

# OFFICIAL DEVELOPMENT ASSISTANCE REPORT

FY 2013-2014  
Aid for Development

REPUBLIC OF RWANDA



MINISTRY OF FINANCE AND ECONOMIC PLANNING

This report has been produced by the External Finance Unit in the Ministry of Finance and Economic Planning of the Government of Rwanda, and with the financial resources provided through the United Nations Development Programme.

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# REPUBLIC OF RWANDA



## MINISTRY OF FINANCE AND ECONOMIC PLANNING

### Foreword

It is our great pleasure to present to you the Rwanda Official Development Assistance (ODA) Report for FY 2013/2014. This report outlines the trend of ODA in Rwanda in FY 2013/2014. It also compares with selected East African countries, results achieved by the Government of Rwanda and its Development Partners in terms of aid effectiveness in Rwanda.

The report only refers to the ODA flowing through the government. Aid received directly by Non-Government Organizations (NGOs) and Civil Society Organizations (CSOs) are not included in the report figures. In addition, some donors include the value of technical assistance provided to Rwanda. Finally, data considered in the report only concern donors who reported their aid through the Development Assistance Database (DAD) for OECD-DAC donors and the 2013/14 Finance Law for non-OECD DAC donors.

Rwanda received a total ODA of US\$ 1.04 billion in FY2013-14 to finance 220 projects. ODA received in FY 2013-14 represents an increase of nearly US\$ 128.9 million compared to the previous fiscal year. This increase in ODA reflects basically the disbursement of ODA suspended during the previous FY. Most of the ODA received is in the form of grants (84%) and loans (16%). In addition, Rwanda received US\$ 37.5 million as ODA from non-OECD-DAC donors (or non-traditional donors).

Predictability of ODA funds received is instrumental in Public Finance Management (PFM) and has increased to 90% in FY2013-14 compared to 87% in FY2012-13. The analysis of the use of ODA for FY 2013-14 shows that it is aligned with the Government's development priorities as specified in the EDPRS2.

To improve its absorption capacity and improve its ODA collection and management, the government will: (i) improve the disbursement rate of ODA by identifying and solving the bottlenecks of the disbursement steps of donors as well as the GoR; (ii) continue to diversify its sources of financing; and (iii) reduce the number of projects and increase the average cost per project by strengthening the implementation of the Division of Labor.

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## Acronyms

AfDB	African Development Bank
BADEA	Banque Arabe pour le Développement Economique en Afrique (Arab Bank for Economic Development in Africa)
BRICS:	Brazil Russia India China and South Africa.
COA:	Chart of Account
CPAF:	Common Performance Assessment Framework
CPIA	Country Policy and Institutional Assessment
DAD	Development Assistance Database
DoL	Division of Labor
DP	Development Partners
DPAF	Donor Performance Assessment Framework
EDPRS2	Second Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit
EU	European Union
FAO	Food and Agriculture Organization
UNICEF	United Nations Children's Fund
UNWOMEN	United Nations Women
WFP	World Food Organization
FKWD	Fonds Koweïtien de Développement (Kuwait Development Fund)
FSD	Fond Saoudien de Développement (Saudi Development Fund)
FY	Fiscal Year
FY 2013/14	Fiscal Year 2013-2014
GBS	General Budget Support
GoR:	Government of Rwanda
GDP	Gross Domestic Product
ICT	Information Communication Technology
IDA	International Development Agency
INGO	International Non-Governmental Organization
JRLO	Justice, reconciliation, and law and order
MINECOFIN	Ministry of Finance and Economic Planning
MTEF	Medium-Term Expenditure Framework
NGOs	Non Governmental Organizations
ODA	Official Development Assistance
OPEC	Organization of the Petroleum Exporting Countries

OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
PFM	Public Finance Management
PS	Project Support
PSD	Private Sector Development
PIP	Public Investment Program
PPP	Public-Private Partnership
SBS	Sector Budget Support
SPIUs	Single Project Implementation Units
SWAps	Sector-Wide Approaches
TOR	Terms of References
TSA	Treasury Single Account
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
USA (US)	United States of America
USD (US\$)	US dollar
WB	World Bank
WDI	World Development Indicators
RwF	Rwanda Franc



## 1.0. Introduction

1. Official Development Assistance (ODA) in Rwanda over the last two decades has been instrumental in supporting national efforts on development and poverty reduction. Currently, ODA in Rwanda supplements domestic resources in an effort to support national priorities as defined in Rwanda's Second Economic Development and Poverty Reduction Strategy (EDPRS2). Despite the fact that ODA to Rwanda has increased considerably since 2006, the achievements of the Vision 2020 cannot be met with current levels of investment, and thus requires considerable additional resources.
2. The effectiveness of development cooperation to support the national priorities is of critical importance to the Government of Rwanda (GoR) and its Development Partners. Since early 2000, the GoR has taken a strong lead in promoting effective use of aid along the lines of the broad parameters enshrined in international agreements. These international agreements include the Rome Declaration on Harmonization, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action and recently the Busan Partnership Agreement.
3. Within this context, aid information and analysis has been one of the priorities in enhancing the effective aid management process. The 2006 Rwanda's Aid Policy provides overarching guidance on how aid should be provided and managed. Subsequently, the Aid Policy Manual of Procedures further clarifies key roles and responsibilities of effective aid management with refined aid management procedures in line with principles agreed in the Aid Policy. The Development Assistance Database (DAD) information system, launched in March 2006, has supported the GoR and development partners' efforts of harmonization, alignment and coordination.
4. The annual ODA report of 2014 aims to highlight the overall picture of ODA received by Rwanda during the fiscal year 2013-2014 (FY 2013-14). The report informs the national efforts to enhance effectiveness of ODA by highlighting key areas of progress and further consideration for improvements concerning the national aid effectiveness agenda.
5. The data used in this report are collected mainly from three sources. The Development Assistance Database (DAD), the World Development Indicators (WDI), and data from various ministries. The data from DAD was used to analyze the volume, nature and distribution of ODA in Rwanda, while non-traditional donor data on external loans and grants was taken from the annex II-3 of the FY2013-14 approved budget document. To analyze the country's economic performance and assess its capacity to absorb ODA<sup>1</sup>, we used data from the WDI.
6. The FY 2013-14 ODA report is organized as follows: Section 2 presents the volume, nature and distribution of the ODA in FY 2013-14. Section 3 discusses the predictability of the ODA in the country. Analysis and discussions on the ODA efficiency are done in section 4. Finally recommendations and conclusions are discussed in section 5.

## 2.0. Volume, Nature and Distribution of Development Assistance

### 2.1 Volume

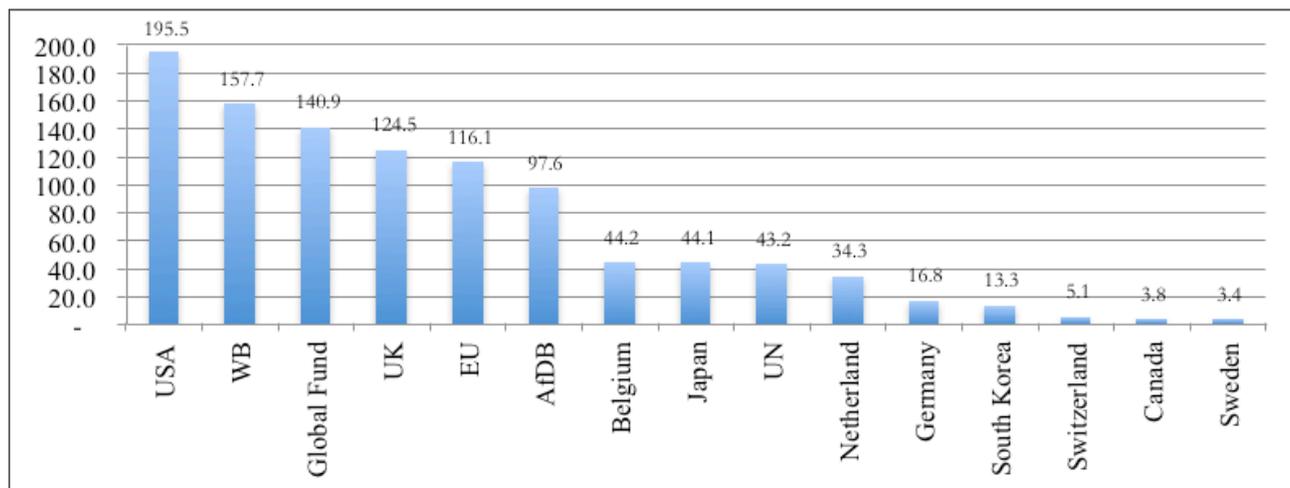
Rwanda received about US\$1.0 billion<sup>2</sup> in FY2013-14 and the three main providers of ODA were the USA, the World Bank and the Global Fund. In total, 220 projects financed and co-financed by ODA have been implemented during fiscal year 2013-2014 (FY13-14). The amount disbursed of these projects was about US\$ 1.0 billion as compared to US\$1.2 billion committed. The United States, the World Bank and the Global Fund are the top three funding agencies with about 47.8% of the total amount disbursed.

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<sup>1</sup> The capacity to absorb aid or absorptive capacity for a country refers to capacity of that country to use aid for projects with acceptable returns.  
<sup>2</sup> US\$ 1,040,556,146.46

7. Figure 1 below displays the distribution of ODA disbursed during FY 2013-14 by Development Partners (DPs). The United States is still the largest source of ODA in Rwanda during the FY 2013-14 (as it was the case in the previous FY). It has to be noted that most of the US ODA is not going into the GoR public finance system but to third parties. Hence, this amount is not directly managed by the GoR.
8. The share of the US ODA is about 18.7% of the total ODA received. It is followed by the World Bank (15.1%), Global Fund (13.5%), United Kingdom (11.9%), European Union (11%) and African Development Bank (9%). These six funding sources encompass more than 80% of ODA disbursement.

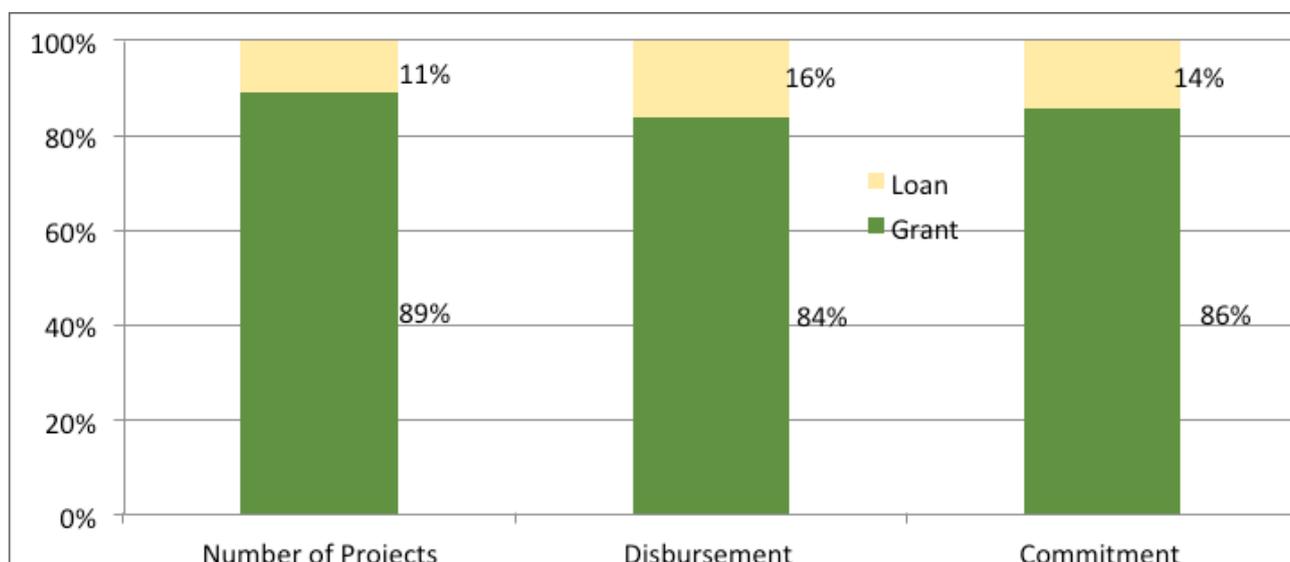
Figure 1: ODA Disbursed by donors, FY 2013-14 (millions of US\$)



