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MINISTRY OF FINANCE AND ECONOMIC PLANNING

EXTERNAL FINANCE UNIT

DOCUMENTATION OF RWANDA'S GOOD PRACTICES IN AID COORDINATION AND MANAGEMENT SINCE 2004

Final Report

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List of acronyms

AAP	Annual Action Plan
AfDB	African Development Bank
APR	Annual Progress Report
BOP	Balance of Payments
BSHG	Budget Support Harmonisation Group
CEPEX	Central Public Investment and External Finance Bureau
CCFF	Compensatory and Contingency Facility (IMF)
CDF	Common Development Fund
CPAF	Common Performance Assessment Framework
CPI	Consumer Price Index
CPU	Central Processing Unit
CRC	Citizen Report Card
CSC	Citizen Score Card
CWIQ	Core Welfare Indicators Questionnaire
DDP	District Development Plan
DFID	Department for International Development [UK]
DG	Director General
DHS	Demographic and Health Survey
DPAF	Donor Performance Assessment Framework
DPCG	Development Partners Coordination Group
DPM	Development Partners Meeting
EAC	East African Community
EC	European Commission
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit (MINECOFIN)
EICV	Household Living Conditions Survey
EMIS	Education Management Information System
ERC	Emergency Recovery Credit (World Bank)
ERP	Emergency Recovery Plan
ERP	Emergency Recovery Programme
ESAF	Enhanced Structural Adjustment Facility (IMF)

EU	European Union
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
HMIS	Health Management Information System
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JBSR	Joint Budget Support Review
JSBR	Joint Sector Budget Review
JGA	Joint Governance Assessment
JSR	Joint Sector Review
KfW	German Development Bank
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFS	Monetary and Financial Statistics
MICS	Multiple Indicators Cluster Survey
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government, Community Development and Social Affairs
MINECOFIN	Ministry of Economic Planning and Finance
MINEDUC	Ministry of Education
MINISANTE	Ministry of Health
M&E	Monitoring and Evaluation
MTEF	Medium-Term Economic Framework
NA	National Accounts
NBR	National Bank of Rwanda
NDPR	National Development Planning & Research
NGO	Non-Governmental Organisation
NISR	National Institute of Statistics of Rwanda
NPA	National Poverty Assessment
NSDS	National Statistics Development Strategy

NURC	National Unity and Reconciliation Commission
ODI	Overseas Development Institute
ONAPO	National Population Office
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFP	Policy Framework Paper
PPA	Participatory Poverty Assessment
PPI	Producer Price Index
PRMPR	Poverty Reduction Group (World Bank)
PRSP	Poverty Reduction Strategy Paper
PSCBS	Public Sector Capacity Building Secretariat
R&PM	Results and Policy Matrix (EDPRS)
RDI	Rwanda Development Indicators
RWF	Rwandan Franc
Sida	Swedish International Development Cooperation Agency
SMART	Specific, Measurable, Achievable, Relevant and Time bound
SPER	Sectoral Public Expenditure Review
SPIU	Single Project Implementation Unit
SSP	Sector Strategic Plan
STA	Statistical Department (IMF)
SWG	Sector Working Group
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
USAID	US Agency for International Development
VUP	Vision 2020 *Umurenge Programme*
WDI	World Development Indicator (World Bank)

Executive Summary

1. Overall structure and description of Rwanda's aid coordination and management

Aid coordination and management in Rwanda has grown in the past 14 years from donor-sponsored to a government-driven activity. It began, following the end of the conflict period, from International Monetary Fund (IMF)-sponsored macroeconomic monitoring and World Bank-supervised reporting on procurement and distribution of resources in the immediate aftermath of the genocide. After a period of relative stability, the government created a long-term strategic plan (Vision 2020) with assistance from the donor community. An administrative choice for decentralisation was also made into law at this stage, which appealed for financial aid needs from not just central government but also local levels. The need for external funding meant systematic planning and reporting, which could only be obtained through significant statistical data collection. Thus, to begin with, the national demographic and socioeconomic surveys had to be carried out to obtain baseline indicators for the medium-term development strategy (the poverty reduction strategy paper (PRSP)). The donor funding associated with the PRSP constituted the first national attempt at a holistic M&E system. Teething problems were incurred because of the steep learning curve of implementing a national M&E system that the donors could trust. Lessons were learnt and improvements were made to culminate in what it is today.

The long-term strategy (Vision 2020) defines goals and targets and the medium-term policy (the Economic Development and Poverty Reduction Strategy (EDPRS II)) provides a plan for implementation. The Ministry of Finance and Economic Planning (MINECOFIN) coordinates and designs these plans within a consultation process with stakeholders. Directly linked to this are Sector Strategic Plans (SSPs) for each line ministry and the District Development Plans (DDPs) for each district. The framework ensures alignment of national and sub-national strategies, and such coherence is important for donor support.

Parallel to this is the budgeting cycle. The national Medium-Term Expenditure Framework (MTEF) covering three years is produced by MINECOFIN, providing the budget ceilings for each line ministry and district to produce its own MTEF. Thereafter, annual plans based on strategies and resources can be created at the national, sector and district levels.

At the inception of the medium-term plan, an overarching national matrix for M&E was created. Indicators reflected the prioritisation in the EDPRS. Each line ministry created a matrix of indicators to measure its performance against the EDPRS goals, chosen in a consultative manner, with sector specialists within MINECOFIN having the final decision. This process was repeated for districts, thus aligning the matrices across government to the EDPRS, and this true for EDPRS II.

Baseline information for the matrices was generally taken from large-scale statistical surveys such as the Census, health surveys and livelihoods surveys (EICVs). The national statistics office carries out these surveys and provides this information with technical assistance (TA) from donors. However, MINECOFIN has a significant input as it is the main consumer of information and validates these to ensure indicators are aligned with the national strategy.

Good aid coordination and management practice requires that budget execution reports are prepared from each budget agency every quarter with an Annual Progress Report (APR) and a mid-year update required for the poverty reduction strategies (i.e. EDPRS II). These are submitted to MINECOFIN.

There are regular opportunities for discussion of progress at fora for government and development partners. Joint Sector Reviews (JSRs) (backward- and forward-looking) are held for each line Ministry twice yearly. There is also a high-level Development Partners' Coordination Group (DPCG), , the Development Partners Retreat (DPR) and the Development Partners Meeting (DPM), which use M&E information from the EDPRS 2 to assess and monitor national performance and then support the government accordingly.

2. Rwanda's main motivations for developing an aid coordination and management framework

Aid coordination and external financing have been developed to assist in poverty reduction strategies and programmes. The external financing is attracted by improving government effectiveness in public service delivery and public sector performance at national and sub-national levels. The role of MINECOFIN is to coordinate aid flows (in particular its External Finance Unit (EFU)), but also to enhance incentives for efficient implementation and to identify and address the constraints to policy execution; namely, the EDPRS's M&E is planned to feed back into the elaboration of plans and support the design of successful development policies, programmes and budgets. Also, the national policy to extend decentralisation required greater accountability for resources, a thing that impacted strongly on external financing. The development of the aid coordination and management institutional framework has been led by the Government with strong support from donors.

3. Roles and responsibilities of actors (including leaders and champions) of aid coordination and management best practices

MINECOFIN led the process of establishing the aid coordination and management unit called External Finance Unit that works in corroboration with the planning and budgeting departments.
Within MINECOFIN, the EFU, Planning (NDPR) and Budget Departments have been the leaders and coordinators for aid management, planning and budgeting activities, respectively. This role has been supported by the Offices of the President and the Prime Minister, which have oversight roles.

MINECOFIN manages the entire system. Specifically, the Planning Department manages EDPRS M&E systems and the Budget Department manages MTEF reporting and the public expenditure evaluations. These form a prerequisite for attracting external financing overseen by EFU.

Continuity in staffing in the early post-conflict period and the existence of domestic capacity in economic analysis helped underpin the authority of MINECOFIN and to nurture confidence in its coordinating role. Moreover, TA was used strategically to develop government capacities and, in the early post-conflict period, MINECOFIN received the lion's share of this.

MINECOFIN's EFU is responsible for monitoring of external support (aid flows) which impacts both planning and budgeting. This unit, also, ensures the implementation of the Rwanda Aid Policy and is the central liaison office between donors and GoR.

When the first medium-term plan (PRSP) was published, MINECOFIN's Poverty Monitoring Unit was the coordinating body for monitoring of poverty reduction and development of poverty measures and welfare indicators. These responsibilities grew with the unit – evolving into the National Development Planning and Research (NDPR) department by 2010 and the NDPR is now responsible for EDPRS' monitoring.

MINECOFIN's Budget Department is in charge of budget preparations, monitoring, capacities and standards. This involved all issues relating to the MTEF and annual budgets.

a. **The President's Office** has led the culture of performance at the highest levels of government in Rwanda. This has been achieved using incentives such as public acknowledgement of contributions as well as penalties for inadequate performance (such as removal from post). The Annual Leadership Retreat has provided a forum for official reporting of performance in front of peers and the President himself. This has proven very effective in gaining results. The Government has developed a system of performance contracts called Imihigo, which cuts across institutional silos.

b. **The National Institute of Statistics of Rwanda** (NISR) sets statistical standards in Rwanda. The primary aim in its inception was to build on existing capacity and to mainstream quality assurance in statistical surveys. The NISR is still in its infancy, has capacity issues and requires TA. However, there have been significant improvements in the quality of statistics since the introduction of the NISR.

c. **Line ministries** have the responsibility for planning sectoral strategies in coordination with MINECOFIN's Planning Department and for preparation of sector budgets in coordination with the MINECOFIN's Budget Department. Sector champions have been found to have a strong link to donor support. For example, education has been viewed as a relative champion among sectors along with the health sector. In contrast, sectors that are considered to be struggling to implement programmes sufficiently are those without a strong history of donor involvement. This was the basis for introducing the DPs' Division of Labour.

d. **Donors** have supplied substantial TA on aid coordination and management over the past 16 years. The IMF and the World Bank have been longstanding partners, introducing the DPMs in Geneva, before they were institutionalised domestically. There has been a strong coalition between donors in general to develop aid coordination activities encouraged by the Rome Declaration on Harmonization and the Paris Declaration on Aid Effectiveness. In 2004, DPs established a basket fund on aid effectiveness managed by UNDP and MINECOFIN to support the establishment of EFU, the Aid Policy and accompanying aid architecture in Rwanda. This intensified with the introduction of General Budget Support (GBS).

