DPs, the EU advocated for more and higher-level coordination in nutrition policies. This has resulted in the highest level of multi-sectoral governmental cooperation for nutrition, namely via the Inter-Ministerial Coordination Committee within the Prime Minister's Office (PMO). The policy dialogue also contributed by reviewing performance indicators of the strategy.

EU complementary measures included (i) developing a country wide model for nutrition gardens in pre-primary, primary and secondary schools, and (ii) providing TA to improve the nutrition of mothers and children through innovative and cost effective behavioural changes leading to improved nutrition outcomes. This TA support is considered very positive by the Rwandan authorities and was extended.¹⁷⁷ Furthermore, the SRC Agriculture helped to finance the CFSVA in 2018, thus providing continuity of CFSVA implementation, which was very useful in generating reliable and comparable data.

According to several CFSVA studies, national stunting decreased from 43% in 2012 to 37% in 2015 and 35% in 2018,¹⁷⁸ but it is still considered as "very high" by international standards. Stunting in rural areas is still almost three times that in Kigali, with 38% and 13%, respectively. Wasting among women of reproductive age also decreased from 7% in 2012 to 5% in 2015 and 1% in 2018.

The improvement in national stunting and wasting indicators appears to be unrelated to a better food intake, as shown by the numbers below. It seems to be linked with the NSEM, and in particular the importance attached to eliminating malnutrition by the highest national authorities. The GoR also developed a National Early Childhood Development Programme (NECDP) that focused on reducing stunting by having Early Childhood Development sites in each village. The activities of NSEM and

¹⁷⁷ NECDP interview

¹⁷⁸ CFSVA 2012, 2015, 2018

NECDP include primary health care, early identification of pregnant women and undernourished children, provision of high fortified food for these target groups, promotion of parents' responsibility, social transfers, kitchen gardens and many other measures. The EU budget support can be said to have contributed to this policy.

The trends in other food security indicators are less favourable than those for stunting:

- While food consumption increased between 2006 and 2009, there is no visible improvement since 2009 and the situation deteriorated between 2012 and 2018. In 2018, 76% of households had acceptable food consumption, 20% had borderline and 4% poor food consumption.¹⁷⁹
- The Consolidated Approach for Reporting Indicators of Food Security (CARI)¹⁸⁰ improved slightly during 2015-2018. The share of food secure households increased from 80.6% in 2015 to 81.3 % in 2018. Although the percentage of food insecure households decreased, 467,000 households still remain in a moderate or severe food insecurity situation.
- The consumption of nutrient-rich food items has not varied significantly during the period 2015-2018. The Heme-iron consumption remains a constraint, and this consumption even decreased in 2018: 79% of households did not consume any iron food items (meat, fish, seafood, etc.) in the week before the survey. This deficiency leads to anaemia and reduces productivity and quality of life.
- There was a slight decrease in dietary diversity between 2015 and 2018. On average, Rwandan urban populations have greater variety in their diet than rural. However, the reduction in dietary diversity due to mono-cropping policy has major implications for the food security of Rwandan farmers.

These not so favourable developments in food security at household level can be related to agricultural policies, in particular CIP and LUC. One study showed that LUC had a positive impact on the consumption of roots and tubers, but led to a reduction in the consumption of meat, fish and fruits.¹⁸¹ LUC appeared to encourage households to sell high quality nutritious food such as fruit, vegetables and animal-based proteins, and buy more voluminous amounts of nutritionally substandard goods, hence resulting in lower dietary diversity.¹⁸²

In general, the academic studies cited above (6.1) show that the policies of increasing agricultural production did not have a positive effect on nutrition or on reducing the vulnerability of rural households. This also holds for the One Cow and Garden policies: households with livestock or gardens proved to have a higher risk of stunting. Apparently, households prefer to increase their income by selling highly nutritious food.¹⁸³

Recently, and in response to the revealed decrease in intake of heme iron in 2018, the EU through policy dialogue has encouraged the GoR to foster small animal production at household level as a source of protein. RAB promotes the small livestock production through its Animal Resources Department. Due to exiguity of land, RAB officers encourage people to rear small animals and birds

¹⁷⁹ In 2012, 79% of households have acceptable food consumption, 17 % have borderline and 4% poor food consumption CFSVA 2012 report.

¹⁸⁰ WFP introduced in 2015 the Consolidated Approach for Reporting Indicators of Food Security (CARI) as a new corporate indicator to interpret food security situation. The CARI addresses the multiple dimensions of food security with indicators that are consistent with internationally accepted food security concepts. The CARI combines the available food security indicators in a systematic and transparent way to analyse and establish the level of food insecurity within a population. CFSVA 2015 and 2018.

¹⁸¹ Del Prete et al. (2019), Land consolidation, specialization and household diets: evidence from Rwanda. Food Policy. Del Prete et al. 2019; 83:139–49 <https://doi.org/10.1016/j.foodpol.2018.12.007>

¹⁸² Weatherspoon et al., "Stunting, food security, markets and food policy in Rwanda", BMC Public Health (2019) 19:882. <https://doi.org/10.1186/s12889-019-7208-0>

¹⁸³ Weatherspoon et al., "Stunting, food security, markets and food policy in Rwanda", BMC Public Health (2019) 19:882. <https://doi.org/10.1186/s12889-019-7208-0>

(goats, pigs, poultry and rabbits). They also promote local forage production for the animals: sorghum, cassava and residues.¹⁸⁴ However, in view of the results of these academic studies, it can be doubted whether these policies will be sufficient to improve nutrition.

6.6. Conclusions from the econometric study

This section presents the main results of the econometric study (Annex 2). On the basis of NISR household survey data it explores the cause-effect relationship of these programmes and thus the expected outcomes of Agriculture budget support to Rwanda during the 2011-2018 period.

- Cultivated land remains the most important production input with around 50% elasticity of production. That means that each 10 % increase in cultivated land-area - all else being equal - translates into a 5% increase in gross crop production value at household level. However, as this chapter has shown, it is almost impossible to further increase land use. Increasing productivity and/or more off-farm job creation is needed if pressures on land, poverty, food insecurity are increasing. But it is a challenge to develop opportunities along the agriculture value chains, in services and in manufacturing to keep pace with the increase in population.¹⁸⁵
- As expected, most input expenses incurred by farmers at household level have positive and significant effects on crop production value, especially hired labour, fertilizers, insecticides, and agricultural capital.
- Among the policy variables, only erosion protection seems to have had a robust positive effect on crop production, but the effect is related to the selection of the most productive farmers. As a result, it contributed to increased overall national production, but did not affect the individual farmer level. Plots equipped with protection against erosion have 18 % more crop production value in 2016-17 than in 2013/14. Also, as the erosion protection measures are much more widespread than irrigation, they had a bigger absolute effect on food consumption in households.
- Conversely, the effect of irrigation (the effect on farmers who adopt irrigation) was big, around 30% higher production levels for the same equivalent farm households, but this did not contribute to higher national production levels because it did not contribute significantly to increased production of the larger and more productive farms. There is more margin of improvement for irrigation schemes in the future (through better implementation and more use). Those results are somewhat contradictory to other impact assessments, such as the one done by Development Impact Evaluation (DIME). The differences can be explained by the fact that this study focuses on aggregate crop production by household, while DIME looks at crop production by plot.
- When examining the effect of policy measures on food consumption, the use of irrigation and of erosion control proved to have a positive effect, but LUC did not. Irrigation was the only policy measure that contributed to food security *improvement*.
- The growth in real consumption per adult equivalent between 2014 and 2017, as revealed by the household surveys, was mostly driven by urban migration, since consumption did not change significantly within rural or urban areas (the change in rural/urban household status contributed the most part of it).