## 2.2 Nature

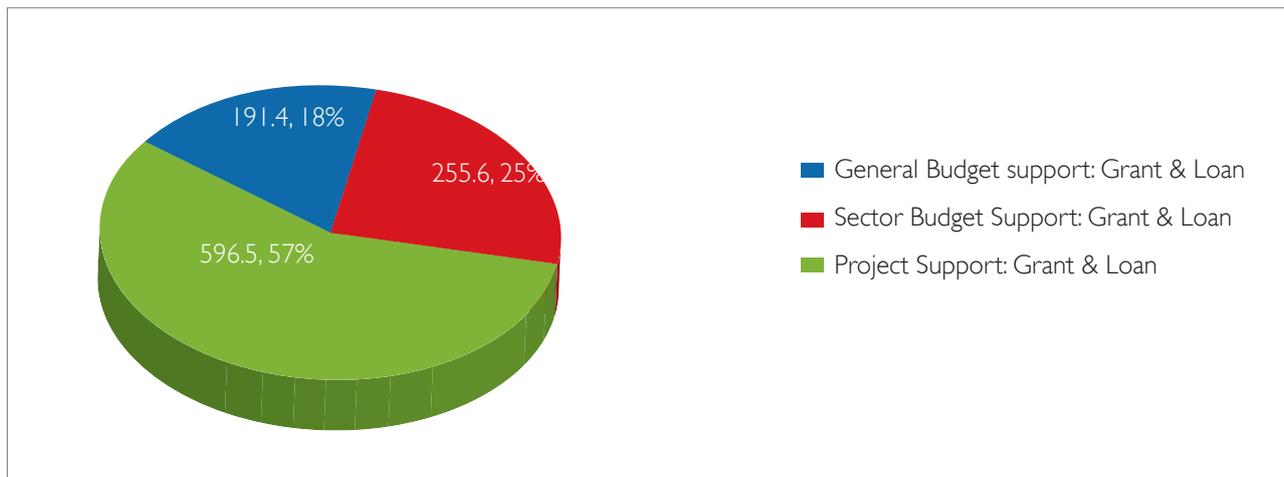
9. ODA provided to Rwanda is mainly in the form of grants. As shown in Figure 2 below, about 89% of projects, in terms of number, have been funded with grants from donors and only 11% represent loans.

Figure 2: Number of projects, disbursement and commitment, FY 2013-14



10. ODA in Rwanda is mainly in the form of project support rather than budget support.

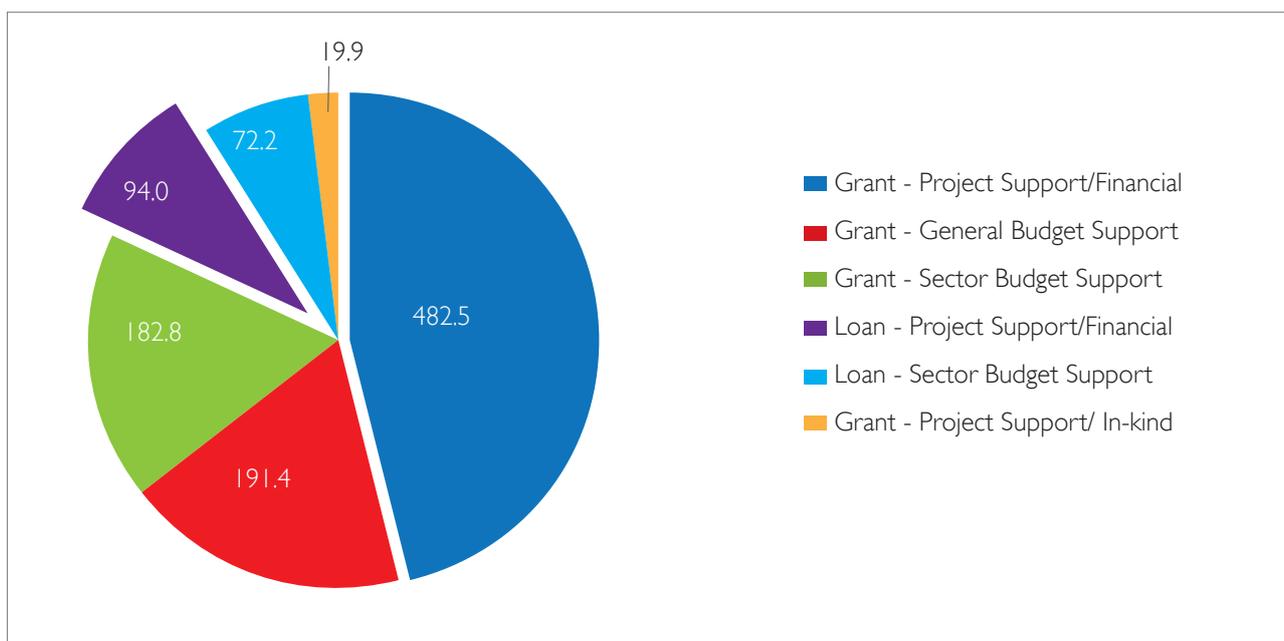
Figure 3-a: ODA disbursed per modality, FY 2013-14 (US\$ million)



During the FY 2013-2014 there is a Project Support of 57% for the total ODA, the General and Sector Budget Support are 18% and 25% respectively.

11. Grants received from donors are mainly in the form of project support. About 55% of grant disbursement, during the FY 2013-14 period, was dedicated to project support, whereas 22% was general budget support and 21% as sector budget support. In contrast, less than 1% of grants were committed to the use a joint financing mechanisms. On the other hand, loans are mainly in the form project support (56%) and sector budget support (44%).

Figure 3-b: ODA disbursed per modality, FY 2013-14 (US\$ million)



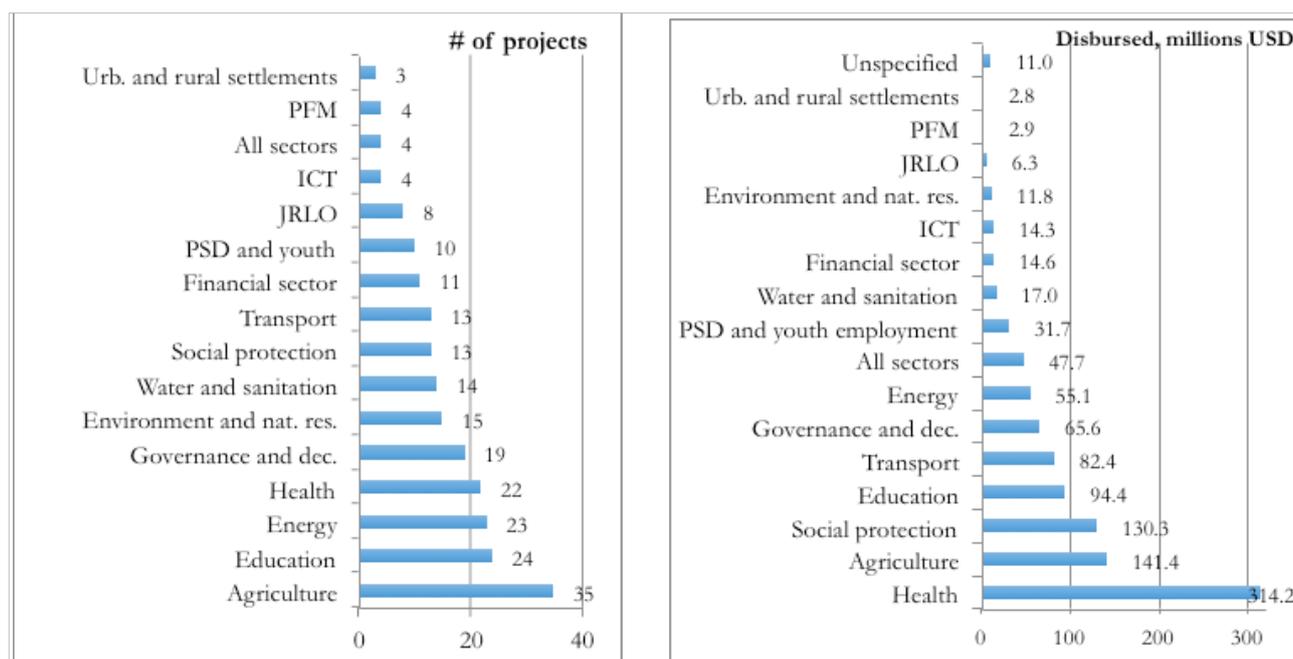
In FY 2012/2013 we had a General budget support of 6% of the total ODA due to the GB suspension from some General budget support donors. Some of those donors have channelled their ODA through Sector budget support and Projects support modalities. The Sector Budget support was 22% and the Projects Budget support was 72% of total ODA in FY 2012/2013.

## 2.3 Distribution

### 2.3.1 Distribution by Sector

12. While Agriculture, Education and Energy have the highest number of projects financed by ODA, Health and Agriculture are the sectors that received the most ODA funds in FY2013-14. Figure 4 displays the number of projects financed by ODA and the amount disbursed by donors per sector in FY 2013-14, respectively. Agriculture (35 projects), education (24), energy (23), governance and decentralisation (19), and health (22) sectors are the first five sectors in terms of number of ongoing ODA projects in Rwanda. They represent about 56% of projects funded by ODA (in terms of number of projects), and 71% of the amount of ODA disbursed. They are followed by the environment and natural resources, water and sanitation, social protection, transport, and financial sectors, which together host 25% of ODA projects with 16% of ODA disbursed.

Figure 4: Number of projects and disbursement by Sector, FY 2013-14



13. The distribution of ODA by sector followed the priorities of the GoR, as shown in the EDPRS2. The current distribution of the cost of the EDPRS2 by sector (EDPRS2 page 113) shows that education, agriculture and health are the top three priorities of the GoR in terms of financing development. These priorities are reflected in the sectors financed by ODA. This shows a consistency in the GoR's aid management and development priorities. However, there is room for improvement. Table 1 displays the number of projects by sector and DP. The red color denotes the deviation from the Division of Labour (October 2013)<sup>3</sup> that the GoR and the DP agreed upon in their work. In such cases, there is a need for the GoR to strengthen its implementation.

<sup>3</sup> The DoL is such that no donor can be in more than 3 sectors per donor and donors can have a silent participation (observer/contributor) in as many sectors as they wish.

