Ex post evaluation – Armenia

›››

Sector: 240300 – Formal sector financial intermediaries
Project: Agricultural Sector Support Programme I and II
BMZ No. 2011 66 321* / 2011 70 216 (CM)
BMZ No. 2012 66 964** / 2012 70 289 (CM)
Implementing agency: Republic of Armenia, central bank

Ex post evaluation report: 2018

Breakdown by individual project on the following page		Invest. Planned	Invest. Actual	CM Planned	CM Actual
Investment costs (total)	EUR million	33.80	33.80	1.50	1.50
Counterpart contribution	EUR million	3.80	3.80	0.50	0.50
Funding (dev. loan)	EUR million	30.00	30.00	1.00	1.00

*) Random sample 2017 **) Random sample 2018

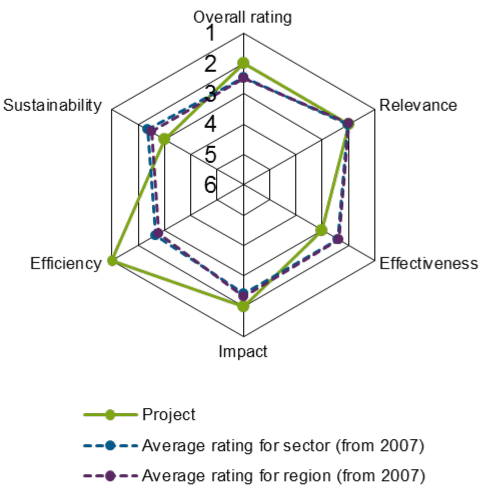
Summary: The FC measure comprises two FC development loans (reduced-interest loans) amounting to EUR 15 million each for the Central Bank of Armenia. In the case of the first loan (Phase I), Armenia's counterpart contribution was EUR 3.8 million. The funding was for refinancing loans in local currency for micro, small and medium-sized enterprises (MSMEs) through local partner financial institutions (PFIs). Furthermore, the PFIs were supported in the process of granting agricultural loans with complementary measures (CMs) amounting to EUR 0.5 million (Phase I, of which EUR 0.25 million was Federal Ministry for Economic Cooperation and Development (BMZ) funds and EUR 0.25 million was the counterpart contribution) and EUR 1.0 million (Phase II, of which EUR 0.75 million was BMZ funds and EUR 0.25 million was the counterpart contribution).

Objectives: The objective of the FC measure was to sustainably expand lending operations for agricultural MSMEs (outcome). The FC measure was intended to help promote the private sector by broadening and deepening the financial sector. It was also intended to help create and secure jobs, income and food security in rural regions (impact) by improving the credit supply for agricultural MSMEs.

Target group: The partner finance institutions participating in the programme were the direct target group of the FC measure. The MSMEs active in rural regions that generate income from agricultural value chains were the indirect target group (including primary producers, suppliers, and operations or vendors in manufacturing industries).

Overall rating: 2 (both projects)

Rationale: Overall, the projects had a positive influence on lending in local currency for small agricultural companies in Armenia, as more banks offered the loan product. The Central Bank of Armenia, the entity that managed the project, made a very good contribution. In general, the quality of participating PFIs was good. To some extent, it was possible to realise innovative approaches for creating new business sectors, such as value chain financing, in the second project. It is assumed that the availability of loans in local currency will decrease again after repayment, which lessens the sustainability of the project impacts.



Highlights: In the course of field visits, we found deficits with regard to attention to animal welfare and questions surrounding sustainable energy supply for greenhouses.

Rating according to DAC criteria

Overall rating: 2 (all ratings apply to both phases)

Ratings:

Relevance	2
Effectiveness	3
Efficiency	1
Impact	2
Sustainability	3

Breakdown of total costs

Two development loans, each with one complementary measure.

(EUR million)	Phase 1 (Planned)	Phase 1 (Actual)	Phase 2 (Planned)	Phase 2 (Actual)	CM* 1 (Planned)	CM 1 (Actual)	CM 2 (Planned)	CM 2 (Actual)
Investment costs	18.80	18.80	15.00	15.00	0.50	0.50	1.00	1.00
Counterpart contribution	3.80	3.80	0.00	0.00	0.25	0.25	0.25	0.25
Funding	15.00	15.00	15.00	15.00	0.25	0.25	0.75	0.75
of which BMZ budget funds	15.00	15.00	15.00	15.00	0.25	0.25	0.75	0.75

*) Complementary measure.