4. Strengths and weaknesses of Rwanda's aid coordination and management

A key factor in the success of the Rwandan aid coordination and management model is that it has had strong government leadership. This has been supported by strong dialogue with the donor community. These two factors combined have led to productive outcomes; increased alignment of donor support with the government priorities and systems; good sequencing of TA and strong M&E culture, etc.. As a result, there is now strong trust in government data, as reflected in donors' use of these to assess budget support disbursements. Below are the key challenges in M&E:

a. **Multiplicity of frameworks: Despite the establishment of a strong overarching framework at the national level (EDPRS), some M&E activities continue to be carried outside the national framework, especially at the local level. These should be streamlined to increase alignment with national priorities.** Given recent amendments, at the national level there are no strong competing M&E frameworks. The EDPRS constitutes the overarching framework for M&E. Previous problems of incorporating the *Imihigo* contracts and Annual Leadership Retreat goals have been rectified in the current EDPRS 2. Now, the budgeting timetable incorporates and harmonises the reporting of EDPRS 2 indicators, Leadership Goals and *Imihigo* targets. However, some M&E activities are conducted outside the EDPRS framework, predominantly to meet the specific reporting needs of donors. The existence of multiple M&E frameworks leads to overburdened government agencies with a lack of focus on strategic priorities. The government should use the Division of Labour (DoL), the Single Project Implementation (SPIU) framework and its knowledge of donor coordination at the national level to improve the harmonisation of M&E needs at sub-national and sector-specific levels in line with national priorities.

b. **Quality, timeliness and scope of information collected have generally improved at the central level but needs to be improved at the district level.** The quality of data has grown as statistical capacities have expanded; as a result, data generated at the central level are widely trusted. The overall scope of M&E data has not changed significantly, but depth of coverage has risen with the support of Sector Working Groups (SWGs). However, quality (of statistics, relevance of indicators, reporting, and analyses) varies among line ministries, partly associated with the level of donor support. In general, district data are viewed as less reliable, less timely and of a lower quality. To amend this, there has been a variety of district-level capacity-building programmes, now resulting in the central government guiding development of indicators by the districts. A lack of ownership of M&E at the district level impedes improvements.

c. **Investment in capacity building for effective M&E has been crucial, but further strengthening is required.** Training, support and strong coordination from MINECOFIN have been crucial in developing the skills of line ministries to improve the relevance of indicators, streamline performance matrices across government and produce high reporting standards. Despite good M&E systems being in place, there is wide divergence in abilities to implement M&E for planning and policymaking. Weak capacities combined with control of M&E by MINECOFIN has led, in some cases, to a lack of ownership of sector- and district-specific M&E systems. Donor interaction at sector level has generally been productive in raising standards and knowledge and with it ownership and greater confidence and control of M&E. Until now, most M&E training has focused on improving the statistical base, monitoring and reporting, so evaluative skills have been lacking.

d. **Limited use of M&E information requires further encouragement for government-led evaluation to help identify efficient programmes and approaches.** Improved M&E skills and timeliness (better coordination of budget and planning M&E) have resulted in greater use of information. However, the current system entails an overabundance of reporting but lack of in-depth evaluation. Rwanda is entering a period where the focus is moving from monitoring skills to enhancing evaluation skills, and there is now a government demand for increased analysis and use of M&E information for results-based performance.

5. **Key lessons learnt in aid coordination and management for developing countries and individuals who seek to learn from the Rwandan experience**

The key factors for developing aid coordination capacities in post conflict or developing countries are that sequencing is important and one should build on existing capacities rather than starting from scratch. If done right, donor input can be supportive but, more importantly, government leadership is crucial to success. Specific lessons are summarised here:

I. **Build on existing capacities.** Initiatives to attract external financing and develop an aid coordination institutional framework should seek to build on existing capacities. Initial reforms in Rwanda built on existing systems and capacities rather than being created ex nihilo.

II. **Cultivate an aid coordination and management leader.** Successful external financing activities require leadership. In the initial stages, it is important to develop a strong leader who can act with authority to coordinate other agencies. The importance of strong leadership may also require the concentration of initial efforts in one single institution before extending reforms to others as happened with MINECOFIN and the establishment of the External Finance Unit in Rwanda.

III. **Take advantage of the Bretton Woods Institutions.** In immediate post-conflict periods, the IMF and World Bank can provide the required convening power and support the national efforts to build systems. As the Rwandan experience shows, the use of these institutions availed the necessary aid coordination and TA to certain priority areas, avoiding a dispersal of scarce resources.

IV. **Take advantage of international agreements to domesticate policies and build ownership**. The **Paris Declaration on Aid Effectiveness and the Accra Agenda for Action served as a basis for the establishment of the aid coordination and management framework in Rwanda.** The government did not shelve the global principles but rather made sure that they were implemented. Even where the capacities fell short, TA was sought to make it happen. For example, TA was very instrumental in developing the Rwanda Aid Policy and the Aid Manual of Procedures, which clearly defined the and responsibilities of the GoR institutions and other stakeholders in aid coordination and management.

V. **Encourage donor harmonisation.** Early steps towards donor harmonisation provided great benefits to lowering the Rwandan government's information burden and transactions costs, and paved the way for future alignment of government and donor systems. Donors need to ensure their own practices do not overburden limited local capacities or undermine local efforts to build systems by imposing additional frameworks and requirements. Donors also play a crucial role in helping to build local capacities, and such initiatives are considerably more effective when harmonised.

VI. **Obtain a statistical baseline to develop effective monitoring indicators.** Statistical surveys supplied crucial information and provided an understanding of the socioeconomic context for effective policy choices deserving donor support in Rwanda. Basic information on the population, standards of living conditions (EICVs) and needs is often lacking in post-conflict countries. The constitution of statistical databases can inform policy design and planning and help in targeting specific needs, areas and population groups. Such disaggregated data was instrumental for external financing in Rwanda.

VII. **Align donor assistance with state-building priorities and national strategies to ensure ownership and sustainability.** In developing countries, external financing should contribute to the state-building agenda and provide a tool for the dispensation of core state functions. This includes public financial management, public service delivery and a contribution to re-establishing the state legitimacy through strengthened accountability mechanisms between the state and its citizens. Mobilisation of external financing in Rwanda was designed to support state-building priorities and national strategies to ensure the relevance of donor funds and thus their use. This in turn strengthened ownership and sustainability of the systems.

VIII. **Start from simple budget monitoring and expand into a more sophisticated system.** Initial framework tools that bind the recipient government should be kept simple to make them manageable by institutions constrained by weak capacities already taken up by other key priorities. Budget monitoring provided a good basis for future external financing improvements in Rwanda. It introduced good practices for monitoring and was used as a simple learning tool on basic principles and uses of M&E. M&E activities can begin with basic tracking systems at sector level on inputs and outputs around a selected number of key indicators, and can be expanded across sectors and sub-national entities as capacities are built up, moving towards more complex frameworks (including outcome monitoring) once basic ones are mastered and used for financial management and basic process monitoring (inputs, activities and outputs). This system was appealing for donors to support the budget.

IX. **Move towards increased analytical work and evaluation as capacities are built up:** While analytical work and evaluations require more advanced skills compared with basic monitoring of inputs and outputs, they are particularly important in the context of under developed countries, where impacts of policies and programmes on state and peace building should be well understood to inform future interventions and sustain progress towards increased stability and state effectiveness to conduct its core functions. Yet, as is the case in Rwanda, the focus on analytical work can be brought once a threshold level of evaluation capacities has been reached, which can take quite some time. For this reason, strong leadership and the emergence of aid mobilisation champions at an early stage are crucial to paving the way and ensuring sustained efforts towards full-fledged external financing activities, including analytical work used for policy design, planning and budgeting.

X. **Engage donors while deepening the mutual accountability framework.** It is crucial to advance the aid coordination and management activities while streamlining accountability throughout government. In Rwanda, development strategies such as the EDPRS provide a single overarching monitoring framework that binds the government and supports alignment of donor programmes and projects. On the other hand, the development of the Donor Performance Assessment Framework, which assesses the performance of development partners against more than 20 development effectiveness indicators strengthens mutual accountability for the quality of aid. The alignment of the more complex EDPRS M&E system, which underpin agreed targets across government, was made easier through the use of the SWGs. The SWGs align sector targets with the EDPRS2 targets, including indicators, matrix templates and reporting. The SWGs also coordinate meetings for sector stakeholders to discuss results and feed priority issues to the national level. These fora have been very effective in providing space for regular dialogue at the sector level while keeping high-level forums for more strategic discussions. This needs to be adequately dealt with in a country-specific structure of aid coordination.

Introduction and Rationale

1. The documentation of Rwanda's good practices in aid coordination and management since 2004 was commissioned by the Ministry of Finance and Economic Planning (MINECOFIN) in November 2014. This documentation will provide the basis for a guidance note for other countries (and organisations) interested in the understanding Rwanda's best practices in aid coordination and implementation of programmes for aid effectiveness. The External Finance Unit (EFU) within MINECOFIN is the Government's entry point for the oversight and management of external aid. Created in 2005, it serves as the main interface between government and donors on all issues of external support, and is responsible for coordinating aid to Rwanda so that it best supports the Government of Rwanda's (GoR) economic and social priorities. Principally, EFU plays a leading role in the negotiation of the donors' strategic cooperation frameworks, the mobilization of external resources, the management of development partnerships, the appraisal of financing agreements/projects agreements, in the assessment of the quality and effectiveness of aid, as well as in the overall country cooperation portfolio review.

2. The rationale for documenting the best practices in aid coordination and management is that Rwanda has been exemplary and stands out in many aspects when it comes to implementing programmes, be they domestic or intergovernmental in nature. This has been attributed to a number of factors, including a relatively strong leadership with a sense of government effectiveness - something that has led to improved focus on public service delivery. It is widely observed that Rwanda is among the very few countries of the 48 least developed countries that have achieved or even exceed the MDGs targets (UNDP, 2014). Such striking achievements are widely recognized and have led to several countries and organisations wishing to ascertain the Rwandan story. The other strength has been attributed to effective management of aid funds - a thing that has not been properly documented to the extent that those who turn up asking for good practice in Aid Management do not get this in a single document, but rather in piecemeal. Thus, the primary purpose of this exercise is to consolidate the best practices and innovations that the Aid Coordination mechanisms in Rwanda have registered in the last 10 years.

3. Therefore, the primary objective of this assignment is to document Rwanda's good practices in aid coordination and management for knowledge dissemination and sharing in the framework of South-South and triangular Cooperation.

4. In addition, Rwanda has been recognized globally as a champion in ensuring aid effectiveness and more so using aid for results. This recognition earned Rwanda to lead other aid recipient countries in the High-Level Forum IV in Busan, Korea, November, 2011, where a new and progressive Global Partnership for Development Cooperation framework was launched. Due to several innovations that Rwanda undertook in ensuring that aid is effective, it is necessary to document these practices and share knowledge with other developing countries who seek to learn from Rwanda.

5. This report is based on a review of country-specific documentation as well as on information collected through key informant interviews conducted in Rwanda during two months of fieldwork in November and December 2014. Interviewees included officials from the External Finance Unit (EFU) of MINECOFIN, Planning and Budgeting departments, including former and current government officials and donor agency representatives. A full list of interviewees is presented in Annex A. The documentation and fieldwork was conducted by a consultant, Mr. Charles Gasana.