Table 1: Development Partners division of labour, based on FY13-14 ODA

	Financial sector	Public finance management	JRLO	Gov. and decentralisation	Urban. and rural settlements	All sectors / Budget Support	PSD and youth employment	Energy	Transport	Water and sanitation	ICT	Agriculture	Env. and natural resources	Health	Education	Social protection	number of Projects / DP
AfDB	3	.	.	.	1	.	2	2	5	6	.	2	1	.	2	.	24
Belgium	.	.	.	3	.	.	.	3	.	1	.	2	1	5	3	.	18
Canada	.	.	.	.	.	.	.	.	.	.	.	1	.	.	.	.	1
EU	.	3	2	.	.	1	.	1	5	1	1	1	.	.	.	2	17
Germany	.	1	.	3	.	.	3	3	.	.	.	.	.	1	.	.	11
Global Fund	.	.	.	.	.	.	.	.	.	.	.	.	.	3	.	.	3
Japan	.	.	.	.	.	.	.	5	2	4	.	5	1	.	6	1	24
Netherlands	.	.	1	6	.	.	1	4	.	.	.	1	.	.	.	.	13
South Korea	1	.	.	.	.	.	.	.	.	.	1	7	.	1	4	.	14
Sweden	.	.	.	.	.	.	.	.	.	.	.	.	1	.	2	.	3
Switzerland	.	.	.	.	.	.	2	.	.	2	.	1	.	2	.	.	7
UK	2	1	.	1	1	.	.	.	.	.	.	4	1	1	2	3	16
UN	4	.	4	5	2	.	.	.	.	.	.	5	8	5	2	4	39
USA	.	.	.	.	.	.	.	.	.	.	.	2	.	2	1	.	5
World Bank	1	.	1	1	.	.	2	5	1	.	2	4	2	2	2	3	25
<b>TOTAL Project/ Sector</b>	<b>11</b>	<b>5</b>	<b>8</b>	<b>19</b>	<b>4</b>	<b>1</b>	<b>10</b>	<b>23</b>	<b>13</b>	<b>14</b>	<b>4</b>	<b>35</b>	<b>15</b>	<b>22</b>	<b>24</b>	<b>13</b>	<b>220</b>

Note 1: The new DOL is aligned to EDPRS2 while DPs projects are older that the DOL and need to phase them out of their portfolio with time

Note 2: A green color denotes that the DP is implementing a project in a sector that has been assigned to it in the Division of Labour agreement (October 2013); A red color denotes that the DP is implementing a project in a sector outside of its agreed sectors; A yellow color denotes that the DP is supporting the sector by disbursement through either Basket Fund mechanism, delegated cooperation and/or Regional Projects. The numbers in the matrix denote the number of projects the DP is implementing in the correspondent sector.

## 2.3.2 Distribution by Type of Donor Agency

14. The distribution of ODA by funding agency can be analyzed in three different angles. The first one is the amount committed or disbursed by the donor agency. This allows the country to assess the volume of ODA received and the level of short-term predictability. The second possibility is to analyze the number of projects financed by each agency. In theory, a higher number of projects implies higher management and transaction costs for both the GoR and the Development Partners (DP). Finally, a measure of efficiency can be the average cost per project.<sup>4</sup> A study done by the AfDB<sup>5</sup> has showed that the lower the cost of the project, the greater the chance for the project to experience delay and/or fail. Table 2 presents the amounts committed and disbursed, the number of projects and the average project cost for each key donor.

Table 2: Characteristics of ODA by funding source

Funding source	Committed (million US\$)	Disbursed (million US\$)	# of Projects	Disbursed / committed (%)	Disbursed / # of projects (million US\$)
United States of America	192.5	195.5	6 <sup>6</sup>	101.6	32.6
World Bank	141.4	157.7	25	111.5	7.5
Global Fund	271.7	140.9	3	51.9	47.0
United Kingdom	69.4	124.5	16	179.5	9.6
European Union	116.1	116.1	17	100.0	5.8
African Development Bank	90.3	97.6	24	108.1	4.1
Belgium	41.9	44.2	18	105.4	1.9
Japan	29.3	44.1	24	150.7	1.4
United Nations	53.0	43.2	39	81.4	0.7
Netherlands	88.4	34.3	13	38.8	2.1
Germany	30.1	16.8	11	55.8	1.0
South Korea	10.9	13.3	14	122.5	0.8
Switzerland	9.3	5.1	7	55.5	0.6
Canada	0.6	3.8	1	595.1	1.9
Sweden	6.4	3.4	3	53.1	1.7
Luxembourg	0.7	-	1	0.0	-
Unspecified	3.5	2.9	4	83.1	0.7
<b>Total</b>	<b>1,155.5</b>	<b>1,043.5</b>	<b>220</b>	<b>90.3</b>	<b>4.3</b>

Data source: DAD, as of December 18<sup>th</sup>, 2014

15. In terms of amount disbursed, the top three bilateral DPs include the USA, the UK and Belgium while the top multilateral DPs are the World Bank, the Global Fund and the EU. In terms of volume of ODA disbursed, the USA (US\$ 195 million), the WB (US\$ 158 million) and the Global Fund (US\$ 141 million) are the main donors of Rwanda for the FY 2013-14. In terms of number of projects financed during the FY 2013-14, the ranking is completely different. Indeed,

<sup>4</sup> The average project cost is the amount disbursed by the development partner divided by the number of active projects linked to this development partner.

<sup>5</sup> G. Gohou and I. Soumare (2010), "The impact of project cost on the disbursement delay: the case of the African Development Bank", (available upon request).

<sup>6</sup> This number reflects programs and not number of projects as reported by USAID in the DAD.

the UN, with 39 projects financed, is the main donor<sup>7</sup>, followed by the World Bank (25), Japan (24 projects), AfDB (24), Belgium (18), and the EU (17). Regarding Japan, the high number of projects is linked to the way that Japanese ODA is provided. Japan provides non-project grant modality to the GoR that it is free to invest in any ongoing project. Hence, any project receiving a Japanese grant is considered to be a Japanese project. Also, each technical assistant is considered to be a project.

16. How to reconcile the difference between the number of projects financed and the total amount of funds disbursed? A study done by the AfDB<sup>8</sup> in 2010 has shown that the higher the average project cost, the lower the disbursement delay and the better chance that the project succeeds. Figure 5 presents the average project cost per donor agency without outliers such as the USA, the UN, Japan and the Global Fund.<sup>9</sup> It would be preferable for the GoR if the DPs were clustered in the left top part of the figure. This would indicate few and large projects from donors, and hence a reduction of transaction costs. The positive correlation, as shown by the fitted line, between the number of projects and the average project cost is counterintuitive in terms of efficiency. Indeed, the ideal situation would have been for each DP to have a small number of projects with high average cost.

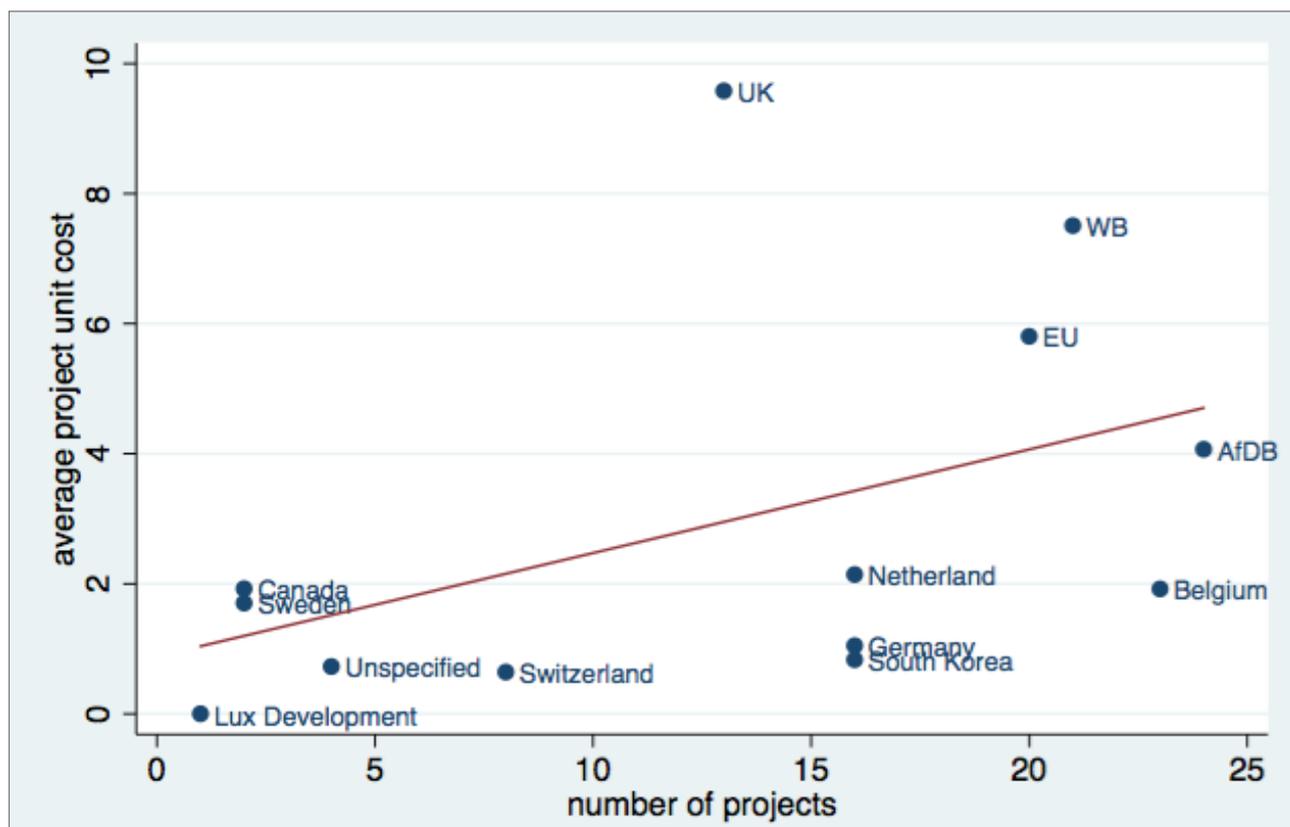
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7 It has to be noted that the UN projects include all projects across the UN agencies

8 G. Gohou and I. Soumare (2010), "The impact of project cost on the disbursement delay: the case of the African Development Bank", (available upon request).

9 These DPs have been removed from the graph because of their specificities. The USA is mainly financing NGOs and programs, the UN includes more than 10 UN agencies, Japan is providing non-project grants and the Global Fund is financing 3 specific projects.

Figure 5: Number of projects by average project cost, FY 13/14



## 2.4 Development Assistance from Non-OECD-DAC Development Partners.

17. Rwanda received about US\$ 37.5 million as ODA from non-OECD DAC development partners in FY2013-14. These donors include, for instance, EximIndia, OPEC and EximChina. Table 3 presents the number of projects financed by the non-OECD-DAC aid donors (or non-traditional aid donors), the amount disbursed and the average disbursement per project.
18. In terms of number of projects financed, OPEC (5), BADEA (3) and EximIndia (2) are the main DPs among the non-traditional ones. However, when one considers the average disbursement, EximIndia, OPEC and EximChina are the main providers with an average of US\$ 14.4 million, US\$ 10.1 million and US\$ 6.7 million, respectively.
19. Once again even if the assessments of the implementation of these projects are not yet available, the project finance literature and empirical evidence<sup>10</sup> show that projects of lower average cost have less chance to be implemented successfully than projects of higher average cost. The GoR should seek ODA from donors to finance larger projects, i.e. projects with higher average project cost.

