# EXECUTIVE SUMMARY

## MTR RWA1208311 NRG-CB

Within the Indicative Cooperation Program (ICP 2011-2014) between Rwanda and Belgium, an essential component of the programme for support to the energy sector is the Institutional Strengthening and Capacity Building, which is expected to create the enabling conditions for the sector to plan, manage, implement and monitor all energy sector activities.

In this respect, the Rwandan Energy, Water and Sanitation Authority (EWSA) was identified as the anchorage institution, which was then changed to Energy Utility Corporation Limited (EUCL) following the transformation of EWSA, and a project for “Institutional Strengthening and Capacity Development of the Electricity Utility (CDEU)” was formulated in 2013, having as General Objective: “The Energy sector is able to provide sufficient, reliable and affordable energy for all Rwandans”; and as Specific Objective: “EWSA's Electricity Utility is able to provide, in a sustainable way, reliable energy to its customers”. The project **strategic areas of intervention** are:

* Area 1: Support to Operations and Maintenance (O&M)
* Area 2: Support to Management and Support functions at central level
* Area 3: Support to the Human Resources Management (HRM) function

The effective implementation started in June 2014 whereas the planned completion date is December 2018. The overall project budget is 5M Euros (Belgian monetary contribution) plus 117K Euros (Rwandan in-kind contribution). The project is being executed under the joint responsibility of both partners, the EUCL and the Belgian Technical Cooperation (BTC), through “co-management” modality. The management system applied for the procurement execution is the Rwandan system in accordance with Rwandan Law on Public Procurement, and the BTC system for some clearly defined activities that remain under Belgian sole responsibility.

A Project Steering Committee (PSC) has been appointed with the highest level of decision-making power in the project, as well as a Project Management Unit (PMU), led by a Director of Intervention appointed by the partner and a Change Co-manager appointed by BTC, holding project responsibility at the operational level.

This Report contains the findings of the analysis as well as the conclusions and recommendations of the Mid-Tem Review, concluded in May 2017.

CDEU project is well aligned with the current Government of Rwanda policies and strategic objectives in the electricity sector. Through strengthening of the Electricity Utility, the project is instrumental to improvement of the Utility’s performance, which ensures provision of quality services in response to the population needs for access to reliable and sustainable electricity. Regarding design of the project, the intervention logic is sound, however it is found that more clarity is required with respect to the linkages with the result areas through establishment of indicators of achievement at all levels and collection of accurate baseline information. This was not possible at the initial stages due to institutional and organisational changes that the electricity sector went through. In particular, the expected results of the intervention need to be reinstated as follows:

* *Increase of overall reliability of electricity provision in Rwanda*
* *Improvement of the Electricity Utility performance.*

The second result area is particularly key for measuring the technical, operational and financial aspects of performance, thus capturing the status of change effected by the project as it makes progress towards achievement of the specific objective. More specifically, changes in the utility’s performance improvements are expected to contribute to achievement of sustainable provision of electricity by the Rwandan Electricity Utility, whereby “sustainable” would imply more cost-effective operations resulting into reduced Government subsidies or lower tariffs for the customers, the latter linking up to the economic tariff objective of the Government and therefore affordability of electricity by the population. The Technical & Financial File (TFF) places particular emphasis on raising “economic awareness” across all Utility’s management lines, as a crucial aspect of overall capacity building intervention, which reinforces the link of the planned activities with the second result area and the specific objective of the intervention, with regards to the provision of the electricity in a sustainable way.

The actions planned under the CDEU Intervention were particularly harmonised with a larger GoR’s intervention backed up by a World Bank loan: “Rwanda Electricity Sector Strengthening Project (RESSP), launched in early 2014. This is a 5-year intervention and has a budget of 95 million USD of which 20 million is allocated for the development and implementation of an Integrated Management Information System. The specific objective of the WB backed intervention is to strengthen the EUCL central information systems which is an area that the CDEU project has also planned a number of actions under the second component, which expected outcome is “Management and support functions at the Electricity Utility are strengthened in order to increase the Utility’s performance and enhance strategic management”. In coordination with the WB, CDEU intervention strategy was adapted in order to ensure complementarity with the RESSP intervention.