Overall, agricultural policies and policy interventions, especially erosion protection, have supported national production levels. Nevertheless, some interventions were not well designed and implemented to have stronger and more robust causal effects at the aggregate level, although irrigation might have helped to reduce rural poverty.

¹⁸⁴ Interviews with EUD and RAB staff.

¹⁸⁵ Bizoza, A. Population Growth and Land Scarcity in Rwanda: The other side of the “Coin”, University of Rwanda 2014 Conference on Land Policy in Africa, Ethiopia

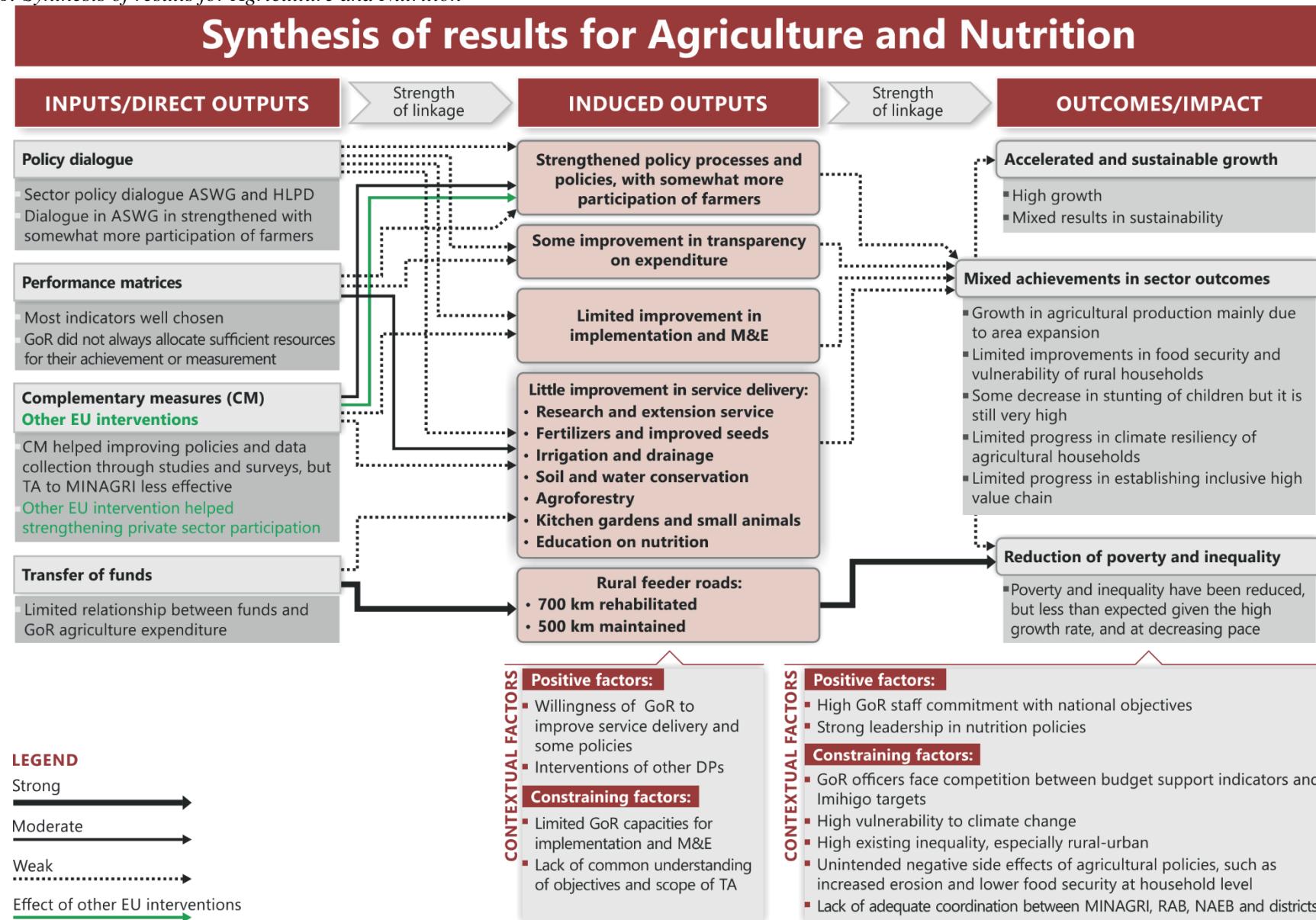
Finally, in the case of Rwanda, it is important to consider that while some policies or programmes may not be entirely efficient from an economic or productivity point of view, there are other parameters, such as food security and national security, that need to be taken into account. For example, the cost of producing wheat in Rwanda is higher than importing it, but by producing it in Rwanda the national supply is assured, the local economy is stimulated and income to small producers is generated.

6.7. Overall

Budget support inputs had some positive induced outputs, for example they led to an improved policy dialogue with somewhat more participation of farmers, and the complementary measures led to improved data availability (Figure 6). There is a clear contribution of budget support to improved policy processes and policies (top of figure). The contribution to improved transparency refers to some specific achievements, namely the publication of the agriculture PER and PETS. Most budget support inputs provided a small (“weak”) contribution to one or more of the improvements in service delivery, but the linkage between performance matrix and service delivery is “moderate”.

The feeder roads program had a strong effect on the rehabilitation of the feeder road network. This in turn has proven to have strong effects on reducing poverty and inequality (impact). Other than this, the linkages between induced outputs and outcomes and impact are weak. Another strong linkage that can be identified in Figure 6 is the green line between other EU interventions, i.e. support to farmers’ organizations, and their more effective participation in the policy dialogue.

Figure 6: Synthesis of results for Agriculture and Nutrition



7. CONCLUSIONS

A summary of the overall effects is provided in Figure 7. The direct outputs show some strengthening of sector policy dialogues but a weak macroeconomic dialogue. As could be expected after presentation of the sector results, the direct outputs of complementary measures and of the transfer of funds are mixed. However, this transfer helped to reduce transaction costs and had a direct impact on economic growth due to the fact that the fiscal space was used for investment, and investment has been shown to be the main driving force behind high growth in Rwanda.

Most linkages between inputs/direct outputs and induced outputs are weak, and some are non-existent. The latter holds true for macro-economic management (not in figure), and for improved accountability and increased domestic revenues, both of which were influenced by project aid only. The only linkages that are a bit stronger than “weak” (they are “moderate”) are from policy dialogue to improved policy formulation, and from performance matrices to improved service delivery. Project aid also provided a contribution to improved PFM and procurement systems and to improved policy formulation (the strengthening of farmers’ organisations, in particular). There are no strong linkages between induced outputs and outcomes and impact. This evaluation also looked for unintended side effects of budget support but did not find any.

The conclusions cover the main effects of budget support and are grouped in three clusters as shown in Table 5.

