

Republic of Rwanda

Country Programme Evaluation

Executive Summary

1. Cooperation between IFAD and the Government of Rwanda, which began in 1981, has involved 13 projects for a total cost of US\$284 million until 2010,¹ of which IFAD loans have accounted for US\$150 million (53 per cent). Rwanda is the eighth largest recipient of IFAD funding in the East and Southern Africa region. The present country programme evaluation (CPE) for Rwanda is the second conducted by the Independent Office of Evaluation of IFAD (IOE), following that of 2005. A number of operations that were at the early stages of implementation at that time have been reassessed by the present CPE, which focuses on the period 2000-2010 and closely reviews two country strategic opportunities programmes (COSOPs), five projects and nine grants (of which four were regional grants and five country-specific). Over the period under review, cooperation moved from dealing with the rehabilitation of rural structures destroyed in the 1994 genocide to economic development.
2. The evaluation found that, during the period under review, the IFAD/Government of Rwanda partnership had made a significant contribution to reducing rural poverty, and that the performance of the portfolio has improved since the CPE of 2005. On IFAD's part, contributing factors include a more participatory approach and transition to direct supervision, while, on the part of the Government, they include the introduction of clearly-defined strategies and programmes as well as a strong accountability framework. Rwanda's governance culture is highly results-oriented, thereby ensuring that policies and strategies are implemented.
3. The majority of the rural poor obtain their livelihoods from small, fragmented plots in fragile watersheds subject to erosion and loss of soil fertility. A major part of IFAD's operations has focused on protecting the watersheds and increasing the productivity of natural resources. The technical approach, which involves soil conservation measures and the integration of crop production, livestock and forestry, is having a remarkably positive impact on natural resources, household incomes and consumption, and food security. A second area of support has been for traditional export crops (coffee and tea) and the introduction of non-traditional cash crops (e.g. sericulture), where emerging results and impact are boosting Rwanda's negligible agricultural export earnings and creating on- and off-farm employment.
4. A third thrust of IFAD's cooperation has been to create non-farm employment to absorb the increasing number of young people with no viable future in the over-populated watersheds. While satisfactory results have been achieved, often benefiting the very poor and many young women, IFAD's role in this area is more marginal and there are questions regarding the sustainability and viability of micro and small enterprises.
5. The relevance of the portfolio is rated satisfactory. The three thematic thrusts are highly relevant to the national context and sectoral strategies and to IFAD's COSOPs. Overall, they are technically sound and adopt approaches conducive to achieving their main objectives. Nevertheless, the CPE identified a number of design issues. In particular, the support to rural finance, an element of the early part of the period under review, was not designed based on best practices and IFAD's rural finance policies. The design of support for watersheds has not adequately anchored its implementation in local government structures, whose

¹ This CPE refers to the time frame 2000-2010. In September 2011 IFAD approved a new loan bringing the total number of projects to 14, the total portfolio cost to US\$345 million and the IFAD funding to US\$187 million.

implementation responsibility and capacity are being enhanced in the decentralization process. Finally, the design of support to export crop value chains was broadly valid but did not take sufficient account of the food security risks faced by households with very small landholdings.