Consequent to the EUCL restructuring process and the RESSP project, the CDEU intervention is currently covering all areas serviced by EUCL instead of focusing on a pilot district as originally foreseen in the TFF. This change mainly concerns the activities planned under the first component of the project regarding capacity development for Transmission and Distribution that is now provided at a central level as to cover the entire network, whereas the scope of intervention for the activities regarding Generation remains unchanged.

The analysis of the implementation progress, as above, indicates that the project efficiency in terms of outputs produced against time elapsed to date is lower than expected. There are several reasons that have slowed down the implementation pace of the project which are explained below.

Many of the activities outlined in the TFF document were thwarted at the initial stages due to the institutional changes that took place shortly after the start of the project. Difficulties with mobilisation of project resources, such as delays in procurement of expert services and supplies, were experienced, and it took over one year for many of the key personnel to be appointed. The average time taken for tenders managed by EUCL was lengthy. Efforts are being made to reduce on delays in procurement such as to increase the level of planning before the process commences and attempt to reduce the time required for different stages of approval, including the need for no objection from BTC.

Capacity Development Needs Assessment is being undertaken for each EUCL staff member. Further to it, Capacity Development Plans will be elaborated. The process has however been slow (to date only about 50% are completed) and obtaining feedback is also proving challenging as it is a new practice and perhaps the benefits are not yet appreciated.

On another front, good progress has been made with developing a new financial management system for the Utility. Furthermore, a study is ongoing of Compensation and Benefits in order to make an assessment of salaries and conditions in the marketplace. The objective is to improve EUCL capacity to recruit and retain the staff.

The Utility performance monitoring system and Key Performance Indicators (KPIs) at all levels need to be done and ideally an approved business plan should be in place. The performance monitoring system should be the main task of the Monitoring and Evaluation (M&E) expert that is presently under recruitment. Linkage should also be made to the Government system of performance management or *Imihigo*. High-level indicators have been developed such as System Average Interruption Duration Index (SAIDI); System Average Interruption Frequency Index (SAIFI) and Customs Average Interruption Duration Index (CAIDI). The WB has also initiated a baseline study. Approval of the Draft Strategic Plan and EUCL Business Plan (supported by the project) will be an important milestone for the development of EUCL.

Precise project planning has proven difficult due to the EUCL restructuring process and re-staffing. Furthermore, given the capacity building nature of the intervention where implementation of specific activities is largely dependent on the human factor, there have been obvious challenges to make and/or maintain the activity schedule for a number of activities. As of end of 2016, the budget execution rate was 31% of the total budget, which gives an indication on efficiency being lower than average. However, a substantial number of commitments have been made and the budget execution figure is expected to rise to 75% by end of 2017 and 94% by end of 2018. Presently, the outputs production rate is approximately 50%. Overall, both indicators are lower than expected considering that the project is well advanced in its second half of the planned duration. With regards to the overall budget management, the likelihood that the project budget will be expended in full on time is high, as the perceived priorities receive the necessary funds through the agreement of both partners.

During the first two years of the intervention, the PSC has been meeting regularly on a six-month basis as foreseen in the TFF. During the third year (i.e. period from April 2016 to March 2017), the PSC has not been able to hold one of the six-monthly scheduled meetings. There are several attempts currently in course to organise the next scheduled meeting, corresponding roughly to the end of the third year of the intervention, which have not yet materialised due to non-availability of participants. However, the meeting agenda and the supporting materials have been prepared by the PMU in due course, which provides confidence that the expected PSC could take place soon.

At the project management level, there have been challenges in managing the project within EUCL, mainly due to changing or non-existent counterpart personnel, delays in appointment and lack of continuity of key staff and also vacant key staff positions. The operation of the PMU has not been immune to the overall EUCL re-organisation issues, either. Sometimes counterpart staff have been allocated 10-15% involvement in project activities, which has not been satisfactory in practice given the amount of work that the CDEU project activities entail and the drive the counterpart staff can provide to enable the correct execution of activities within the EUCL and for the achievement of the desired change. Weekly meetings of the PMU are however taking place on a regular basis and the MONOP reporting system is updated accordingly.

Most of the project activities are underway and outcomes are not yet tangible, excepting a few. As an example, the technical assistance provided by the project for putting in operation the Nyabarongo Power Plant was successful, which gives assurance that other project activities would eventually produce the intended results. However, there are mixed indications in this respect. The O&M Monitoring Tool developed by the project, which effectiveness was demonstrated on a pilot basis, does not seem to have been adopted by EUCL. Likewise, many systems and procedures developed by the project are pending adoption by the Utility Management. This is delaying implementation of other project activities regarding support to the systems implementation and knowledge transfer. Albeit, the project effectiveness at the mid-term is not as high as wished, the intervention has the potential to be very effective if certain decisions are swiftly made and a strong impetus and steering is given to the project from the upper tier management structures.