6. The documentation of Rwanda's good practices in aid coordination and management covering the period from 2004 to 2014 is organised as follows:

- **Section 1** (this section) sets out the rationale for documenting Rwanda's good practices in aid coordination and management and, more widely, the objective of doing this exercise commissioned by the Ministry of Finance and Economic Planning (MINECOFIN).
- **Section 2** sets down key contextual economic and institutional information about Rwanda and presents the main strategic development frameworks that have informed government and donor policies since the end of the war and genocide of 1994.
- **Section 3** outlines the key features of Rwanda's aid coordination activities, looking at both government and donor practices/aspects. This section seeks to identify the main dynamics underpinning the evolution and innovation of good practices in aid coordination and management systems and activities in the country since 2004. However, to comprehend this fully, it was imperative to go a little bit earlier than this, i.e. 2000.
- Finally, **Section 4** sets out emerging lessons that can be drawn from Rwanda's experience, looking at: potential entry points; scope and intensity of initial aid coordination activities; sequencing of innovations and reforms.

Country context

2.1 Economic context[1]

Rwanda managed a quick economic turnaround following the devastating conflict in 1994...

7. It took Rwanda four years to recover in economic terms, measured in terms of the country's real gross domestic product (GDP), from the genocide in 1994. The conflict decimated Rwanda's fragile economic base, severely impoverished the population and temporarily stalled the country's ability to attract private and external investment. GDP fell by 50% in one year, down to $754 million in 1994. However, Rwanda has since made substantial progress in stabilising and rehabilitating its economy: its GDP has rebounded and inflation has been curbed. In 1998, the country's GDP reached the pre-1994 level of $1.9 billion, with an average annual real GDP growth rate of 17.7% over the 1995-1998 period. This growth was driven mainly by agricultural production, as well as by commercial services and manufacturing (IMF, 1997). In 1994, agriculture represented 50% of the country's GDP, services 29% and industry 21%; in 1998, the value-added from these sectors represented 45%, 36% and 19%, respectively. Meanwhile, inflation had reached 47% and 48% in 1994 and 1995, respectively; by 1998, the consumer price index (CPI) had been brought down to single digits.[2] By 1997, the International Monetary Fund recognised that 'considerable progress has been made in repairing the social and economic infrastructure and in rebuilding key economic institutions' (IMF, 1997).

...leading to the definition and implementation of medium- and long-term poverty reduction and economic development strategies

8. Moving from a period of humanitarian assistance to one of more sustainable development translated into greater domestic control of the economy and increased capacity for data collection and economic planning. From 1999, most macro-level data were available from official government sources, mainly the Ministry of Economic Planning and Finance (MINECOFIN), and the government started planning a longer-term economic development trajectory. The first formal development strategies were formulated during the period 2000-2002. The long-term plan Vision 2020 (2000-2020) was published in 2000, followed the same year by an interim poverty reduction strategy paper (I-PRSP): 'An Approach to the Poverty Reduction Action Plan for Rwanda'. This formed the basis for Rwanda's first Poverty Reduction Strategy Paper (PRSP), which was published in 2002.

9. Vision 2020 sets the key goals for Rwanda's development following the conflict period. The overall objective is to move away from subsistence agriculture to a 'knowledge-based society, with high levels of savings and private investment, thereby reducing the country's dependence on external aid' (Republic of Rwanda, 2000a). The plan considered a movement towards information and communication technology (ICT) and financial services skills as the most sustainable method of growth, as opposed to agriculture, given the limited land available. It also identified population density and growth, which averaged 6% per year between 1995 and 2000, as potential obstacles to

[1] All the data in this section are sourced from the World Development Indicators (WDIs) unless otherwise specified.
[2] CPI data source: National Institute of Statistics of Rwanda (NISR).

growth and poverty reduction. The first PRSP, finalised in 2002, prioritised medium-term challenges and allowed the national plans to be adapted to the sector, provincial and district levels of planning and implementation. Six areas were identified as priority: rural development and agricultural transformation; human development; economic infrastructure; governance; private sector development; and institutional capacity building (Republic of Rwanda, 2002).

10. During the period of the PRSP until 2008, Rwanda continued to benefit from a stable macroeconomic environment, with growth averaging 7.2% per annum, with an exceptional 11.2% GDP growth registered for 2008. Since the EDPRS period (2008 – 2013), the average GDP growth was 6.38% per annum, this growth rate was marred by the 2013 suspension of aid, where the GDP performance fell to 4.6%. Inflation averaged 9.5% per annum, greatly influenced by the 2008 rise in global food and oil prices, when consumer food prices inflated by 15%. However, between 2009 and 2013, inflation has been contained at average of 5.76% per annum.

Major progress has been achieved in economic terms, led by agriculture and services sectors...

11. The impacts of the PRSP and EDPRS were seen first in the country's economic structure, which was increasingly led by service sector growth; the agricultural sector strengthened but its contribution to total GDP fell. In 2013, agriculture represented 33.3% of the country's GDP and services accounted for 45.1%, with strong growth in sectors such as transport, communications, finance and real estate. There has also been a surge in the construction industry, reflecting the increased need for housing as a result of population growth and for large-scale public sector development projects. Investments rose threefold between 2004 and 2013 in nominal terms and grew from 15.0% to around 24.4% of GDP. Exports increased from 11.1% of GDP in 2004 to almost 16.9% in 2013. However, this coincided with a large rise in imports: 2004-2013 recorded average annual growth of 23%, against stable levels during the previous five-year period. This was an expected consequence of the need to rebuild infrastructure, but the sharp rise also negatively affected the current account, which reached an estimated 7% deficit in 2009 (back to post-conflict period levels – 1994-1999).

12. Gross investment in the economy averaged 22.6% of GDP from 2008 to 2012. High levels of gross investment were achieved through a scaling up of public investment which reached 12.9% of GDP in 2011 (supported by international donor flows). This was a major component of government's fiscal stimulus. A number of strategic infrastructure investments to promote private sector growth were also identified and the financing initiated.

13. In 2012, out of a gross investment of USD 1,870 million in the economy, USD 987 million was domestic public investment and USD 660 million was domestic private investment. USD 160 million was foreign direct investment (FDI), a steep increase after hovering around USD 100 million in three out of the four years. This reflects increased investor confidence in Rwanda and is also the result of an improving business environment. Due to the 'Ease of Doing Business' reforms, including zero tolerance for corruption, Rwanda is was ranked the second-best place to do business in Africa after Mauritius in 2013. On the global scale, the annual World Bank report, which assesses country-by-country performance on the ease of doing business, Rwanda moved 22 places, to 32nd position out of 189 countries.

...but Rwanda's society, pressured by demographic growth, remains poor

14. However, results on the poverty reduction front were poor, as shown by the two Household Living Conditions Surveys, conducted in 2000 and 2006. It was only during the EDPRS (2008 – 2012) that the poverty headcount ratio declined from 56.7 percent in 2005/06 to 44.9 percent in 2010/11, and a significant poverty reduction was experienced particularly in rural areas. The demographic pressures have been a constant factor in Rwanda's development. Since 1994, the population was estimated to have almost doubled (from 5.1 to 9.8 million),[3] which curtails potential per capita growth and poverty reduction. Therefore, the majority of the population still live below the national poverty line. Nevertheless, progress has been registered on some development indicators in line with the development strategy: net enrolment in primary education, for example, rose from 75% in 2001 to 98% in 2012, reflecting the strong emphasis on education and skills development called for in the EDPRS. Similarly, access to mobile phones (since 2005) and the internet is gradually growing, in line with the government willingness to develop ICT and the service industry.

15. Rwanda's economic performance in the past decade has been driven by the country's focus on the Vision 2020 targets and the vision has been converted into action by a series of medium-term strategic plans. Under these medium-term strategies, high growth rates combined with stabilising population growth has contributed to poverty reduction.

16. The reduction in poverty was supported by a combination of improved agricultural incomes, off-farm job creation, reduction in household sizes, and public and private transfers[4]. Agricultural incomes were enhanced by productivity gains of staple and cash crops, and by commercialisation in the agricultural sector, which covers more than 70% of employment. Use of fertilisers tripled in tonnage terms from 2006 to 2011, and the share of marketed agricultural output increased from 21.5% to 26.9%. At the same time, the number of non-farm jobs increased by 50-60%.

17. Overall, the encouraging results on poverty in 2012 led the government to a greater focus on second generation poverty reduction in the new Economic Development and Poverty Reduction Strategy (EDPRS 2) launched in 2013. The EDPRS 2 focuses on four thematic areas, which are a continuation of the priority areas identified in Vision 2020. It urges the use of a decentralised system to increase the efficiency of public service delivery and to accelerate the rate of poverty reduction in Rwanda, with the aim of eradicating extreme poverty by 2020.

Donors have played a major role in the reconstruction of Rwanda, and continue to do so, through provision of guidance for the formulation of reforms as well as financial support

18. Since the beginning of the reconstruction period, the government has been using the guidance of the IMF to formulate its economic policies and in implementing market-oriented reforms, supported by key development partners. Donors are very important to the overall budget position of the country. External funding (grants and loans) rose from less than one-third of all budgetary revenues in 1998 to an estimated value in 2009 of over half. Domestic revenues have grown almost six fold in nominal terms, to account for an estimated 13% of GDP in 2009 (a result

[3] This high growth was fuelled by returning refugees, of whom there were 2 million between 1994 and 1997 (IMF, 1997).

[4] The Evolution of Poverty in Rwanda from 2000 to 2011, Results from the Household Surveys (EICV 3), NISR

of both economic growth and tax reforms).[5] Nevertheless, external funding has increased more rapidly, particularly since 2003, reflecting donor buy-in and commitment to the national development strategies. External funding was equivalent to 4% of GDP in 1998 and equated to 15% in 2009. Of this, budget support in particular has grown rapidly since 2003, with growth averaging almost 40% per year. Since 2000, the largest budget support donors have been the World Bank, the European Commission (EC) and DFID (Chiche, 2007; Republic of Rwanda, 2008a).[6] Between 2009 and 2012, there were nine budget support donors, six of which gave both general and sector budget support (African Development Bank (AfDB), DFID, EC, Germany, the Netherlands, World Bank); one of which gave only general budget support (Sweden); and two of which gave only sector budget support (Belgium and Norway). This relatively small number of development partners allows good dialogue, especially among sector specialists.

2.2 Institutional context

Since the end of the conflict in 1994, the aid effectiveness and donor activities have been given due attention. This consistence is reflected in the Vision 2020 objectives that include efforts to significantly reduce aid dependence.

19. Development Partners have also played a key role in the development of Rwanda's aid coordination and management by providing the necessary technical assistance (TA), supporting the aid policy and adhering to the international declarations and calls to make aid work/effective and financial support to build domestic aid management structures/departments, capacities and systems. This section seeks to outline briefly the key entry points for aid coordination and management reforms in Rwanda, introducing the rationale behind developments and the key stakeholders at the origin of these efforts. The information presented here is further developed in the following sections.

The systematic evolution of aid coordination and management activities has been driven primarily by the need to ensure that Rwanda's external debt is maintained at sustainable levels whilst significant foreign resources and investment are mobilized for Rwanda to become a middle income country by 2020, as set out in the government's Vision 2020 document

20. The aid coordination effort and management has been underpinned by the development of national development strategies and a strong focus on poverty reduction. The adoption of a national Aid Policy, coupled with an Aid Policy Manual of Procedures and systematic tracking of progress, through the DPAF, could be seen as crucial tools to improving aid coordination and management.