<sup>10</sup> Refer to the AfDB study cited above

Table 3: ODA from non-traditional DPs

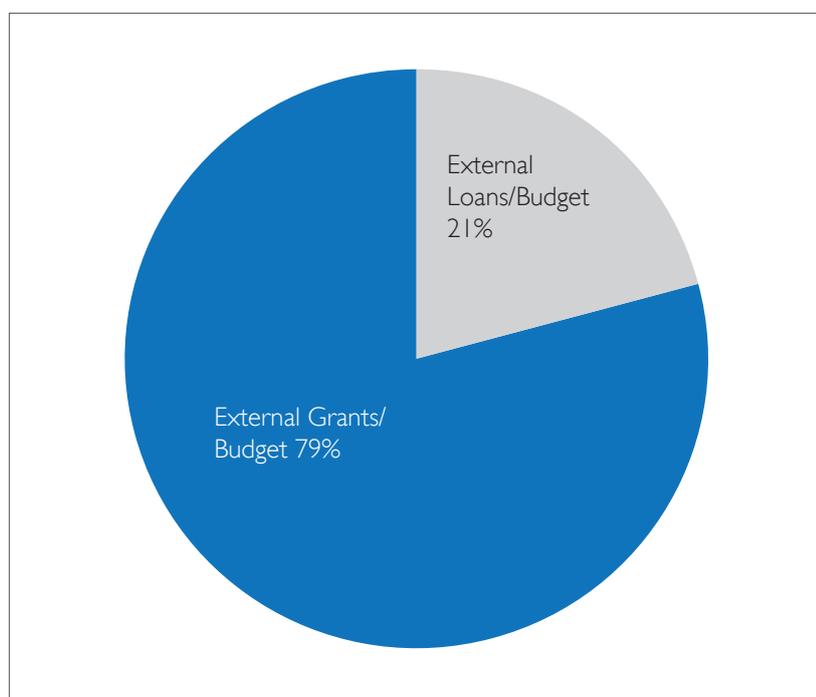
Donor	# of projects	Disbursed (\$US million)	Disbursed / # of projects (US\$ million)
Exim India	2	14.4	7.2
OPEC	5	10.1	2.0
Exim China	1	6.7	6.7
BADEA	3	3.3	1.1
FKWD	1	2.5	2.5
FSD	1	0.5	0.5
<b>Total</b>	<b>13</b>	<b>37.5</b>	<b>19.9</b>

Note: FKWD= Fonds Koweïtien de Développement (Kuwait Development Fund) ; FSD = Fond Saoudien de Développement (Saudi Development Fund)

## 2.5. Grants and loans in terms of ODA ratio

20. The aid/budget ratio measures the share of government funding in form of external grants and loans, presented in the approved budget, in terms of the total ODA. Figure 6 below presents the share of aid in the FY2013-14 budget. The contribution of aid to Rwanda's budget (external resources) was about RWF 586.2 billion (US\$ 878.7 million), which is 35% of the total budget (of RWF 1,677.7 billion – US\$ 2.5 billion). For the FY2013-14, the external loans and grants represent respectively Rwf 123.1 billion (US\$ 184.5 million) and Rwf 463 billion (US\$ 694 million).

Figure 6: Share of loans and grants in total ODA, FY2013-14



21. More than three quarters (76.0%) of the external loans are targeted to the infrastructure sector. It is followed by education (15.4%) and agriculture (7.2%). However, in terms of external grants to support the budget, three sectors share about three-quarters of the grants: infrastructure (38.4%), health (25.3%) and agriculture (11.3%).
22. Most of the ODA reported in the GoR budget are in form of grants. As discussed above, this type of financing is good for the GoR as it does not have an impact on the medium macroeconomic framework of the country. However, it should not be considered as a sustainable means of financing the GoR development program in the medium and long run. As Rwanda aspires to be a middle-income country by 2020, it is then instrumental to diversify the sources of financing<sup>11</sup>. Indeed, such diversification will reduce the vulnerability of Rwanda vis-à-vis external aid. Finally, it has to be noted that the ODA figures in the approved budget are different from those reported by the donor agencies themselves.

### 3.0. Predictability of ODA Flows

23. Predictability of ODA funds received is instrumental in Public Finance Management (PFM). Indeed, as the GoR needs to plan the spending for its development purposes for at least three FY in advance, when the budget is voted on and the funds are not available on time by the development partners, this may have dramatic consequences on the development program of the country. It is then important for the government to assess the predictability of ODA. Several measures of predictability exist in the literature. For this report, we will use as a measure of predictability of ODA the ratio of the amount disbursed over the commitment.

Table 4: Predictability of ODA from development partners

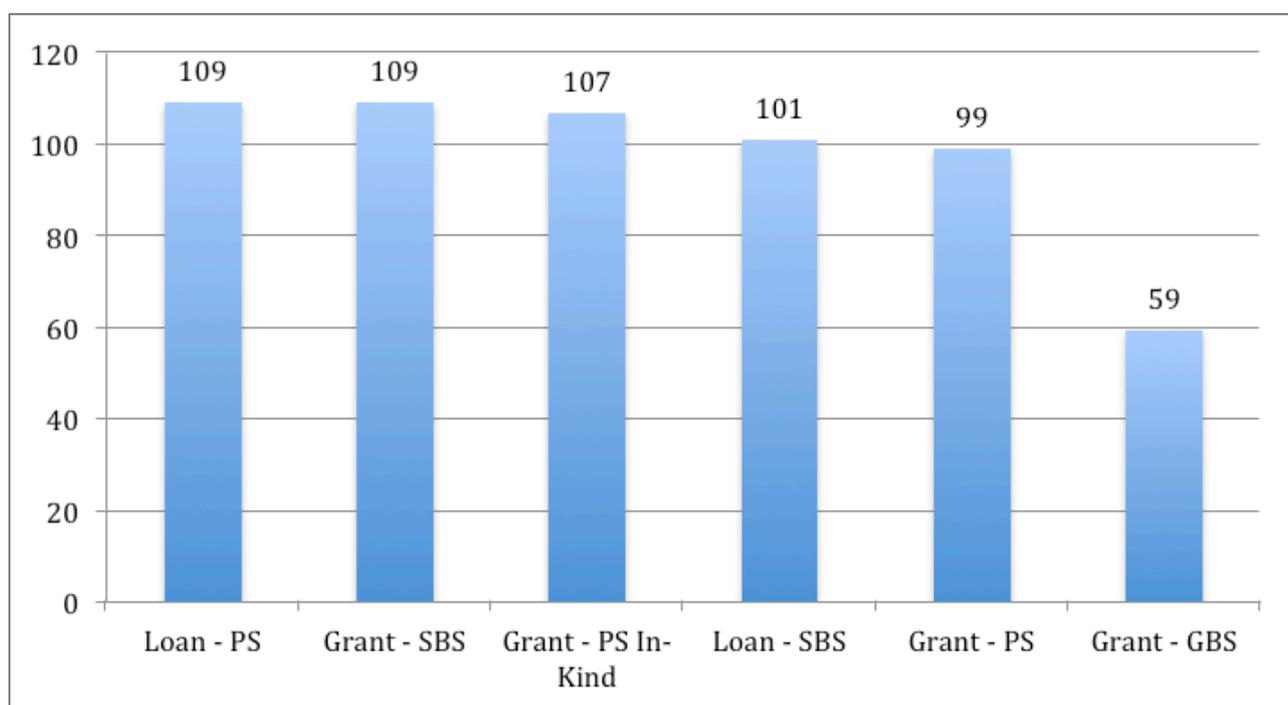
Funding source	Committed (USD million)	Disbursed (USD million)	Disbursed / committed (Predictability ratio %)
United Kingdom	69.4	124.5	179.5
Japan	29.3	44.1	150.7
South Korea	10.9	13.3	122.5
World Bank	141.4	157.7	111.5
African Development Bank	90.3	97.6	108.1
Belgium	41.9	44.2	105.4
United States of America	192.5	195.5	101.6
European Union	116.1	116.1	100.0
United Nations	53.0	43.2	81.4
Germany	30.1	16.8	55.8
Switzerland	9.3	5.1	55.5
Sweden	6.4	3.4	53.1
Global Fund	271.7	140.9	51.9
The Netherlands	88.4	34.3	38.8
Lux Development	0.7	-	0.0
Canada	0.6	3.8	595.1
Unspecified	3.5	2.9	83.1
<b>Total</b>	<b>1,155.5</b>	<b>1,043.5</b>	<b>90.3</b>

Data source: DAD, as of November 04<sup>th</sup>, 2014.

<sup>11</sup> Diversification can be done by attracting more non traditional ODA, venture capitalists or PPP projects.

24. Responsibility for this low level of disbursement is shared between the GoR and the donor most of the time. On the government side it may be the absorption capacity that did not allow the use of the resources available. On the donor side, it is mostly the internal administration procedures (several layers) that may slow down disbursement procedures.
25. On average, loans have a higher predictability ratio than grants. The predictability ratio for loans is 105% while it is only 88% for grants. When we analyze the predictability by modality (Figure 7), sector budget support (SBS) and investment projects are the most predictable with a ratio of 109% for each. General budget support (GBS) is less predictable with 59%. Indeed, in terms of financing instrument tools, most of the countries prefer GBS and SBS that can be disbursed quickly with few conditions. However, this tool is subject to political decisions and can be easily suspended if donors do not agree with the political line of the government.

Figure 7: Predictability of ODA by modality (% disbursement/commitments)



Data source: DAD, as of December 18<sup>th</sup>, 2014.

Note: SBS= Sector Budget Support; PS=Project Support; GBS=General Budget Support.

26. Predictability by sector. Apart from the health sector, most of the priority sectors (education, transport, water and sanitation) have a high predictability ratio. The following sectors enjoy the highest predictability ratios: education (208%), water and sanitation (194%) and energy (157%). At the other end of the spectrum, are urbanisation and rural settlements (45%), environment and natural resources (60%), governance and decentralisation (68%) with the lowest predictability ratios. One striking fact is the low ratio for health (70.5%), which is a priority sector for the GoR's development agenda.

Table 5: Predictability of ODA by sector

Sector	Predictability ratio (%)
Education	207.8
Water and sanitation	194.1
Energy	157.4
Justice, reconciliation, and law and order (JLRO)	112.5
Agriculture	109.4
ICT	100.8
Social protection	100.6
All sectors	98.5
Transport	94.1
PSD and youth employment	91.3
Public finance management (PFM)	91.3
Financial sector	89.5
Health	70.5
Governance and decentralisation	68.4
Environment and natural resources	59.6
Urbanisation and rural settlements	44.6
Unspecified	36.6
<b>Total</b>	<b>90.3</b>

Data source: DAD, as of December 18th, 2014

## 4.0. Analysis of ODA in Rwanda

27. This section analyzes the long-term trend of ODA in Rwanda.

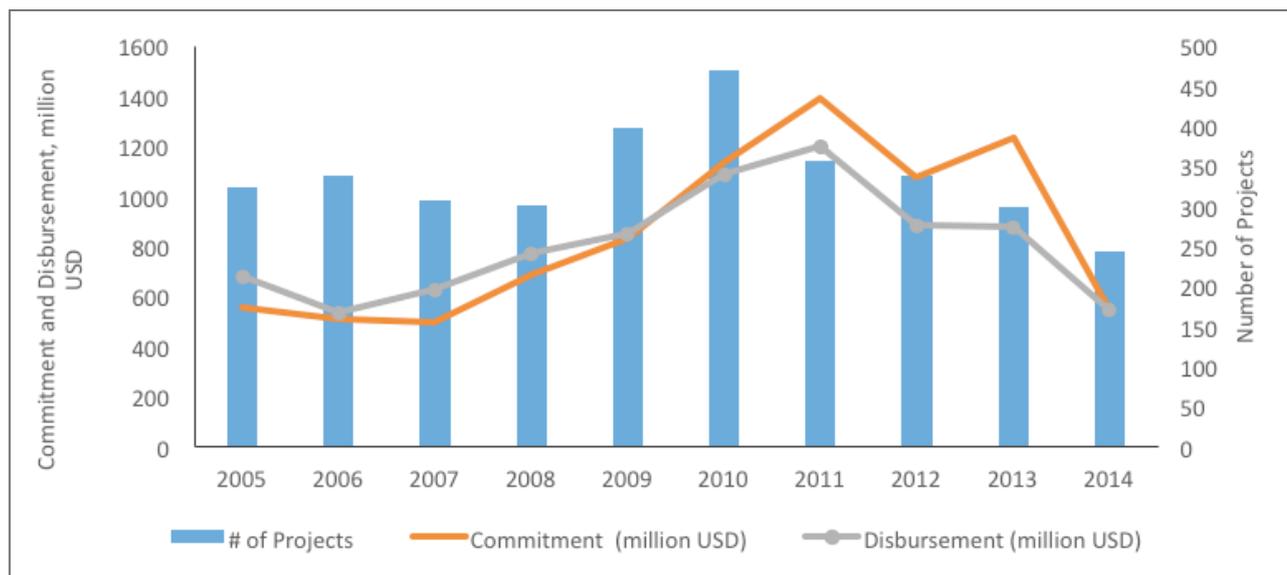
### 4.1 ODA trend in Rwanda from 2005 to 2014

28. Since 2010, the number of projects financed through ODA and the amount of ODA disbursed have been decreasing.

29. Figure 8 displays the trend of the number of projects, the committed and disbursed amounts from development partners<sup>12</sup> during the last decade. The total number of development projects financed by ODA in Rwanda has been declining since 2011, after it reached a peak of 461 projects in 2010. Similarly, donors' committed and disbursed amounts have been declining from 2012 to 2014 after a 10-year rising trend. This declining number of projects is due to two underlying trends. First, the amount of ODA has been on the decline since 2010. Secondly, the total average cost per project has increased.

