

WHAT IS IT?

Rwanda's Aid Policy is the guiding framework which sets out how the Government of Rwanda (GoR) wishes to see the country's aid architecture develop. It outlines the Government's preferences in terms of the type of aid it wishes to attract from abroad, and the processes to be used in the management of external assistance. In the past, foreign aid has not always been provided to Rwanda in a way that enhances national ownership of development activities. Now, by setting out clear priorities and principles, the Government of Rwanda is seeking to ensure that all aid is used in a way that will maximize the benefits of such assistance for the Rwandan citizen.

The Aid Policy is the outcome of a process of extensive consultation, bringing together representatives of central and local Government, donors, civil society and the private sector. The end result is a document that clearly sets out what the Government will do to make aid more effective, to ensure that aid is spent in a manner that has maximum impact on economic development and poverty reduction in Rwanda. The Policy also calls on Rwanda's donors to ensure that they give aid in line with national priorities, simplify procedures, and enhance local ownership of development activities.

WHEN DID IT COME INTO EFFECT?

Rwanda's Aid Policy was approved by the Cabinet on 26 July 2006.

WHY IS IT IMPORTANT?

March 2005 saw the signing of the Paris Declaration on Aid Effectiveness, an international agreement to increase the efficiency and efficacy of aid, by Rwanda and all of its in-country donors. Rwanda's Aid Policy incorporates many elements of the Paris Declaration, and sets objectives for the negotiation and management of aid that respond to Rwanda's development needs.

At present, Rwanda receives in excess of 400 million US Dollars per year in foreign aid. Moreover, the last few years have seen most of Rwanda's external debts cancelled as a result of the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives. However, this means that the Government cannot resort to loans as a means of financing public investments in the way that it did previously. More aid needs to be made available to Rwanda in the form of grants so as to ensure that enough can be invested in delivering services to the Rwandan citizen. This is made clear in the Aid Policy, which sits alongside the Government's Vision 2020 and the forthcoming Economic Development and Poverty Reduction Strategy in planning for Rwanda's medium- and long-term development.

HOW DOES IT WORK?

It clarifies the GoR's position:

Planning Processes: These are explained, along with measures needed to strengthen them further.

Preferences for Certain Types of Aid: Un-earmarked budget support is preferred, followed by sector budget support, over forms of project support. Stand-alone projects must be on-budget and on-plan. Pooling of project funds is encouraged.

Assistance to Decentralized Entities: Is to be channeled through the national budget or through the Common Development Fund to make sure that benefits are shared more equitably amongst districts.

Sustainable External Debts: Debts are to be kept at a manageable level. The GoR seeks more assistance in the form of grants. If loans are to be accepted, they must be highly concessional.

Vertical Funds as a Concern: These are large sources of finance that channel their resources outside GoR systems. They tend to be off-plan and off-budget and are thus a concern for the government. The GoR will develop guidelines on the management of such funds.

Preference for Joint Missions and Analytical Work, and Delegated Cooperation: These reduce transaction costs for GoR and donors.

It sets a direction for change within the GoR:

Aid Acceptance: The GoR will refuse aid where the costs of accepting it are too high, if the aid is not sufficiently aligned to GoR priorities, or if there are excessive conditions tied to receiving the aid.

Clarification of Division of Responsibilities Between GoR Agencies: The roles of individual ministries and other GoR bodies are clearly set out, with line ministries retaining technical ownership of their development activities. A manual of procedure and related tools will be developed to ensure smooth implementation.

Development of a Monitoring Mechanism: The GoR will work with its development partners to develop a mechanism in which the performance of both government and donors in implementing the Paris Declaration and Rwanda's Aid Policy will be examined.

It places expectations on development partners:

Increased Alignment: Assistance is offered in a way that meets the needs identified in GoR strategic plans, rather than being donor-driven.

Technical Assistance: Technical assistance is provided in a coordinated manner through national systems. It includes mechanisms to ensure the transfer of knowledge.

National Monitoring and Evaluation System: The GoR encourages donors to use such systems to reduce the burden on both donors and government.

Data on Aid Flows: Data is collected from donors in a structured manner, using the Development Assistance Database (DAD). This information is shared between all government and donor agencies.

Coordination: Donors and the GoR work together to avoid duplication or crowding in certain sectors and sub-sectors.

Dispute Settlement: Rules for the resolution of disputes are being developed with donors in order to ensure that aid is not withdrawn or delayed unexpectedly.

WHERE CAN I FIND MORE INFORMATION?

Access Rwanda's Aid Policy

<http://www.devpartners.gov.rw/rap.php>.

Contact the External Finance Unit of the Government of Rwanda

info@devpartners.gov.rw.