21. Vision 2020 emphasises the importance of reducing aid dependence, ensuring that 'poverty reduction achieved through the medium-term expenditure framework (MTEF) will be monitored and will, at the same time, feed back into better coordination and dialogue on the part of both the Government and its development partners (Republic of Rwanda, 2000a and Rwanda Aid Policy 2006). The Rwanda Aid Policy, 2006, reaffirmed the Government's commitment to implementing the Paris Declaration on Aid Effectiveness, stating that 'the Rome and Paris Declarations set a basis for the development of partnerships that will improve the way in which development assistance is delivered and utilized' (Rwanda's Aid Policy, 2006) and 'to successfully implement

[5] Fiscal data are taken from the Operations of the Central Government table of MINECOFIN.
[6] The US contributes a substantial amount of aid, but this is not through budget support.

a development framework' (Republic of Rwanda, 2000c). The Aid Policy also identified key priorities in the development of aid coordination and management activities, e.g.: strong strategic plans are essential in all sectors if alignment of donor funds to national priorities is to be achieved. Some existing sector strategic plans and policies must be improved to strengthen donor alignment, and to this end the Government has taken 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 (DPs). All external assistance support 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) (Rwanda Aid Policy, 2006).

The PRSP marked the beginning of a concerted effort to agree on a set indicators for poverty reduction as a basis for mobilising internal and external resources and identifying responsible institutions to implement and monitor overall progress

22. The EDPRS draw lessons from the PRSP process, in which some areas saw progress but others were hindered by implementation problems. The GoR continued to seek partnership with DPs in order to address the problems. Measures were put in place to ensure that implementation of the EDPRS would proceed more smoothly and consistently. Greater efficiency was seen as achievable by improving incentives to execute policy and by relaxing the constraints preventing policies from being carried out. Therefore, a variety of measures were implemented, including public administration reforms to promote accountability, measures aimed at achieving closer alignment/partnership between donors and EDPRS priorities and improvement of monitoring systems at sectoral and district levels.

The decentralisation policy was a key component of Rwanda's state-building process and calls for the need to strengthen accountability mechanisms between central and sub-national governments

23. Decentralisation was set as an early priority by the post-genocide government, with an aim 'to ensure political, economic, social, managerial, administrative and technical empowerment of local populations to fight poverty by participating in planning and management of their development process' (Republic of Rwanda, 2000d). The decentralisation process was put at the centre of development policies and of the reform of institutional structures. Some funding and responsibilities for poverty reduction were transferred from central to sub-national governments: aid coordination activities were introduced through the Development Assistance Database (DAD) to monitor donor funding but would also reaffirm accountability mechanisms by the non-budget support donors to sectors and the decentralised entities.

24. A new Ministry for Local Government, Community Development and Social Affairs (MINALOC) was created in 2000. Its objective was to assist the central government to oversee the activities and performance of sub-national governments. However, at this early stage decentralisation was undermined by a lack of qualified staff in local administrations to design and implement programmes. Moreover, sub-national revenue collections were insufficient to fund programmes (Mashinga, 2000). Therefore, a fiscal decentralisation policy was made into law in 2002, enabling districts to collect three types of revenues. This law was amended to allow for intergovernmental transfers: block grants were introduced to cover recurrent costs and the

Common Development Fund (CDF) was introduced to support development expenditures. These two sources of funds make up the majority of districts' incomes. Other revenues include non-tax revenues, donor grants and other transfers linked to sector budgets, such as teachers' salaries. The fiscal decentralisation policy provided a streamlined budgeting process for national and sub-national government and proved to be a strong base for synchronised donor funding of national strategic priorities.

Political commitment to economic development in general is key to aid coordination and management, as witnessed in the Aid Policy, which seeks to strictly implement the Paris Declaration on Aid Effectiveness

25. The targets and objectives of the Paris Declaration on Aid Effectiveness have been implemented and strengthened since the introduction of the Aid Policy in 2006. The set targets and performance indicators are supervised by the Ministry of Finance and Economic Development (MINECOFIN), in an attempt to accelerate implementation through a dedicated team; the External Finance Unit (EFU). This is combined with strengthening the accountability mechanisms and implementation of commitments not only on the side of the government but also on the donor side.

Donors commit and play a major role through demand for M&E information for their own reporting purposes and also for provision of technical assistance to help build local capacities

26. In the immediate aftermath of the conflict, aid flows were driven mostly by donors, in particular the IMF and the World Bank, which made disbursements to restore the economy. Since early on in the post-conflict period, donors have provided a great deal of technical assistance (TA). This has been widespread throughout government, with a concentration in MINECOFIN and the Central Bank (NBR). TA was crucial to the success of restoring government functions, building statistical and reporting standards and creating an opportunity for MINECOFIN to become a champion for aid coordination and management.

27. Donors, particularly those that provided budget support aid, remained central stakeholders of the country's aid coordination system. In 2009, a Common Performance Assessment Framework (CPAF) was developed; this was used for joint government and budget support donor monitoring of the government's programme for 2010. The CPAF was the basis for budget support donor disbursements to the government's budget. It was a subset of the government's monitoring framework for donor disbursements and aid flows in support of EDPRS 1 (2008 – 2012).

3. Key features of Rwanda's aid coordination activities since 2004

28. For the purposes of systematic documentation good practices in aid coordination and management, it became necessary to step a bit out of the ToRs and cover the period prior to 2004. For example, the year 2000 marked key developments in Rwanda that led to effective external finance mobilisation and management. Thus, the evolution of aid coordination and management in Rwanda is schematically divided into three main phases/stages:

- Phase I: The intervention period (2000-2004). This period followed the appointment of Paul Kagame as President, and saw increased political stability in the country. The government was able to start planning a long-term development strategy for the country with the implementation of Vision 2020 and a medium-term strategy- the PRSP.

- Phase II: The development period (2005-2010). During this period, major steps were taken to move towards a modern results-based aid management system. The Aid Policy was instigated in 2005 as the key document to benchmark aid coordination and management for mobilization of external resources for the second generation PRSP, and with the introduction of the EDPRS in 2007.
- Phase III: The sustained period (2011-2014). This period, coincides with end of EDPRS 1 and the setting in of the EDPRS 2. The phase III draws the experience gained in phase II and builds on the capacity gained to facilitate and improve the aid coordination and management. Some of the strategies and tools for aid coordination are discussed under this phase, in which initiatives were implemented with a major objective of improving aid coordination and management.

29. Table 1 below presents a timeline of aid coordination and management developments across the three phases, covering the years 2000 to 2014. Thus, Table 1 sets out the development strategies implemented during the different phases and shows how aid coordination and management activities and tools evolved alongside the phases, building on existing systems to deepen aid coordination scope throughout Government and strengthening skills for more in-depth aid management. The following sections of this report describe in more detail the aid coordination and management activities and how they developed across these three different phases.

Table 1: Timeline for key Aid Coordination and Management activities

		Strategies	Aid Coordination and Management activities/tools						
			Policies and tools		**Public Financial Management Reforms**			**Others**	
Phase I	**2000**	**Vision 2020**	Geneva Round tables and DPMs	**Surveys**: DHS; NURC; CWIQ; NPA; EIVC1; PPA	**MTEF introduced**			MINECOFIN reporting to World Bank and IMF (under ESAF arrangements). Through this & Geneva meetings (DPM), Bilateral donors begin harmonisation process	
	2001	**I-PRSP Decentralisation**			PETS - Education and Health				
	2002				**Fiscal Decentralisation Policy**				
	2003		Rome Declaration; EFU; Paris Declaration on Aid Effectiveness, Rwanda Aid Policy; DAD; Accra HLF; ODA report Donor Performance Assessment Framework (2009) and annual assessments		Input monitoring by MINECOFIN, output by Line Ministries via budget report; **DPCG**			**MDGs** (Annual reports & incorporated into EDPRS 1 targets)	**PRSP APRs**
	2004								
Phase II	**2005**								
	2006			RHAI; HARPP; BSHG; Mutual Accountability Framework; DPRs; OECD-DAC PD Survey 2010		SPERs; PETSs; PEFA 2008			
	2007	**PRSP**							
	2008	**EDPRS I (SSPs & DDPs)**			**Quarterly Budget Execution Reports** (required from all budget agencies) **JBSR & JBSR**		**SWGs, CPAF, DPAF; JADF**		**EDPRS1, BPRs, APRs, JGA**
	2009								
	2010		Busan HLF; DoL (2010); Aid Procedures Manual		**TSA; SPIUs**	PEFA 210			
Phase III	**2011**								
	2012								JGAR
	2013	**EDPRS II (SSPs & DDPs)**	Updated DoL (2013)						
	2014						**SBS**		

3.1 Aid coordination activities: Origin, scope and sequencing

Phase I: Intervention period (2000-2004)

30. During the war period, 1994-1998, the aid coordination and management was marked by donor rather than government leadership. This was because of weak capacity and insufficient resources within the Government as a result of the genocide. However, by 2000, there was some capacity within Government (particularly in MINECOFIN and its unit CEPEX) to meet donors' aid management demands.

31. The scene had been prepared by roundtable meetings (re-titled Development Partners Meetings (DPMs) and continued annually, growing to involve civil society and the private sector. **DPMs provided a good basis for establishing harmonised donor-government arrangements for the future aid coordination mechanism and creation of M&E systems to reduce reporting requirements.**

32. **The DPMs also set a culture of dialogue in which donors and the Government jointly developed strategic plans that set key priorities for the country's development and provided the framework for monitoring progress achieved.** The DPMs originated under the government's Emergency Recovery Programme (ERP) and the Enhanced Structural Adjustment Facility (ESAF) credit arrangement and with the resumption of adjustment lending from the World Bank (World Bank, 1995).

33. The Phase I brought about the basis for donor cooperation, set MINECOFIN as a coordinating body, improved the statistical base and provided basic training for simple monitoring activities. These activities involved MINECOFIN reporting to the donors, including the Bretton Woods Institutions. This process encouraged aligned donor funding and was characterised by a more comprehensive government-owned approach to resource mobilisation, made possible by stabilising political context and the development of a long-term development vision, i.e. Vision 2020. Donors were also encouraged by introduction of a system to monitor medium-term implementation of the development plan that utilised baseline survey information.

Table 2: Phase I (2000-2004): Key Aid Coordination Framework and Activities

Aid coordination framework	Aid coordination activity
Vision 2020	Set long-term strategy; a basis for mobilisation of aid funds; baseline indicators (2000); and targets (2010 & 2020)
I-PRSP	Identified priorities for funding for growth and poverty reduction as informed by (EICV, DHS, Census, QWIC, PPA)
PRSP	Annual reporting on progress and indicators for monitoring of poverty reduction (impact), formed a basis for donor funding Annual budget reports (MTEF) for monitoring of budget (input-output) strengthened donors' trust in government
Rome Declaration on Aid Harmonization	Formation of Rwanda Harmonisation and Alignment Initiative (RHAI)

	GoR and DPs signing of partnership agreement on harmonisation and alignment of budget support, thus, the Budget Support Harmonisation Group (BSHG) was formed

34. Moreover, an MTEF was introduced and used as the main planning and monitoring tool. The focus on external financing sought to use the mobilised resources to implement the strategic plans and the creation of monitoring indicators was used to feed back into the elaboration of plans and budgets.