Relevance

At the time of appraisal and to this day, the measure was highly relevant overall for both the financial and the agricultural sectors of Armenia. The objectives of the measure correspond to those of the Armenian government, the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Sustainable Development Goals (SDGs), including SDG 1 (no poverty), 2 (zero hunger) and 8 (decent work and economic growth), in particular.

By awarding need-based loans in local currency, the measure intended to put agricultural MSMEs in a position to make investments that would increase productivity and thus contribute to the development of commercial agriculture and generating jobs and income. The International Monetary Fund (IMF) was one of the parties that identified poor access to financing with matching currencies and maturities as one of the major bottlenecks in the agricultural sector at the time of the project appraisal. Working capital facilities were intended to help secure income and the food supply for microfarmers. In addition, the provision of long-term refinancing funds in local currency combined with consultancy measures was intended to deepen and broaden the financial sector by establishing agricultural loans in local currency as a standard product at many banks.

The loans were awarded to ultimate borrowers with market-oriented interest conditions. The longer-than-normal terms in local currency were only possible because of the funds the measure provided and thus represent an implicit grant element for ultimate borrowers.

Access to loans in local currency holds great potential for agricultural MSMEs as the majority of their income and expenses are in local currency, and they do not have a mechanism that absorbs the risks associated with foreign currency loans. The loans enable MSMEs to expand, which is also associated with job creation in many cases.

A less relevant aspect at the time of appraisal and today is the aspect of the security of the food supply, as Armenia does not have acute food shortages, and many MSMEs receiving support from programme loans financed the cultivation of cash crops like cut flowers or vegetables for export. Security of the food supply played a larger role for microfarmers, who tend more towards subsistence farming.

In addition to funding bottlenecks, the agricultural MSME sector had to struggle with further challenges like more frequent droughts, a stagnating domestic market due to continued population drain and the small scale of operation, which hampered efficient economic activity. The measure was relevant here to a certain extent when promotional funds were granted to relevant farm sizes, as the funds could also be used to purchase land – this was not possible in loan programmes from other donors.

In the framework of the evaluation, the total of 10 PFIs that participated in Phase I and Phase II were asked about their agricultural customers' core problems. "Lack of access to financing" ranked third among the answers (three mentions) after "access to markets and the small size of the domestic market" (eight mentions) and "lack of mechanisation" (six mentions). PFIs considered "lack of climate risk insurance products for the agricultural sector" just as significant a problem for agricultural clients as "lack of access to financing".

The measure is relevant for the small and medium-sized agricultural sector, but there are further relevant issues within the sector that cannot be solved by loan provision alone. On the one hand, they include the financial sector itself (e.g. necessary insurance solutions for extreme climate situations like droughts, improved solutions for equipment financing mechanisms like leasing); on the other hand, they also include political issues like land reforms, access to further export markets and reducing population drain.

The measure is consistent with the Armenian government's agricultural strategy for 2010–2020. Overall, the relevance is rated as good.

Relevance rating:2

Effectiveness

The programme intends to enable access to suitable financing opportunities in local currency for agricultural MSMEs through the formal financial sector. The attainment of the programme objectives defined during the project appraisal can be summarised as follows:

Phase I indicator	Status PA, target PA	Ex post evaluation
(1) The FC funds will be completely disbursed to the agricultural target group within 24 months (after the first disbursement) and subsequently used on a revolving basis.	Status PA: -- Target PA: 24 months	Almost achieved: 26.5 months (as of 06/2016)
(2) The PFIs' agricultural loan portfolio should increase by at least 10% annually on average during the three years after the programme begins	Status PA: PFI 1: EUR 70 million PFI 2: EUR 0 million PFI 3: EUR 2.4 million PFI 4: EUR 2.2 million PFI 5: EUR 8.4 million PFI 6: EUR 7.4 million Target value PA: 10% growth p.a.	Partially achieved: PFI 1: 19% PFI 2: 44% PFI 3: -7% PFI 4: 221%* PFI 5: -8% PFI 6: -1% (Average p.a. 2014–2016)
(3) The duration of the agricultural loans provided by the PFIs should extend to at least 28 months (average across all participating PFIs)	Status PA: 23 months Target value PA: 28 months	Achieved: 31.8 months (average loan term 2017)
(4) The quality of the loan portfolio within the framework of the FC measure should be sat-	Status PA: -- Target value PA: PaR 30 ≤ 5%	Achieved: 4.1%