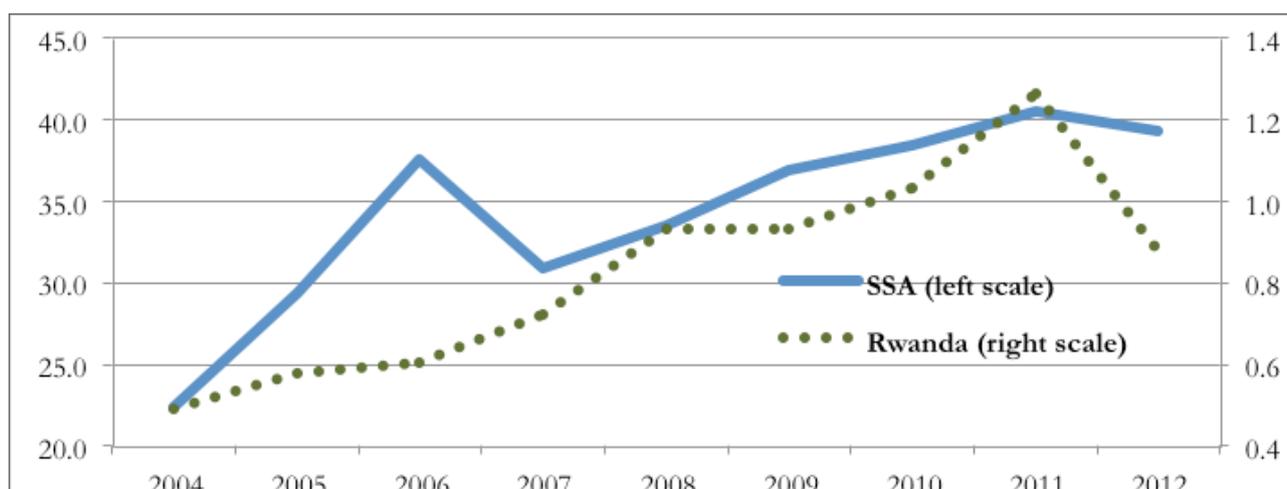
<sup>12</sup> excluding non-traditional donors

Figure 8: Number of projects, committed and disbursed current amounts, 2005 to 2014



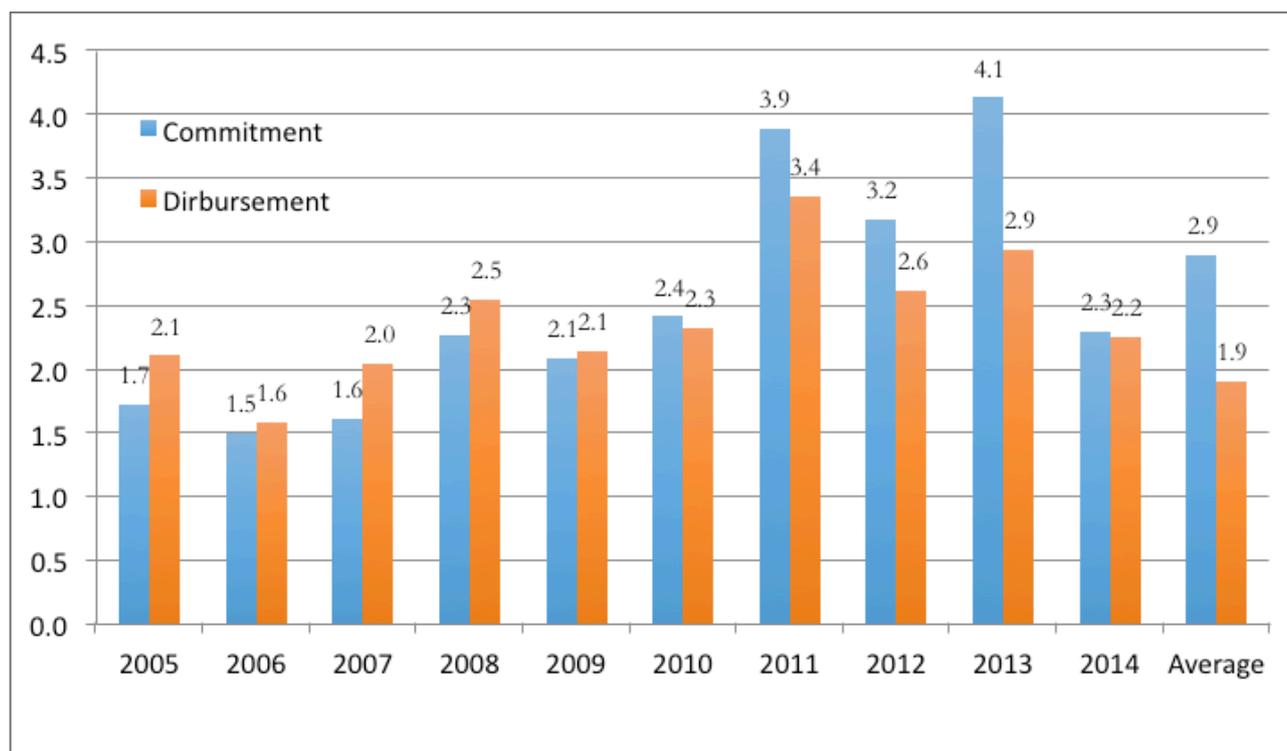
30. The situation of the ODA trend observed during FY2013-14 is structural. International political and socio-economic factors push some of the donors to change the direction of the financial support out of Rwanda. Hence, the country has to diversify its sources of financing in the coming years to avoid threatening the successful implementation of its development agenda. Figure 9 presents the net ODA received by Rwanda and Sub-Saharan Africa between 2004 and 2012. The drop in ODA in Rwanda in 2011 followed the international trend of ODA in Africa but is relatively more accentuated for Rwanda.

Figure 9: Net ODA received for Sub-Saharan Africa and Rwanda, 2005 to 2013 (current US\$ billions)



31. Predictability of ODA received in Rwanda has also decreased since 2010. Figure 10 displays the average committed and disbursed amounts per project between 2005-2014. The average of annual commitments per project over the period is estimated at US\$ 2.8 million, compared to US\$ 1.8 million disbursed. Since 2010, the situation of ODA has changed. Between 2005 and 2009, the average disbursement was always greater than the commitment. Since 2010, the trend has changed and commitments have been higher than disbursements. This is a crucial issue for PFM. If the GoR plans to finance some development projects and the committed funds are not available, this creates important drawback in terms of development planning for the country. It is then important for the GoR to work with the donors' community to ensure a better planning of ODA disbursements.

Figure 10: Annual average committed and disbursed per project (US\$ million)



32. Average project cost has also decreased since 2011. Average project costs declined from US\$ 3.4 million in 2011 to US\$ 2.2 million in 2014. As discussed above, the higher number of projects and lower average costs create higher transaction costs for both the GoR and the donor agency and reduce the chance of successful implementation of the project. Since this trend seems structural, it is important for the government to ensure a restructuring of its portfolio and consolidation of some of its projects.

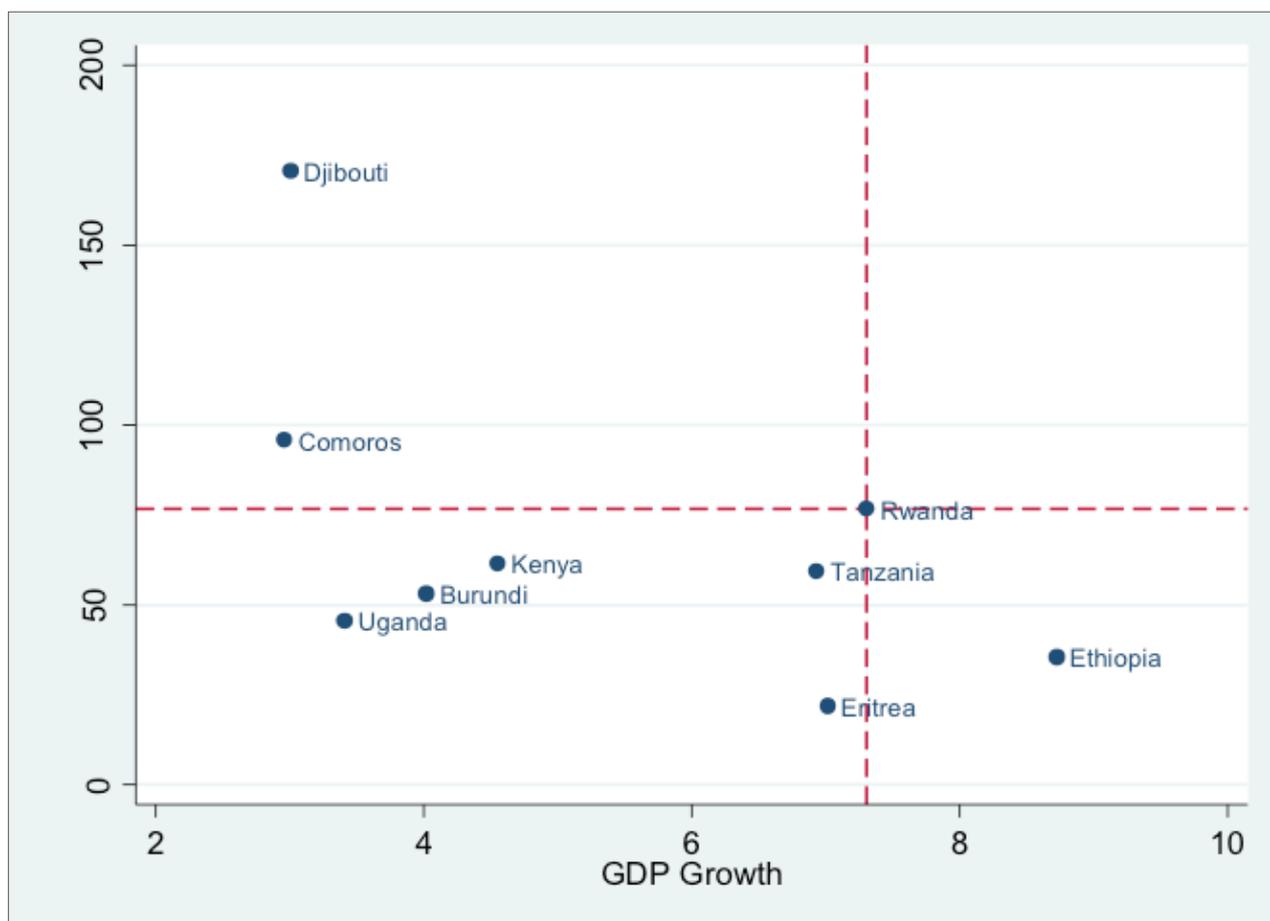
## 4.2. ODA and Economic Performance: Comparative Analysis

33. Rwanda aspires to reach a status of middle-income country by 2020. In addition, EDPRS2 targets an average GDP growth rate of 11.5% between 2013-2018 and a reduction of the poverty incidence to less than 30% by 2018. ODA is an important financial resource to support the GoR in achieving these objectives. ODA is effective when it improves economic production and leads to a better standard of living of the population. Hence, ODA in Rwanda is analyzed along the line with the economic performance of the country and is compared to other countries in the East Africa region. Economic performance is measured by two key indicators: GDP growth and per capita GDP. This section analyzes what has been the contribution of ODA to macro-economic achievements over the past decade.