35. **The main policy instrument for poverty reduction and external resource mobilisation in Phase I was the PRSP.** This was underpinned by the longer-term national strategy, Vision 2020, and the I-PRSP. It is important to discuss each of these, as the former provides the goals for the PRSP and the latter provides the benchmarks, the essential building blocks for effective aid coordination and management.

36. **Vision 2020 provided the long-term development framework.** It was launched in 2000 and identified 47 key indicator targets, ranging from education and health to economic growth, agriculture and infrastructure. There are baselines for 2000 and targets for 2010 and 2020. The road map to the realisation of the goals refers to short-, medium- and long-term planning process instruments. It spells out how investment priorities for poverty reduction are reflected in the MTEF and how these will be monitored and fed back into the elaboration of sector and district plans (Republic of Rwanda, 2000a). Ministries adopted medium-term strategic targets and measured performance using an input (budget)-output (results) tracking system. This was important for donors and encouraged their confidence in financing the budget.

Vision 2020 was crucial in providing a framework to guide policies; however, it did not provide a clear plan to create systems or guide the conduct of aid coordination activities. It recommended an I-PRSP to provide a statistical baseline and undertake research to develop a relevant medium-term plan in line with Vision 2020.

37. **TheI-PRSP (2000-2002) provided a statistical baseline and evidence-based research to develop medium-term policies that needed funding.** It reaffirmed the government’s commitment to implementing poverty reduction policies - an area that attracted donor funding and was a basis for engagement between government and the development partners. Thisinvolved consultations to ensure the national plan was consistent across sectors and that sectors had a role in developing their specific targets and monitoring indicators. By 2002 one of the problems was the stand alone character of Rwanda’s development budget, which was basically a collection of externally funded projects. In managing this, the Central Public Investment and External Finance Bureau (CEPEX) was in place to mobilise external resources and manage donor coordination, among other things, but soon it proved to be difficult because certain aid and budget management functions were executed in parallel as this role was still played by individual ministries. This situation was not helped by Development Partner’s (DPs) lack of sharing information or little use of country systems and budget support.

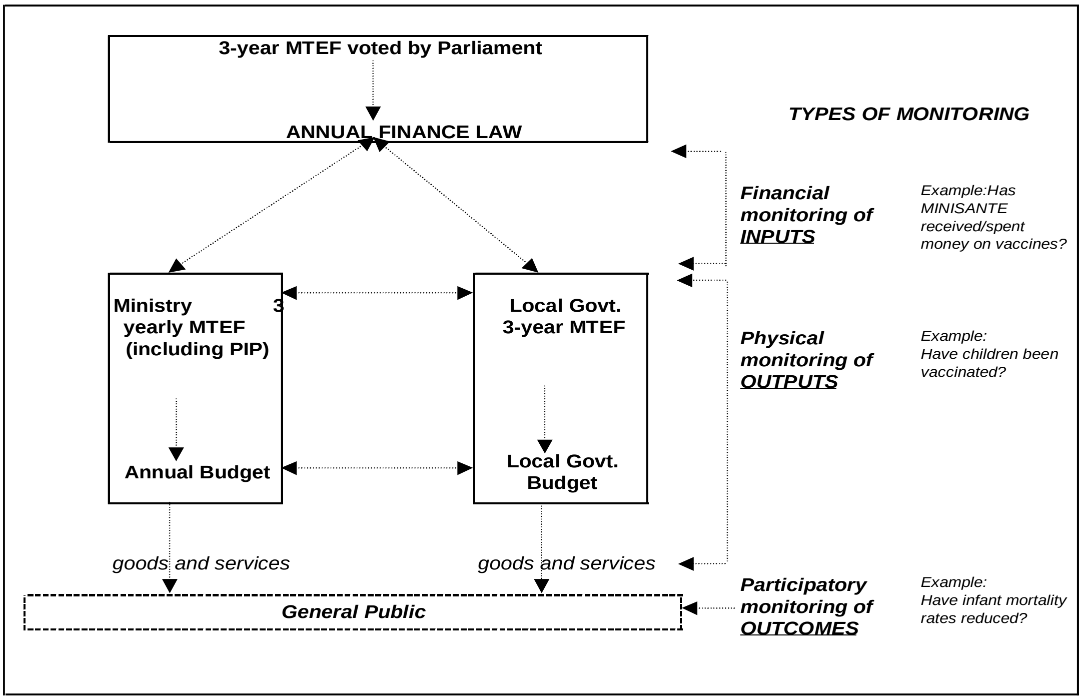
38. **The problems related to the integration of the development and the recurrent budgets did not imply that aid coordination did not improve, however. Rwanda’s first PRSP, published in 2002, meant that for the first time since the 1994 war and genocide there was an overall coherent development strategy which DPs could support and fund. The PRSP overarching goals were defined by Vision 2020 and baseline information was gathered through I-PRSP surveys.** The PRSP had 51 core poverty indicators but the full

sector matrix included 180 indicators (disaggregated by sectors such as health, education, transport, energy, ICT, social protection, etc). Annual reports were produced in a consultative and participatory manner, including inputs from ministries, donors, decentralised agencies, civil society, private sector and parliamentarians. Reports were planned to be written in time for the results to be factored into budget discussions with the Annual Development Partners Meetings. Execution reports also aimed to identify off-track progress against targets and to inform remedial actions where funding fell short.

39. **The on-set full PRSP in 2002 involved a concerted effort to create a more formal M&E system with a wider scope, including coherent poverty and budget monitoring.** Whereas poverty monitoring attempts to record the impact of policies on the general population, budget monitoring follows the performance of financial inputs and their expected outputs. Thus, the PRSP setting provided a structure for monitoring the government and the donors.

40. **The budget monitoring in existence was improved with the introduction of an MTEF.** The aim of budget monitoring was to match financial (input) and physical (output) data (see Figure 1 below) and improve the allocation of financial resources to ministries and provinces (now districts) (Republic of Rwanda, 2004a).[7] The introduction of an MTEF monitoring, with the ability to plan and cost priorities across sectors, was crucial to budget and this was important for donor budget support. The MTEF was devised and monitored by MINECOFIN (Budget and Planning Departments) and was informed by data

Figure 1: Type of budget monitoring in the PRSP



Source: Republic of Rwanda (2004a).

[7] This was presented as a longer-term objective, as there were initial problems associated with poor predictability of budgetary resources owing to delays in donor disbursements. These interfered with the ability to implement according to plans (ibid).

provided by line ministries. Sector performance was measured using an input (expenditures)-output (results) tracking system. Outputs were measured by annual budget reports, which were effective mechanisms for focusing budget agencies' attentions on priorities and on monitoring activities, as reporting requirements were taken seriously. This was presented as a longer-term objective, as there were initial problems associated with poor predictability of budgetary resources owing to delays in donor disbursements. These interfered with the ability to implement according to plans. Therefore, MTEF provided an excellent opportunity for the donors to announce their financial commitment to funding the poverty reduction program.

41. Following this development, in the wake of the PRSP, DPs, led by the Department for International Development (DFID) and the European Community (EC), launched the Rwanda Harmonisation and Alignment Initiative (RHAI), which effectively sought to implement and translate the Rome Declaration to a Rwandan context. With most other major DPs for Rwanda present in RHAI meetings, this was a useful setting for sensitizing and cajoling DPs into delivering higher quality aid[8].

42. In November 2003, budget support (BS) donors and the Government of Rwanda signed a partnership agreement on harmonisation and alignment of budget support. The Budget Support Harmonisation Group (BSHG) was formed in the wake of this agreement and was set up as a working group under the Development Partners Coordination Group (DPCG). As the number of BS donors increased, the BSHG gained importance and is now the forum for policy dialogue and mutual accountability in its own right.

43. The Harmonisation and Alignment in Rwanda for Programmes and Projects (HARPP) Group was formed in 2004 to promote harmonisation and alignment (H&A) of programme and project support at country level. This initiative was pushed by non-budget support donors that wanted a grouping of their own to make headway on the "project" aid modality[9]. It was seen at the time for non-budget support donors to provide a counter-weight to the BSHG.

44. These three structures (RHAI, BSHG, HARPP) had different experiences depending on the needs of GoR and DPs at the time. The RHAI was disbanded reasonably quickly when it became clear that other groups with more GoR presence were taking over its H&A agenda (notably the Development Partners Coordination Group and later also the BSHG). It did help, however, in sensitising DPs and GoR alike about H&A. The HARPP was disbanded in 2006 - again to prevent unnecessary duplication of harmonisation structures. The HARPP was much less successful in its efforts to put H&A on the agenda of more project-minded DPs. This was because (i) over-stretched senior GoR officials chose to focus on the easier budget support than H&A, which was also their preferred aid modality (as shown later in the 2006 Aid Policy) and (ii) project-minded DPs were not very interested in making progress on H&A issues. A third cause might well be that GoR also didn't really have a clear idea as to where it wanted DPs to

[8] See RHAI (2003) for a position note describing the agenda the RHAI group tried to address: "This paper is intended to form the first step of a structured process by which development partners can increasingly align their aid and practice in support of the Rwandan PRS, and through harmonisation, increase the extent of commonality in donor policies, procedures and practices at national level" (RHAI, 2003, p1).

[9] The initial HARPP aide memoire lists five work areas: (i) better cooperation/harmonization on the identification & agreement of projects, (ii) review of project support and a mapping exercise in a pilot sector, (iii) harmonisation of certain aspects of project aid such as remuneration of consultants and national employees, aspects of contracts, audit and procurement for projects, (iv) development of project-related indicators for aid effectiveness, and (v) alignment of project cycles with GoR cycles (see Smirl, 2004 for more details).

go on project issues (ODI, 2012). This is linked to difficulties related to sector level and district level coordination which was, and is, often problematic. Mostly, it depends on whether the DPs in the respective sectors are willing to engage on H&A issues.

In conclusion, this phase provided an excellent ground for dialogue between government and donors. The main goal of the Government was to mobilise external resources to implement its long-term goals and the donors had to trust the system of accountability and delivery of agreed targets. The MTEF provided relatively timely and reliable input-output measures of performance for the budget cycle and donors were confirmable with it. This was reflected in the donor willingness to harmonise and align aid flows in support of the national budget as influenced by the Rome Declaration. This phase also marked MINECOFIN as a leading agency and custodian for external resource mobilisation and management, including championing dialogue with development partners.