isfactory, i.e. the percentage of loans that are more than 30 days overdue (PaR > 30 days) should not exceed 5% (average of all participating PFIs).		

*)This indicator contains a merged bank and does not represent organic loan growth.

Phase II indicator	Status PA, target PA	Ex post evaluation
(1) Loan grants to MSMEs active in the agricultural sector should increase annually by 2% more in the participating PFIs during the first two years after disbursement than the growth in the overall portfolios of the PFIs.	Status PA: 2014/2015: 3.8% Target PA: > 2%	Only achieved for individual PFIs. Aggregated across all PFIs: Overall portfolio: + 22.3% Agricultural portfolio: - 8.6%
(2) The portfolio quality within the framework of the FC measure should be satisfactory, i.e. the percentage of loans that are more than 30 days overdue does not exceed 5%.	Status PA: NA Target value PA: PaR > 30 Days ≤ 5%	Achieved: 0.7%
(3) The durations of the agricultural loans granted by the PFIs should increase.	Status PA: 30 months Target value PA: 34 months	Not achieved: 31.8 months
(4) Developed and implemented value chain financing should be differentiated according to supplier-driven products and processor-driven products. (Quantity)	Status PA: 0 supplier-driven 0 processor-driven Target PA: 10 supplier-driven 2 processor-driven	Achieved: 17 supplier-driven 2 processor-driven

The loan funds for Phase I were completely disbursed to the agricultural MSMEs within 26.5 months and thus only slightly later than intended (24 months) and provided on a revolving basis. Programme objective indicator 1 is thus considered to be almost achieved. The well-established implementation structure with the German Armenian Fund (GAF) within the Central Bank of Armenia led to effective execution of the programme. At the time of appraisal, only 2–3 PFIs provided loans to agricultural MSMEs on a broader scale, and only a small portion of these were provided in local currency due to inadequate refinancing options in local currency. When Phase I began, the number of PFIs providing agricultural loans in local currency increased to six. As of the beginning of Phase II, nine PFIs provide loans to agricultural MSMEs in local currency. Agricultural loan portfolios have increased in size at three of the participating banks and decreased at three of the banks. Both geopolitical crises (the war in Ukraine, the annexation of Crimea and the associated economic crisis in Russia and its dependent states, reduced remittances from guest workers) and severe droughts in Armenia played a major role here. These factors could not have been predicted during project appraisal but had a significant negative influence on the project. On a positive note, the agricultural loan product in local currency expanded within the banking sector because, before the measure, only 2–3 PFIs were focused on this to a significant degree. After the project, further banks started to include the product in their standard offerings. Programme objective indicator 2 was thus partially achieved. Programme objective indicator 3 envisaged an extension of average loan terms from 25 to 28 months. It was possible to significantly increase the affordability of loans by offering extended loan terms and expanded repayment periods. The achieved average loan term of 31.8 months exceeded the programme objective in this regard. The quality of the loan portfolio remained stable to a great extent, despite the above-mentioned crises and within the framework of the standard promoted in programme objective indicator 4. This indicates high quality standards during project selection and good risk management by the participating PFIs. Programme objective indicator 4 was thus achieved.