Table 5: Overview of conclusions by cluster

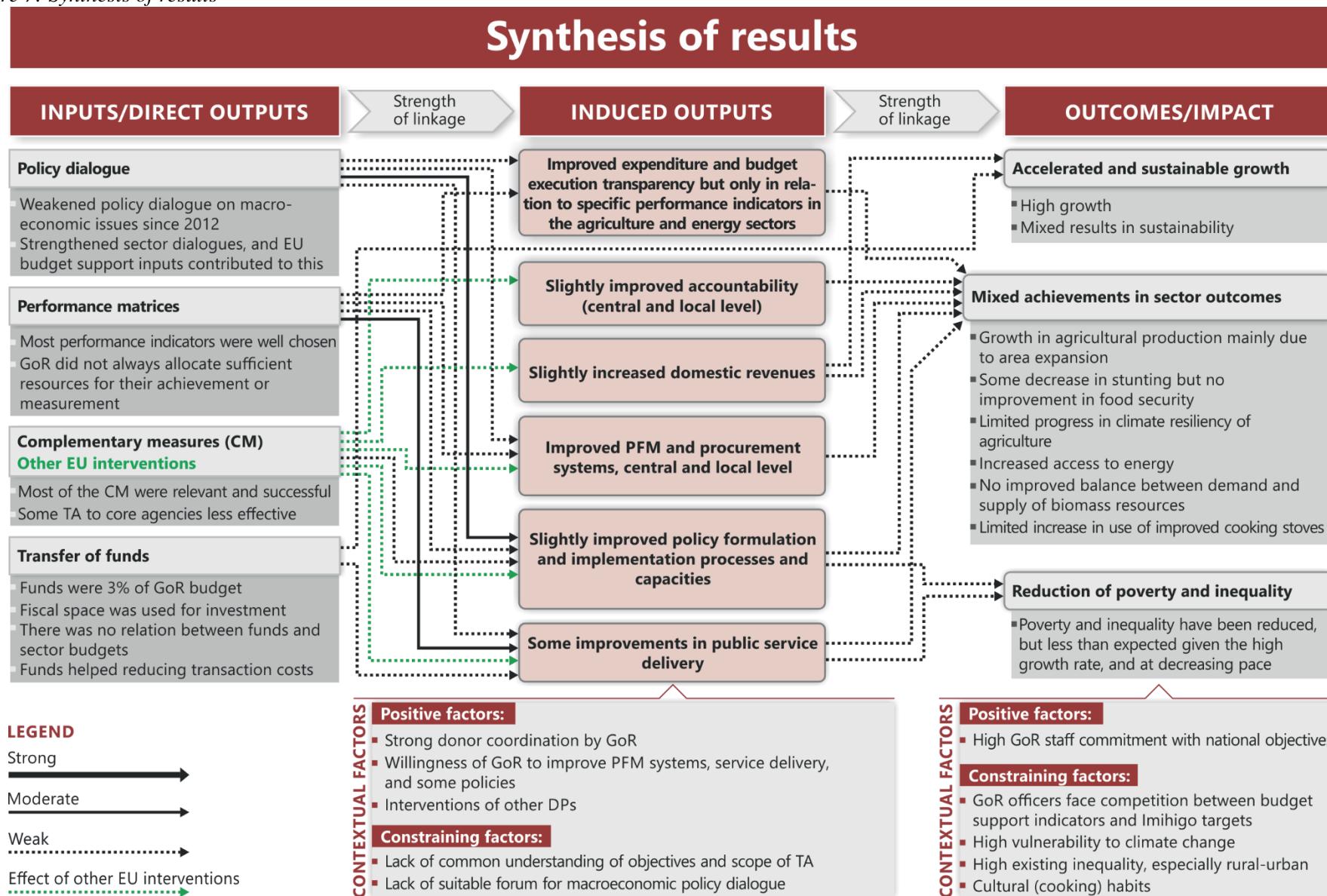
Cluster	Conclusion
Conclusions on the overall effectiveness of budget support	C1. Overall links between the levels in the CEF
	C2. Effects on growth, poverty and sustainability
	C3. Effects on policies, capacities and governance
Conclusions on budget support delivery	C4. Cross-cutting issues
	C5. Complementary measures
	C6. Performance indicators
Sector conclusions	C7. Energy
	C8. Agriculture and nutrition

7.1. Conclusions on the overall effectiveness of budget support

C1. Overall, the evidence shows an absence of strong links between the different levels in the Comprehensive Evaluation Framework. This is due to the complex governance context in Rwanda, which both fostered and hindered the effectiveness of budget support.

Budget support is meant to work through the policies and institutions of the recipient country. At the same time, the effectiveness of policies and institutions is supposed to be improved through policy dialogue, performance matrices and complementary measures. As can be observed in Figure 7, most relations between inputs, direct outputs, induced outputs, and outcomes and impact are weak, and some expected relations do not materialise at all. In addition, some links reflect the effect of other EU interventions only (the green ones).

Figure 7: Synthesis of results



Rwanda presents a complex environment for budget support. On the one hand, the country has strong leadership, a clear vision on development, and well elaborated strategies. The overall objective of these strategies is to achieve high economic growth. The current strategy, for example, aims to achieve middle-income status by 2035.¹⁸⁶ Government officials at all levels are highly committed to the national objectives. The Imihigo system, a system of annual performance targets to be achieved by government officials from the top level downward and on to households, fosters this commitment. The targets reflect the priorities of the GoR strategic plans. The high visibility of Imihigo results and the possibility of sanctions induce all government officers to prioritize the achievement of these targets. In this sense, the implementation capacity of the government is potentially high. The country also has strong aid coordination, and well-developed structures for policy dialogue between GoR and Development Partners (DPs).

On the other hand, governance in Rwanda presents authoritarian characteristics and national planning is of a top-down nature.¹⁸⁷ The strong drive for economic growth leads to a prioritization of public investment over recurrent expenditure, and thus to less attention to the capacities for planning, implementation, and monitoring of policies. Although the Imihigo system helps to focus efforts on the annual (short-term) targets, it also, and perhaps somewhat paradoxically, contributes to a weakening of these capacities. It hampers the credibility of budgets and of medium-term budget planning due to the short-term nature of the targets, it reduces efforts for policy objectives that are not included in Imihigo targets or that are not (easily) measurable, such as quality aspects, and it leads to a neglect of data collection on indicators that are not in Imihigo. In addition, the strong pressure for meeting the Imihigo targets in full may reduce the reliability of monitoring.

This complex context has contradictory effects on the effectiveness of the different inputs of budget support. Although the frameworks for policy dialogue exist, the top-down nature of national planning and the absence of the highest decision-making levels in these dialogues limits the possibilities to have a real dialogue on policies at a strategic level. In addition, after the demise of General Budget Support in 2012, the policy dialogue on macro-economic issues has weakened. All this implies that the policy dialogue has been more effective for operational and technical issues than for strategic discussions on objectives, policies and (spending) priorities.

At the same time, there were also limitations in the extent to which the different budget support inputs could have an effect on capacities for planning, implementation and monitoring. Government officials primarily focused on Imihigo targets. It has proven almost impossible to secure adequate capacities for policy implementation and monitoring of targets that were not part of Imihigo, even if they had been agreed upon as performance targets in EU budget support and were part of the policy framework set by the government.

Many of the stronger links revealed in Figures 5 and 6 are presented in green, meaning that they are related to other EU interventions, i.e. project aid. And the strongest link between inputs on the one hand, and outputs and impact on the other hand is the result of the Rural Feeder Roads operation (Figure 6). An impact evaluation has shown that rural feeder roads raise the incomes of the poorest households in Rwanda, so this operation has clearly contributed to reducing poverty and inequality. However, this budget support operation had a strong output focus, with performance indicators stipulating certain kilometres of roads to be rehabilitated and maintained in a specific region of the country.

¹⁸⁶ National Strategy of Transformation (NST 1, 2018-2024).

