



Predictability and Transparency

- Progress, Challenges and Way Forward -

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Outline

- ▶ In-Year Predictability
- ▶ Medium-Term Predictability
- ▶ Consequence on accountability
- ▶ How Government and DPs can improve?



In-Year Predictability

▶ Budget Support Predictability

- ▶ Predictability of Budget Support critically important to the Government's ability to implement national budget
- ▶ 28% of national budget for FY 09/10 financed through Budget Support

GBS/SBS	G3 (%disb within Q1)	(%disb within first 6 months)	G4: (% disb within first half as scheduled)	(% disb to schedule)
GBS	23%	45%	89%	42%
SBS				
Health	79%	85%	100%	68%
Education	22%	28%	37%	61%
Justice	0%	0%	0%	34%
Agriculture (centralized and de	0%	0%	0%	87%
VUP	0%	56%	83%	83%



In-Year Predictability

▶ Challenge of Budget Support predictability

- ▶ Limited frontloading of Budget Support: 26% of Budget Support was disbursed in Q1 of FY 09/10 (target was 50%)
- ▶ Predictability in the first 6 months was 86%. (86% of disbursements made as scheduled, while target was 100%)
- ▶ Overall predictability: Only 48% of Budget Support disbursed as it was scheduled for a whole year
- ▶ 42% of Budget Support was disbursed in Q4 of FY 09/10
- ▶ Half of planned education sector budget support disbursed late. Education sector relies on Education Sector Budget Support substantially
- ▶ 32% of planned health sector budget support disbursed late



In-Year Predictability

▶ Consequences

- ▶ Undermine GoR's accountability and national budget execution
- ▶ Considerable impacts on fiscal and monetary positions
 - ▶ 35 Billion Rwf (**59 Million USD**) in Treasury Bills to cover delayed BS disbursement for Q4 of FY 2009/10. 13 Billion Rwf (**22 Million USD**) for Q1 of 2010/11
 - ▶ 1.3 Billion Rwf (approx. **2.2 Million USD**) as overall costs for FY 09/10 (annual interest rate ranges between 7-7.8%)
 - ▶ **This reduces the real value of aid by 2-3%**
 - ▶ Distorts implementation of planned activities
 - ▶ Affects monetary number, exceeding debt targets set within debt policy and PSI



In-Year Predictability

▶ Non-Budget Support predictability

- ▶ Predictability of non-budget support equally important for budget implementation and achievements of national development and poverty reduction goals
- ▶ 20% of budget financed by project grants and loans
- ▶ More than 60% of ODA to Government provided through project support

Indic		2007 Baseline	2008 Actual	FY09/10 Target	FY09/10 Actual	2010 Target
C3	% ODA delivered in the year for which it was scheduled (PD indic 7) (ratio inverted where % disb > % scheduled)	68%	52%	75%	73%	83%

- ▶ Improvements recorded by DPAF FY 2009/10. However, this does not consider the timeliness and transparency of scheduled disbursement due to DPAF FY 2009/10 methodology



In-Year Predictability

▶ Challenges and consequences

- ▶ Magnitude of external funded project support (e.g. 74% of projects in health sector externally financed)
- ▶ Delay of disbursements mostly due to administrative procedures, sometimes resulting in 4-5 month delays
- ▶ Delayed disbursements hampered considerably the implementation of agreed action plans, yet evaluation/monitoring is done on the basis of agreed action plans
- ▶ Ministries commit to implement actions plan and execute national budget, with their accountability to Prime Minister and to Parliament => serious implications on accountability



Medium-Term Predictability

▶ Current Status

Indic		2007 Baseline	2008 Actual	FY09/10 Target	FY09/10 Actual	2010 Target
C1	% of donors delivering all ODA through multi-year binding agreements of at least three years.	Establish baseline in 2008	42%	100%	41%	100%
C2	% of donors providing non-binding indication of future aid to cover at least 3 years ahead, on a rolling basis and according to GoR fiscal year.	Establish baseline in 2008	50%	100%	44%	100%