New indicators were selected for Phase II apart from the loan portfolio quality indicator (indicator 2), which was completely achieved. Indicator 1 intended a 2% higher increase in the agricultural loan portfolio than for other loan portfolios. In Phase II the agricultural portfolio of four PFIs increased by over 2% more than the other loan portfolio. For five PFIs, the agricultural loan portfolio saw an absolute decline. At the aggregated level, the agricultural loan portfolio of the participating PFIs decreased by 8.6% while the rest of the portfolio increased by 22.3%. The resulting negative difference is 31 percentage points between the agricultural portfolio and the rest of the portfolio. Indicator 1 was thus not achieved at the individual PFI level in some instances, and not at the aggregated level (measured at portfolio level, i.e. new commitments and loan portfolio). The target for loan terms was an extension from 30 months to 34 months, which was not achieved as the portfolio average was 31.8 months.

The most important difference between both phases is the new focus of Phase II on agricultural value chains. This approach has the potential to increase the vertical integration of the agricultural sector in Armenia, reduce the transaction costs and information asymmetries for all participants, and put the financial strength of the aggregators (processors and suppliers) to use to finance primary agriculture. The measure distinguishes between two approaches: the value chain at the supplier level on the one hand, and at the processor level on the other hand. The associated indicator was achieved. It turned out that the supplier approach was easier to realise due to a lower level of complexity. So it was possible to promote 17 projects, which far exceeded the target number of 10 projects. In this approach, loans for small farmers are granted via suppliers of agricultural input products (fertiliser, seeds, etc.) without cash disbursement. The farmer directly receives the desired goods from the agricultural trade company, practically excluding misuse of funds. Although the borrower signs a loan agreement with the PFI in this case, disbursement goes directly to the supplier/agricultural trade company where the borrower picks up the ordered input products. The borrower subsequently regularly pays back the loan amount to the PFI. The major benefit for the PFI is that the agricultural trade company usually knows the end customer and can give the bank information about their payment history. The value chain financing model via the processing companies was more difficult to realise, as expected, because the trend towards vertical integration in agricultural companies in Armenia is steadily increasing, with the exception of the dairy industry. Two projects were implemented in the dairy sector. For this approach, the PFI grants loans e.g. to goat farmers who sell their milk to a cheese maker so they can purchase further goats. The cheese maker assumes a partial guarantee for the loan vis-à-vis the PFI and signs off-take agreements that state they will regularly buy milk from the goat farmers. Programme objective indicator 4 was thus completely achieved. According to the participating PFIs, the complementary measure (CM) played a significant role in the success of the value chain projects.

Effectiveness rating: 3

Efficiency

The funds were provided to the Central Bank of Armenia as an executing agency in the form of a development loan. The GAF, which is established within the central bank and has its own legal personality, established itself in the financial sector as a very efficient implementation partner for thematic projects (e.g. with focuses on agriculture, energy and energy efficiency) during the German-Armenian cooperation. The GAF completely financed its administrative expenses from a relatively low handling fee that was calculated according to the funds disbursed to PFIs and is thus not a financial burden for the central bank. The exchange rate risks that the central bank assumes by receiving a loan in euros and then transferring it in the local currency of the dram are paid from the PFI transfer margins. According to the GAF, this margin has always been sufficient for exchange rate hedging to date. In the case of a sharp, unexpected change in the exchange rate, the GAF is able to pass along extra costs to the PFI in accordance the contract. However, according to the information provided, this case has not yet occurred. From the perspective of the GAF, the central bank and the evaluation, the transfer process is efficiently organised. Few FC partners are in a position like the GAF's and can assume the exchange rate risk without burdening their own balance sheets with unreasonable risks or making loans too expensive for ultimate borrowers due to hedging costs. The GAF also efficiently and extensively organises and carries out reporting for KfW and BMZ; the reporting quality is high.

The participating PFIs value the programme as they view it as highly focused on an important niche. Loans in the local currency with the conditions provided by the GAF with regard to duration and interest can neither be refinanced for PFIs through customer deposits nor through capital market transactions as the savings deposits are scheduled and often denominated in USD, and the local capital market is still in its infancy. The PFIs also feel that the GAF's transfer process is efficient. The PFI sign a standard loan agreement with the GAF that clearly defines the programme objectives. For disbursement, the PFI must give the GAF evidence of an already prefinanced loan portfolio, which the GAF checks to ensure consistency with the programme objectives. The participating PFIs can be considered efficient to a large extent. Of the total ten participating PFIs in the two phases, eight were able to contribute to profits over the entire term. PFIs that did not sufficiently contribute during the execution of Phase I were strictly excluded from Phase II. Conversely, efficient microfinance institutions were newly admitted in Phase II and now make up a majority of the measure's loan portfolio. Expanding the circle of participating PFIs also led to greater competition and thus also to reduced sub-loan costs. The PFI training financed using the complementary measure lead to improved processes during loan appraisal and processing of individual loans.