Phase II: The development period (2005-2010)

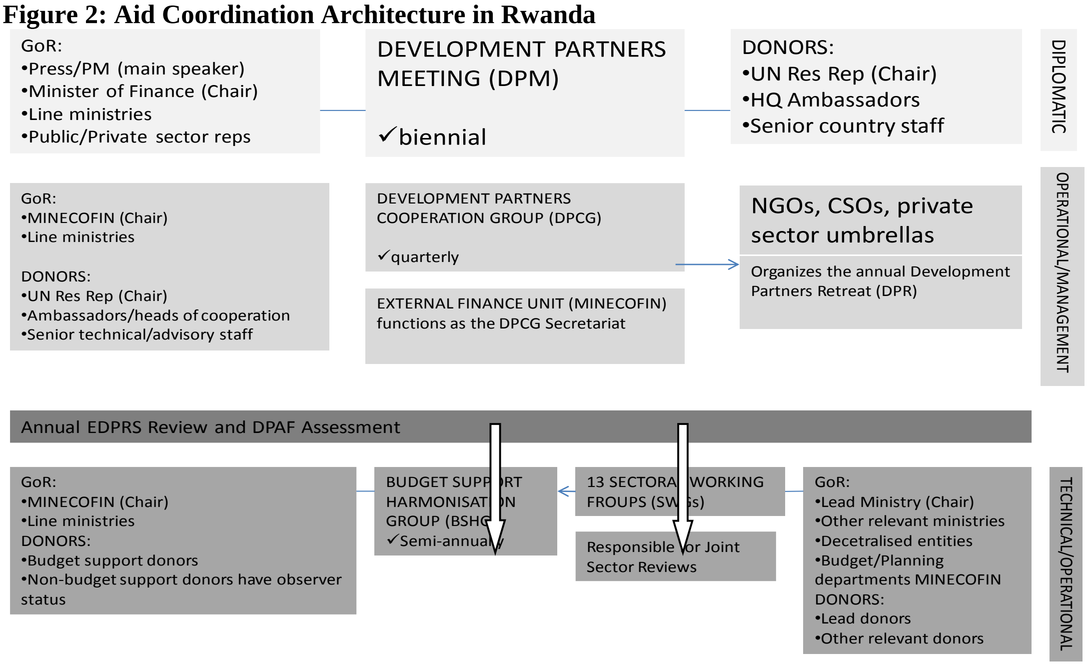
45. **The second phase was characterised by more formal aid coordination and management systems being introduced and put in place in support of external resource mobilisation mechanisms. This period marked the adoption of the Paris Declaration on Aid Effectiveness and its implementation at the country level. This entailed instigation of the Rwanda Aid Policy. The objective of external resource mobilisation was formally introduced and mechanisms to improve the coordination were setting in.**

Table 3: Phase II (2005-2010): Key Aid Coordination frameworks and activities

Aid Coordination framework	**Aid Coordination and management activity**
Paris Declaration on Aid Effectiveness	Producing and domesticating the agreed frameworks as per Paris Declaration on Aid Effectiveness Formal institutionalisation of DPMs, DPCGs, the annual Development Partners' Retreat (DPR) Development of a sophisticated Donor Performance Assessment Framework (DPAF)
Rwanda Aid Policy	With proof of watershed, strengthened aid management Gov't ownership of the development agenda was strengthened and a framework by which to hold development partners to account set in External Finance Unit established within MINECOFIN focused more on high-level policy dialogue with donors
EDPRS I	Biannual reporting on key indicators (individual line ministry matrices, national results and policy matrix, CPAF, DPAF) was a basis for seeking more donor harmonisation Sector public expenditure reviews further strengthened support by donors

46. **Phase II involved efforts to formalise aid coordination and to improve its management by embracing the 2005 Paris Declaration on Aid Effectiveness. Objectives included taking advantage of the Paris Declaration to put aid effectiveness firmly on the ground and develop agendas of both the government of Rwanda and the Development Partners (DPs).** The DPM that was already in existence was further structured and institutionalised to strengthen aid effectiveness. This is reflected in Rwanda's Aid Coordination Architecture (see Figure 2) below, in which two things are important to note: 1) the annual Development Partners Meeting (DPM), which initially grew out of foreign-held donor round tables (mainly in Geneva) was instituted in 2000. The 2010 DPM was the 9th version (recently it has become biennial). The DPM is the high-level gathering of senior GoR and DP officials where policy priorities and funding needs are discussed, and 2) the main forum for dialogue on the ground is the monthly (since 2007, quarterly) Development Partners Coordination Group (DPCG) established in late 2002.

Figure 2: Aid Coordination Architecture in Rwanda



SOURCE: Adopted from ODI, 2012

The Rwanda Aid Policy followed the Paris Declaration on Aid Effectiveness and sought internal restructuring in order to better coordinate and manage external funding as well as internally mobilised resources. For example, in 2005 the GoR moved the responsibility for external resource mobilisation and aid coordination into the newly formed External Finance Unit (EFU) within MINECOFIN, leaving CEPEX with only project management to deal with. This was a reflection of the GoR's wish to focus more on high-level policy dialogue with donors and the need for a dedicated structure for this within MINECOFIN - whereas CEPEX had always focused more on project management. In the wake of the 2005 Paris Declaration a push also came from DPs as they funded the Aid Coordination Unit (ACU) through a basket fund, administered by Tthe United Nations Development Programme (UNDP), providing financial support and funding technical assistance (TA) that quickly started working closely alongside the EFU on aid effectiveness issues. UNDP's support and that of development partners for aid effectiveness in Rwanda has continued till to date and UNDP has seconded aid effectiveness experts to the EFU throughout this period.

47. During this period the GoR, supported by the ACU, started work on the Rwandan Aid Policy (RAP) - endorsed by the Cabinet in July 2006. The RAP (see Box 1 for main features) is a statement of the GoR's position on aid and DPs, all signed up to the RAP's principles. The Aid Policy confirmed MINECOFIN's lead in managing aid and guiding the GoR's partnership with donors and provided a clear institutional framework across all government entities. It also helped in developing Rwanda's mutual accountability framework - details of which can be found in the briefing note "Rwanda's mutual accountability framework". 2005 also saw the start of another very useful institution: the annual Development Partners Retreat (DPR). The DPR has proven to be very valuable as a way of building relationships between senior GoR officials and senior DP staff by discussing topics of importance to both DPs and the GoR in an informal setting. The DPR takes place outside of Kigali and typically lasts a couple of days. Moreover, in 2005, EFU received support for setting up the Development Assistance Database, which provided much needed information on donor-funded activities in Rwanda.

48. More and clear implementation of RAP was better under **EDPRS 1 (2007-2011) and the EDPRS 1 integrated Vision 2020 targets and the MDGs into its M&E system, thus institutionalisation of where the GoR wants to achieve.** This aligned M&E at national, sub-national and sectoral levels. The alignment of M&E across government was assisted by coordinated national, sectoral and district strategies, in addition to the MTEF budgeting framework. **The EDPRS 1 improved linkages between strategy, planning and budgeting, which aids more effective monitoring and underpins accountability on both the GoR and the DPs side.**

Box 1: Rwanda's Aid Policy (Based on MINECOFIN, 2006)
The Rwanda Aid Policy (RAP) is the guiding framework which sets out GoR's wishes to see the country's aid architecture develop. It outlines the GoR's preferences in terms of the type of aid it wishes to attract and the processes to be used in the management of external assistance.

The RAP Clarifies the GoR's Position:
Aid Preferences: General budget support (GBS) is preferred, followed by sector budget support (SBS) and project support. Stand-alone projects must be on-budget and on-plan. Pooling of project funds is encouraged.
Assistance to Decentralised Entities: Is to be channelled through the national budget or through the Common Development Fund to make sure that benefits are shared more equitably among Districts.
Sustainable External Debts: The GoR seeks more assistance in the form of grants. If loans are to be accepted they must be highly concessional.
Vertical Funds as Concern: Vertical funds tend to be off-plan and off-budget and are thus a concern for the GoR. The GoR will develop guidelines on the management of such funds.
Preference for Joint Missions and Analytical Work, and Delegated Cooperation: These reduce transaction costs for the GoR and donors.

The RAP Clarifies the GoR's Position:
Aid Acceptance: The GoR will refuse aid if the aid is not sufficiently aligned to the GoR's priorities or if there are excessive conditions tied to receiving the aid.
Clarification of Division of Responsibilities for GoR Agencies: Line ministries retain technical ownership of their development activities.

It Places Expectations on DPs:
Increased Alignment: Assistance is offered in a way that meets the needs identified in the GoR's strategic plans rather than being donor-driven.
Technical Assistance: Technical assistance is provided in a coordinated manner through national systems. It includes mechanisms to ensure the transfer of knowledge.
National Monitoring and Evaluation System: The GoR encourages donors to use such systems to reduce the burden on both donors and government.
Data on Aid Flows: Data is collected from DPs in a structured manner using the Development Assistance Database (DAD). This information is made public.
Coordination: Donors and the GoR work together to avoid duplication or crowding in certain

49. **Preparation of an annual report on Official Development Assistance to Rwanda**. Since FY 2009/10, the External Finance Unit of MINECOFIN has been responsible for producing the Official Development Assistance (ODA) report. The report captures aid flows to the country from both OECD/DAC and non-OECD/DAC countries and institutions. It is, also, the basic reference report, among others for the Development Partners Coordination Group (DPCG) meetings, in which the GoR engages with the donors, NGOs/CSOs and the Private Sector.

50. The EFU is also responsible for managing the Development Assistance Database (DAD) within MINECOFIN, but the responsibilities of reporting aid information lie with Development Partners. The DAD currently records commitments and actual disbursements for each project/programme externally funded by DPs. As mentioned earlier, the DAD was established in 2005 with support from ACU/the basket fund on aid effectiveness and is one of the key tools in strengthening the transparency of international development assistance and mutual accountability through the reporting on key DPAF indicators. DAD is a powerful, web-based database for tracking and analysis of aid flows and is used by MINECOFIN and the partners, NGOs/CSOs, researchers, media and the private sector. It is accessible at https://dad.minecofin.gov.rw/#.

51. With this database, the GoR aims to achieve a more effective, efficient use of Official Development Assistance (ODA) that it receives. Namely,

- maximize effective management of ODA in the most transparent ways and enforce the mutual accountability;
- improve planning for poverty reduction strategies, macroeconomic management (including development budget predictability) processes;
- improve analytic reporting, including periodic M&E results;
- strengthen government budgeting systems and donor databases;
- lower burden on government structures and improve service delivery.

52. **Before the EDPRS 1 and the adoption** of the Aid Policy by the Cabinet, progress on aid management had been mostly ad-hoc. But under the EDPRS 1 and RAP, there was much more institutionalisation of the objectives of the GoR in pursuing its partnerships with DPs and the aid management mechanisms and processes to be followed..

EDPRS 1 and introduction of a new donor-harmonised structure

53. **The EDPRS 1 M&E system integrated budget support considerations through the Common Performance and Assistance Framework (CPAF) and the DPAF.** These were the two new additions to the aid coordination and management in line with Paris Declaration best practices. The first gave a subset of key indicators linked to budget support disbursements whereas the latter provided a framework for M&E of donor performance.