6. The effectiveness of the programme is also rated satisfactory. Overall, the programme has made satisfactory progress in meeting the projects' immediate objectives, and in some cases exceeding them. This is particularly the case for support to watershed development and, in part, support to export crops and rural enterprise development. Support to developing the capacity of cooperatives and local governments has been less effective to date, while that for rural finance made no contribution to developing a sustainable rural finance system.
7. Efficiency is assessed as satisfactory overall. Improvements over the period under review reflect both the increasing capacity of Rwandan partners and IFAD's transition to direct supervision and implementation support, and establishment of a country office. Target achievement, time overruns and the share of project management costs in total project costs are generally in the satisfactory zone. The projects are implemented by project implementation units, co-opting central and local government institutions for service delivery as well as contracting service providers and contractors from the private sector and civil society. Projects with good systems for managing outsourcing have shown better performance. Monitoring and evaluation systems are generally superior to those of other projects in the region, and include systems for assessing impact. The Ministry of Finance and Economic Planning actively monitors externally-financed projects.
8. Impact is rated satisfactory overall. It has been strong in generating income and access to household assets and in improving food security. In the case of cash crop development, however, protection measures are missing for very small landholders until coffee trees and tea bushes come into production. Findings on impact on human and social assets are mixed with main challenges represented by weak cooperatives and fragile micro and small entrepreneurs. While acknowledging environmental benefits, this evaluation identifies a set of environmental risks not yet fully analysed and documented.
9. Sustainability is assessed as moderately satisfactory. While many of the activities in the watersheds are likely to be sustained, either by the beneficiaries alone or by the beneficiaries with government assistance, there are serious questions as to the sustainability of rural finance and cooperatives. The evaluation expresses concern that the Government's policy to formalize the economy, pushing informal entities to register as cooperatives or companies, will be implemented too rapidly, without allowing for a proper transition. Some of the newly-formed cooperatives do not as yet have the capacity to manage high levels of debt and complex operations (e.g. coffee cooperatives).
10. The programme's contribution to innovation and scaling up is also rated moderately satisfactory. The most important innovations are in the area of improved agricultural practices for yield increases and soil management, which have been the subject of a major testing effort and gradual scaling up. Outside this area, innovativeness and the potential for scaling up have been more limited. Apprenticeship programmes in micro and small enterprises development have been innovative, while progress has been more modest in product design and technology upgrading for microenterprises, particularly in relation to the transformation of agricultural produce.
11. Progress in gender equality is assessed as satisfactory. The evaluation finds evidence of an overall high participation of women in the activities supported and in the management of cooperatives and associations, which has contributed to raising their status and economic independence. As for the 2003 IFAD Gender Action Plan, two of its objectives (expanding women's access to productive assets and

strengthening women's organizations and their decision-making role) have been achieved to a satisfactory extent; the third objective (to improve women's well-being and ease their workloads by facilitating access to basic services and infrastructure) has been achieved to some extent. This presents a number of analogies with the findings of the recent corporate-level evaluation on performance with regard to gender equality, although development results seem more favourable in the case of Rwanda.

12. The performance of non-lending activities is assessed as moderately satisfactory overall, with policy dialogue rated moderately unsatisfactory and knowledge-management and partnership building both rated moderately satisfactory. IFAD has provided substantial funds and technical assistance to the Government to develop its policies and strategies (e.g. the Strategic Plan for Agricultural Transformation) but there has been limited institutional-level dialogue between IFAD and the Government on policy directions and strategic objectives. The notion of policy dialogue applied by IFAD in Rwanda often refers to adjusting project components during implementation, or providing technical assistance funds for hiring consultants to prepare draft strategic documents. These are good points of departure but do not guarantee that IFAD's experience and mandate are reflected in national policies, programmes and approaches adopted by the public sector. It should be recognized, however, that in the past the Government has seldom invited IFAD to join in such dialogue.
13. Partnership development is assessed as moderately satisfactory. Financial partnerships with the Government and other development partners are well established, but there is need for a more active and profiled IFAD participation in sector working groups. Partnerships with the private sector and NGOs have taken the form of contracting out service provision in projects. A new experiment of private-public partnership has recently emerged in the tea sector, although it is too early to assess the results. Regarding knowledge management, the situation is positive within and among the projects but IFAD has invested few resources in capturing and learning from the experiences of other projects and development partners.
14. Over the period under review, IFAD prepared two strategies (COSOPs) to guide its cooperation with the Government of Rwanda. Following that issued in 2002, another results-based COSOP was prepared (based on new guidelines) in 2007, in participation with national stakeholders. The overall performance of that COSOP is assessed as satisfactory. The strategies were very well aligned to Government and IFAD policies and relevant to the national context. Moreover, IFAD's interventions fit well into Government sectoral programmes. The CPE notes problems of partial inconsistency (between IFAD and national programmes) in the definition of target groups, in particular the various vulnerable groups, and for promoting the participation of different groups in socioeconomic development. And while it is the Government's prerogative to define the country's strategic objectives, in some areas, IFAD's international experiences could contribute to defining strategies and approaches for achieving objectives.
15. The objectives of the 2007 COSOP were mainly pitched at the project and community level, which was justifiable given the situation of the IFAD portfolio and the national regulatory and policy environment of the time. However, this may not be sufficient in the years to come, given the evolving institutional context and expectations by the Government and development partners as to IFAD's future role. COSOP effectiveness has thus been assessed as moderately satisfactory. Progress has been remarkable in terms of improving household and community incomes, assets and food security, but more limited at the broader policy and institutional level (rural finance and cooperative development).

