



# Rwanda Aid Policy

## Draft for Discussion

Revision 3.0 ~ March 2006

## GOVERNMENT OF RWANDA DRAFT AID POLICY

### NOTE TO READERS

The Government of Rwanda is pleased to present this draft Aid Policy to its development partners with the aim of stimulating open discussion around the issues raised in the Policy, and inviting comments and suggestions from partners. This Note offers information on the context in which the draft has been developed and the process adopted in its elaboration. It will not form part of the Policy itself.

#### Background

Following the signing of the *Paris Declaration on Aid Effectiveness* in March 2005, the Government of Rwanda decided to embark on the process of developing a national Aid Policy. This is the first attempt in Rwanda to develop a comprehensive statement of Government policy towards external assistance. The Aid Policy is a government initiative, and its development is being coordinated by the Ministry of Finance and Economic Planning.

#### An Evidence-based and Consultative Process

Whilst the Aid Policy remains a statement of government policy, steps have been taken to ensure in-depth consultation on the content and structure of the policy with stakeholders both within and beyond the Government of Rwanda.

In order to provide a clear picture of the aid effectiveness issues faced by Rwanda, two substantial pieces of research were contracted. These took the form of a *Baseline Survey of Donor Harmonization and Alignment* and an *Aid Policy Consultation Paper*. The outputs of both projects were shared across government and its development partners, and formed the basis for workshop discussions on policy solutions.

A number of consultative workshops were initiated with representatives of both the Government of Rwanda and its development partners, and the draft Policy presented here is the outcome of many discussions at these and other meetings, as well as the written feedback offered by both donor and government stakeholders.

#### Content of the Draft

The present draft is shared very much as a work in progress. To this end, the government recognizes that there remains some scope for re-drafting of the Policy, and it is concerned that stakeholders should bear this in mind when reviewing it.

It is intended that certain sub-sections be strengthened on the basis of ongoing internal and external discussions, for example those on external debt, vertical funds, and technical assistance. It is not however envisaged that such revisions will constitute a significant departure from the positions expressed in the present draft.

It is hoped that outputs from discussion groups at the 2006 Development Partners Retreat will help to shape the way forward in finalizing the Aid Policy, and in particular the items proposed in section 5 on implementation of the Policy.

#### Next Steps

The Ministry of Finance and Economic Planning has in mind the following as next steps in the development of the Aid Policy:

- Discussion of draft Aid Policy with government representatives and development partners at the Development Partners Retreat (DPR) to be held on 9<sup>th</sup> and 10<sup>th</sup> March 2006.
- Draft to be finalized by MINECOFIN following the DPR.
- Preparation of a Cabinet paper to accompany the draft Policy in Cabinet discussions. At present it is envisaged that the paper be discussed by the Cabinet in April 2006.
- Further consultation and revision as mandated by the Cabinet.
- Drawing up of an action plan as identified in section 5, following the endorsement of the Policy by the Cabinet.

The Government of Rwanda remains grateful for all comments, suggestions and feedback received in connection with the draft Aid Policy. Stakeholders wishing to provide comments in writing on the present draft may do so by email to [robin.ogilvy@minecofin.gov.rw](mailto:robin.ogilvy@minecofin.gov.rw), no later than 15<sup>th</sup> March 2006.

# 1

## Background and Rationale for GoR Aid Policy

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1.1. At a global level, increasing attention has been accorded to the issue of aid effectiveness. The Rome and Paris Declarations – to which Rwanda is a signatory – set a basis for the development of partnerships that will improve the way in which development assistance is delivered and utilised.

1.2. Rwanda has made significant achievements in its recovery from the genocide and war of 1994, and in promoting peaceful and equitable social and economic development. External assistance has played a crucial role in Rwanda's progress over the last decade, and will continue to do so in the years to come. Whilst external assistance a decade ago came predominantly in the form of emergency humanitarian assistance, the gradual restoration of order, stability, and national institutions ensued, and the Government is now in a position to assert genuine ownership and leadership in development activities – and the external resources on which they rely – in Rwanda. This document sets out the Government of Rwanda's vision for improved aid management, and those policies which will turn this vision into reality.