From the perspective of most of the twelve ultimate loan customers who participated in a structured interview within the framework of the evaluation, this is an efficiently implemented measure insofar as the PFIs were able to offer loan products specifically tailored to the sector. The processes were also improved and more efficiently organised for the many ultimate borrowers due to the complementary measure's use of consultants.

Investment loans for expansion of operations for the borrower frequently have the objective of achieving scaling effects and thus more efficient operations. Medium-sized borrowers in particular were able to report relatively high profit margins and that they achieved efficiency targets. However, increased efficiency was found to a lesser extent among the microfarmers surveyed in the subsistence sector because loans tended to be used more as working capital than as investment funds. A basic consideration for further FC loans would be whether granting loans to subsistence farmers is efficient enough to justify the use of funds and whether comparable impacts are generated as they are in larger operations.

With regard to allocation efficiency, the question arises as to the extent to which scarce local currency loan funds with an implicit grant element were distributed in a Pareto-optimal way. In the conventional sense, the PFIs should allocate the available capital to the most beneficial applications, i.e. those with the highest profitability. However, the measure is an intervention in market activity with the objective of generating jobs and income and simultaneously mitigating market failure due to a lack of loans issued in local currency. Against the background of this "double-bottom-line approach", it is impossible to make a very clear statement as the relationship between profit-optimised and socially oriented allocation of the individual investments would have to be examined more closely to do this. However, there are clear indications that the promoted MSME sector is both profitable and is also providing new jobs, which is less the case for microfarmers.

We rate the efficiency as very high at nearly all levels with the limitations mentioned.

Efficiency rating: 1

Impact

A contribution to promoting the private sector by deepening and broadening the financial sector, to creating and maintaining jobs and income, and to ensuring food security in rural regions was defined as the overarching developmental impact during project appraisal. Because no indicators were listed for these impacts in the programme proposal, we will add the following new indicators:

Indicator	Status PA, target PA	Ex post evaluation
(1) Creating and securing jobs	NA, achieved / not achieved	Achieved
(2) Retaining the agricultural sector's share of the gross domestic product	20.36%	16.70%
(3) Development of price inflation for food below the overall inflation index	NA, achieved / not achieved	Largely achieved

Because no indicator for creating jobs was set during appraisal, reports about jobs were also not required to be included as elements of PFI's or GAF's reports. Within the framework of the evaluation, both the 10 PFIs and the 12 ultimate borrowers were surveyed for their estimations in order to achieve at least an anecdotal answer to the question. Of the 10 banks surveyed, 4 of them made statements about the subject and came to a total number of 281 jobs created. For the 12 ultimate borrowers surveyed, all borrowers who already had externally filled jobs before (i.e. in addition to jobs held by family members) said that their number of jobs remained the same or increased within the framework of taking out their loan. Companies in the greenhouse horticultural sector in particular stated that the number of jobs increased when operations expanded. However, both banks and agricultural companies stated that a portion of the jobs was based on harvest and planting periods and was thus seasonal. All things considered, it can be assumed that the measure made a contribution to maintaining and creating jobs in the Armenian agricultural sector even though the number of jobs cannot be estimated due to low data volume. Irrespective of this, we cannot assume that structural transformation in Armenian agriculture can be influenced with the limited scope of the FC intervention.

Indicator (3) examines the relationship between an increase in the food supply and the relative downturn in food prices. According to the central bank, during most of the years in the period from 2013 to 2017, food prices increased less quickly than overall inflation; it only demonstrated a sharper increase in 2017. The portion of household income used for food consumption in 2015 fell to 43.6% from 51.9% in 2008 in favour of services, which highlights the trend towards improved food security. Yet the reasons for this are diverse and it cannot be verified that the measure played a role here. However, on the whole, a critical examination should be made with regard to the impact on food security mentioned during appraisal to see whether it is suitable as a performance indicator. On the one hand, although food scarcity in Armenia was a relevant topic during the implementation period, the loans can hardly be used to grapple with this issue. On the other hand, presuming that the FC project had a price-reducing and quantity-increasing effect is a possible overestimation of the approach.