The project monitoring system includes many indicators at the output level but little for outcome and results monitoring with respect to second and third components of the project, which are specifically tailored to manage the capacity development change. The role of the planned M&E expert, currently in recruitment process, is critical for improvement of the project monitoring system. The latter is not however a standalone system but it must be integrated in the Utility’s performance monitoring system, in the same fashion that the CDEU intervention is integrated in the EUCL operations and is instrumental for contributing to the achievement of the electricity sector’s strategic goals. Further development and refinement of the project monitoring system has therefore to be seen as pioneering the development of monitoring and reporting systems of the Electricity Utility. The development of the latter is further interlinked with actions in course such as the strategic and business planning that shall set the objectives and business targets for the Utility, possibly broken down at the divisional level / or main areas of operation. Once the Utility’s performance monitoring system is in place, outlining objectives and KPIs set at various areas of operation, a comprehensive staff performance management system can be developed, including staff performance assessment sheets, in order to strengthen the HR management capacity of the Utility. The Staff performance management system ultimately relates with the staff capacity development processes in a sense that the established targets are important elements to be taken into account during the capacity needs assessment phase in order to properly define the capacity gaps (i.e. where we are vs. where we need to be) and eventually elaborate and implement capacity development plans that are best suited to address the capacity needs of the concerned staff for meeting the set business goals.

The support being provided by the experts recruited through the CDEU project is leading to tangible improvements in the running of EUCL, as their inputs are focussed on priority needs for the restructured organisation. For the time being, the most significant improvements in the performance of the Utility can be observed in the technical areas that relate to the provision of electricity, through an increase of the generation capacity, for instance.

Concerning the Utility’s HR endowment, it must be noted that the organisation is still lacking full capacity, in that approximately 15% of the positions are vacant and some of the key positions are also vacant. Attainment of tangible outcomes from actions being undertaken at the central Utility functions requires stronger commitment from the Utility’s Management. For instance, new procedures are being developed in a number of areas, however there is concern that these may not be implemented, within the timeframe of the project. The partner organisation may have not yet gained full awareness of the value of the new systems and procedures and is very much used to working with existing procedures, which do not traditionally involve much reporting and record-keeping.

Project Ownership by the partner organisation is fundamental for the sustainability. The level of ownership on the results expected by the project is not yet at the required level. This is due to both partner’s key staff changes and insufficient clarity and view by the partner on what the project is set to achieve in terms of real outcomes and how these impact on the performance. The sense is that the restructuring has been chaotic though necessary actions were eventually undertaken and will lead to improvements in future. The organisation has been in a state of flux, however indications of late are that there is more commitment and ownership engendered. There are however some measures being undertaken to ensure the continuation of benefits from the efforts made for strengthening the central systems and the human resources of the partner organisation. A Compensation and Benefits Study is ongoing and it is planned that the project will implement the recommendations arising from this study.

As far as systems developed by the project are concerned, a tracking system for procurement has been initiated in order to minimise the number of days taken in the procurement process, which is expected to be further developed and integrated into the EUCL Management Information System (MIS) so that it can be sustainably maintained in the future.

Critical to sustaining the benefits being delivered by the intervention is human resources availability and stability within the partner organisation. The EUCL structure has been evolving and the recruitment of suitable staff has been a slow process.

The prospected improvements in the electricity sector have a great potential to make an impact in the country’s socio-economic development. Among others, sector improvements go through improvement of the Utility’s performance. The CDEU intervention has the potential to make a significant contribution to the strengthening of EUCL management and operational capacity. However, it is too early at this stage to expect measurable impacts in the country’s socio-economic patterns that can be attributed to current reforms undertaken in the electricity sector and/or the re-organisation and operational improvements of the Utility.