16. Based on the ratings of portfolio performance, non-lending activities and COSOP performance, the overall Government/IFAD partnership has been rated as satisfactory. Over the period covered by this CPE, the performance of the partnership has notably improved and overall achievements are greater compared with the CPE of 2005, thanks to positive developments on both sides. The Government's human resources capacity has improved considerably and responsibility for rural development has been gradually transferred to local governments. This, combined with a strong accountability framework, is producing good results, also in terms of rural poverty reduction. IFAD has become a more active and responsive partner, establishing a country office and taking responsibility for project supervision and implementation support. In the second part of the period under review, IFAD adopted more participatory processes for developing the COSOP and the project portfolio.
17. The IFAD/Government partnership focused on the project portfolio where the major results have been achieved. IFAD mainly focused on individual project design and implementation, and allocated limited financial resources and time for non-lending activities. In the case of policy dialogue, the Government did not initially make sufficient use of IFAD's international experience as to how certain strategic objectives may be best achieved (e.g. elaboration of the national coffee strategy and MSE policy).

Summary of the CPE overall assessment

<i>Assessment</i>	<i>Rating^a</i>
Portfolio performance	5
Non-lending activities	4
COSOP performance	5
Overall IFAD/Government partnership	5

^a Rating scale - 1: highly unsatisfactory, 2: unsatisfactory, 3: moderately unsatisfactory, 4: moderately satisfactory, 5: satisfactory, and 6: highly satisfactory

Conclusions

18. Poverty persists in Rwanda despite strong growth both in the general economy and in agriculture. The country has a high population density and small average landholdings. This, combined with the rapid population growth, makes it imperative to increase the country's agricultural productivity, protect the natural resources base and identify alternative sources of employment and income for the rural population. The present CPE finds that IFAD has been effective in supporting the Government's strategy to address these issues.
19. The performance of the portfolio has improved significantly since the CPE of 2005, especially with regard to effectiveness and efficiency, impact on household incomes and food security. A key factor contributing to such improvement has been the stronger policy and institutional environment that the country has built up over the past decade and which has started to show results in recent years. At the same time, IFAD has improved the alignment of its interventions with national strategies and has introduced direct supervision and implementation support together with a country presence.
20. IFAD's cooperation with Rwanda has been essentially project-based and its value addition mainly in terms of well-designed and performing projects and in generating field-level effects. Insufficient complementary efforts and resources were devoted to non-lending activities. Key issues encountered in the programme (rural finance, cooperative development, support to local governments) are of

systemic nature and cannot be adequately addressed by the project components alone. Furthermore, the replication and scaling up of innovations or successful experience calls for more involvement in policy dialogue, partnerships and knowledge management. As the Government moves further towards the harmonization of international cooperation, this will require IFAD to adopt a more coordinated approach to cooperation with adequate emphasis on higher-level institutional issues.

Recommendations

21. The CPE offers the following broad recommendations for IFAD and the Government to consider in the development of its future partnership, including the new COSOP, and future projects and programmes. While recognizing that portfolio development and management will absorb the larger part of IFAD's resources, the recommendations deliberately start from "higher plane" objectives as these have so far commanded limited resources. The recommendations are presented in three interrelated clusters: (i) non-lending activities and aid harmonization; (ii) country programme management; and (iii) portfolio development.

(1) **Place greater emphasis on institutional support and non-lending activities to promote the scaling up of innovations and harmonized approaches to rural finance and cooperative development.**

These recommendations include two sub-areas: (i) providing institutional support to local government for the scaling up of agricultural innovations and pave the way to SWAp preparation; and (ii) programme-based support to participate in harmonized frameworks in rural finance and cooperative development. This calls for a gradual shift from project focus towards more attention on the systematization of lessons learned both from within and outside the IFAD portfolio. It also calls for further dialogue and harmonization with development partners and for sharing knowledge, experiences and values in the policy arena.