The measure helped to achieve the objective of broadening and deepening the financial sector. According to statements from the Armenian central bank, the share of local currency loans in the aggregated agricultural loan portfolio of the Armenian banking sector increased from 31.0% (2011) to 43.4% (2017). By their own accounts, the PFIs introduced new products like value chain financing.

The measure thus presumably and demonstrably created and maintained jobs, and broadened and deepened the financial sector. An impact with regard to increasing food security cannot be verified; however, there is also a question as to its relevance.

Impact rating: 2

Sustainability

The question of the FC measure's sustainability can be raised at different levels. On the one hand, the question needs to be addressed as to whether new structures within the PFIs were created sustainably in a way that would enable the newly created agricultural loan products in local currency to be continued after the end of the FC measure. On a positive note, the PFIs significantly increased their presence in rural areas. Seven out of ten PFIs increased the number of rural subsidiaries. Overall, 21 new branches were created. Several banks hired new specialists for agricultural loans after the programme began. By their own accounts, the use of consultants that was financed with the complementary measure helped 8 of 10 banks make processes more efficient for issuing agricultural loans and introducing new products. The complementary measure thus contributed to the sustainability of the measure with regard to structures, processes and products with the PFIs.

All 10 PFIs surveyed stated that they wanted to continue offering financing in local currency for the agricultural sector after the end of the FC measure using their own funds or funds from other donors. Even though this effect is positive, it is reasonable to expect that the practice of issuing loans in local currency will greatly decrease without further loans in local currency from international partners because the local banks do not have access to funds and long-term refinancing in local currency. It was not possible for the FC measure to address the Armenian banking sector's main problem – that, due to lack of trust, local currency is only used to a very limited extent for savings and for medium and long-term bank lending, and is being replaced by the US dollar.

The PFIs surveyed indicated that their customers' reasons for loan default during the measure were often animal diseases, crop failures due to extreme weather and, particularly on small family farms, the sickness or death of a family member. This indicates that the measure could increase its sustainability rating if it were able to provide special insurance solutions for the agricultural sector, but also basic insurance solutions such as health or life insurance for those employed in the agricultural sector. One FC measure for creating need-based agricultural insurance solutions to hedge against extreme weather events was already signed by the Armenian government in December 2017. It is currently being implemented, which seems to be the right step from the perspective of this evaluation.

A further sustainability aspect of the measure is the question of the impact on CO_2 levels as well as on animal welfare. Due to geopolitical changes (EU sanctions, periodic conflict between Turkey and Russia), Armenia has established itself as a new supplier of fruit, vegetables and cut flowers for the Russian market. A greenhouse construction boom in Armenia was one of the results of the Russian ban on imports for agricultural products from the EU and Turkey. Farmers often need to burn large amounts of gas to heat the greenhouses during the often cold winters, with corresponding effects on carbon levels. According to the GAF, one of the stipulations of the European Investment Bank (EIB) agricultural credit lines is that any greenhouses it finances must be energy-efficient and operated with a minimum quota of renewable energies. The GAF stated that it provided very little financing for greenhouses from the EIB credit line due to these very high requirements. The current measure does not have any provisions comparable to those in the EIB loan. If the agricultural programme is relaunched, the issue of whether carbon emissions, particularly from greenhouses, have an impact, should be examined. This also applies to the aspect of animal welfare as some of the international development banks active in the country set higher standards than KfW/GAF.

The measure sustainably anchored new agricultural loan products in the participating PFIs. However, without further development of the capital markets by the time the measure is ended, it will not be possible to continue with the same volume. The insurance solutions that are already being implemented will help to make the products more sustainable. Climate-relevant issues, particularly with regard to investments in greenhouses and the issue of animal welfare, were not taken into account during conception of this measure, which diminishes its sustainability. Under these circumstances, we give the sustainability a rating of 3.

Sustainability rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).