34. ODA and economic growth. Rwanda is performing better than other East African countries in terms of economic growth when compared to the ODA per capita received. The Figure 11 below presents the scatterplot of the annual

GDP growth rate (% change) and per capita ODA received in 2012<sup>13</sup> for Rwanda and 8 East African countries. This figure can be analyzed as a way to measure efficiency of ODA in a country. Indeed, a country's position in the top right part of the figure denotes a strong and positive correlation between ODA per capita received and economic growth, as is expected when a country uses its ODA in an efficient way. Being positioned in the top left part of the figure denotes that a country received high ODA per capita but performed poorly in terms of GDP growth. Countries depicted in the bottom right part of the figure have low ODA per capita received and high economic growth.

Figure 11: Net ODA per capita and GDP growth in selected East African Countries, 2012



Horizontal red dash = Rwanda's net ODA per capita received (current \$US)

Vertical red dash = Rwanda's GDP growth

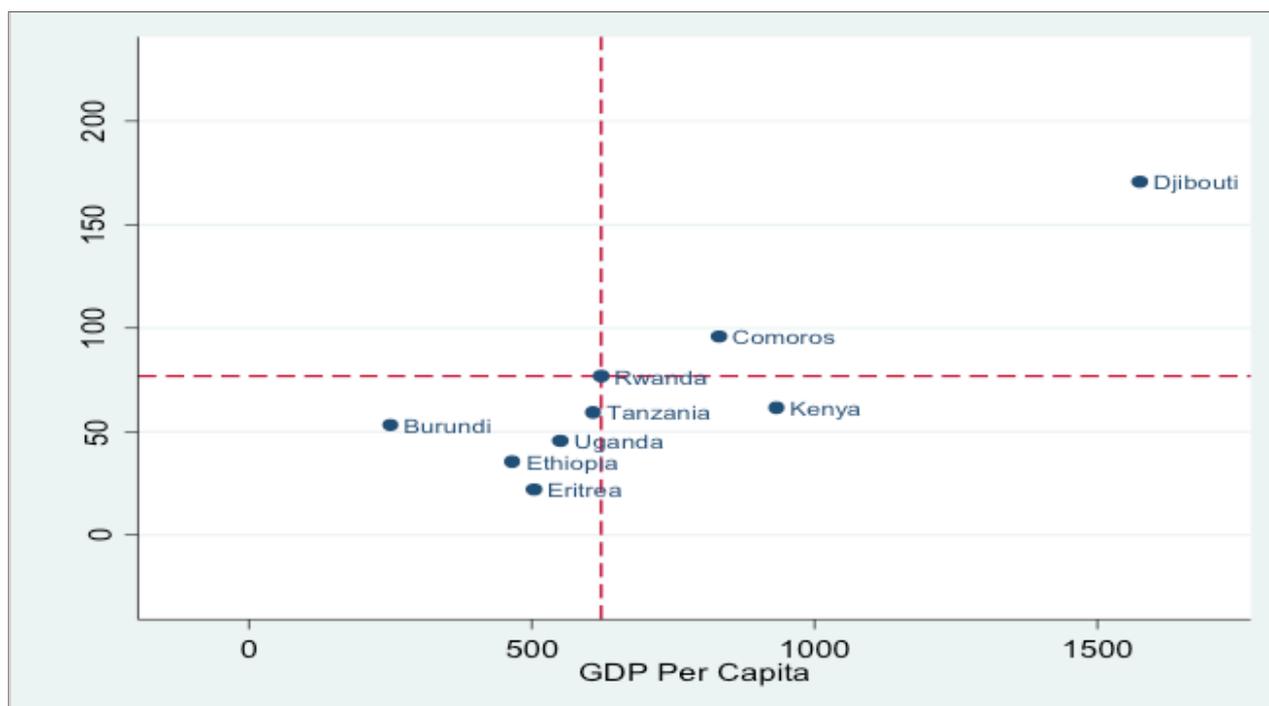
35. Standard of living. Another way to analyze the effectiveness of ODA is to look at its relationship with GDP per capita. In this case, GDP per capita is used as a measure of the standard of living in the country.
36. Figure 12 displays the ODA per capita against GDP per capita in 2012 for selected East African countries. We expect countries to achieve the highest GDP per capita with high ODA per capita.<sup>14</sup> Once again, Rwanda performs better than most countries in the East African region. Comoros and Djibouti<sup>15</sup> achieved higher GDP per capita with higher ODA per capita. All the other countries in our sample reached a lower GDP per capita and a lower ODA per capita than Rwanda. Once again, one can say that Rwanda is managing the ODA received in an efficient manner.

<sup>13</sup> 2012 is the most recent year where data on net per capita ODA are available through the WDIs.

<sup>14</sup> Some development literature acknowledges cases where ODA can be higher to the worst performing (slowest growing, or poorest) countries, or where the population is small compared to other recipients.

<sup>15</sup> It has to be noted that both are very small and thus tend to receive higher ODA per capita

Figure 12: Net ODA per capita and GDP per capita – selected countries in East Africa



Horizontal red dash = Rwanda's net ODA per capita received (current US\$)

Vertical red dash = Rwanda's per capita GDP in (current US\$)

37. Even if the use of ODA is efficient in Rwanda, the GoR has been working hard to reduce its dependency on it. The positive correlation between ODA in Rwanda and economic performance demonstrates the efficiency of the GoR in the use of ODA. However, for the last 5 years, the GoR has been diversifying the sources of financial resources to minimise the effects of aid shocks. Other sources of financial resources are being analyzed by the government such as non-traditional donors, venture capital, Public-Private Partnership (PPP) projects, government bonds and others.

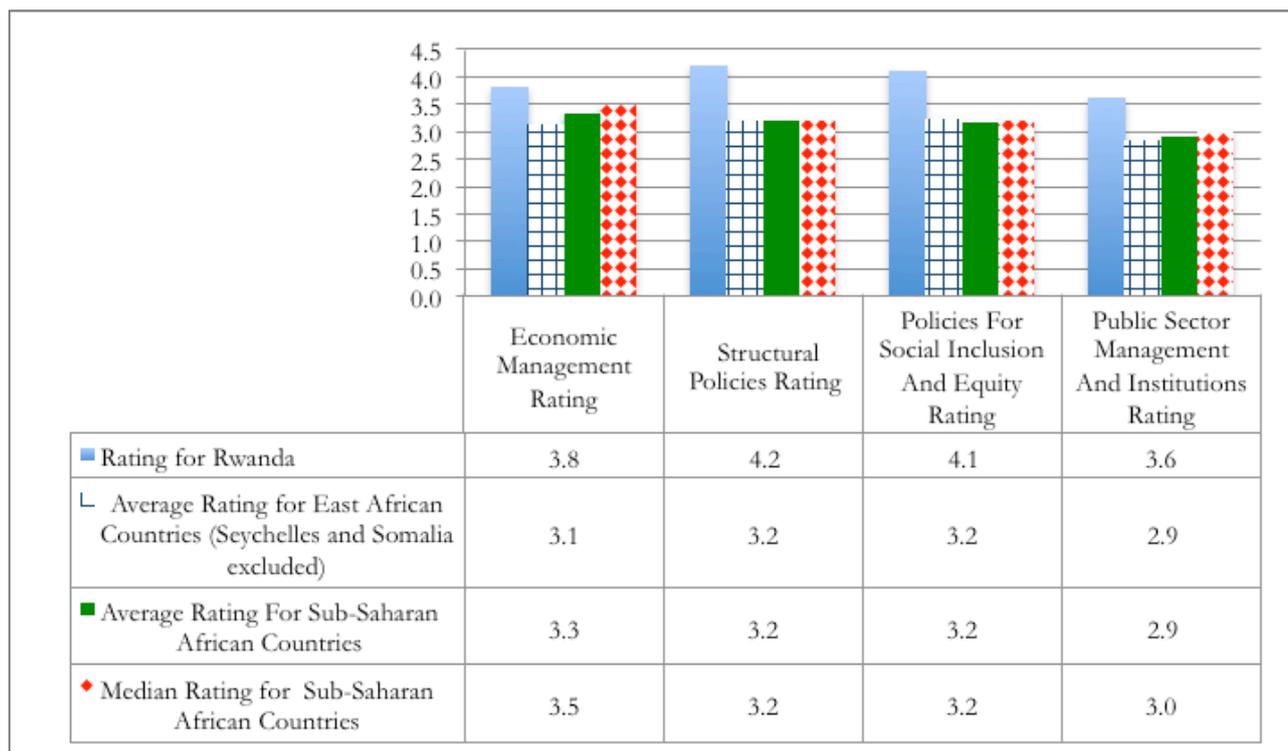
#### 4.3. Rwanda's ODA and Country Policy and Institutional Assessment (CPIA) in 2013

38. The previous section discussed the link between ODA and economic performance. One remaining issue is to assess the capacity of Rwanda to manage the additional ODA received. To do so, we used the Country Policy and Institutional Assessment (CPIA)<sup>16</sup> indicators from the World Development Indicators database. CPIA ratings for Rwanda are compared to those of other Sub-Saharan and East African countries in 2013.<sup>17</sup> Figure 13 displays the median and average ratings of 40 African countries and of 11 East African countries.

16 As defined by the World Bank in the Country Policy and Institutional Assessments – 2011 Questionnaire, the CPIA assesses the quality of a country's present policy and institutional framework. Quality refers to how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance. The CPIA ratings are used in the IDA allocation process and several other corporate activities.

17 Each indicator is ranked from 1 for the lowest rating to 6 for the highest rating. The CPIA indicators are based on 16 criteria grouped in 4 categories, which measure different components of public policies and institutions (refer to Annex 9 for the definition the 16 criteria grouped used in the estimation of the CPIA).

Figure 13: Rwanda's CPIA compared to regional average and median in 2013



Note: East African countries include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, Uganda,

39. Compared to the average across Sub-Saharan countries, Rwanda performs better for each of the CPIA clusters (Economic Management Rating, Structural Policies Rating, Policies for Social Inclusion and Equity Rating, and Public Sector Management and Institutions Rating). The rating of Rwanda for each of CPIA indicator shows that the country outperformed average levels for Sub-Saharan and East African countries. According to these standards, Rwanda has a strong public finance performance and institutions in place to allow a better management of public resources, domestic as well as external. The structural organization of GoR explains the results achieved and the impact of ODA on economic performance, as discussed above.

## 5.0. Conclusion and Recommendations

40. This report has analyzed the ODA received by Rwanda during the fiscal year 2013-14. The main findings are the following:

- ODA is received mainly in the form of grants (89%).
- Since 2010 the country has experienced reductions in ODA.
- In terms of correlations, Rwanda has been experiencing a high positive correlation between ODA per capita and GDP growth and GDP per capita.

41. From the sections above, the following recommendations are suggested to support the GoR to improve its absorption capacity and improve its ODA mobilization and management.

Recommendation 1. Improve the disbursement rate of ODA by identifying and solving the bottlenecks of the disbursement steps of donors as well as the GoR.

Since 2010, the overall disbursement rate of ODA has been lower than 100%. This low disbursement rate may be due to factors such as the low absorption capacity of Rwanda or to the lengthy administrative procedures of the donor agency. To improve the disbursement rate, it is recommended that the GoR and donors review the disbursement steps, identify bottlenecks and solve them to increase disbursement rates.

Recommendation 2. Diversify sources of ODA to strengthen GoR development agenda implementation.

Since 2010, the GoR has seen a reduction of the ODA received. This fact shows how vulnerable and dependant the country is with regard to ODA. To avoid the unpredictability of ODA grants, and any delay in the development agenda and achieving its sustainability, the GoR should continue to diversify its sources of financing. Alternative sources of financing include venture capital, PPP and government bonds.

