Rwanda – An Example of Country Leadership in Division of Labour

Background: Rwanda, a small central African country, in the mid 1990s emerged from a profound crisis (genocide) after which there was a high but often uncoordinated influx of emergency aid and development cooperation. Realizing the resulting high transaction costs, Government of Rwanda promoted Development Partner coordination and alignment. Due to strong country leadership, by 2010 Rwanda has emerged as what is widely considered a success story in national development and aid effectiveness – although Rwanda is still classified as LDC and HIPC country and more than 50% of the national budget continues to depend on aid. Division of Labour (DoL) is an important aspect of the promotion of greater harmonization and alignment of donors with national priorities, PD principles which are emphasized in Rwanda´s 2008-2012 Economic Development and Poverty Reduction Strategy (EDPRS).

DoL Process: In 2008, a "donor mapping" showed that Rwanda´s over 30 development partners (DPs) were not adequately distributed across sectors considering EDPRS targets: there was overcrowding of some sectors yet under financing of others like Transport & ICT or Manufacturing & Services. Also, the Government of Rwanda (GoR) faced high transaction costs e.g. for attending donor missions through its well institutionalized aid coordination and management system led by the Ministry of Finance and Economic Planning (MINECOFIN). Based on the mapping results and a DP self-assessment & peer review of their comparative advantages, GoR developed a DoL proposal which was presented to DPs in early 2010. Taking as reference the EU CoC, the key principle of the proposal was the limitation of all DPs to up to three sectors. These sectors were proposed by the government based on a number of criteria for DP selection. GoR allowed for delegated cooperation/silent partnership agreements to facilitate adjustments. After intensive discussions and also bilateral negotiations, the DoL proposal was endorsed by 15 major DPs, including four non-EU bilateral and three multilateral DPs in July 2010 and later also by all 16 UN agencies active in Rwanda.

Results: While the DoL agreement is too recent to expect much impact on actual disbursements of donor contributions, and all parties agreed on a transition period (2010-2012), the DoL process has contributed to a much better dialogue between MINECOFIN and DPs about national priorities and EDPRS implementation. Some DPs have already started to shift their engagement, also by moving to budget support. Monitoring the implementation and effectiveness of DoL and, if and where necessary, corrective action will be crucial for sustained success.

Lessons: Key success factors were

- Strong country leadership in presenting and negotiating a coherent GoR proposal with clear deadlines. This also made it easier for in-country DP representatives to obtain HQ clearance for the requested adjustments.
- A well-established and effective aid coordination and management system operated by MINECOFIN´s External Finance Unit, including a Development Assistance Database (DAD) and an annual Donor Performance Assessment Framework (DPAF).
- Strong EU support (from HQ and field offices) for the DoL process

In addition, the following characteristics of the DoL proposal made it pragmatic and flexible and therefore easier for DPs to accept:

- DoL excludes GoR´s most favored aid modalities, budget support and basket funds, "exceptional expenditures" like emergency assistance as well as support to NGOs and private sector entities, thus considerably reducing the amount of aid and activities included in the DoL exercise.
- DoL will actually be implemented after the transition period under new development cooperation frameworks and not affect ongoing programs, i.e. there is a gradual phasing out.
- In cases of DP that are reluctant to withdraw from a sector, silent partnerships via delegated cooperation have been accepted by GoR under the motto "You can be felt without being seen."

Challenges both during the DoL process and looking towards the future include:

- Within Rwanda, MINECOFIN claims the need for macro-level sector allocations vis-à-vis independent sector or line ministry allocations; this continues to be debated.
- Despite international commitments to the contrary (at least at EU level), some DPs voiced the risk of reduction of their total aid volume as they were to move out of certain sectors, given rather fixed priorities of their HQs due to international and national commitments and thematic and sectoral budget lines.
- Another challenge during the DoL process were different sector definitions used by GoR and DPs; also, GoR reduced the number of sectors from 15 to 13, which made it more difficult for DPs to be present only in three. Finally, OECD DAC fragmentation analyses will not necessarily reflect progress in DoL due to the standard sector definition used which is in part different from Rwanda´s.
- A concern both within GoR and among the DPs involved is the growing number of "new donors" including "vertical funds" active in Rwanda which keep adding to proliferation and fragmentation.

Sources: Presentation by Ronald Nkuzi, MINECOFIN, at the Regional Workshop on Country-Led Division of Labour, Anglophone Africa, Uganda, Sept. 28-29, 2010 and background documents.