### FACTS AND FIGURES: ODA TO RWANDA

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1.3. Net Official Development Assistance (ODA) to Rwanda in 2004 totalled USD 468 million, translating into approximately USD 56 per capita. This is equivalent to 25 per cent of Rwanda's Gross National Income (GNI). Of this, 44% came from bilateral donors and 56% from multilaterals.<sup>1</sup> 36% of all ODA was delivered in the form of general budget support.<sup>2</sup>

### OVERVIEW OF PROBLEMS

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1.4. Despite moves towards better coordination and dialogue on the part of both the Government and its development partners, a number of problems remain. These problems continue to limit the efficiency and effectiveness with which assistance is delivered, and weaken the Government's case for the scaling-up of assistance in the short- to medium-term.

#### Capacities

1.5. The Government of Rwanda continues to suffer from capacity problems. This is in part a legacy of the genocide of 1994, and the fact that Rwanda has moved from a period of emergency assistance through a period of transition, to a new period with an ambitious development agenda. The GoR's ability to attract and retain highly qualified and skilled staff remains limited, and this affects planning and negotiation and can result in poor coordination and implementation.

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<sup>1</sup> Sources: OECD, World Bank.

<sup>2</sup> Source: Amis, P., P. Jackson and G. Ahobamuteze (2005) *Baseline Survey of Donor Alignment and Harmonisation in Rwanda*, Report commissioned by Ministry of Finance and Economic Planning, Kigali, Rwanda.

1.6. The lack of clear process in some cases leads line ministries and decentralised entities to negotiate assistance directly with donors, thus undermining the role of MINECOFIN in the management and coordination of assistance.

### Predictability

1.7. Politicisation of aid remains an issue in Rwanda. Excessive conditionality arises, and this may result in problems of predictability in terms of the volume, quality and timing of aid, which in turn halt or slow down implementation of pro-poor programs. Project support is in many cases characterised by implementation delays rather than lack of predictability as such.

### Transaction costs

1.8. In common with many developing countries, the costs to Rwanda of receiving assistance are often high, and whilst it is difficult to quantify these in a meaningful manner, it is clear that high transaction costs lower the real value of assistance received. Donors continue to place significant demands on government in terms of time, reporting needs, and use of other resources through numerous missions and meetings. This is in some instances the result of a lack of delegation of authority to local offices by donor organisations, and this burden consequently exacerbates the capacity problems faced by the Government of Rwanda.

### Information on aid flows

1.9. Incomplete reporting of donor activities (including NGOs) to the government reduces transparency, and hinders the ability of government to monitor and manage the assistance Rwanda receives. This information is critical to planning and budgeting processes, as well as the execution of the development budget. It is difficult to obtain a complete picture of external assistance to Rwanda, as some donors are unwilling or unable to meet the government's requests for information. This reduces levels of transparency and accountability in the delivery of assistance.

1.10. At the same time, it is clear that the Government of Rwanda may in some areas place unstructured demands on donors for information, with different ministries and implementing bodies making requests for information, and then failing to share such information effectively.

### Alignment

1.11. Too frequently donors continue to promote their own, often political, objectives at the expense of government ownership. Much assistance remains off-plan and off-budget<sup>3</sup>, reflecting a lack of alignment with government priorities and systems. Some of the problems surrounding lack of alignment are a symptom of weak (or non-existent) sector strategies, this often being the result of weak capacities in planning. At the same time, some donor agencies remain constrained by their own institutional arrangements.

1.12. The existence of large vertical funds, whilst beneficial to development in some areas, may have a distortionary effect in the allocation of resources across sectors and sub-sectors. For example, higher salaries in certain sub-sectors may draw qualified and experienced personnel from other sub-sectors, hindering service delivery in these areas.

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<sup>3</sup> For the purpose of this policy document, assistance is considered *off-plan* where no link with the relevant strategic plan is identified. *Off-budget* assistance is that assistance which is not reflected in the government's budget.

1.13. Technical assistance is not always effective, and in some instances is perceived to undermine local capacities rather than improving them.

#### **Volume of Assistance**

1.14. Whilst Rwanda's attainment of completion point under the enhanced HIPC initiative is a significant achievement, the challenge now is to ensure that Rwanda's external debt is maintained at sustainable levels. At the same time, significant investment is required if Rwanda is to become a middle income country by 2020, as set out in the government's *Vision 2020* document. In order to increase investment whilst ensuring that debt remains at sustainable levels, the Government of Rwanda must mobilise significant additional resources in the form of grants.