- (a) *Provide institutional support to local governments in the scaling up of agricultural innovations and in paving the way for the forthcoming agricultural SWAp.* Individual projects such as the Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) and the Kirehe Community-based Watershed Management Project (KWAMP) have helped promote emerging agricultural innovations. The long-term challenge to scale up such innovations is of an institutional nature. The challenge is to define an institutional approach that fits into the decentralization process and local government structure. As decentralization proceeds into its third phase (2011-2015) and district and sector administrations/governments further develop their capacity, it may be possible to transfer full responsibility for implementation to local governments.

Such transfer would need to be facilitated. IFAD, in collaboration with the central and local governments and other developing partners, should support the development and systematization of approaches and guidance tools that help local governments plan, implement and monitor the various technical interventions. These approaches and tools may create the basis for central government grants to local governments for watershed development, which could be one of the important pillars of the agricultural SWAp. IFAD will explore opportunities for integrating its interventions in the forthcoming SWAp in order to ensure its participation in major strategic and policy dialogue initiatives in the agriculture and rural development sector. IFAD's participation in the SWAp may also include the development of implementation tools and methodologies that ensures ownership by local governments in up-scaling innovations.

- (b) *Support harmonized thematic programmes in rural/micro finance and cooperative development.* Within as well as outside IFAD-financed portfolio, support is provided for the development of rural/micro finance and cooperatives but approaches and methodologies often differ. The present CPE finds that such support is of an *ad hoc* character and that systemic issues are not addressed in a coherent and harmonized manner. Through a modest financial contribution to harmonized thematic programmes, IFAD could establish its presence in high-level policy dialogue and share its experiences.

In rural finance, explore the option for support to Access to Finance Rwanda (AFR). IFAD should stay involved in rural finance in Rwanda. Despite problematic experiences in Rwanda, the Fund has relevant lessons to contribute through its regional and global portfolio. AFR, established by the Government and several development partners led by the United Kingdom Department for International Development (DfID), is expected to address systemic issues with a view to increasing access to finance, particularly for the large numbers of people who have no, or only limited, access to financial services. Recently, DfID has supported Government in developing a Rural and Agricultural Finance Strategy and AFR has presented a sustainability strategy for Savings and Credit Cooperatives. Even a modest financial participation from IFAD would be important because it would allow IFAD to contribute to the agenda and work, based on its own experience in implementing the portfolio and, at the same time, benefit from exchanges of information. Being outside these harmonized frameworks would severely limit IFAD's ability to engage in policy dialogue and knowledge management. Obviously, IFAD's contribution to AFR should be based on an assessment of whether this facility provides an effective contribution to rural poverty reduction objectives.

Regarding cooperative development, IFAD should contribute to efforts to develop a harmonized support framework. The Rwanda Cooperative Agency reports that it is planning to harmonize the current highly fragmented support for cooperative development; it would be appropriate for IFAD to support this endeavour. If the initiative leads to a harmonized framework with financial support from government and several development partners, IFAD should explore the possibility of making a financial contribution so as to become an active participant, as per the rationale described above.

(2) **Move towards more strategic programme management and reliance on national systems, in line with the Paris Declaration.**

Increased engagement in non-lending activities will call for a review of current transaction costs in individual project follow-up. In line with the Paris Declaration, IFAD/Government project cooperation should rely more on the Government's accountability and implementation systems, recognized as among the best and most efficient in sub-Saharan Africa. IFAD should move away from micro management, leaving this to government systems, while adopting a more strategic management approach.

In this new role, IFAD would use more of its country programme management resources for addressing strategic issues both within and above projects. This should also include more strategic use of technical assistance grants, not only for project design but also for developing the capacity of institutions so that national institutions can take over activities once the projects end. This would be a gradual process, adapted to capacity improvements in government systems, where IFAD and the Government would continuously reassess what should and can be done by government

institutions, and what are the most conducive cooperation procedures for ensuring accountability and local ownership. The introduction of portfolio-wide annual joint reviews between the Government and IFAD has been a commendable step towards strategic portfolio management. Additional measures are indicated below.