¹⁸⁷ Matfess, Hillary (2015). 'Rwanda and Ethiopia: Developmental authoritarianism and the new politics of African strong men'. *African Studies Review*, 58 (2), pp. 181-204. Hasselskog, Malin (2018), Rwanda's 'home-grown initiatives': Illustrating inherent contradiction of the democratic, developmental state. *Development Policy Review*, 36, pp. 309-328. Hasselskog writes "Though scholars differ widely in their assessment of the Rwandan model of governance and development, its authoritarian nature is unanimously agreed upon." (p. 310)

C2. Budget support contributed to the high growth rate mainly through financial resources, which allowed for high public investment. There is little evidence that budget support has enabled more pro-poor or more environmentally sustainable growth.

Rwanda had a high growth rate over the evaluation period, with an annual average of 7.3%. The increase in fiscal space that arose from the EU budget support has mainly been used for public investment, and growth has been driven by investment. The fastest growing sectors over the period 2005-2017 were Transport & Communication, Construction and Utilities.

Over the long run (since 2005), poverty and inequality have been reduced in Rwanda, but between the two latest household surveys (2013/14 and 2016/17) the poverty reduction was very small and not statistically significant – despite the high growth rates. In fact, the growth elasticity of poverty reduction in Rwanda between 2001 and 2017 was less than 20%, and much lower than in Senegal, Burkina Faso or Uganda.¹⁸⁸ This low elasticity and the stagnation in poverty reduction can be explained by structural factors, but also in part by government policies that have become less pro-poor over time. EU budget support has attempted, through the policy dialogue and other inputs, to make government policies more pro-poor, but this has not been very successful. Similarly, budget support inputs targeting a balance between demand and supply of biomass resources and favouring the use of climate-resilient agricultural practices, were hardly successful either.

C3. There is some evidence that budget support led to improved policy-making processes, policies, capacities and governance, but the examples are limited in number.

EU budget support, through specific performance frameworks, complementary measures and by acting as co-chair, has contributed somewhat to the strengthening of sector policy dialogue processes. In agriculture, this strengthening has meant, among other things, that there is now some farmer participation in policymaking. The different budget support inputs and other EU interventions have also led to an improved agricultural strategy in 2018, but it will take some time for its influence on sector outputs and outcomes to emerge. In energy, the policy dialogue and EU budget support performance targets have contributed to an improved policy framework for the sector.

The contribution of budget support to improving capacities for planning, implementation and monitoring at national level is limited to a few institutions or programmes that were able to use Technical Assistance (TA) or other complementary measures well. Such institutions include the National Institute for Statistics Rwanda (NISR) or the National Strategy to Eliminate Malnutrition (NSEM).

Most improvements in the capacity of institutions with a role in public finance management - like the Ministry of Finance (MINECOFIN), the Office of the Auditor General (OAG), the Rwanda Revenue Authority (RRA) and local government offices - are due to government efforts and to TA offered by several DPs outside the budget support framework. However, some specific performance indicators of sector budget support programmes had a positive effect on the production of (district) budget execution reports, district performance reports, and on the publication of an Agriculture Public Expenditure Review (PER) and an Agriculture Public Expenditure Tracking Survey (PETS).

With the exception of the publication of Agriculture PER and PETS, budget support has had little success in its efforts to improve transparency. The Open Budget Index (OBI) shows little improvement, the full report of the OAG is not publicly available, the results of a recent Fiscal Transparency Evaluation done by the IMF have not been made public, and the EU was not successful

¹⁸⁸ World Bank (2019), Rwanda: Systematic Country Diagnostic.

in including transparency objectives in the most recent PFM Sector Strategic Plan. Yet, and again mainly due to government efforts supported by TA of many DPs, there have been improvements in Parliamentary scrutiny of budgets and in Parliamentary oversight of budget expenditure. Other interventions of the EU have allowed several civil society organisations to engage more effectively in budget scrutiny and/or expenditure tracking.

7.2. Conclusions on budget support delivery

CROSS-CUTTING ISSUES

C4. The mainstreaming of cross-cutting issues in budget support operations has been uneven. Although cross-cutting issues are addressed in all budget support programming and planning documents, there exist certain challenges in the maintenance and streamlining of cross-cutting issues during programme implementation.

Some cross-cutting issues such as climate change, governance and rights-based approach gained importance during the 11th EDF only. The Budget Support Guidelines (September 2017) have announced a strategic shift in EU development policy towards stronger conditionality on human rights, democracy and the rule of law, the role of civil society and other elements of good governance. A rights-based approach means that individuals and communities should be able to participate in the development of policy and practices which affect their lives, and to claim rights where necessary. Implementation of a rights-based approach requires more participation of final stakeholders in decision-making. This is challenging in the political context of Rwanda and has hardly been applied in budget support programmes. The recent budget support programmes, and in particular SRC Agriculture, are the exception in the sense that the EUD successfully promoted the participation of farmers' organizations and civil society in the sector dialogue and in policymaking. However, the roles of civil society and private sector remain limited in these processes.

Other governance aspects – particularly PFM-related objectives - are systematically covered by indicators for the release of fixed tranches of budget support interventions. The EU supports the Government's objective of accountable governance by enhancing control and oversight capacity of public institutions such as Parliament, Ombudsman, Office of the Auditor General, MINECOFIN and the National Institute of Statistics of Rwanda.

The financing agreements and GoR policy documents have integrated gender equality issues at various levels. Attention has also been given to these issues by many DPs. Nevertheless, the level of mainstreaming in Budget Support operations has remained weak. There exists no real gender approach nor have specific studies been undertaken for defining gender-specific needs.

The SRC Energy includes a performance indicator that is more important for women than for men, namely improved cooking stoves. For the SRC agriculture and nutrition, it was attempted to include gendered indicators, but it proved impossible because, according to the EUD, insufficient gender-disaggregated data were available. Nevertheless, the National Gender Statistics Reports undertaken annually do present some gender-related indicators that may be relevant for the SRCs.

The level of mainstreaming of the environment and climate resilience in Budget Support operations is relatively high. Two budget support interventions were financed under the Global Climate Change Alliance. The EU commissioned a Strategic Environmental Assessment on the agricultural sector in 2012 and this influenced many of the objectives and performance indicators of the recent SRCs in Energy, Agriculture and in the SBS for Feeder Roads. These recent programmes have several indicators related to agro-forestry, the sustainable management of resources, irrigation, and terracing

with adequate monitoring of soil acidity. However, given the huge challenges in Rwanda, more attention can be given to research on, and implementation of, climate resilient agricultural practices.

HIV/AIDS as a crosscutting issue is not very present. Low presence of HIV/AIDS in EU budget support interventions is also related to the fact that EU is not active in the education or health sector, and that no relevant indicators are available for persons affected by HIV.

COMPLEMENTARY MEASURES

C5. Complementary measures are highly relevant and contribute to the achievement of the objectives of the budget support. They allow for the funding of activities which otherwise may not have been carried out. Furthermore, they bring a concrete benefit to the sector. Some complementary measures faced challenges during their implementation or could not be implemented as foreseen due to changes in GoR priorities.

The importance of complementary measures increased considerably during the 11th EDF and with the significant increase in the overall volume of financing of Sector Reform Contracts. Most of the complementary measures involved technical assistance activities, but they also included evaluations, communication campaigns, small projects selected on the basis of call for proposals and audits. The EU also financed studies to support policy formulation and monitoring, and feasibility studies relevant for the targeted sectors. Although these complementary measures are not directly aiming to help the GoR to achieve performance indicators, they make a significant contribution to strengthening capacities in the sector institutions.