54. **The CPAF was crucial for securing external budgetary support financing and provided a strong link between impact (poverty indicators) and inputs (budget support funding).** This was an aid coordination tool for joint performance assessment between the government and budget support development partners. The CPAF was the basis for budget support disbursements, developed in 2009 and used for joint monitoring of the government's

2010 programme. It also acted as a subset of the government's monitoring framework for the EDPRS 1. The CPAF included 47 indicators selected from sector indicators (3 on macro economy; 11 on business environment; 10 on health; 4 on education; 3 on poverty and 16 on good governance). Data sources were multiple: sector information systems (e.g. Health Information Management System (HMIS) and agricultural crop assessments); MINECOFIN fiscal data; and *Imihigo* reports and surveys.

55. **The DPAF, on the other hand, extended an opportunity to assess donor performance.** It is based on the Paris Declaration indicators matrix and is designed to facilitate monitoring efforts and outcomes against donor commitments. It includes more than 20 indicators, measuring performance in the following six areas:

- Financing national strategies in support of the MDGs and Vision 2020;
- Use of national systems and institutions for strengthening ownership sustainability and reduced transactions costs;
- Facilitating longer-term planning and implementation through predictable development financing;
- Reducing transactions costs and strengthening of partnerships through the adoption of harmonised approached;
- Streamlining delivery at the sector level through effective use of comparative advantage (Division of Labor);
- Budget support provided in a manner that enhances ownership and predictability and reduces transaction costs.

56. **The annual Donor Performance Assessment Report** prepared by EFU provides the aggregate and individual donor results based on the past fiscal year. It is a transparent way of monitoring progress against the development effectiveness indicators and supports the mutual accountability dialogue between GoR and DPs.

In conclusion, Phase II was a period of implementing lessons learnt and building on systems and capacities. This resulted in a more coordinated aid management and the GoR took firm control over the management of external aid flows and there was more negotiated space to ensure alignment with a government-led development process.

57. The Aid Policy showed the advantage of having an agreed policy to which GoR could be held accountable. The Policy thus helped in developing Rwanda’s Donor Performance Assessment Framework (DPAF) - which focuses on the accountability of DPs and is considered international best practice.

58. **The Rwanda Aid Procedures Manual introduced procedures related to aid management and coordination ensuring that the Aid Policy was operational.** As such the manual brought the project aid modality to the fore and started a process within the GoR on
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Box 2: Rwanda's Aid Procedures Manual (Based on MINECOFIN, 2011)

OBJECTIVES

The main objective of the manual is to provide the GoR with procedures to guide and improve implementation of the RAP with the overall aim to improve aid effectiveness in Rwanda.

ORGANISATION

The manual is organised around a number of procedures. These appear in boxes and always include (1) a description of the task(s) to be performed, (2) the time-frame in which this task is to be performed, (3) which GoR institution carries responsibility for performing the task(s), and (4) which documents and other institutions should be consulted. An example is provided below:

Procedure 5: Investment projects to be recorded when they become ‘pipeline’

Task: All pipeline projects to be captured in the DAD.

Time-frame: within 2 weeks of a project becoming ‘pipeline’.

Institution: Public Investment Secretariat in collaboration with National Development Planning and Research Directorate and EFU

Consult: National Public Investment Policy, also NBU for links with Development Budget

Phase III: The sustained period (2011-2014)

The third phase was characterised by improving the existing aid coordination framework. It fell within the end-period of the EDPRS 1 and saw the setting-in of the medium strategic framework of EDPRS 2. This period also saw the slowed CPAF and a shift by bilateral donors from General Budget Support to Sector Budget Support and projects instead.

Table 4: Phase III (2011-2014): Key Aid Coordination frameworks and activities

Aid Coordination framework	Aid Coordination and management activity
EDPRS 2	Review sector performance against selected sector priorities/indicators, including district priority plans Joint Sector Reviews (GoR & DPs) reporting on key indicators (individual line ministry matrices, EDPRS 2 core indicators, national results and sector indicators'/policy matrix, SBS, DPAF) as a basis for seeking more donor harmonisation and DoL. Held twice a year – backward- and forward-looking.
SPIUs and TSA	The GoR launched two reforms aimed at improving project implementation, namely the SPIUs and the TSA.
Enlargement of EFU's mandate	EFU's mandate encompasses the mobilization of other sources of external finance than aid, such as private finance

59. The Single Project Implementation Unit (SPIUs) came as a result of both the Government of Rwanda and its Development Partners wish to continue to accelerate the efforts to further streamline the most effective way in which aid is provided to Rwanda and enhance its utilization for maximum development impacts. Thus, the SPIUs were meant to remove the challenges associated with project implementation units and replace this with a SPIU in all public institutions. With the SPIUs in place, all domestic and external projects are managed under the SPIU. This move has further enhanced harmonisation and simplification of project implementation procedures as well as reporting, and strengthening of project management

function for both externally and internally funded projects. Moreover, the additional advantages are that the SPIUs mechanism will facilitate better coordination and oversight, and reduce transaction costs through shared functions of finance, procurement, monitoring and evaluation.

60. The other constructive initiative by the GoR to improve cash management and effective utilization of external resources has been the implementation of the Project Treasury Single Account (TSA). The TSA was meant to enable real-time consolidation of external resources information to the main Government TSA. The Government of Rwanda convened technical meetings to further discuss the mechanisms of the Project TSA, and MINECOFIN has discussed with all Development Partners as well as sector ministries to identify projects to pilot the Project TSA. MINECOFIN recently held a one day workshop for all project coordinators and their accountants as a final phase of consultations. MINECOFIN has also shared with BNR the bank accounts to start within the pilot phase. MINECOFIN and BNR will sign a Memorandum of Understanding (MoU) regarding the exchange rate issues to kick start the launch of the selected project accounts into the TSA..

61. The SPIU and TSA reforms show the desire for DPs to see the Paris Declaration donor commitments on country systems implemented and signalling that the GoR takes use of its own systems very seriously.

62. **The Division of Labour (DoL): was proposed in 2008 but its implementation started after 2010. The main objective was to enhance the quality of development cooperation through the reallocation of aid across sectors.** With the DoL, the Government has taken a leading role in defining the parameters and principles of DoL as well as managing the negotiation process. The formulation of the DoL is such that the DPs in Rwanda observe the principle of the maximum 3 active sectors per donor. This entails redistribution of aid across sectors in line with the national priorities articulated in the EDPRS II, whilst observing the neutral impact on total aid volume. The optimal utilization of the delegated cooperation/silent partnership agreements is encouraged in order to allow for a phased approach in which a given donor could continue to support a more than 3 sectors in the medium term, while taking steps to streamline its portfolio.

63. So far, the DoL implementation has registered the several benefits as reported by both Government and donors (ODA report, 2013), as follows:

- Congestion is decreasing in some previously over-crowded sectors such as health.
- More time and attention is invested in focus sectors, for example in terms of policy dialogue.
- Line Ministries are experiencing reduced transaction costs due to having fewer donors and fewer small, bilateral initiatives to deal with.
- Sector Working Groups are becoming easier to manage as the number of individual donors represented in them decreases.
- New partnerships are being established between donors, for example for sector budget support in silent arrangements.
- Firewall mechanism for DPs to resist fragmentation pressure from their headquarters in the form of requests to take on additional sectors or initiatives now that they have a signed agreement with Government to concentrate on certain specific sectors.

64. The EDPRS II **(2013-2018) is an important framework for** aid coordination in Rwanda. It is the main planning tool for mobilization of external funding and underpins the development results and forms a basis for dialogue between GoR and the DPs. The **EDPRS2 Results and Policy Matrix (R&PM)** summarises the key EDPRS 2 indicators from all sector matrices and is used by government and stakeholders to monitor national development towards EDPRS2 goals. The DPs have also relied on other sources, particularly the first and second Public Expenditure and Financial Accountability (PEFA) assessments (2008 and 2010) as a basis to evaluate the progress with the public financial management (PFM) system.

65. **With DPs' recent shift from General Budget Support (GBS) to Sector Budget Support (SBS), the Sector-Specific EDPRS Matrices are becoming area of focus by parties.** This way, each line ministry has an EDPRS2 logframe and indicator matrix for M&E, including policy action. These are used by government and DPs (stakeholders) to monitor sectoral development and would trigger external assistance, where applicable.

66. **The EDPRS2 still makes use of the Donor Performance Assessment Framework (DPAF)** as a mechanism for assessment of donor performance alongside that of the government.

67. **In the absence of CPAF, the Joint Sector Reviews (JSRs) have been paramount as a method of discussing technical issues with sector experts (governmental, donors, private sector and CSOs).** These are held twice a year and feed into the national budget review. The Joint Sector Reviews provide space for dialogue on performance and policy with all relevant stakeholders, GoR and DPs.

68. **Additionally, the Sector Working Groups (SWGs) have been strengthened under the EDPRS2 regime.** The SWGs were created to develop Sector Strategic Plans (SSPs) to feed into the EDPRS2. SWG structures were retained to monitor strategy implementation and measure its impacts. This provides sector-specific knowledge to be utilised in fine-tuning the implementation of the EDPRS2 and coordinating stakeholders' views and ensuring alignment with needs of sector budget. **Overall, the SWGs provide a forum for sector-specific expert views which makes strategy and sector spending more effective. The introduction of the Division of Labour (DoL) has helped focus donor involvement and reduce the burden on weak capacities. It will also ensure that all sectors are covered by donors, i.e. sectors that were previously neglected will gain attention.**
Another development in this period was the enlargement of the mandate of the EFU to seek external finance not only from public but also private sources. In this regard, EFU has been working on a number of initiative to map private sector financing options, engage with philanthropic organizations or undertake in-depth analysis of remittances to Rwanda.

In conclusion, Phase III, including aid coordination in Phase I & II, show that it is possible for a recipient government such as GoR to take firm control over the management of external aid inflows and that there is more negotiating space to make DPs follow the government lead.

Lessons learnt for developing countries and individuals who seek to learn from Rwandan experience

69. This final section identifies best practices as experienced in Rwanda which could be replicated in other developing countries. Influential aid coordination and management activities are listed below in sequence. Sequencing is important for aid coordination and management as the processes need to be built on. As initial reforms are implemented, learning by doing has beneficial effects and makes the next improvement easier to manage.

70. This section retains the three phase' format for continuity and to identify changing requirements over time; i.e. as a developing country evolves towards a more peaceful sustainable economic environment, allowing forward-looking planning and more balanced aid management systems. This assumes a development of the socio-political environment as follows: intervention Phase (stability setting in and looking forward to grow the economy); Developmental Phase (prolonged stability and developmental state); and Sustained Phase (building on the experience gained and improve more with confidence).

71. **Intervention Phase: Build on existing capacities and set realistic objectives for attracting external resources**

Key challenges to attracting donor funds during this phase, in Rwanda and other developing economies (some fragile states), are lack of capacity, general lack of organisation and of resources. In addition, creating effective aid coordination mechanism will most likely not be a top priority of the state. Therefore, it is beneficial to embrace simple internationally recognisable systems that can be quickly implemented despite limited capacity. External partners can offer TA to build capacity and support the emergence of an aid management champion with the government needed to spur the development of further aid coordination activities.