Recommendation 3. Reduce the number of projects and increase the average cost per project by strengthening the implementation of the Division of Labor matrix.

As discussed in section 2.3.2, projects with low total cost have higher probability to fail than high cost projects. Hence, it is recommended that, to reduce transaction costs, the GoR will reduce the number of projects financed by donors and design larger projects with higher average cost of each project. As the GoR and the DPs have adopted a Division of Labour matrix, it is important that the GoR ensures that DPs implement it.

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## Annexes

### Annex I: ODA in Rwanda, FY 2013-14

Funding Source	Committed (USD)	Disbursed (USD)	# of Projects	Disbursed / Committed (%)	Disbursed / # of Projects (US\$)
United States of America	192,495,947	195,513,663	6	101.6	32,585,611
World Bank	141,399,694	157,668,487	21	111.5	7,508,023
Global Fund	271,738,101	140,907,675	3	51.9	46,969,225
United Kingdom	69,370,146	124,542,559	13	179.5	9,580,197
European Union	116,091,394	116,091,394	20	100.0	5,804,570
African Development Bank - AfDB	90,348,496	97,644,305	24	108.1	4,068,513
Belgium	41,894,292	44,165,343	23	105.4	1,920,232
Japan	29,275,704	44,124,084	31	150.7	1,423,358
United Nations	53,044,687	43,160,728	64	81.4	674,386
The Netherlands	88,419,532	34,269,909	16	38.8	2,141,869
Germany	30,066,667	16,767,321	16	55.8	1,047,958
South Korea	10,868,606	13,315,503	16	122.5	832,219
Switzerland	9,251,613	5,132,631	8	55.5	641,579
Canada	646,552	3,847,569	2	595.1	1,923,785
Sweden	6,407,414	3,404,975	2	53.1	1,702,487
Lux Development	657,712	-	1	0.0	-
Unspecified	3,497,380	2,905,714	4	83.1	726,428
<b>Total</b>	<b>1,155,473,937</b>	<b>1,043,461,860</b>	<b>270</b>	<b>90.3</b>	<b>4,279,533</b>

Data source: DAD, as of December 18<sup>th</sup>, 2014

## Annex 2: ODA Disbursed in Rwanda, FY 2011-12 - 2013-14 (USD)

Funding Source	FY2011-12	FY2012-13	FY2013-14
United States of America	229 768 926	206 315 726	195 513 663
World Bank	248 024 554	178 349 440	157 668 486
Global Fund	112 684 584	120 726 355	140 907 675
United Kingdom	128 026 445	94 960 876	124 542 559
European Union	78 955 799	93 819 276	116 091 394
African Development Bank - AfDB	110 245 440	124 190 010	97 644 305
Belgium	44 297 980	32 381 983	43 779 913
United Nations	58 400 050	44 632 834	41 680 711
Japan	21 772 079	37 459 810	38 388 153
The Netherlands	39 862 484	39 425 462	34 269 909
Germany	35 694 485	24 245 221	15 267 321
South Korea	7 245 910	8 420 455	13 315 503
Switzerland	1 578 630	7 764 219	6 174 736
Sweden	20 041 365	6 487 028	4 050 447
Canada	4 645 065	0	3 847 569
Italy	194 569	0	0
Lux Development	3 905 156	1 995 940	0
Norway	4 000 000	0	0
<b>Total</b>	<b>1 149 343 520</b>	<b>1 021 174 636</b>	<b>1 033 142 346</b>

Data source: DAD, as of December 18<sup>th</sup>, 2014

## Annex 3: Rwanda's Development Objectives

Rwanda's development objectives are driven mainly by the Vision 2020 program launched in 2000 and the TYGP. Since September 2013, Rwanda has launched the EDPRS 2 with new targets in line with the Vision 2020 objectives.

The Vision 2020 seeks to fundamentally transform Rwanda into middle - income country by the year 2020. This will require achieving per capita income of US\$1240 from US\$595 in 2011; a poverty rate of 20% from 44.9% in 2011; and an average life expectancy of 66 years from 49 years in 2000. To allow the country to realize this, most development programs have been focusing on six pillars: good governance, and a capable State, skilled human capital, vibrant private sector, world class physical infrastructure and modern agriculture and livestock.

Prior to the EDPRS 2, Rwanda successfully implemented EDPRS 1 over the period 2008-2013. As a result, the country achieved annual average growth of 8.2% over 2008-2012, and reduced poverty from 57% in 2006 to 44.9% in 2011 and extreme poverty from 36% in 2006 to 24% in 2011. Building on these results, Rwanda adopted in 2013 a new Economic Development and Poverty Reduction Strategy (EDPRS 2). In the EDPRS 2 agenda, Rwanda has targeted average annual GDP growth of 11.5% over the period 2013-2018 and a poverty index of less than 30% of poor by 2018. In addition, the country expects to reduce its negative trade balance with 28% export growth and to increase private sector investment.

### I. EDPRSII Implementation

#### I.1 Expected results from EDPRS 2 implementation

The EDPRS 2 aims at ensuring a better quality of life to all Rwandans. To this extent, the country must achieve average annual GDP growth of 11.5% and reduce the poverty rate to less than 30%. To successfully implement the EDPRS 2, the country will tackle issues which slow down its economic transformation, rural development, productivity and youth employment and governance accountability:

- Economic transformation: The implementation of economic transformation is expected to help achieve the 11.5% annual growth target. It will be reached by boosting exports, investment in priority sectors, fostering attraction of large firms, development of secondary cities to facilitate urbanization and adoption of a green economy approach to development.
- Rural development: The implementation of the rural development strategy is expected to lead to a less than 30% poverty rate. It is implemented through an integrated approach to land use and rural settlements, and through agricultural sector productivity improvements. In addition, implementing an integrated social protection programs for the poorest will help them exit from extreme poverty. Finally, improving infrastructure will enable rural communities to have access to different areas of economic opportunities, and thus will contribute to rural zones' development.
- Productivity and youth employment: The productivity and youth employment component of the EDPRSII implementation is designed to help about 50% of the population switch from farm jobs to off-farm skilled jobs and to increase per worker output. To this extent, social protection programs are launched and linked to skills development. The country also promotes SMEs and entrepreneurship; as well as the development and usage of ICT. In addition, a labour market information system is implemented and an integrated employment program is created.
- Accountable Governance: The last component focuses on improving service delivery and increasing citizen participation. Customer-oriented culture and technology integration in services delivery are encouraged. Different tools and technology-based means are used to make government more accountable.

#### I.2 Cost of EDPRS 2 implementation for FY 2013-14

The total cost of implementing EDPRS 2 over the period 2013-2018 is estimated at Rwf 8,030 billion (US\$ 11.5 billion). For the FY2013-14, it is estimated at Rwf 1,723 billion (US\$ 2.5 billion). About two thirds of this amount are allocated to projects in the EDPRS 2 thematic area: economic transformation, rural development, productivity and youth development, and accountable governance. One third of the amount is allocated to tackle foundational issues, especially in the education and health sectors. As shown in table A1 below, the water and sanitation sector has the highest cost of implementing EDPRS 2, followed by education, agriculture and health. The costs of implementation in these four sectors is estimated at about

RwF 1 162 billion (US\$ 1.7 billion) during FY2013-14 and represented about 67% of total costs for this fiscal year. This is consistent with the GoR willingness to invest in priority sectors to transform the economy, develop the rural sector and improve productivity and youth employment.

Table A1: Cost of implementing EDPRS 2 for FY 2013-14 (millions RwF)

Sector	Cost contribution to thematic area	Cost contribution to foundation sector	Total	% of total cost
Education	128 320	169 693	298 013	17.3
Agriculture	286 255	2 755	289 010	16.8
Health	0	199 730	199 730	11.6
Transport	118 344	46 871	165 215	9.6
Water & sanitation	288 182	87 623	375 805	21.8
Energy	116 707	0	116 707	6.8
Private sector and youth employment	60 468	500	60 968	3.5
Social protection	4 339	50 999	55 338	3.2
ICT	26 870	15 636	42 506	2.5
Justice, reconciliation, law, and order	0	35 573	35 573	2.1
Environment and natural resources	1 952	22 301	24 253	1.4
Urban and rural settlements	28 826	0	28 826	1.7
Decentralisation	11 493	171	11 664	0.7
Public finance management	0	11 932	11 932	0.7
Finance	6 930	538	7 468	0.4
<b>Total</b>	<b>1 078 686</b>	<b>644 322</b>	<b>1 723 008</b>	<b>100</b>

Source: Rwanda's EDPRS 2 document, "Economic Development and Poverty Reduction Strategy 2013 – 2018: Shaping Our Development", 2012.

## Annex 4: The Rwanda Aid Manual of Procedures: Background, Progress and the Way Forward

### 1. Single Project Implementation Units (SPIUs)

Establishing a Single Project Implementation Unit is a strategy of entrusting a single unit of a ministry with the control and management of implementing different projects. It allows better coordination of different tasks, retention of expertise, avoids duplication of efforts, realizes economies of scale and reduces transaction costs. In Rwanda, SPIUs have been implemented in different sectors such as health, agriculture, water and sanitation, energy, environment and natural resources, justice, industry and commerce, disaster management and transport.

### 2. Progress on the Treasury Single Account (TSA)

The Treasury Single Account is a government unified account which aims at optimizing government projects' cash flow, consolidating external resources and hence minimizing the cost of borrowing. The TSA may be a single banking account or a set of linked banking accounts owned by the government.

### 3. Sector-Wide Approaches / Program-Based Approaches

The Sector-Wide Approaches (SWAs) is an approach which enables different stakeholders within a sector (government, donors, etc.) to work together and implement a single strategy for that sector

The GoR has adopted the SWAs approach in order to align development assistance with sector strategy planning and budgeting. This approach has also enabled the government to gather different forms of aid and development assistance within a given sector under a single sector-specific umbrella, and hence improve resource allocation effectiveness.

### 4. Silent Period

During the silent period (April-May), external missions are not allowed as GoR is focused on finalizing the draft budget law for submission to Parliament.

### 5. Strengthening the Development Assistance Database (DAD)

The Development Assistance Database (DAD) is an information system for managing aid development information. In Rwanda, three new modules will be introduced to improve official development assistance information management.

(i) Medium-Term Expenditure framework (MTEF) module:

This module will gather information about donors' forward-spending plans over the medium-term.

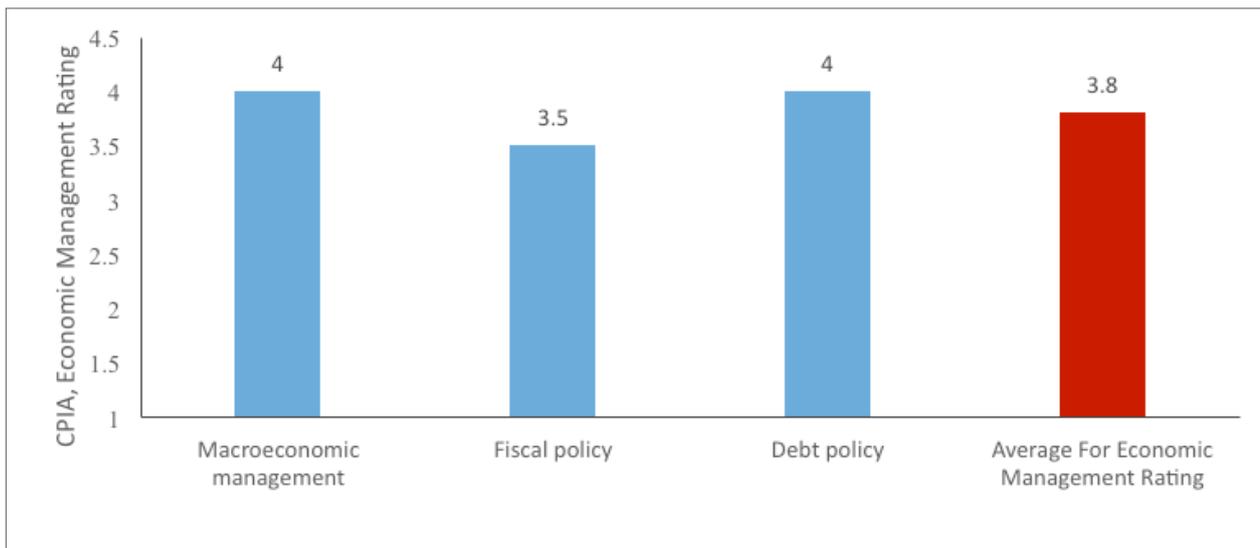
(ii) Enhanced Project Recording module linked to the SmartFMS:

This module will allow to link DAD with the SmartFMS, thanks to new data fields which are consistent with the GoR's new Chart of Account (COA) and to the use of the same project number which makes it easier to exchange information between the two systems.