#### **RATIONALE FOR AN AID POLICY**

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1.15. Historically, the Government of Rwanda has lacked clear structures and guidelines for the mobilisation and management of external assistance, exacerbating the problems described above. As a signatory to the *Paris Declaration on Aid Effectiveness*, Rwanda is committed to increasing the effectiveness of the assistance it receives. It is intended that the present document will act as a strong foundation for improvements, on the part of both Government and donors. Increased aid effectiveness is particularly important in improving service delivery to the Rwandan citizen and accelerating the implementation of the *Economic Development and Poverty Reduction Strategy*.

1.16. This document clarifies what Rwanda wants to achieve with its assistance, preferences in terms of mobilisation and management of assistance, and the changes necessary in order to reach these goals.

# 2

## Objectives and Guiding Principles

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2.1. By providing clearly articulated policy statements and action points, this document has two ultimate goals. These are (a) to increase the effectiveness of external assistance to Rwanda, and (b) to provide a basis on which the additional aid required by Rwanda to meet its short- to mid-term investment needs can be mobilised.

### **IMPROVING AID EFFECTIVENESS**

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2.2. The Government of Rwanda and all of its major development partners are signatories to the Paris Declaration on Aid Effectiveness. The Declaration binds both the Government and its development partners to implement policies and strategies that will increase the effectiveness of the assistance received by Rwanda, and as such the principles set out in the Declaration form the basis of the Government's definition of effectiveness.

2.3. Within the overall aim of improving aid effectiveness, the following objectives have been identified:

<b>(a) Operational development strategies</b>	There are clear linkages between the PRS, sector strategies, budget, MTEFs, and district development plans, facilitating donor alignment to government priorities.
<b>(b) Reliable country systems</b>	Rwanda's PFM, procurement, and reporting systems are strengthened.
<b>(c) Alignment of aid flows on national strategies</b>	All aid flows are reported on the Government's budget and in line with strategic plans.
<b>(d) Strengthening of local capacities by co-ordinated support</b>	Technical assistance is focussed on knowledge transfer through coordinated programmes consistent with Rwanda's priorities.
<b>(e) Use of country systems</b>	All assistance is delivered through Rwanda's PFM and procurement systems.
<b>(f) Avoiding parallel PIUs</b>	The stock of parallel project implementation units (PIUs) is reduced.
<b>(g) Aid is more predictable</b>	Assistance to Rwanda is disbursed as scheduled, and medium term projections are reliable.
<b>(h) Aid is untied</b>	Reduction in the volume of assistance to Rwanda that is tied. <sup>4</sup>

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<sup>4</sup> In this context, *tying* is taken to mean the imposition of restrictions relating to the source or nature of goods or services used.

<b>(i) Use of common arrangements</b>	Significant increase in the proportion of assistance delivered in the context of sector-wide approaches.
<b>(j) Joint missions and analysis</b>	Joint missions and analytical work between donors becomes increasingly prevalent.
<b>(k) Results-oriented frameworks</b>	Harmonisation of conditionalities is achieved and performance indicators are commonly defined.
<b>(l) Mutual accountability</b>	Independent monitoring mechanism in place.

## MOBILISING INCREASED ASSISTANCE

2.4. Whilst the Government of Rwanda aims ultimately to reduce its dependence on external assistance, it is clear that in the medium term, simply increasing the effectiveness of the aid Rwanda currently receives will be insufficient to enable the levels of investment required for Rwanda to meet its development objectives (as set out in *Vision 2020* and the *Millennium Development Goals*).

2.5. It is recognised that the Government's case for the scaling up of aid is dependent on its ability to manage current volumes of external assistance effectively.

2.6. In attracting additional external resources, the government will seek to ensure debt sustainability, as set out in paragraphs 3.11 to 3.13 below.

## GUIDING PRINCIPLES

2.7. Country ownership is of prime importance. The Government of Rwanda will continue to set its own development objectives and policies, and will seek to ensure that these are the outcome of broad dialogue and consultation across government, the private sector, and civil society.

