Annex 6

Rwanda – An Example of Country Leadership in Division of Labour

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Background: Rwanda, a 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, based on its 2006 Aid Policy. 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 plus peer review of their comparative advantages, GoR developed a DoL proposal which was presented to DPs in early 2010. Taking as reference the EU Code of Conduct on Complementarity and Division of Labour, the key principle of the proposal was the limitation of all DPs to up to three sectors. These sectors were proposed by GoR 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 DP contributions, and all parties agreed on a transition period (2010-2012) as DPs complete existing initiatives and commitments, according to a recent EC consultancy, several benefits of the DoL process have already been reported by both GoR and DPs:

- Congestion is said to be decreasing in some previously over-crowded sectors such as health.
- Some DPs report both an improvement in the impact of their work and a decrease in the time spent on administration due to focusing on fewer, larger initiatives.
- GoR representatives report that DPs working in fewer sectors are showing a tendency to invest more time and attention on these sectors, for example in terms of policy dialogue.
- Line ministries are experiencing reduced transaction costs due to having less DPs and fewer small, bilateral initiatives to deal with.
- Sector Working Groups are becoming easier to manage as the number of DPs represented in them decreases.
- New partnerships are being established between DPs, for example for sector budget support in agriculture.

- Some donors report that they are in a better position 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 GoR to concentrate on specific sectors. This has led to fewer but larger projects in their portfolio and can contribute to more development impact in the future.

Lessons: Several factors have been highlighted by both GoR and donors as key to the success of the DoL process in Rwanda:

- Strong GoR leadership that has driven the process and ensured national ownership. This has extended up to the Head of State level and ensured buy-in across GoR.
- 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). This implies that line ministries no longer "lobby" donors for financing as donors´ assignment to sectors is pre-defined.
- Strong EU support (from HQ and field offices) for the DoL process.
- A culture of delivery and accountability that is already well established in Rwanda, with GoR and DPs accustomed to being publically called to account for progress on promises.

In addition, the following characteristics of the DoL proposal itself made it pragmatic and flexible and therefore easier for DPs, both a country and HQ levels, to accept:

- DoL excludes GoR´s most favored aid modalities, budget support and basket funds, and "exceptional expenditures" like emergency assistance.
- DoL will be implemented during a transition period and later under new development cooperation frameworks, i.e. there is a gradual phasing out.
- In cases of DPs 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 during the DoL process included:

- Within Rwanda, MINECOFIN´s claims with regard to the need for macro-level sector allocations vis-à-vis independent sector or line ministry allocations continued to be debated.
- Despite international commitments to the contrary (at least at EU level), some DPs voiced the risk of reducing 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 sector budget lines. This has been tackled by allowing special consideration for some donors like USA and Japan with legal and system wide constraints on flexible aid delivery channels.
- Different sector definitions continued to be 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.
- The private sector – which is highly regarded by GoR - has been excluded from DoL so that every donor can engage the sector without being constrained by DoL sector allocations. Civil society is not included in DoL since funding for CSOs is not considered as a preferred modality for aid delivery by GoR.

The recent consultancy reconfirmed that a number of challenges may be faced in taking the DoL process forward but also identified ways to deal with them:

- Close follow-up will be required to ensure that commitments are actually implemented as the transition period draws to a close. The commitment of GoR and DPs to establish a monitoring system embedded in existing mutual accountability frameworks indicates that this will happen.
- Fixed limits of three sectors per DP do not take account of the funding envelopes of each DP and may not provide an adequate means of tackling fragmentation. The proposed monitoring system will for example provide information on two important qualifying factors, namely the share of sector financing that the DP provides and the share of the DP's portfolio that its work in the sector represents.
- Some sectors may still be under-funded due to limited DP competence in these areas. GoR may consider calling on DP HQs to alert them to such instances and also exploring other funding options in terms of "new donors", global initiatives, etc.
- Some DPs have funding allocations that are sector-specific and therefore may find themselves unable to shift between sectors while maintaining the same overall financing levels. GoR may consider calling on DP HQs to alert them, highlighting the mismatch between their sectoral earmarking policies and their aid effectiveness commitments.
- DoL commitments may lead to one DP exiting a sector before another enters it due to different programming cycles and may therefore result in a funding gap. This has been recognized by GoR and DPs and will be tackled by the proposed joint programming initiative, as explained below.
- Some donor initiatives do not fit into GoR sector definitions. GoR may consider imposing stricter guidelines on DPs' programming in future in order to ensure that this aligns with national plans and sector definitions.
- Sectoral limits and ground rules have not been applied to non-traditional donors or global/vertical funds. GoR may consider rolling out the limits and rules to these DPs as a next step, given the increasing proportion of aid that is being channeled through them.

Next Steps

- Joint donor programming aligned to the GoR's planning cycle would allow GoR to plan both its own strategy and DPs' support to it at the same time, therefore significantly enhancing ownership and alignment. This could also considerably reduce transaction costs.
- Such an arrangement would allow GoR to ensure that the sector limits and ground rules it has set out are met. With all DPs planning at the same time, it would be a simple matter to check on adherence to these commitments. It would also facilitate the splitting of work in a complementary manner between DPs, ensuring that gaps and overlaps were avoided as well as preventing breaks between one DP exiting a sector and another entering it.
- A number of steps are currently under consideration to take forward joint programming in addition to requiring donors to align their planning cycles to that of GoR. These include utilizing Sector Working Groups to program all aid for the respective sector, restricting bilateral programming documents, and harmonizing analyses.

Sources: Presentation by Ronald Nkusi (MINECOFIN) at the Regional Workshop on Country-Led Division of Labour, Anglophone Africa, Uganda, Sept. 28-29, 2010; Rwanda Mission Report by Andy Benfield (Consultant for EC, Feb. 2011); background documents.