(iii) INGO Module:

The INGO module will be used to track aid and other flows channelled through international NGOs.

## Annex 5: Rwanda's Economic Management Rating in 2013



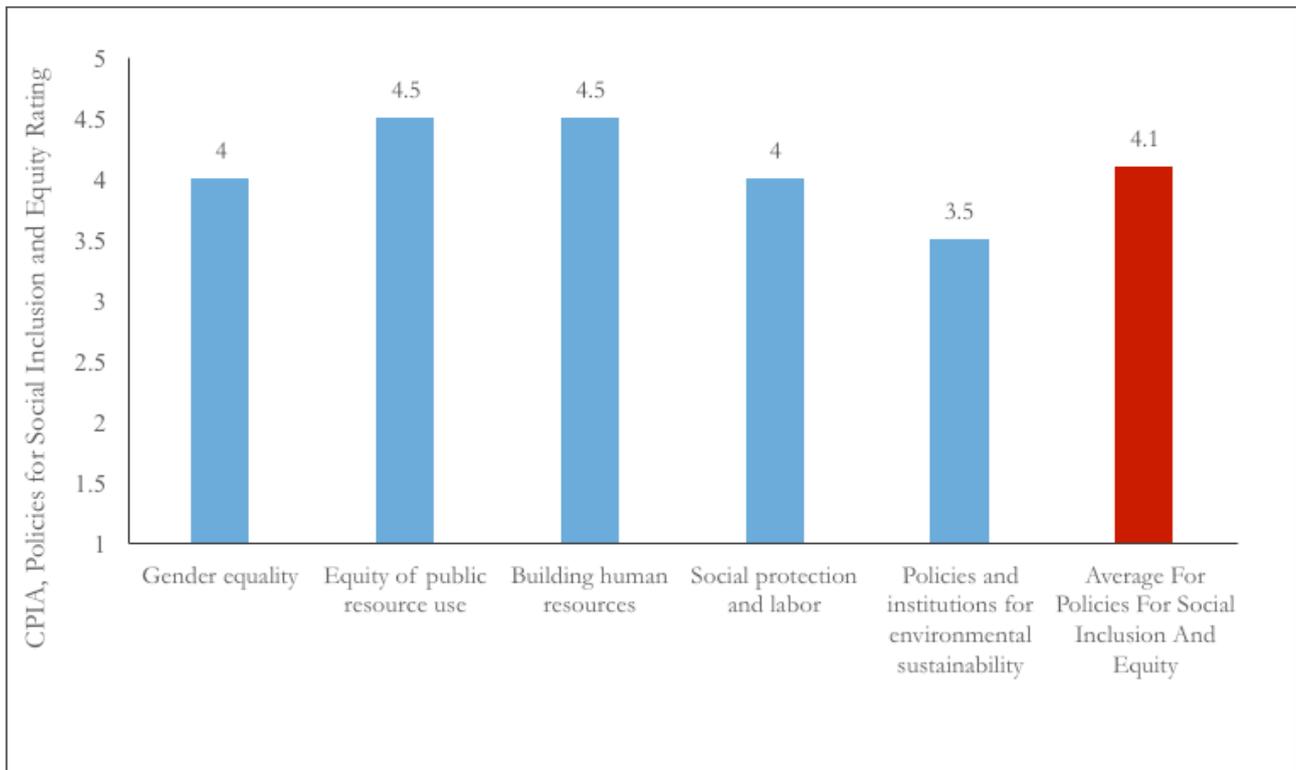
Note: 1=low, ...6=high

## Annex 6: Rwanda's Structural Policies Rating in 2013



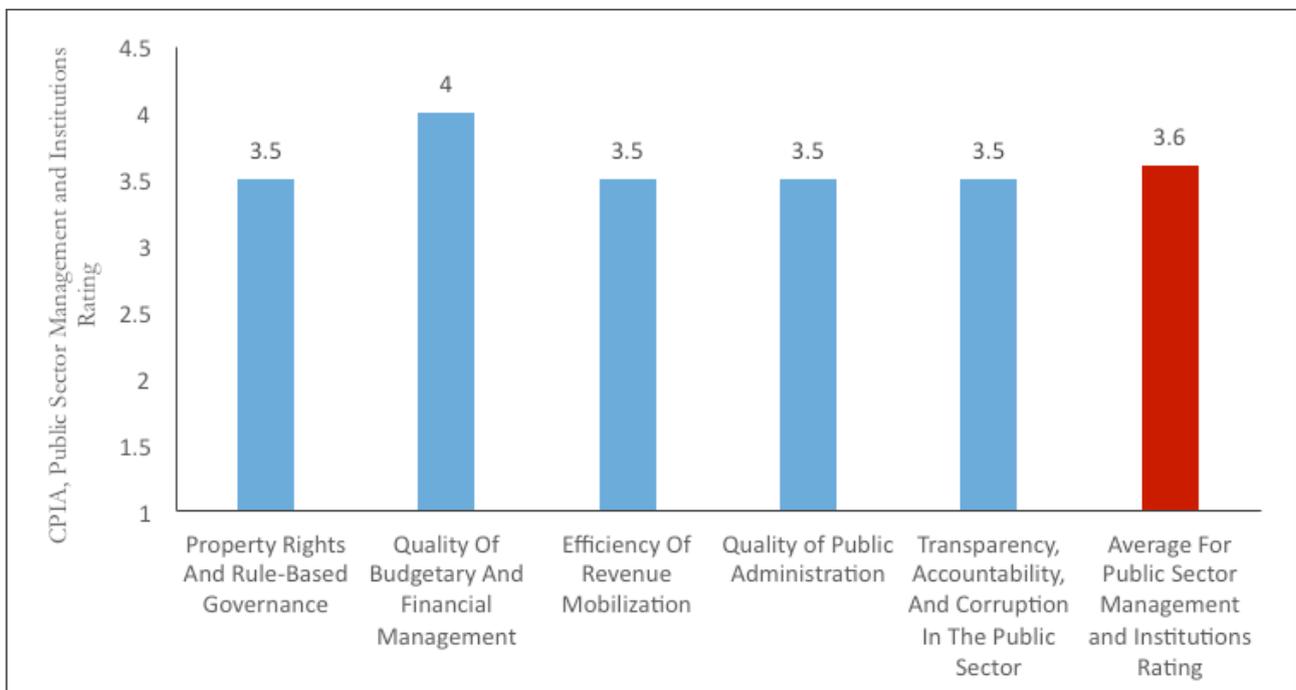
Note: 1=low, ...6=high

## Annex 7: Rwanda's Policies for Social Inclusion and Equity Rating in 2013



Note: 1=low, ...6=high

## Annex 8: Rwanda's Public Sector Management and Institutions Rating in 2013



Note: 1=low, ...6=high

## Annex 9: Definitions of the 16 criteria and cluster average used in the CPIA rating

(adapted from the World Bank - <http://data.worldbank.org/data-catalog/CPIA>)

IDA resource allocation index (1=low to 6=high): IDA Resource Allocation Index is obtained by calculating the average score for each cluster and then by averaging those scores. For each of 16 criteria countries are rated on a scale of 1 (low) to 6 (high).

### 1.0. CPIA economic management cluster average (1=low, 6=high)

The economic management cluster includes macroeconomic management, fiscal policy, and debt policy

**Macroeconomic management rating** (1=low, 6=high): It assesses the monetary, exchange rate and aggregate demand policy framework.

**Fiscal policy rating** (1=low, 6=high): Fiscal policy assesses the short- and medium-term sustainability of fiscal policy (taking into account monetary and exchange rate policy and the sustainability of the public debt) and its impact on growth.

**Debt policy rating** (1=low, 6=high): Debt policy assesses whether the debt management strategy is conducive to minimizing budgetary risks and ensuring long-term debt sustainability.

### 2.0. CPIA structural policies cluster average (1=low, 6=high)

The structural policies cluster includes trade, the financial sector and the business regulatory environment.

**Trade rating** (1=low, 6=high): Trade assesses how the policy framework fosters trade in goods.

**Financial sector rating** (1=low, 6=high): Financial sector assesses the structure of the financial sector and the policies and regulations that affect it.

**Business regulatory environment rating** (1=low, 6=high): Business regulatory environment assesses the extent to which the legal regulatory and policy environments help or hinder private businesses in investing, creating jobs and becoming more productive.

### 3.0. CPIA policies for social inclusion/equity cluster average (1=low, 6=high)

The policies for social inclusion and equity cluster includes gender equality, equity of public resource use, building human resources, social protection and labour, and policies and institutions for environmental sustainability.

**Gender equality rating** (1=low, 6=high): Gender equality assesses the extent to which the country has installed institutions and programs to enforce laws and policies that promote equal access for men and women in education, health, the economy, and protection under law.

**Equity of public resource use rating** (1=low, 6=high): Equity of public resource use assesses the extent to which the pattern of public expenditures and revenue collection affects the poor and is consistent with national poverty reduction priorities.

**Building human resources rating** (1=low, 6=high): Building human resources assesses the national policies and public and private sector service delivery that affect the access to and quality of health and education services, including prevention and treatment of HIV/AIDS tuberculosis and malaria.

**Social protection rating** (1=low, 6=high): Social protection and labour assess government policies in social protection and labour market regulations that reduce the risk of becoming poor; assist those who are poor to better manage further risks, and ensure a minimal level of welfare to all people.

**Policy and institutions for environmental sustainability rating** (1=low, 6=high): Policy and institutions for environmental sustainability assess the extent to which environmental policies foster the protection and sustainable use of natural resources and the management of pollution.

## 4.0. CPIA public sector management and institutions cluster average (1=low, 6=high)

The public sector and institutions cluster includes property rights management and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration and transparency, accountability and corruption in the public sector:

**Property rights and rule-based governance rating** (1=low, 6=high): Property rights and rules-based governance assess the extent to which private economic activity is facilitated by an effective legal system and rules-based governance structure in which property and contract rights are reliably respected and enforced.

**Quality of budgetary and financial management rating** (1=low, 6=high): Quality of budgetary and financial management assesses the extent to which there is a comprehensive and credible budget linked to policy priorities, effective financial management systems and timely and accurate accounting and fiscal reporting, including timely and audited public accounts.

**Efficiency of revenue mobilization rating** (1=low, 6=high): Efficiency of revenue mobilization assesses the overall pattern of revenue mobilization--not only the de facto tax structure, but also revenue from all sources as actually collected.

**Quality of public administration rating** (1=low, 6=high): Quality of public administration assesses the extent to which civilian central government staff is structured to design and implement government policy and deliver services effectively.

**Transparency, accountability and corruption in the public sector rating** (1=low, 6=high): Transparency, accountability and corruption in the public sector assess the extent to which the executive can be held accountable for its use of funds and for the results of its actions by the electorate and by the legislature and judiciary, and the extent to which public employees within the executive are required to account for administrative decisions, use of resources, and results obtained. The three main dimensions assessed here are the accountability of the executive to oversight institutions and of public employees for their performance, access of civil society to information on public affairs and state capture by narrow vested interests.





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