However, in several cases complementary measures could not be implemented as foreseen or faced some challenges in implementation or in reaching their objectives (fully). By mid-2019, only about a third of the total budget available for complementary measures on all ten budget support operations had been disbursed.¹⁸⁹ However, it has to be considered that the two on-going SRCs, with large amounts involved in complementary measures, were still under implementation at the end of the evaluation period and as such the funds allocated to their complementary measures have not yet been fully disbursed or are even not yet contracted.

A specific challenge was related to the interpretation of the scope of the Technical Assistance provided to different institutions under the SRC Agriculture and SRC Energy. While the original aim of this TA was to improve long-term capacities, interviews with GoR and EUD stakeholders suggest that the ministries were more interested in support with daily operations and for achieving their Imihigo indicators. This created some challenges for the technical assistance team. The difficulties in achieving agreements between GoR and the EU on the content and implementation of some of the TA activities under the complementary measures limited the capacity development at MINAGRI and MININFRA, for example in the areas of data collection for their own M&E and for the EU performance indicators.

Sometimes changes in GoR priorities made reorientation of the complementary measures necessary. Under the ongoing SCR Energy half of the funds for complementary measures was originally allocated to the preparation of feasibility studies for the renewable energy sector. These funds have so far remained unused as the GoR changed priority and/or studies were financed by other development partners. As a result, these funds have to be reallocated. Under the SBS programme for feeder roads, several subsequent complementary measures focused on TA for establishing a feeder roads unit at MINAGRI that would work together with the Roads Authority and with local

¹⁸⁹ Information provided by EUD and by DEVCO, see Annex 4: Object of the evaluation.

governments in strengthening maintenance capacities. However, during project implementation, and in line with decentralization policies, the responsibility for maintenance of feeder roads was fully transferred to the districts.¹⁹⁰ As a result, the maintenance unit in MINAGRI was closed and its staff was dismissed.

Some of the complementary measures included in budget support operations aimed to promote visibility of the EU in Rwanda. In general, it is difficult to increase the visibility of results of budget support programmes since all results are achieved through national government budgets and policies. As the GoR makes little effort to credit the EU with results achieved through budget support programmes or project aid, the EU has to undertake action for being visible. The EUD has implemented several activities and the overall visibility of the EU and its values and activities is good. No data are available on the percentage of persons that is aware of EU and EU activities in Rwanda, but the impression is that information on EU and EU activities is more widespread amongst the better-off population living in Kigali and/or amongst those with access to modern communication systems. Nevertheless, although EU visibility has improved, the EU budget support interventions are not very well-known.

PERFORMANCE INDICATORS

C6. Relevance, ownership, coverage and measurability of performance indicators were usually of good quality. If targets were not achieved this was either related to problems in monitoring and reporting, and/or to insufficient resources assigned by GoR for their monitoring or achievement .

Performance indicators were, in general, relevant to the respective sectors and were based on national strategies, thus guaranteeing their ownership. The EUD looks for alignment with national targets but also for defining targets that are realistic and achievable. Thus, in some cases the Government of Rwanda and EUD decided to set targets (triggers) at a lower level than that contained in the government plans or to give more time for achieving the targets.

Performance indicators comprised a mixture of process, policy, output and outcome indicators. Output indicators were more likely to be met than the other types of indicators. However, this does not mean that they were more relevant or more successful in triggering change. They may simply have been easier to meet. It is not possible to draw a conclusion on the relative strength of the different types of indicators for fostering desired processes, policies or objectives without taking into consideration the specific context of each indicator. The formulation of one performance indicator (on the amount of energy generated from renewable resources) was not fully adequate (see C7).

In some cases, the GoR did not meet the targets, and disbursements related to a specific variable tranche were reduced or had to be postponed. Sometimes Rwandan partners faced difficulties in presenting the evidence for the achievement of the targets due to inadequate monitoring and reporting. In some cases, sector ministries accepted the proposed indicators in order not to delay the approval of the budget support programme, even when they did not fully understand the exact definition of indicators or the data collection process. In other cases, due to staff rotation the persons participating in the discussions on indicators were not in office when it came to reporting. In some instances, the GoR did not allocate sufficient attention and resources to the measurement of the indicators. It also happened that the government provided administrative information which the EUD, sometimes after field visits, did not consider valid evidence for the achievement of the indicators. Sometimes the

¹⁹⁰ Interviews with EUD and with local governments.

targets were not achieved. Some targets were beyond the control of the government, and in other cases the resources provided to the sector institution (budget, staff) were not sufficient.

The EUD has always been in dialogue, both formally and informally, with the relevant sector agencies on possible risks to the non-achievement of triggers. For example, the EUD advised on the way to collect the data or suggested to carry out studies for this purpose. In addition, some of the Complementary Measures focused on increasing the monitoring capacity of sector agencies for adequate reporting. While the EU succeeded in adjusting indicators to more realistic levels, EU efforts were less successful in making sure that adequate resources were made available to sector institutions for achieving targets or for improving data quality and reporting.

7.3. Sector conclusions

ENERGY

C7. Budget support contributed to some extent to better policy-making processes in energy and to better policies, most notably the setting of more realistic policy targets and the introduction of least cost electricity system planning. But for a variety of reasons, the contribution of budget support to improved policy implementation and to sector outcomes has been limited.

The policy dialogue and specific performance indicators for the variable tranches of the Energy SRC contributed to improved frameworks for the sector policy dialogue in Energy and led to improved reporting. SWG meetings are now more frequently held and Joint Sector Reviews (JSR) are prepared and discussed bi-annually. Nevertheless, the performance indicators that were included are limited in scope and sometimes lack reliability.

Policy dialogue and performance indicators contributed to improved energy policies in general, and in particular to the application of least-cost system planning and to the setting of more realistic policy goals. It should also be noted that the EU, together with other DPs, achieved an agreement with the GoR on more realistic standards for solar systems, which may contribute to the further expansion of off-grid solutions. However, the elaboration of least-cost development planning still has some deficiencies. For example, scenarios that are prepared as part of the planning process do not include risk analysis of system expansion alternatives, nor do they take account of *demand-side management* alternatives. Nevertheless, it can be concluded that improvements in electricity system planning may contribute to reduced energy costs in the future.

Despite the best efforts of the EUD to improve capacities for implementation and especially Monitoring and Evaluation (M&E), the Technical Assistance (TA) to the sector was not effective as a consequence of stakeholders' different understanding on the content and objectives of this TA. Although EU budget support helped to set up a system for M&E in energy, this system was still weak at the end of the evaluation period and there were severe limitations in coverage, reliability, validity and accessibility of data. The weak monitoring systems also affected the achievement of several performance indicators of budget support.

During the first years of the SRC energy, government budgets for the energy sector decreased. Although access to energy, both on-grid and off-grid, definitely increased, the lower government transfer of funds to the sector, and in particular to REG, led to a lower than planned increase in on-grid connections. The budget support performance indicator for on-grid increase was not always met either, although it was set at a lower level than that contained in the government plans.

Policy dialogue and performance indicators also focused on increasing the share of electricity generated from renewable energy sources (RES) and on improving the balance between supply and demand of biomass resources, in particular through increasing the use of improved cook stoves. In the latter two areas, the effect of the EU efforts was limited to some increased awareness among policy makers of their importance. And although the quantity of electricity generated from RES increased somewhat, mainly due to favourable weather conditions, the share of RES in total generation capacity did not. The fact that the indicator was formulated as an increase of generated RES as compared to the previous year did not contribute to achieving the EU objective of reducing the share of electricity generated from traditional and polluting energy sources.