2.8. This document is a statement of Government policy, and as such its content is 'owned' by the Government of Rwanda. In order to ensure country ownership, the government will seek to mobilise external assistance in forms that do not undermine its autonomy. The importance of consultation and dialogue with development partners is recognised, and to this end the government has sought to consult with its development partners throughout the development of this Policy.

2.9. In order to ensure that the impact of this policy document is maximised, it is important that this and any subsequent statements of policy be inclusive in their nature, rather than focussing only on certain types of assistance. To this effect, the Government seeks to ensure that the activities of international NGOs operating in Rwanda are also addressed in the implementation of this Policy.

2.10. This statement of policy is intended as a living document, and it is envisaged that revisions will be made in the future, as the needs of the government and its development partners evolve over time, and as the government's capacities to implement reforms are strengthened.

# 3

## Policies on the Volume and Effectiveness of Assistance

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3.1. This section of the document sets out the Government of Rwanda’s position on a number of issues relating to the volume and effectiveness of external assistance it receives. Each subsection describes a policy, along with the rationale behind it and, where relevant, those steps taken to ensure adherence to policy.

### **PLANNING AND ARTICULATION OF GOVERNMENT PRIORITIES**

3.2. The Government of Rwanda’s long-term vision for development is set out in its *Vision 2020* document. The forthcoming *Economic Development and Poverty Reduction Strategy* (EDPRS) identifies and articulates national priorities in the medium term, and all assistance should ultimately be aligned with this.

3.3. Strong strategic plans are essential in all sectors if alignment of donor funds to national priorities is to be achieved. Existing sector strategic plans and policies must be improved to strengthen donor alignment, and to this end the Government will take steps to ensure that these contain clear objectives and targets, which are consistent with plans at the national level, and are the outcome of a consultative process involving development partners. All external assistance packages in a sector should be identified in an updated annex to the sector strategic plan, with sectors ultimately developing a comprehensive sector-wide approach (SWAP).

3.4. The Government seeks to ensure that all external assistance is aligned with priorities identified in the EDPRS and sector strategic plans. To this end, MINECOFIN has a role in monitoring the Government’s total aid portfolio and it will, in collaboration with line ministries, decentralised entities and MINAFFET, encourage donors to channel their resources in a manner that is consistent with the principles of this Policy. Paragraphs 3.21 to 3.40 set out the process through which this is to be achieved.

### **PREFERRED AID MODALITIES**

3.5. The Government of Rwanda recognises that maintaining a ‘mixed’ portfolio in terms of the modalities through which assistance is delivered can be beneficial. It is however concerned that certain types of assistance bring with them limited benefits, as the costs of accepting such assistance are often high. Project support is often poorly aligned to government priorities, and often carries with it high transaction costs. Such project support too often bypasses – and therefore undermines – government systems rather than strengthening them.

3.6. Where budget support is provided, the government is concerned that earmarking of funds distorts the allocation of government spending across sectors. This in turn undermines the government’s role in determining priorities, and means that resources cannot be channelled to meeting the government’s objectives as effectively as it would like.

3.7. The Government of Rwanda’s preferred modality for external assistance is unearmarked budget support. Excessive requirements on additionality would undermine the

government's role in determining priorities and allocating resources as identified in 3.2 above.

3.8. The government recognises that not all development partners are able to provide support in the form of budget support. Furthermore, it recognises that project support brings with it particular benefits in some areas (for example, where the work being undertaken is innovative or pioneering in its nature). Before accepting such assistance however, the government must be satisfied that the assistance is being delivered in an effective and efficient manner in line with GoR priorities, and that the costs to Rwanda of accepting such assistance are minimised.

3.9. After un-earmarked budget support, the GoR prefers sector budget support followed by stand-alone projects, which must be on-budget and on-plan<sup>5</sup>. Further, the GoR prefers that donor resources be pooled rather than earmarked for individual projects.

3.10. The Government will decline any or all offers of assistance where it considers transaction costs to be unacceptably high, alignment to government priorities to be insufficient, or conditionalities to be excessive. Where assistance is offered in the form of stand-alone projects, the Government may also decline proposals that are not shown to be sustainable. Transaction costs should be considered in the broadest sense, to include the opportunity cost of allocating scarce (human and financial) government resources to activities and their follow-up.

## **EXTERNAL DEBT**

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3.11. Having successfully attained completion point under the Enhanced HIPC initiative, the Government of Rwanda is concerned that any increase in its debt burden must be sustainable. To this end, strong preference is given to assistance offered in the form of grants.

