Rwanda:
Evaluation of the AfDB Country Strategy and Program (2012-2021)
Executive Summary

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Executive Summary

Introduction

This summary report presents key findings, lessons and recommendations of an evaluation of the African Development Bank Group’s (AfDB or the Bank) country strategy and programs in Rwanda over the period 2012-2021. The Bank approved 37 projects for a total value of US$ 1.7 billion during this period. The Bank also developed two country strategy papers (CSPs) within the same period: CSP 2012-2016 and CSP 2017-2021; both having two pillars, infrastructure development and skills/entrepreneurship development. The portfolio comprised water supply and sanitation, energy, transport, and social sector.

The main purpose of the Country Strategy and Program Evaluation (CSPE) is to inform the design of the Bank’s next country strategy (2022-2026). Its objectives are to: i) assess the contribution of the Bank to the development results of Rwanda; ii) identify the factors that enabled or hampered success and explain why this was the case; and iii) provide recommendations for future strategies and programs.

Methodology

The evaluation applied a Theory-Based Approach (TBA) by assessing the extent to which, through the pillar-specific interventions, the AfDB has been able to design and deliver a relevant response to development challenges facing Rwanda. The evaluation applied international standard evaluation criteria which mainly focus on relevance, coherence, effectiveness, efficiency and sustainability. A four-point rating scale was used to judge each of these evaluation criteria. The key evaluation methods were: i) desk reviews of key documents; ii) portfolio reviews; iii) interviews and focus group discussions (FGDs); and iv) six case studies of projects. Due to COVID-19 travel restrictions, most interviews were done through virtual platforms. The evaluation team made site visits to selected infrastructure projects with the help of national consultants.

Main Findings

Relevance of AfDB Strategies

The AfDB’s interventions in Rwanda were found highly relevant to the needs, development challenges and priorities of the country, where inadequate infrastructure, limited private sector development, high poverty rates, income inequality and high youth unemployment have remained key bottlenecks to broader socioeconomic development. The long-term development frameworks of Rwanda, as articulated in its Vision 2020 (and now Vision 2050) in addition to associated strategic frameworks such as the Economic Development and Poverty Reduction Strategy (EDPRS) 2013-2017 and the National Strategy for Transformation (NST-I) 2017-2024, emphasized the development of basic infrastructure and called for private sector-led economic growth. Consultations with various stakeholders including the government, the private sector, civil society, and development partners (DPs) confirmed that the Bank’s strategic pillars remained relevant to the needs, development challenges and priorities of the country over the evaluation period. However, the evaluation found that better targeting in the financial sector could have enhanced the relevance to Small and Medium Enterprises’ (SMEs) needs.

1 Converted from AfDB Units of account (UA) at the exchange rate of 1 UA = 1.41 USD in November 2021
2 The four-point ratings are: 1 - Unsatisfactory, 2 - Partly unsatisfactory, 3 - Satisfactory, 4 - Highly satisfactory
In addition, Bank interventions were also highly relevant to the Bank’s own policies and strategies at corporate level. Overall, the relevance of the Bank’s strategies was found highly satisfactory.

**Coherence of Interventions**

The evaluation found the Bank’s interventions to be coherent and well-coordinated internally, especially at the sector level. In the energy and water sectors, Bank approved interventions were linked with each other. In the social sector, the Skills Employability and Entrepreneurship Program I (SEEP), SEEP II, and SEEP III are intimately related and complementary to the Skills and Business Development Program (SBDP). In most cases, new interventions drew on lessons learnt from previous ones.

In addition, the Bank’s interventions were harmonized and complementary to those of other DPs and organizations. The AfDB has been active with Development Partner Coordination Groups (DPCGs) responsible for coordinating external assistance. Through these groups, the Bank and other key players discuss sector development issues, exchange information, build a common understanding on sector development priorities, and avoid duplication of efforts. However, there remains room for the Bank to improve in terms of proactive and continuous engagement with DPs.

Overall, the coherence of the Bank’s interventions was rated as highly satisfactory.

**Effectiveness of Interventions**

The evaluation found that the Bank’s interventions in infrastructure development have achieved or are likely to achieve their objectives. For example, projects in the energy sector have benefited communities, schools and business. In addition, Bank-supported transport projects have already contributed to several important outcomes, including an improved performance of transport sector institutions - particularly those in the Rwanda Transport Development Agency (RTDA). Interventions have also seen a reduction in transport costs and travel times, reduction in composite Vehicle Operating Costs (VOC), and increased economic empowerment of populations in the project areas, including women. For example, the Base-Gicumbi-Rukomo road project has reduced the travel time from 3 hours in 2014 to 1 hour in 2018, with the distance to be covered between these cities having been significantly reduced from 160 km to 52 Km. Average VOC have been reduced from US$0.84 per Veh/km in 2013 to US$0.35 per Veh/km.