One notable effect of EU efforts is that energy interruptions are fewer and shorter. In the Kigali area, this can be attributed to a large EU project.

AGRICULTURE AND NUTRITION

C8. Despite considerable efforts from the EUD, the different budget support operations that supported agriculture and nutrition had only limited effects on desired outcomes. The strongest effects can be attributed to an SBS programme that had very specific performance indicators (Rural Feeder Roads), and to interventions outside the budget support framework. Yet, budget support contributed to some extent to the reduction in malnutrition, and to the recent increase in participation of farmers' and civil society organisations in the policy dialogue, which has contributed to improved policy in the sector.

EU budget support resources have contributed to the expansion and rehabilitation of the feeder road network, which has been shown to reduce poverty and inequality in the rural communities served by these roads. Budget support funds can be expected to have supported the government's agricultural modernisation policies, which led to higher agricultural production and increased food security at the national level. However, these policies did not bring improved food security at household level and were accompanied by an expansion of area cropped, which led to deforestation, soil depletion, erosion and more vulnerability to climate change. The EU has raised the contradictory effects of the policies in the policy dialogue, but so far this has not led to adjustments.

EU budget support, and in particular policy dialogue, some complementary measures and other interventions, contributed to an improved policy framework for agriculture. The most recent strategic plan has benefitted from consultations with all involved DPs and with farmers' organizations, civil society organisations and the private sector. The participation of the latter three groups was fostered by several budget support inputs as well as other interventions. Given that the success of government policies in the past was hampered by a lack of farmer involvement in decision making, participation of farmers' organisations and private sector is important. However, the participation is still limited, and the changes in the policy framework are recent and cannot be expected to have influenced sector outcomes to date.

EU budget support inputs (policy dialogue, complementary measures and specific performance indicators) also aimed to build the institutional capacities to monitor and report on policies. Many of these efforts were successful. UN agencies contributed to policy development and carried out specific studies, such as the Comprehensive Food Security and Vulnerability Analysis (CFSVA), in areas that required specific knowledge.

However, the on-going TA to improve capacities of MINAGRI was less effective due to the aforementioned divergence in understanding between GoR and EU on the objectives and content of

this TA. In fact, implementation and M&E capacities in the sector were already weak at the beginning of the evaluation period due to a comprehensive restructuring of the institutions involved. EU efforts have hardly succeeded in strengthening these capacities. As policies have become ever more complex, the gap between policy design and implementation has widened over time. While policies initially focused on delivering basic infrastructure and inputs, they now include engaging with the private sector, developing agri-food value chains, and strengthening core information systems that are needed for evidence-based policy making and implementation. This requires new capacities and skills and more inter-sectoral and inter-institutional coordination. M&E systems in the sector also remain weak. The data collected is not always reliable and merely focus on the indicators mentioned in Joint Sector Reviews and Imihigo.

The government has invested in irrigation, land terracing and agroforestry, but coverage is still low and quality of design and implementation is not always adequate. This is related to the fact that targets often focus more on quantity and less on quality. Progress in applying climate resilience practices has so far been limited.

EU budget support has contributed somewhat to reducing malnutrition in Rwanda. This mainly occurred through specific programmes and Complementary Measures in the area of nutrition, and, to a lesser extent, through programmes aimed at increasing agricultural production – since higher production was not accompanied by improved food security. Complementary Measures helped to improve the monitoring of food security and nutrition. They also supported the establishment of school kitchen gardens and promoted behavioural changes that helped to improve nutrition amongst mothers and children. This contributed to reductions in stunting in children and in wasting among pregnant women, but the former is still very high, especially in rural areas.

8. RECOMMENDATIONS

This chapter presents the recommendations, clustered according to Table 6

Table 6: Overview of recommendations by cluster

Clusters	Recommendations
General	R1. Apply a balanced approach
	R2. Strengthen policy dialogue
	R3. Create a macro-economic dialogue
	R4. Support increased participation of civil society and farmers' organisations through complementary measures or project aid
	R5. Strengthen monitoring systems
Budget support delivery	R6. CCIs
	R7. Complementary measures
	R8. Visibility
	R9. Performance indicators
Sector	R10. Energy
	R11. Agriculture and nutrition
	R12. Feeder roads

8.1. General

R.1. Given its potential for systemic change, EU budget support should be continued. The relative importance of budget support in the EU's overall aid portfolio should be dependent on the level of commitment by GoR and EU to the key conditions for making budget support more effective. These key conditions are elucidated in the recommendations presented below. Should full commitment to the implementation of these recommendations not be evident, the EU may

consider a more balanced approach, carefully paying attention to the possibilities of other aid modalities, including project aid, for achieving policy objectives

Budget support can be the most effective and efficient aid modality if the strategic policy priorities of government and donor to a large extent converge, and if the government has adequate implementation capacities. This evaluation has shown that Rwanda meets these conditions to a certain extent, but not fully. As a result, most links between the different levels of the Comprehensive Evaluation Framework are weak and some expected induced outputs or outcomes did not come about. At the same time, this evaluation has shown that an EU budget support operation that was fully output focused (Rural Feeder Roads), as well as EU project aid, have been very effective for reaching policy objectives in sectors supported by budget support, and also for achieving impact on poverty reduction. By providing earmarked support in the form of project aid, quicker and more concrete results can be obtained. Moreover, project aid allows for the provision of direct support to civil society, private sector or vulnerable groups or regions. Recommendations R2-R12 are designed to improve the conditions under which budget support can become more effective. Ultimately, the balance between budget support and project interventions should be based on the extent to which progress can be made in the implementation of these recommendations.

Based on C1.

R2. In future budget support operations, a higher government level should be engaged in the HLPD, for example the Prime Minister's Office and/or the President's Office, in addition to the ministers.

As mentioned above, effective budget support requires that the strategic policy priorities of government and donor converge to a large extent. In practice, there will always be some differences in views about policy priorities, and these can be discussed in the policy dialogue. This evaluation has shown that Rwanda is a borderline case in its convergence to EU policy priorities. GoR and EU agree on the need for high growth and the EU appreciates the visions and strategies to achieve this objective. But there are some concerns, for example relating to the limited pro-poorness of fiscal and macro-economic policies, the lack of participation of farmers in policies that affect them, and the lack of priority given to avoiding the negative effects of growth on the environment (deforestation, soil erosion, etc.)

Given these divergences, a high-quality policy dialogue is essential in Rwanda. Currently, many issues cannot be addressed in the policy dialogue. Although fora for the sector policy dialogues and for the dialogue on Public Finance Management do exist, the top-down planning existing in Rwanda and the fact that the highest decision-making levels are absent from these dialogues, limit their effectiveness. In practice, the existing policy dialogues are more effective for discussing operational issues than for more fundamental policy issues. For all these reasons, it is essential that any future budget support operations secure a regular policy dialogue between the EU and the highest decision-making levels, such as Prime Minister's Office and/or the President's Office. This could be stipulated in the Financing Agreement or in a separate Memorandum of Understanding.

It may be considered to alternate these meetings with involvement of the highest decision-making levels ("summit HLPD") with regular HLPD meetings, while also strengthening reporting channels between GoR representatives in the latter meetings and higher GoR officials.

Based on: C1 and C2.

R3. In future budget support operations, it would be desirable to re-establish a macro-economic dialogue between the GoR, the EU, other concerned donors, and the IMF.