Concerning Gender, the intervention strategy focus is to promote gender balance through strengthening the participation in influencing roles within the organization of women already present in the Electricity Utility. The expectation is that by doing so, female staff will participate more in planning and programming, so that the needs and interests of different target groups, not only women, will be taken into account when structures are established, plans are designed and assessments are made. In October 2016, two Gender Focal Points were appointed as reference persons for EUCL. Initial meetings were held internally and with the GoR Gender Monitoring Office and planning is in progress for the Gender Monitoring Office to address EUCL Senior Management. Presently the focal persons are finalising draft Goals and Objectives, which they hope to present to management and formally launch in May 2017. Gender specific activities will include organising gender focus group discussions and promote networking among women. The project monitoring system has integrated gender disaggregation in its indicators, data collection and analysis, and statistics.

The EUCL is currently providing electricity to its customers at an average tariff level that is lower than the cost for provision of it. This is valid for both electricity generated and operated by EUCL and that purchased regionally or from Independent Power Producers (IPPs). Given the expansion plans for increasing the customer base coverage, the requirement for increasing the overall Government’s subsidy budget for electricity will progressively rise if the current tariff levels are kept unchanged. For achieving an acceptable level of sector sustainability in the medium-long term, the only way forward is reducing costs for electricity provision at both generation points and along transmission and distribution. Among other measures, this requires the establishment of a 10-year Financing Plan for the electricity sector (to accompany the recently developed Strategic Plan), which should project the yearly subsidy budget required over the period, whereby making the necessary adjustments in the investment plan as to ensure its affordability by the Government’s budgets. The Financing Plan must factor in the rise of the O&M costs resulting from the increased level of investments for electricity generation, a possible tariff increase as well as possible Utility’s management cost reductions thanks to operational efficiency gains expected in the coming years (this needs to be substantiated by Utility’s business plan / cost reduction plan). Last, but not the least, scaling up the capacity strengthening efforts of the EUCL is a must in order to increase its operational efficiency in line with the its Business Plan projections.

*Key Conclusions:*

The intervention logic is sound though it requires more clarity on the linkages between the project activities and the result areas through setting of appropriate indicators of achievement and targets at all levels, and populating with baseline data. Project relevance will increase when project indicators will be embedded into the Utility’s performance monitoring system linking up to the GoR official targets for the sector.

There is a shortfall of 15% of staff numbers of the EUCL and some key positions are vacant, which has affected capacity development and knowledge transfer activities. Human resources availability and stability within the partner organisation remains a critical risk factor. Fundamentally there is also a problem to recruit suitably qualified staff, and if successful, to retain the same staff as the current terms and conditions of employment are not deemed to be favourable in the market. HRM function and systems are still to be developed.

The project has resulted in the compiling and development of many new systems and procedures embraced by the partner’s key staff but not fully operationalised because many of these have yet to be adopted by EUCL management. This is delaying the follow-up activities planned to support implementation and on-the-job mentoring and knowledge transfer.

The Capacity Development Needs Assessment phase is taking longer than foreseen due to the time taken by the EUCL staff to provide feedback on the individual capacity development forms. Consequently, this is holding on the finalisation of all Capacity Development Plans, as well as the implementation.

*Key Recommendations*

* Priority must be put to accelerate the adoption process, as there is a danger that the momentum of change will be lost and the Capacity Building (CB) efforts will lose their effectiveness. Irrespectively, whether there are issues with the documents or a reluctance to adopt them, there is a need to discuss at the EUCL’s highest level and the way forward charted as soon as possible.
* Facilitate approval of the REG/EUCL Strategic and Business Plans as soon as practicable, since this will bring about a positive development and lead to greater stability in the organisation and underpin the development of the Utility’s performance monitoring and reporting system.
* The PSC should be seen as an important driver of the intervention and should meet on a 6-monthly basis as foreseen in the TFF, and continue to deliberate in all areas of its competence. Other actors involved in CB in the energy sector should continue to be invited to such fora to create synergy and enhance coordination.
* KPIs have been designed at many levels, both at a company performance level and at a department level. It is important that the M&E expert is mobilised as soon as possible in order to support the development of the Utility’s performance monitoring and reporting system. Upgrading of the project monitoring system is a priority task as this is instrumental to feeding the Utility’s performance system, in a later stage.
* To enable future sustainability, the project should ensure the implementation of the following: (i) a fully populated baseline is in place and adopted for annual monitoring by the project partners (EUCL/BTC); (ii) the initial capacity development plan has been prepared and rolled out as to enable the first annual review to take place before the project completion; (iii) ensure that improved procedures are adopted and operationalised by EUCL, insofar as possible.