In the water supply and sanitation sector, the Kigali Bulk Water Supply Project resulted in an important bulk water supply facility, including a water treatment plant (WTP) in Kanzenze and the main water reservoirs to which it supplies water. The Kanzenze WTP has a daily water production capacity of 40,000m3. The Bidudu reservoir (5,000m3) serves populations in Bugesera while the Gahanga reservoir in Kicukiro district (7,000m3) supplies water to Remera.

In the social sector and multisector, the Bank support increased access to quality training, mostly in environmental design, planning, and engineering. The interventions have also achieved several policy reforms for creating a conducive enabling environment and economic diversification. For example, the implementation of a Made in Rwanda policy and a domestic recapturing strategy contributed to the diversification of exports away from coffee, tea, and minerals to other new export commodities such as horticulture, hides and skins. This helped increase exports as a share of Gross Domestic Product (GDP) from the baseline level of 8.6% in 2016 to 12.3% in 2019. The Bank’s response to COVID-19 has contributed to increased testing capacity of the country (MOH- Annual Report, fiscal year 2019-2020).

Although progress has been made in Technical and Vocational Education and Training (TVET), the evaluation found little evidence to show that support to enterprise development and TVET resulted in...
adequate skills development and job creation. The enrollment in priority skills areas is not reaching its targets in the fields of infrastructure, agriculture, natural resources, investments, trade, industry, Information and Communications Technology (ICT), health, and education. Youth unemployment is still high, and businesses face difficulties to find the right skills for job openings. Successive AfDB programs did not reduce the skills mismatch between supply and demand in the labor market, and the private sector continues to cite an “inadequately educated workforce” as one of the largest constraints. SMEs supported through Policy-Based Operation (PBOs) have partially contributed to livelihood support, but not necessarily job creation.

In the finance sector, the Bank’s Lines of Credit (LOCs) have resulted in greater capacity of beneficiary institutions to finance their growth and to support national economic development. The LOCs were found to be effective in augmenting lending institutions’ liquidity, enabling them to diversify their sectoral focus and to expand their loan portfolios. More businesses have been able to access long-term financing, enabling them to scale up their operations and create new employment (more than 10,000 jobs). However, the LOCs did not adequately target the desired end-beneficiaries.

Overall, the effectiveness of the Bank’s support in Rwanda is assessed as satisfactory.

Efficiency of Interventions

The Bank’s infrastructure interventions were found to be economically viable at appraisal. A review of Project Appraisal Reports (PARs) showed that most Pillar I projects’ Economic Internal Rate of Return (EIRR) calculated at appraisal stage were generally higher than the opportunity costs of capital, at 10% to 12%. However, ex-post EIRRs have not been yet available since most infrastructure projects are still ongoing. Interventions in the water supply and sanitation sector faced challenges in terms of their financial performance. In most cases, the Water and Sanitation Corporation (WASAC) operates and manages water and sanitation infrastructure. But it has a high rate of Non-Revenue Water (NRW)4 (around 40% in 2020) which makes it very difficult for it to make any profit.

While social and institutional support projects were generally implemented according to the planned timelines, infrastructure projects experienced frequent implementation delays due to delays in procurement and project start-up processes, weak implementation capacity of some implementing agencies and contractors, and floods. COVID-19 has also negatively affected project implementation plans and has delayed the Bank’s interventions across all supported sectors, particularly infrastructure.

Overall, the efficiency of the Bank’s interventions was rated as satisfactory.

Sustainability of Interventions

Rwanda has sound institutional and governance structures, with strong technical capacities, that are likely to ensure continued flow of benefits associated with Bank supported projects after completion, particularly in the energy and transport sectors. The Bank’s interventions have satisfactorily ensured compliance with the required environmental and social safeguard measures. Notwithstanding this, financial sustainability is unlikely for interventions in water and sanitation due to insufficient revenue-generating capacity. Road projects are likewise facing risk due to inadequate maintenance budgets and delays in implementing axle-load control, and electricity tariffs are also not cost-recovering despite several tariff reviews. The sustainability of the Bank’s interventions in Rwanda is therefore assessed as partly unsatisfactory.

Crosscutting Issues

The evaluation found that project designs were gender sensitive and, in most cases, had gender disaggregated performance targets. The review

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4 NRW is defined as the difference in the quantity of water produced and delivered to the water distribution system and the quantity of water sold to customers (or in other words, the water that has been produced and distributed but is not translated into revenue).
of CSP documents and PARs indicate that most of the Bank’s projects included a gender dimension, describing how the projects will benefit women. In addition, they highlighted the importance of supporting the most vulnerable groups, including female-headed households. Gender considerations were also reflected in the AfDB project reporting. For example, the Quarterly Progress Report (Oct-Dec 2020) for the Base-Gicumbi-Rukomo road project states that the project has created 37,036 jobs, of which women represent 21%.