The EU has provided a large amount of budget support funds to Rwanda over the evaluation period, with a total commitment of € 725 million in ten budget support programmes. Given this volume, it can be considered important that the EU is able to discuss macro-economic and fiscal policies with the GoR. However, as demonstrated in this report, there is no adequate forum for discussing macro-economic and fiscal policies in Rwanda. The re-establishment of a macro-economic dialogue between GoR and all concerned donors (EU, World Bank, etc.) plus the IMF would solve this issue. Preferably, this dialogue should be held more than once a year.

Based on: C1 and C2.

R4. In, or next to, future budget support operations, the EU should continue, and increase, support to private sector, civil society and farmers' organisations to strengthen them, to promote their participation in SWGs and TWGs and to help them engage in policy-making, policy implementation and M&E processes. This can be done through Complementary Measures and through project interventions.

The GoR intends to increase participation of the population in decision-making through many “home-grown initiatives” such as Ubudehe, Umuganda and Imihigo. However, academic research on Rwanda has shown that this participation is often limited to the implementation of policies, and does not imply co-deciding on policies or priorities.¹⁹¹ Nevertheless, some space has become available in recent years for civil society to give their views. The EU has contributed both to creating this space and to making civil society and farmers’ organisations more effective in using it. Examples include: (i) the participation of farmers’ organisations in the new agricultural strategy, which has arisen from several budget support inputs and a project and (ii) participation of civil society in the discussion on budget proposals.

These contributions of civil society and farmers’ organisations will help to incorporate the perspectives of the poor rural population and other vulnerable groups in decisions on Rwanda’s priorities, and, in so doing, will increase the pro-poorness of policies. Evidence shows that budget support can have some success in increasing transparency, participation and accountability and that Complementary Measures or project aid to specific groups can support this. For direct support to private sector and civil society, project aid seems to be most appropriate.

Based on: C2, C4 and C8.

R5. The government should dedicate more attention and resources to improving information management and use of data. It may consider the establishment of a national quality assurance system for M&E at the level of MINECOFIN, Prime Minister’s Office (PMO) or President’s Office. Such a high-level M&E system would benefit from engagement of civil society and private sector representatives, as well as from support from Development Partners.

¹⁹¹ Gaynor, Niamh (2014). ‘A nation in a hurry’: the costs of local governance reforms in Rwanda. Review of African Political Economy, Vol. 41, No. S1, S49–S63, <http://dx.doi.org/10.1080/03056244.2014.976190>; Hasselskog, Malin (2018). Rwanda’s ‘home-grown initiatives’: Illustrating inherent contradiction of the democratic, developmental state. Development Policy Review, 36, pp. 309–328.

EU budget support inputs have had positive effects on the quality of available data in the country, especially through Complementary Measures that carried out surveys and impact analysis and through deployment of agencies like WFP, FAO and the World Bank. However, the efforts to improve M&E systems of core implementing agencies have been much less successful. The government did set up monitoring systems, but the quality of administrative data remains weak. Agencies do not work effectively together, and the data collected and stored is neither reliable, complete, nor consistent across years and regions. The systems prioritise the collection and publication of data on Imihigo targets. There is no adequate monitoring of the indicators of the national strategic plans, and this also holds true for the monitoring of EU performance indicators based on these national plans. The weak quality of data endangers the implementation of the national strategies.

At the moment, GoR does not give sufficient attention to strengthening the M&E systems in agencies responsible for policy design and implementation. More resources should be dedicated to this. In addition, establishing a national quality assurance system at a higher level (MINECOFIN, PMO or President's office), may greatly improve the quality of M&E and will thus also foster the effectiveness of policies. Such a high-level M&E system would benefit from engagement of civil society and private sector representatives, as well as from support from Development Partners.

Based on: C1, C3, C7, and C8.

8.2.Budget support delivery

CROSS-CUTTING ISSUES:

R6. In the future budget support operations, more attention should be paid to cross-cutting issues, in particular to the Rights-Based Approach (RBA), gender equality and climate change. These cross-cutting issues should not only be mentioned in project documents, but they should be effectively applied and monitored during the whole implementation period

A rights-based approach means that individuals and communities should know their rights. It also means that they should be fully supported to participate in the development of policy and practices which affect their lives and to claim rights where necessary. This aspect has to be strengthened in future interventions by strengthening civil society and increasing accountability towards the public. In order to promote the RBA, continuing the support to civil society and farmers' organisations is important (see R4).

Disaggregated indicators on gender are becoming increasingly available. In cases where they are not available, they can be generated in specific surveys or included in surveys (like agriculture survey, CFSVA and the general household surveys (EICV)) that are already being conducted. It should be noted that it is not sufficient to generate data about the sex of the household head as is commonly done in these surveys. Such data says little about the different situations or outcomes for women and men.

Gender budgeting, as well as studies on gender-specific needs and challenges, are not yet available in Rwanda. Similarly, little is known on the specific situation and needs of youth, elderly and vulnerable groups, such as the Batwa. In line with the EU's policy imperative to "leave no one behind", the EU can make a significant contribution by commissioning these kinds of studies in future interventions.

Rwanda is highly vulnerable to climate change and strongly reliant on rain-fed agriculture. A large proportion of Rwanda's inhabitants is poor or extremely poor and is heavily dependent on natural resources, including water availability and soil quality. Changes in precipitation and temperature negatively affect crop yields and quality and increase the risk of new parasites and pests to humans, cattle and plants. Heavy rainfalls increase the already high erosion risk. While these issues have been addressed in EU budget support programmes supporting GoR terracing, irrigation and agroforestry policies, more attention can be given to developing and promoting climate resilient agricultural practices. Furthermore, the theme of climate resilience should be addressed in collaboration with farmers' associations and civil society, not only by fostering concrete measures to improve climate resilience, but also by increasing awareness building and disaster preparedness.

Based on C4.

COMPLEMENTARY MEASURES

R7. Complementary measures including Technical Assistance should be continued. A better and more permanent policy dialogue between EUD and beneficiary institutions is essential to harmonize expectations about the objectives and scope of Technical Assistance, and this dialogue should also lead to agreement on the institutional reforms to be achieved with this assistance

As concluded above, Complementary Measures contribute to the achievement of the objectives of the budget support. They permit the earmarking of funds for activities which otherwise may not have been carried out. They bring a concrete benefit to the sector and can help to focus more directly on promoting the interests of poor and vulnerable groups. They can also foster the implementation of cross-cutting issues (see R6).

However, some of the technical assistance (TA) to the core implementing agencies was less successful. GoR and EU proved to have different ideas on the objectives and scope of this TA. The implementation of Recommendation 5 will help to improve M&E systems, and this may also foster the effectiveness of TA for this purpose. In addition, however, TA should be a topic for the high-level policy dialogue between GoR and EU.

Based on: C5, C7, and C8.

VISIBILITY

R8. The EU should continue its innovative approach for making the EU, its activities and values visible in Rwanda.

It is difficult to increase the visibility of results of budget support programmes since all results are achieved through national government budgets and policies. The EU should therefore continue its innovative visibility strategy in which resources from both project aid and budget support are pooled in a way that targets the overall visibility of the EU, its activities and its values Rwanda.

Based on C6.

PERFORMANCE INDICATORS

R9. In future budget support operations, performance indicators for the variable tranches should be a mix of process, policy, output and outcome indicators. Both EU and GoR should pay careful attention at the design stage to discussing and agreeing upon the definitions, measurement and methods of data collection of the indicators, including their reference values. Indicators that cannot be measured in a reliable way should not be included. In addition, indicators should be designed in such a way that there is at least some link between government efforts and the achievement of the indicator.