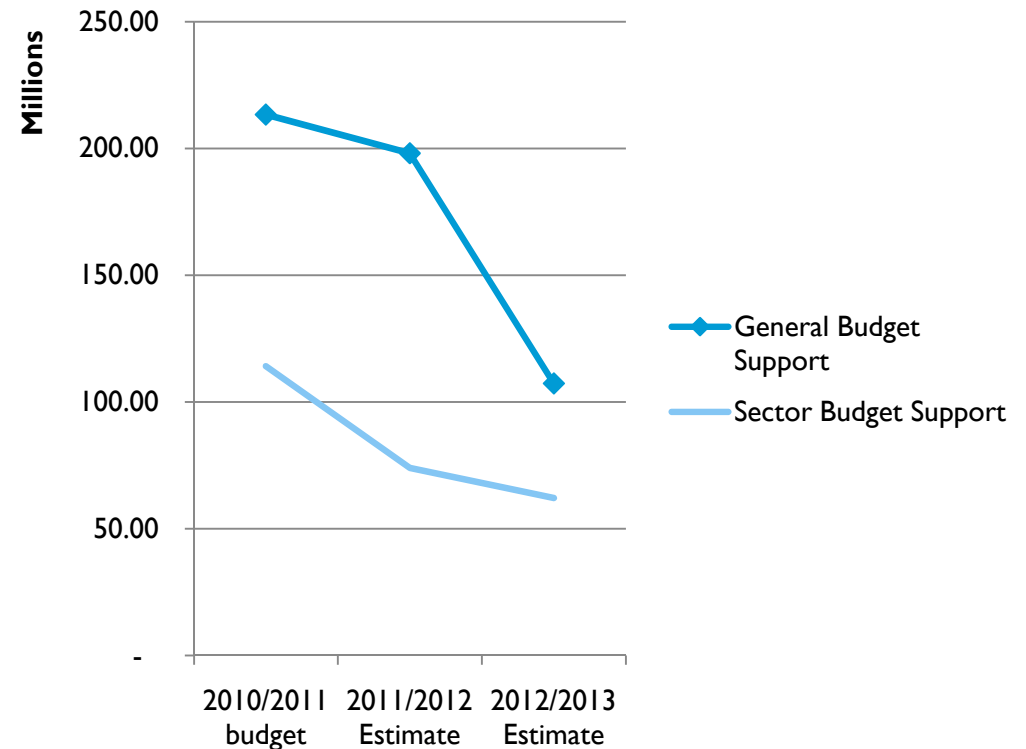
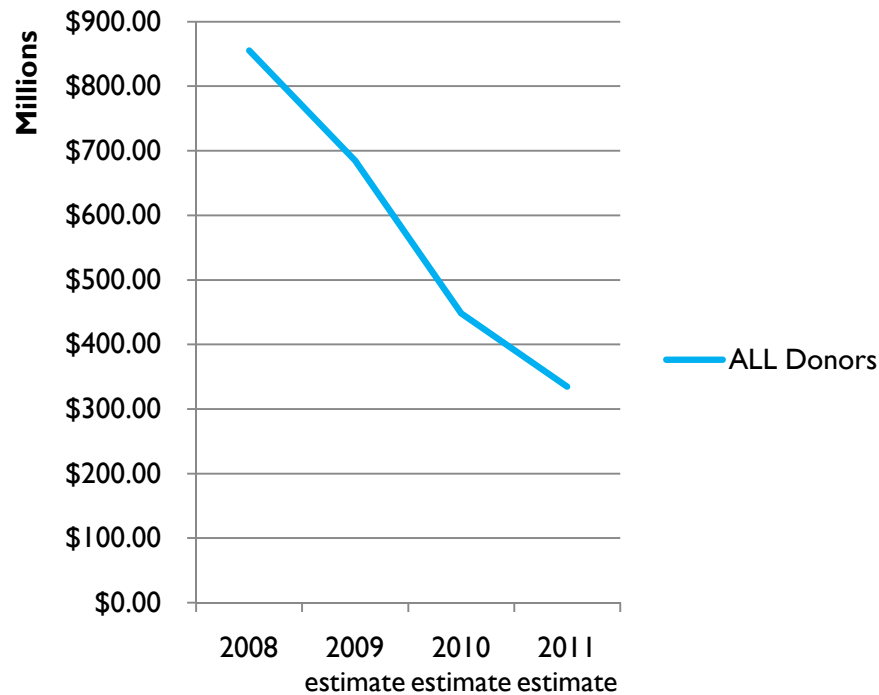
- ▶ Availability of multi-year projections of external finance is of critical importance to the Government's ability to plan for medium and long-term and to optimise allocation of resources
- ▶ Less than half of DPs are able to deliver all ODA through multi-year binding agreement at least three years/non-binding indication of future aid for at least 3 years on a rolling basis



Medium-term Predictability

► Challenges and consequences

- Availability of external resource projections indicate scaling down
- Actual disbursements scaled up