Lesson 1: Build on existing capacities

72. **Initial aid coordination activities conducted in Rwanda built on existing systems and capacities and, throughout the process of building aid coordination systems up to now, blocks have been built out from the transformation – merger, role changes – of existing entities and systems rather than created ex nihilo.** Major reforms have been implemented not only to exploit existing capacity but also to create new synergies and expand the scope of intervention of relevant institutions. The building of Rwanda's institutional structure and capacities to coordinate and manage external resources illustrates this approach:

73. Implication of local staff in dealing with activities conducted for the World Bank and IMF, using existing capacities and facilities within MINECOFIN (and its agents) and working with returnees with relevant expertise who fled during the conflict and practiced their profession abroad.

- The CEPEX was built from Public Investment Projects' management team and external finance management agencies from the Ministries of Finance, Planning and other GoR ministries with a view to strengthening coherence among aid management activities. This also offered the opportunity to exploit synergies between existing capacities and to retain institutional knowledge within new entities while improving the overall organisation.

Lesson 2: Cultivate an aid coordination and management leader

74. **Successful external financing activities require leadership: in the initial stages, it is important to begin developing a strong leader who can act with authority to coordinate other agencies.** Leadership is important to coordinate and gain respect for, and adherence to, donor requirements. In Rwanda's case, the 'natural' leader was the Presidency supported by a technical champion, MINECOFIN. MINECOFIN was able to enhance its position early on with support and TA from donors (in particular the Bretton Woods Institutions). Its capabilities rose at a faster pace than other agencies, giving it the technical superiority for coordination, along with administrative authority. The President's Office was a strong overseer and check for this.

75. **The emergence of a champion such as MINECOFIN in Rwanda has several advantages, including the possibility to concentrate initial efforts on one single institution at the start before extending reforms to others.** This can help streamline standards as the ground for partnerships with donors is rolled out, since initiatives are sourced from one government expert. This in turn reduces the opportunity for competing systems to emerge.

76. **However, the ability to cultivate strong leadership will vary depending on the specific country context.** In all aid recipient countries there are peculiarities in each instance which may limit or propel the development of benevolent and effective leadership for donors to trust. The Genocide and civil war have a specific historical relevance which has resulted in a regime which has strong respect for the authority of the President. Strong donor support and focus of media following the war have also created incentives to make of Rwanda a success story, which had to be underpinned by actual numbers and results.

Lesson 3: Take advantage of the Bretton Woods Institutions

77. **In immediate post-conflict periods, the IMF and World Bank can provide the necessary convening power**. Both the IMF and the World Bank have experience working in post-conflict states and can assist in identifying short-term priorities in emergency situations. In Rwanda's experience this was effective in grounding initial reporting needs. The IMF funding requires reporting on basic macroeconomic fundamentals. This contributed to the re-emergence of core government functions as a priority for TA. The World Bank provided a coordinating role for other donors for other areas of priority funding. These required basic financial input and output reporting. This overcomes short-term M&E needs for donors to trust the government in reporting skills and prioritisation. Additionally, as the Bretton Woods Institutions are respected internationally by other donors, compliance with these reporting requirements will provide an initial catalyst for donor harmonisation. Thus, **the use of Bretton Woods Institutions and other multilaterals may** assist in the development of a champion for aid coordination activities.

Lesson 4: Take advantage of international decrees to domesticate policies and build ownership

78. **The Rome Declaration on Harmonization and the Paris Declarations on Aid Effectiveness were the foundation upon which to construct an environment for aid coordination and management framework.** The Rwandan government did not shelve the recommendations of these global agreements but rather steadily took advantage of them to make sure that the commitments were implemented gradually. Even when the capacities fell short, TA was sought to make it happen. For example, TA was very instrumental in developing the Rwanda Aid Policy and the Aid Manual of Procedures, which clearly defined the stakeholders' role in creating a policy environment for donor support.

Lesson 5: Encourage donor harmonisation

79. **Early steps towards donor harmonisation have great benefits in lowering government information burdens and transactions costs and paving the way for future alignment of government and donor procedures.** Donors are generally at the origin of setting priorities in the aftermath of the conflict, for their own planning and reporting purposes. If government can be consulted on priorities, donor coordination should focus on these areas. This could be achieved through dialogue with the Bretton Woods Institutions or the government champion. In Rwanda, meetings with donors in a single forum with government significantly reduced burdens on limited government capacities over the short term. In the longer term, the habit of shared dialogue has had a positive impact on the evolution of aligned aid coordination culminating in the joint endeavours of the EDPRS, DPAF and JSRs.

80. **However, donors need to ensure their own practices do not overburden limited local capacities or undermine local efforts to build aid management capacities by imposing additional frameworks and requirements.** At a minimum, they could agree on a joint donor M&E framework rather than ask for specific monitoring datasets. Coordination among donors may be easier to implement than working alongside a post-conflict government where aid coordination is not a top priority. Thereafter, discussions can be taken up with government and a joint donor forum with a view to streamlining their own aid management needs into the national systems.

81. **Donors also play a crucial role in contributing towards building local aid coordination and management capacities, which would be more effective if harmonised.** Coordinated TA must be a priority for developing economies where skilled staff is limited. Greater attention to coordination to ensure standardised quality and to reduce duplication of efforts can bring about more effective results. Moreover, alignment can offer a greater level of sustainability. A joint basked fund was set up for providing coordinated support to EFU/MINECOFIN and managed by UNDP and MINECOFIN starting as early as 2004 and to date. Another example is the setting up of a joint basket fund for PFM reforms and training.

82. From Rwanda's experience, it is also noted that key challenges in bringing about reforms are to create baseline information to underpin the choice of an appropriate longer-term development strategy. This requires a substantial investment in statistical surveys as has been the case in Rwanda. Indeed, to be able to monitor performance and evaluate the effectiveness of policies funded and implemented it is crucial to have good indicators to target and measure performance against. Again in this phase, resources (financial and human) will be limited and external assistance required.

Lesson 6: Obtain a statistical baseline to develop effective monitoring indicators

83. **Statistical surveys provide crucial information, such as an understanding of the socioeconomic context for effective policy choices deserving external support.** Surveys such as a Census (information on population) and one measuring livelihood conditions (EIVCs) give a geographical and demographic breakdown of the population and its characteristics. These were very important and proved invaluable in Rwanda, as good statistics provide guidance for defining suitable policies to address citizens' needs and potentially target areas or population groups to allow for poverty reduction goals that the donors are interested in. Also, statistics provide a consistent baseline across sectors and regions, often lacking in struggling economies, allowing for a more harmonised system to evolve.

Lesson 7: Align donor assistance with national priorities and strategies to ensure ownership and sustainability

84. **In Rwanda, external funding was shaped to contribute to the state-building agenda and to enable the state to conduct its core functions.** This included PFM, service delivery and contribution to re-establishing state legitimacy through strengthened accountability mechanisms between the state and its citizens. In other words, aid coordination needs to feed into national priorities to ensure ownership, usage and thus sustainability of aid management.

85. **Donor support activities should be designed to support national priorities and strategies to ensure the relevance of aid funds and thus their use. This will in turn strengthen ownership and sustainability of aid.** As shown by the experience of Rwanda, the PRSP was the central tool in the mobilisation of external funding. Other policy tools such as decentralisation policies were in place and formed a major axis for reform to address the causes of conflict in the country. Despite the lack of perfection in the implementation of this process in Rwanda, the lessons for other countries remain valid. PRSP monitoring indicators were developed as an accountability tool between the GoR and DPs to inform allocation of responsibilities (including budgets). Indeed, a major lesson for other countries is the importance of engaging, from the start with DPs to help build up capacities.

Lesson 8: Start from simple double-entry budget monitoring before expanding into a more sophisticated system

86. **Initial framework tools that bind recipient government should be kept simple to make them manageable by institutions constrained by weak capacities already taken up by other key priorities.** In Rwanda the budget provided a basic framework which filled this need. This began from annual budgeting, growing to a three-year rolling MTEF. The MTEF fosters a culture of planning, defining targets and measuring performance throughout government, and provides a good basis for future M&E improvements. It introduces good practices for monitoring and can be used as a simple learning tool to understand basic principles useful to attracting external funding. Simple budget tracking systems can start at sector level on inputs and outputs around a selected number of key indicators, and over time this can come

into line with the national development strategy and targets relating to results and impacts as the case is for Rwanda.

In sum, activities in Phase I generate a baseline set of information, which has a solid statistical baseline, targets linked to suitable country-specific strategies and measurable inputs based on the budget system.

Development Phase: Gradual improvement of the aid coordination through solid programmes to increase use for policy design and planning

87. The key challenge in Phase II is to continue building on skills levels while developing and maintaining a streamlined aid coordination practice with results-based aid management in an environment of rising levels of complexity and varying skills.

Lesson 9: Engage donors while deepening the mutual accountability framework

It is crucial to advance aid coordination and management while streamlining accountability throughout government. In Rwanda, development strategies such as the EDPRS, to align monitoring indicators that bind the government and make donors harmonise their systems for better delivery of their commitment, such as under the DPAF. The alignment of the more complex EDPRS M&E system, which underpins agreed targets across government, was made easier through the use of the SWGs. These aligned sector targets with national targets, including indicators, matrix templates and reporting. The SWGs also coordinated meetings for sector stakeholders to discuss results and feed priority issues to the national level. These fora have been very effective in opening technical dialogue at the sector level while keeping high-level forums for more strategic discussions. With technical discussions on performance carried out at the sector level, there was greater specialist debate to identify challenges and solutions at this level. Additionally, the aid coordination structure was designed to take strategic priorities to high-level meetings – the DPCG, DPR and DPM fora. This ensures that these fora are not overburdened and that more time-effective discussions take place. This will lead to less frustration as donor engagement and dialogue will not become a time-consuming chore but instead will be more focused on commitments and sector-specific issues at one level and national priorities at another. This needs to be adequately dealt within a country-specific structure of aid coordination.

Lesson 10: Move towards increased analytical work and evaluation as capacities are built up

88. While analytical work and evaluations require more advanced skills compared with basic monitoring of inputs and outputs, they are particularly important in the context of fragile states, where impacts of policies and programmes on state and peace building should be well understood to inform future interventions and sustain progress towards increased political stability and state effectiveness. Yet, as is the case in Rwanda, the focus on analytical work can be brought once a threshold level of M&E capacities has been reached, which can take quite some time. In Rwanda's experience, emphasis was given to monitoring in the early periods and it was difficult to focus on evaluation until this late stage. Thereafter, attention was drawn to

designing SMART indicators and effective M&E matrices. Systematic evaluation needs continued government-led incentives (for example carrying out and utilising public expenditure assessments) to make a truly results-based M&E system work for strategic policy decisions. **Strong leadership and the emergence of M&E champions at an early stage are crucial to pave the way and ensure sustained efforts towards full-fledged M&E activities, including analytical work used for policy design, planning and budgeting.**

By Phase III, aid coordination and management activities can begin to look more like a sustainable system, if the foundations from Phase I and II are built upon. However, further leadership efforts will be required to continue to develop and maintain an effective system and pursue efforts to expand the partnership base and reach out to non-traditional donors and new development actors such as foundations, private sector, CSOs and NGOs

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