3.12. Assistance in the form of loans will only be considered where the offer includes a grant element of at least 50%, and subject to the provisions made in 3.10 above.

3.13. The Government of Rwanda currently has a framework for the management of external debt to ensure that these are maintained at sustainable levels in the future. Given that a significant proportion of the assistance Rwanda receives is in the form of concessional loans, the Government continues to pursue a holistic and consistent approach in the management of all external finance.

## **TECHNICAL ASSISTANCE**

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3.14. The Government of Rwanda receives a large volume of technical assistance (TA), much of it in the form of experts appointed on both short- and long-term contracts. All such assistance should be aimed at the building of local capacity. TA has been criticised for failing to transfer capacity to local staff in an organised manner, often adopting an ad-hoc ‘gap-filling’ role instead.

3.15. All TA provided to the Government of Rwanda must be concerned primarily with the transfer of capacity to the government by building the skills and capabilities of local staff and/or developing systems and procedures and codifying these in an accessible

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<sup>5</sup> In the context of this policy, resources are deemed to be *on-budget* where they are reflected in the government's budget. Resources are *on-plan* when clear alignment with a strategic plan is demonstrated.

manner for use by local staff. All terms of reference for TA must recognise these as the ultimate objectives of such assistance.

3.16. The donor and government body with primary responsibility for a TA project will undertake regular appraisals and on the basis of these will seek to strengthen plans to ensure that 3.15 is fulfilled.

3.17. All technical assistance is overseen by the Human Resources and Institutional Capacity Development Agency (HIDA), and to this end the Government shall encourage the pooling of donor resources in financing this initiative.

### **VERTICAL FUNDS**

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3.18. The Government of Rwanda is concerned that vertical funds – that is, sources of external finance that are delivered in structures parallel to that of the government – can hinder the effective allocation of resources to priority areas, undermine government ownership, and in the worst cases create distortions in service delivery. At the same time, such funds provide a significant volume of assistance which is important to programme implementation.

3.19. The Government requires that information on all activities financed under such arrangements be communicated to MINECOFIN and line ministries or other government bodies working in the same sector(s) / sub-sector(s). Without timely and comprehensive information, the government is unable to manage its own resource allocations so as to ensure maximum fit with national priorities.

3.20. The Government expects flexibility on the part of vertical funds to align with sector plans. It will seek also to influence the areas of activity of other, more flexible donors, to prevent excessive financing of a small number of sub-sectors. The GoR will seek to develop guidelines on the acceptance and management of such resources with the aim of ensuring that assistance provided by vertical funds does not create undesirable distortions.

### **RESPONSIBILITIES IN THE MOBILISATION AND MANAGEMENT OF RESOURCES**

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3.21. The lack of explicit procedures for the mobilisation, negotiation and management of external assistance has had a number of undesirable effects. The ability of MINECOFIN to coordinate external assistance and ensure that it is aligned to government priorities has been weakened. The role of MINAFFET has often been unclear, with communication between MINAFFET, MINECOFIN and implementing authorities being poor or non-existent. Donors do not know to whom to address proposals and offers of assistance, and with whom these should be negotiated.

3.22. MINECOFIN shall have a strong role in coordinating external assistance and ensuring its efficient allocation to activities in line with the national planning processes outlined in 3.2. At the same time, the Government wishes to see implementing ministries, districts or other government entities retaining ownership of externally financed activities and their implementation.

3.23. The Government recognises that the political aspects inherent to many bilateral relationships require specialist input and coordination from MINAFFET. MINAFFET is thus responsible for maintaining broad policy dialogue with donor organisations through its foreign missions, pursuing the interests of the Government of Rwanda and keeping MINECOFIN and other organisations with a role in soliciting and managing aid updated

on relevant developments abroad. MINAFFET will cooperate with MINECOFIN in the identification of potential new donors and the mobilisation of resources from them.

3.24. The Cabinet agrees that the definitions of roles and processes contained in paragraphs 3.25 to 3.40 below shall constitute the procedures to be adopted in the soliciting, negotiation and management of all external assistance. These procedures will be codified in the form of a manual of procedure, as identified in 5.4 below.