Some of the performance indicators, and especially in the Energy SRC, were (to a large extent) beyond the control of the government. These most notably included the indicators on expansion of off-grid connections, on the use of improved cook stoves, and on the increase in generated capacity from renewable energy sources. Although the issues covered are relevant, it is recommended to reformulate them in such a way that they can have the desired incentive effect on government efforts.

As shown above, there were many problems with the measurement of the performance indicators. The lack of adequate reporting was often a reason why disbursements for the variable tranches could not be (fully) made. As a result, it was not clear whether the indicator had the desired effect on actual performance, and the incentive effect of the indicator was reduced.

The implementation of R5, and thus increasing the attention and resources for M&E, would also help to ameliorate this issue. However, it is important that both partners pay careful attention to agreeing on definitions, measurement and data collection methods at the design stage and that the GoR allocates funds for this measurement. This will provide more certainty and predictability for GoR on disbursements and will at the same time enhance the incentive effect on actual performance. If indicators cannot be measured in a reliable way, they should be excluded.

Based on C6, C7, C8.

8.3. Sector recommendations

ENERGY

R10. A future budget support operation in Energy should continue to focus on support for improving policies, and in particular on the application of least-cost system planning with emphasis on demand-side management, on improving M&E systems, on increasing the share of renewable energy resources, on reducing the gap between supply and demand of biomass resources and on increasing the use of improved cooking stoves. In considering future budget support for the sector, careful consideration should also be given to the potential for blended finance.

The most important success of the SRC energy was to help improving policy-making processes and policies. The EU can build on these successes by providing further support to improving policies. For example, in applying least cost electricity generation planning, all options on the demand-side, in particular load management, should also be considered. In addition, a risk analysis of system expansion alternatives should become part of the final selection of the least cost generation expansion plan.

In reducing the gap between supply and demand of biomass resources and in fostering the use of improved cooking stoves, the EU has so far been able to raise awareness, which is important. It can

form the basis for efforts to further improve policies in these areas, for example on increasing information on, and expanding supply of, more sustainable cooking methods.

It is essential that data quality improves, and the EU can make an important contribution through Complementary Measures. However, the long-term success of these efforts is dependent on the implementation of other recommendations, and in particular R5.

Although this evaluation did not have the opportunity to study blended finance, this mechanism may have potential in Rwanda, especially in view of the need for big investments in the sector and the relatively low level of public debt in the country. For this reason, the EU should carefully consider blended finance as a possibility for the future.

If the EU considers future budget support to this sector, it is also important to take into account the possible complementarities with budget support operations by other Development Partners, and in particular the World Bank's DPO.

Based on C3 and C7.

R11. A possible approach for developing an effective indicator for an increase in Renewable Energy Sources (RES) involves an open and participatory planning process for developing an energy generation expansion path. This agreed path may serve as basis for an agreed time schedule for the construction and dispatch of renewable energy generation. Reliance on an indicator emphasizing the actual construction of RES generation is preferable to using the current indicator, which assesses the actual annual output of RES generation and may result in payments favouring good atmospheric conditions rather than the actual RES capacity development.

Any design of an indicator related to energy generation has to be preceded by a thorough analysis, including, but not limited to, numerical simulations through the use of planning and generation models. This may appear to be a complicated and time consuming approach to follow but in reality, considering the stage at which energy system planning is done in Rwanda, it may not be so intimidating and may actually be quite feasible.

The planning process has already been established by REG and focuses on estimating the electricity demand and developing scenarios for future electricity generation expansion. In a nutshell, the scenarios should include consideration of various demand-side management options, both passive and active, and feasible supply-side options, including conventional as well as RES generation options, retirement of inefficient units, and consideration of other innovative solutions that would limit the need for additional generation capacity without jeopardizing the overall reliability of the power system.

The prerequisite for the proposed approach is to open the system planning process, so far under the exclusive control of the REG, to a collaborative process where, in addition to REG, many other interested parties, including the donors, power developers, and general public, may participate in and contribute to the dialogue leading to the development and testing of the planning scenarios and ultimately leading to a development of the path for the electricity generation expansion in the medium timeframe¹⁹² based on the reached consensus. On the basis of such an agreed expansion path, an indicator could be formulated that comprises the construction of renewable energy generation and making that generation available for dispatch in the system. The reward to the GoR would be a series

¹⁹² For example, 15-year planning horizon.

of payments according to the agreed time schedule for this actual construction of renewable generation and for making that generation available.

Reliance on the indicator emphasizing the actual construction of RES generation is preferable to using the current indicator, which assesses the actual annual output of RES generation. As explained earlier in the report, relying solely on the output of electricity generation from renewable resources as a criterion for indicator evaluation may result in payments favouring good atmospheric conditions rather than the actual RES capacity development.

The benefits and intended side-effects of this approach would include:

- Drawing on the existing expertise of the REG staff and involvement of external professionals willing to assist in the planning process.
- Consistency of energy system data on the demand- and supply-side that may be used by all parties.
- Improvement in data availability and its verification for evaluating other indicators, especially related to electricity demand.
- Better understanding of the situation in the energy sector by all involved parties.
- Increasing the level of knowledge of those not well represented so far, including the general public, the ultimate ratepayers, giving them a sense of ownership of the final planning outcome.
- Giving all interested parties an opportunity to participate in developing a common vision for energy system development; and, last but not least,
- Depoliticizing the process of energy system development.

Based on: C7.

AGRICULTURE AND NUTRITION

R12. Future budget support programmes in agriculture and nutrition should focus on support for improving policies, such that more attention is paid to farmers' participation, improving climate resilience, fostering agricultural research and extension services, avoiding the side effects of current policies (such as soil depletion, deforestation and erosion), and improving food security at household level. In addition, they should focus on strengthening implementation capacities and on strengthening capacities for M&E.

EU budget support has promoted the participation of civil society and farmers' organisations in policy making. Future EU budget support should continue to insist on hearing the voices of the rural population, and in particular those from the most deprived districts and from vulnerable groups, with particular attention to women. The EU should strengthen the interests of these groups also by commissioning relevant studies (see R4) and by providing direct (project) support to the most deprived populations. This would mean a more balanced approach between budget support and project aid for the sector (see R1).

The broad participatory process of the most recent agricultural strategy has also improved the content of this strategy. In future operations, the EU can attempt, together with other DPs, to further improve these policies such that the negative side effects on the environment and on vulnerable populations can be reduced.

Many objectives of the current SRC Agriculture were not achieved due to inadequate implementation capacity. A future budget support operation should support the ongoing restructuring process of MINAGRI, RAB, NAEB and districts, with a view to strengthening capacities for implementation and further the decentralisation process.

Furthermore, it is essential that data quality improves, and the EU can make an important contribution through Complementary Measures. However, the long-term success of these efforts is dependent on the implementation of other recommendations, and in particular R5.

**The European Commission Directorate
General for International Partnerships -
INTPA**

INTPA Mission

Our mission is to contribute to sustainable development, the eradication of poverty, peace and the protection of human rights, through international partnerships that uphold and promote European values and interests.

Follow us:

- | | |
|---|--------------------|
|  | : @EU_Partnerships |
|  | : EUPartnerships |
|  | : eu_partnerships |
|  | : EUintheWorld |



Publications Office
of the European Union