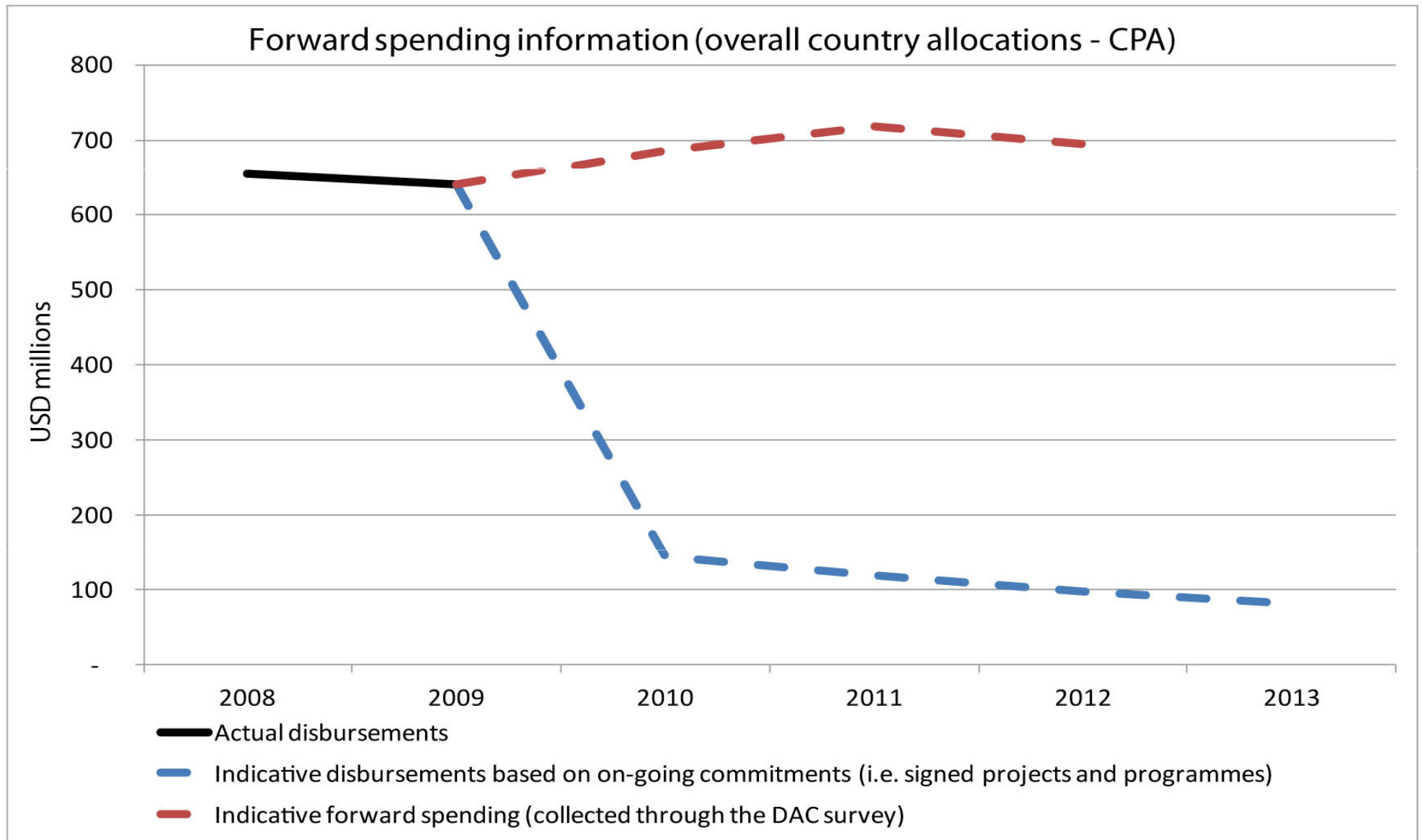
Medium-term Predictability

▶ Challenges and consequences

- ▶ Available Forward Spending Information projects level of ODA at similar level
- ▶ Absence of reliable external finance projections poses challenges in enhancing effectiveness of sector MTEF
- ▶ Development needs are long-term. It requires long-term sustained support to build and strengthen critical foundation/institutional capacity
- ▶ Short-term support and sudden abruptness of support may lead to collapse of systems, institutions, and capacities built through the support