### **Scoping and Initial Conception**

3.25. Where a line ministry, district or other government body has identified a clear need for external assistance and this is consistent with its strategic plan, it may engage in initial discussions with interested partners with a view to developing such an idea and examining its viability.

3.26. MINECOFIN will provide advice on potential development partners, and may initiate discussions between line ministries/districts/other bodies and such partners.

3.27. At this initial stage, the government body concerned shall not enter into negotiations with a donor, nor does it sign agreements of any sort.

### **Proposals**

3.28. The line ministry, district or other body seeking to mobilise assistance writes to the Minister of Finance and Economic Planning to outline the nature of the proposal, its fit with relevant strategic plans, and the details of any initial discussions with or expressions of interest from development partners.

3.29. Quality assurance in terms of the technical soundness of a proposal remains the responsibility of the line ministry or government body seeking to implement a package of assistance.

3.30. The Minister of Finance and Economic Planning, in his or her capacity as coordinator of external assistance, examines such documentation to ensure a proposal's fit with national priorities and policies (including those set out in this document), before writing to potentially interested donors to invite a proposal for assistance.

3.31. All correspondence and details of any relevant discussions are copied to the appropriate line ministry, district or other body rapidly, and also to MINAFFET where a bilateral donor is being approached. At this stage MINAFFET has the opportunity to raise objections.

### **Negotiation**

3.32. Once written communication of a development partner's interest in financing or co-financing a programme, project or other activity has been received by the Minister of Finance and Economic Planning, (s)he will communicate this to the relevant line ministry or other government body (and MINAFFET if implicated in 3.31 above).

3.33. Technical meetings with the line ministry or other government body will be initiated by the External Finance Unit in MINECOFIN with a view to assessing a proposal and agreeing the position to be adopted in meetings with donors. Where a package of assistance comprises or is likely to comprise a loan element (any sum which the government will be required to repay in the future), the Director of Treasury must, in his/her role as coordinator of national debt, be consulted on this.

3.34. MINECOFIN will, through its External Finance Unit, and in association with the relevant MINAFFET desk, lead meetings with line ministries and donors aimed at negotiating an assistance package. In this way, MINECOFIN's skills and experience in negotiation are utilised to communicate and seek consensus around the details already discussed with line ministries and other bodies as described in 3.33.

### **Agreement**

3.35. Where the outcome of negotiations meets with the satisfaction of both the Minister of Finance and Economic Planning and the government body which will be primarily concerned with the implementation of an assistance package, this is recorded in writing (in the form of a Memorandum of Understanding or similar agreement). The Minister of Finance and Economic Planning will, in his or her capacity as coordinator of all external assistance, normally sign such documentation for and on behalf of the Government of Rwanda. Where it is a donor requirement that such agreements be signed by the Minister of Foreign Affairs and Cooperation, documentation will be forwarded to MINAFFET for this purpose. Copies of agreements with bilateral donors will be retained by both MINAFFET and MINECOFIN.

3.36. MINECOFIN is responsible for overseeing the fulfilment of loan agreement effectiveness.

3.37. Data relating to the agreement is recorded using the governments systems as specified in 3.46 and 3.47.

### **Implementation**

3.38. The line ministry or other government body designated as the primary recipient of an assistance package is responsible for the implementation of investments or other expenditures agreed. It will engage in regular dialogue with MINECOFIN through CEPEX on aspects of implementation requiring attention, for example where delays to disbursements pose a problem or where there are delays to implementation.

### **Evaluation**

3.39. Where assistance is provided in the form of project support, the line ministry or other implementing body shall work with CEPEX to ensure adequate follow-up of project implementation, and the communication of such information as previously agreed with the donor(s).

3.40. Where assistance is provided in the form of budget support, the implementing line ministry or government body is usually responsible for the collection, aggregation and dissemination of data relating to targets and performance indicators agreed with the donor(s). Such information shall be provided to MINECOFIN for use in the Annual Progress Review process, which will in turn be communicated with donors.

## **FINANCIAL OVERSIGHT AND ACCOUNTABILITY**

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3.41. The Government acknowledges that continued strengthening of public finance management (PFM) is necessary to ensure that resources – both internally and externally sourced – are used effectively, and in pursuit of the policy of increasing the proportion of assistance delivered as budget support. Weaknesses remain, with discrepancies at a disaggregated level between budgeted provisions and actual expenditure, limited MTEF implementation, weak integration of the recurrent and development budgets, and weaknesses in auditing and accounting.