Some Bank projects were specifically developed to support Rwanda’s efforts to transition to green growth, although it is too early to assess their effectiveness. For example, the Bank has encouraged “green” projects in the energy sector with a low carbon footprint (hydroelectricity, solar, methane from Lake Kivu), in addition to “directing investors towards independent production (IPP)” by installing mini-grids (decentralized or connected to the national network managed by Energy Development Corporation Limited [EDCL]). The Bank has also promoted private sector growth through supporting the enabling environment, Public-Private Partnerships in energy and water supply and sanitation, and LOCs.

**Design and Selectivity**

The design quality of the Bank’s two country strategies, CSP 2012-2016 and CSP 2017-2021, was found satisfactory. They focused on the key development challenges in Rwanda and addressed them in an effective way. The Bank’s interventions implemented during the two CSP periods also contributed to (or are on track to contribute to) important development outputs and outcomes. Stakeholders were very satisfied with the CSPs as well as the Bank’s sectors of support. However, while a large portion of the Bank’s support was for the energy, transport, and water supply and sanitation sectors, the Bank has been involved in nine sectors in all. This shows the need for further improving selectivity in practical terms.

In knowledge work and policy advice, the Bank’s knowledge activities have been influential in shaping Rwanda’s policy orientations (see section on Knowledge and Policy Advice). By participating actively in sector working groups (SWGs), e.g., in water supply and sanitation, the Bank has contributed to the policy dialogue at the sector and country levels.

In managing for development results, the Bank has established a result monitoring framework (at the strategic and operational levels) through which periodic monitoring of specific interventions as well as reviews of CSPs are conducted. This framework appears to work well but could be improved by setting more realistic targets and by better capturing relevant data for monitoring and evaluation (M&E).

**Recommendations**

The evaluation proposes the following recommendations.

**Recommendation 1:** The Bank should maintain the focus on key sectors while improving selectivity in its support to the country:

- Consolidating the results achieved to date, the Bank should continue its support to transport, water supply and sanitation, and energy.
- Strike a balance between the “hard” and “soft” components of support (including dialogue and knowledge products) in all Bank interventions.
- Ensure appropriate sequencing of interventions to address institutional weaknesses in terms of implementation capacities.

**Recommendation 2:** Sharpen the strategy and approach to private sector development by making it more coherent and comprehensive:

- The Bank should carefully define the areas of its private sector agenda and address them in a
more coherent manner, ensuring synergy with the interventions of other DPs who are taking the lead on macroeconomic and structural policy reforms.

- Any LOC projects should ensure careful targeting of enterprises. This support should be combined with capacity building for the participating financial institutions so that they are able to better address the needs of the Micro, Small & Medium Enterprises (MSMEs).

**Recommendation 3:** Ensure the sustainability of the long-term benefits of infrastructure projects.

- Engage the government in policy dialogue to design and implement policy measures to address tariff issues in the energy and water supply and sanitation sectors, and earmark adequate budget for the maintenance of road infrastructure.

- Support policy and institutional reforms to ensure sustainability of development results.

**Recommendation 4:** Continue supporting the country to overcome the challenges of COVID-19 and facilitate post-pandemic economic recovery in collaboration with other DPs.

- Enhance support to developing social infrastructure for the procurement and roll-out of vaccines against COVID-19 and support the health system capacity for future pandemic preparedness.

- Towards achieving economic recovery, revive the ongoing but currently stalled infrastructure operations.
About this evaluation

This report presents the key findings, lessons, and recommendations of the evaluation of two of the African Development Bank Group’s (AfDB or the Bank) country strategy and programs (CSPs) in Rwanda over the period 2012-2021. The Bank approved 37 projects for a total value of US$1.7 billion during this period. The portfolio included operations in water supply and sanitation, energy, transport, and social sectors, focusing on infrastructure development as well as skills and private sector development. The evaluation applies a theory-based approach to assess the extent to which and how the Bank has designed and delivered a relevant response to development challenges in Rwanda.

The evaluation found that the Bank’s interventions were highly relevant to the country’s needs, development challenges and priorities, despite some limitations to lines of credits reaching their expected end beneficiaries. The coherence of the AfDB’s programs and operations was also highly satisfactory, although there is potential to improve engagement with Development Partners.

While effectiveness was satisfactory, performance varied by sector. Infrastructure development notably delivered well, but enterprise development and Technical and Vocational Education and Training programs did not reduce the skills mismatch between supply and demand in the labor market. Overall, the two CSPs were efficient, even with frequent delays due to procurement challenges. However, in terms of sustainability, the evaluation found insufficient revenue-generating capacity in the water and sanitation sector, non-cost-recovering electricity tariffs, and shortfalls in the maintenance budget for road infrastructure.

To fill these gaps in future strategies and programs, this evaluation recommends that the Bank develops a more coherent and comprehensive private sector strategy for Rwanda. It also recommends that the Bank engage with the government in policy dialogue and institutional reforms to ensure the long-term benefits of infrastructure and maintain focus on key sectors while improving selectivity.