- (a) *Replace PCUs with facilitation support.* In the current portfolio, there is a tendency to perceive projects as independent institutions and the PCUs as their managers - while in reality "a project" is no more than a temporary initiative for partner institutions. Recent government policy encourages Ministries to reduce the number of PCUs by establishing a single project implementation unit for all donor-assisted projects. Though the efficiency of this new set-up has yet to be demonstrated, eventually IFAD may have to comply and change its implementation management procedures. Under the new set-up, it is recommended that IFAD's projects should include the provision of technical assistance/facilitation support, not as decision-making managers but as advisers and facilitators, to the implementing management units - whether at the central ministry level or within district administrations.
 - (b) *Articulate more clearly the division of labour between the headquarters, the IFAD regional office in Nairobi and the country office.* This implies giving a more substantive role to the latter in partnership-building, policy dialogue and knowledge management. In this context, consideration should also be given to defining the technical backstopping functions of the Nairobi office, which, for example, could include quality assurance of baseline and impact surveys.
 - (c) *Undertake joint supervision missions with the Government and development partners.* One can reduce transaction costs of IFAD, of the concerned Ministries and of development partners by having more joint supervision and implementation support missions. When feasible, it should be considered to field a single mission covering several projects executed by the same Ministry.
- (3) **Develop strengthened sub-sectoral support activities around three main axes: (a) protection of the natural resource base in the watersheds; and develop pro-poor agricultural value chains based on private-public partnerships in (b) food crops and (c) cash and export crops.**
- (a) *Sustainable natural resources development in the watersheds and carbon financing.* IFAD's future programme should continue its watershed development initiatives, including the promotion and scaling up of agricultural innovations and soil and watershed protection. It should better assess and document environmental risks as well as opportunities. Both the 2007 COSOP and past project design documents did not include a detailed assessment of environmental risks and trade-offs, and thus no mitigation plans. The next COSOP should include a strategic analysis of environmental and natural resource management issues, in line with the requirements of IFAD's Environment and Natural Resource Management Policy, and explore opportunities for qualifying for carbon financing. Future project designs should include environmental and social impact assessments.
 - (b) *Support for the development of value chains for food crops and livestock products through private-public partnerships.* While many farm households have increased their production of food crops and livestock products beyond subsistence needs over the last three years, the systems needed to handle these surpluses (e.g. warehouses, processing

and marketing) are not available. Major investments (capital and human resources investments) are required to handle the rapidly increasing surpluses. Given Rwanda's small farm sizes, the country's long-term competitive advantage is unlikely to be in low-value staple food crops that can be produced at lower cost in countries with an abundance of land.

For this reason, IFAD should consider moving towards higher-value commodities produced in intensive systems with a high labour input, and with potential for creating significant non-farm employment in processing and marketing enterprises. Based on current intensive zero-grazing systems, dairy would be an obvious candidate - but other candidates may include high-value horticultural products.

- (c) *Support a pro-poor development of export and cash crops and products through private-public partnerships.* Apart from their foreign exchange contributions, some crops have potential for generating significant on- and off-farm employment. For tea and coffee, there are still a number of unexploited value addition activities. Albeit currently in a difficult start-up phase, sericulture could well create many on- and off-farm jobs in activities that are highly labour-intensive and with products of high value to weight. According to international sericulture experts, Rwanda's climatic and natural resource conditions are well suited to sericulture.

Special mitigating measures (e.g. based on support to subsistence crops or food-for-work schemes) need to be considered for very poor households. This is because value-chain development for export and cash crops often fails to involve marginal landholders, and expansion of export/cash crop areas may be at the cost of food crops and food security.

In pursuing public-private partnerships, support will be needed to promote transparent agreements and competition in order to address situations whereby a large private investor, owing to limited competition, might exploit producers. Consideration will need to be given to the complexity and scale of operations. For certain levels of scale and complexity, private companies may be in a better position than the newly-established cooperatives. Thus, an approach for private-sector development, including development of public-private partnerships, should be developed to guide such support.