3.42. In a move towards improved PFM, the GoR and donors have adopted a harmonised Public Expenditure and Financial Accountability (PEFA) mechanism, and the GoR shall continue to work with these partners to improve its performance.

3.43. Steps are currently being taken to strengthen procurement, auditing and accounting functions in government.

## **MONITORING, EVALUATION AND REPORTING**

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3.44. In line with its aim to reduce the transaction costs involved with receiving external assistance, the Government of Rwanda encourages its development partners to move towards use of the national monitoring and evaluation system, thus simplifying monitoring, evaluation and reporting, and ultimately reducing the burden on both government and donors.

3.45. The government lends its full support to joint missions and analytical work. Joint sector reviews should report on targets agreed in strategic plans, namely the link between expenditures and results, with the outcomes of this feeding into the following year's policy actions. The GoR seeks to facilitate these and other forms of joint and/or delegated cooperation between development partners.

3.46. Improved reporting of donor activities to the GoR is essential if aid management is to be improved. At the same time, the GoR recognises that for donors to provide comprehensive, timely and accurate data, the data collection process must be simplified.

3.47. Pursuant to 3.46, MINECOFIN is developing a Development Assistance Database (DAD), which will act as an interface between donors, NGOs and government for the collection, verification and basic analysis of data pertaining to all external finance to Rwanda. The system is to be integrated with the GoR's *SmartGov* system, and MINECOFIN is responsible for communicating information to, and training, both donors and line ministries in the use of systems necessary for the monitoring of external finance once the tools are operational.

3.48. In order to ensure transparency and accountability in its relations with donors, the GoR will make freely available data on its external finance from the systems described above.

## **MECHANISMS FOR DIALOGUE AND COORDINATION**

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3.49. The GoR is supportive of the development of sectoral and cross-sectoral clusters (fora comprising donors and government bodies active in a particular area), and it will seek to work with its partners to 'provide clear views on donors' comparative advantage and how to achieve donor complementarity' at country and sector levels, as mandated in the *Paris Declaration*.

3.50. The GoR favours further development of the 'lead donor' concept in clusters, whilst recognising that a pragmatic approach must be adopted in guiding donors towards this given the requirements imposed on some donors by their headquarters.

3.51. The GoR is concerned that at present some multilateral and bilateral donors are highly centralised with limited delegation of authority to their local representatives in ways that would allow them to play a full role in aligning behind Rwanda's priorities and harmonising their activities. To this end, it will pursue discussions with such donor organisations with a view to rectifying the situation.

3.52. Where forms of assistance (such as budget support) are inherently reliant on a high degree of trust between the GoR and its partners, the GoR will seek to develop clear rules with its partners, outlining the processes to be adopted in the resolution of disputes. These should include agreement on the level and nature of consultations to be undertaken, a period of time within which efforts should be made to resolve difficulties, and agreement not to withdraw assistance in the financial year in which the dispute arises. This is intended to ensure that assistance is not interrupted or withdrawn unexpectedly, resulting in an adverse impact on service delivery.

3.53. The GoR reaffirms its commitment to the Development Partners Coordination Group (DPCG) as the highest-level body responsible for overseeing aid coordination in Rwanda. The DPCG consists of representatives from both the GoR and its development partners, and it will continue to serve as a forum for dialogue on coordination of aid to Rwanda, harmonisation of donor support, strategic planning and the alignment of donor resources to GoR priorities. The DPCG oversees the operation of other fora mandated with moving forward the aid coordination, harmonisation and alignment agenda (such as clusters), and it has the power to create, dissolve, and amend the mandates of such fora as it sees fit. It is also mandated with reviewing progress made in the fulfilment of commitments identified in the Paris and Rome Declarations<sup>6</sup>.

3.54. The Government is committed to agreeing with its development partners on the principle of an independent mechanism for regular monitoring of the performance of both the government and its partners against accepted criteria. It will seek to agree terms of reference for the formation of an independent group as a starting point for this, as outlined in 5.11 below.

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<sup>6</sup> *Paris Declaration on Aid Effectiveness*, 2005; *Rome Declaration on Harmonisation*, 2003.