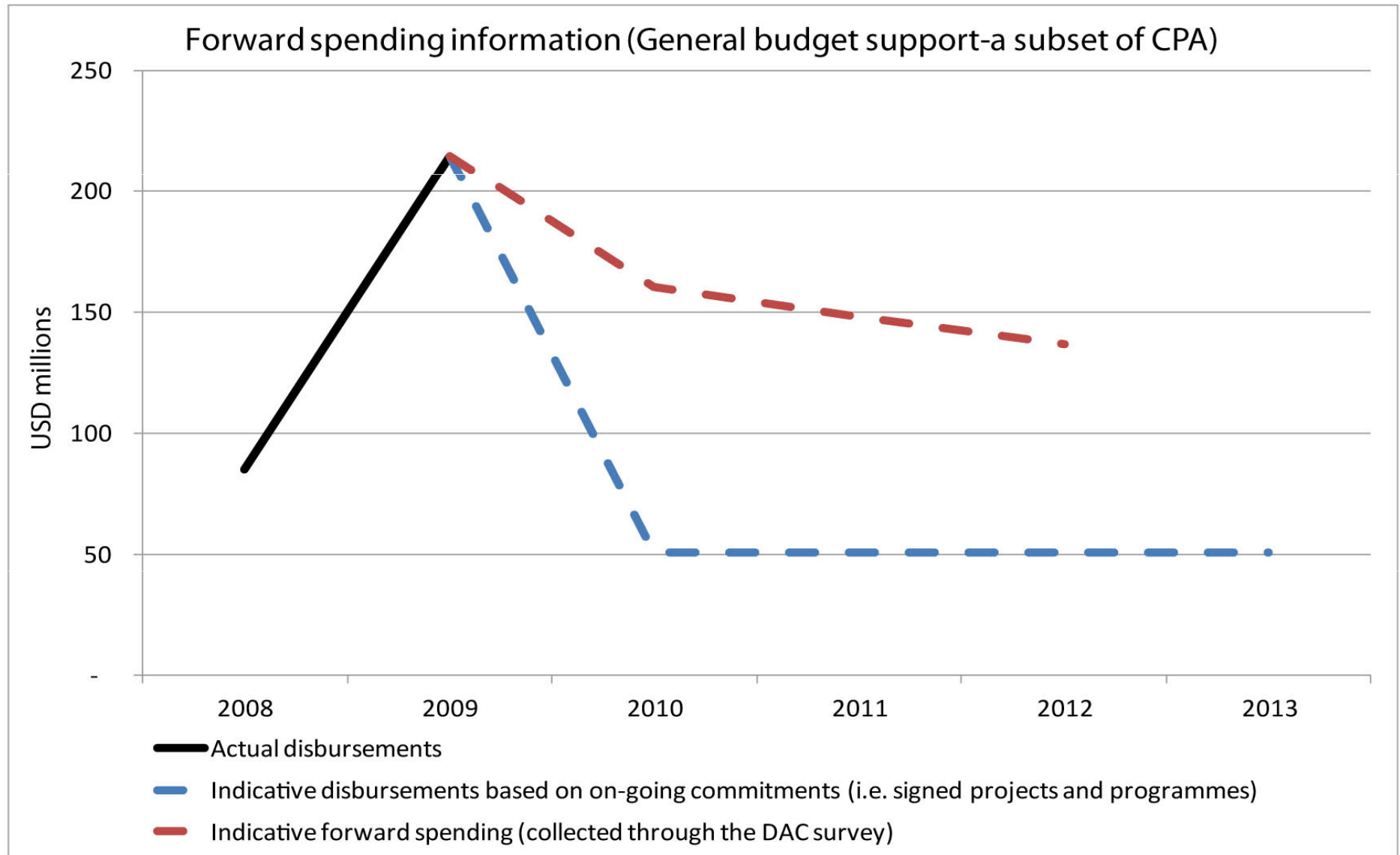


Medium-term Predictability





Medium-term Predictability





How can Government and DPs improve?

Government

- Further strengthen GoR tools for the gathering of information on commitments, disbursements and indicative forward spending plans
- Strengthen further all aspects of PFM, with focus on efforts to increase reporting of appropriate aid in the national budget and public accounts
- Enhancing functions of SWAPs to discuss scheduled/planned support
- Pilot scenario-based sector MTEF in 2-3 sectors on the basis of available forward spending information from OECD-DAC

Development Partners

- Avail a monthly schedule of planned budget support disbursements
- Project support disbursed through Treasury facilitating timely, comprehensive recording of disbursements in the GoR systems
- Improve and streamline planning and disbursement processes for Silent Partnership and Trust Funds support
- Address internal bottlenecks in providing planned/forward spending information
- Adhere to AAA commitments in providing regular, timely information on rolling 3-to-5 year forward expenditure plan