# 4

## GoR Commitments

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4.1. The Government of Rwanda recognises that no volume of external assistance can stimulate sustained economic growth and poverty reduction without a stable and supportive social, political and economic climate.

4.2. The Government remains committed to promoting the long-term development of the economy alongside the reduction of poverty. This will be achieved through private sector development, supported by an active state, trade openness, and continued maintenance of macroeconomic stability.

4.3. Reform of the public sector will ensure that Rwanda has efficient and effective organisations fit to push forward the development agenda over the coming decades. Continuous review of organisational objectives and structures will facilitate the definition of the roles and responsibilities of civil servants in a way that meets Rwanda's current and future needs, rather than those of the past.

4.4. The GoR remains committed to pursuing policies of decentralisation, transferring powers, responsibilities and resources to decentralised entities and in doing so increasing local ownership of development activities.

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## Implementation of the Aid Policy

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5.1. Whilst sections 3 and 4 of this document set out the Government’s policies and commitments, this section outlines how these statements will be translated into action on the part of the government and its development partners.

### **DEVELOPMENT OF AN ACTION PLAN**

5.2. Upon adoption of this policy by the Cabinet, MINECOFIN will be tasked with the drawing up of an action plan for the effective implementation of this policy. This plan will prioritise actions on the part of government bodies, taking into account the government’s capacities to implement change. The action plan will comprise a number of components, as identified in 5.3 to 5.12 below.

#### **Communication strategy**

5.3. A strategy for sensitising stakeholders to the content and implications of the present Policy will be devised and implemented. This will ensure that all GoR employees involved in the negotiation and management of external assistance are able to fulfil their roles as implementers of the Policy.

#### **Manual of procedures**

5.4. A manual providing detailed advice on the processes of negotiation and management of aid will be devised, in order to ensure adherence to the division of responsibilities set out in 3.21 to 3.40 above. This document will provide clear guidance on the responsibilities of different government actors at each stage in the process, the necessary documentation, and timeframes within which requests must be actioned.

#### **Vertical funds**

5.5. In order to address the potentially undesirable effects of vertical funds as set out in 3.18 to 3.20 above, research will be undertaken to ascertain the extent to which such sources of assistance may be problematic in Rwanda, and clear guidelines on the acceptance of such assistance will be developed on the basis of this evidence.

#### **Strengthening of GoR capacities for aid management**

5.6. An assessment of capacity needs to facilitate the management of aid will be undertaken, and on the basis of this, a prioritised capacity building plan will be devised and implemented, to include capacities in central and local government, as well as other bodies managing externally sourced resources.

5.7. Training in the use of government systems relevant to the management of aid will be undertaken as mandated in 3.47. Steps will be taken to ensure that comprehensive information on the activities of international NGOs is collected, as set out in 2.9 above.

5.8. Steps will be taken to ensure that the present Policy is implemented in a manner that is consistent with the principles set out in Rwanda’s policies on decentralisation.

### **Inviting donor response**

5.9. This document sets out how the GoR intends to fulfil its commitments made at an international level to increase aid effectiveness. The GoR will proceed to communicate this with its development partners and will invite its partners to provide clear statements on how they each see themselves implementing those commitments in Rwanda. Subsequent to this, a joint proposal to support the implementation of this policy will be invited.

5.10. Pursuant to 2.9 above, international NGOs active in Rwanda will also be invited to set out how they intend to respond to the government's adoption of this Policy.

### **Independent monitoring**

5.11. Discussions will be initiated with the aim of establishing an independent monitoring mechanism, as provided for in 3.54 above.

### **Dispute resolution**

5.12. Pursuant to 3.52, discussions will be held with a view to agreeing on clear rules for the resolution of disputes with donors.

## **OVERSEEING IMPLEMENTATION**

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5.13. A Steering Committee will be mandated by Cabinet to oversee the effective implementation of this policy. This committee shall comprise high-level representatives of the Government of Rwanda.

5.14. The External Finance Unit within MINECOFIN is mandated with, amongst other tasks, overseeing the Government's activities in the area of aid coordination, harmonisation and alignment.

5.15. The External Finance Unit will act as the secretariat to the committee identified in 5.13 above, and will provide technical input to the Committee in the implementation of this Policy.