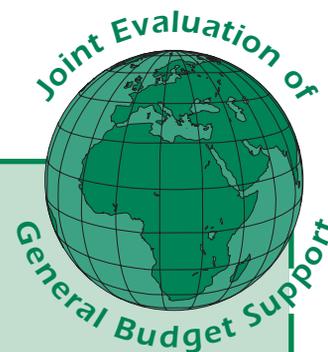


Partnership General Budget Support: Rwanda Brief



The Joint Evaluation of General Budget Support 1994–2004 was commissioned by a group of 24 aid agencies and 7 partner governments to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

This independent study was led by the International Development Department of the University of Birmingham. Its outputs are a Synthesis Report, and seven country case studies, for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.

Origins and organisation of PGBS in Rwanda

Rwanda's last decade has been dominated by economic recovery from the 1994 genocide, and a re-building of national institutions.

Four donors provided PGBS during the evaluation period. Other major donors did not feel political and governance conditions were appropriate for them to follow suit.

Formative influences in PGBS included:

- Arrangements for debt relief, and their consolidation under the Heavily Indebted Poor Countries (HIPC) initiative.
- The formulation of Rwanda's own development strategy – "Vision 2020", developed between 1998 and 2000.
- The Poverty Reduction Strategy Paper (PRSP) of 2002, which took this forward as a medium-term policy and planning framework.

The four PGBS donors were the UK Department for International Development (DFID), the Swedish aid agency (Sida), the European Commission (EC) and the World Bank (WB). They subscribed to the Partnership Framework for Harmonisation of Budget Support in Rwanda in 2003. (The African Development Bank joined this group in 2005.)

For DFID and Sida in particular, a key purpose of PGBS was to provide effective support to an ambitious but weak bureaucracy. They aimed to mitigate the burdens of project aid and nurture government leadership in policy development.

There were significant differences among PGBS donors in their approaches to dialogue, conditions,

performance assessment and disbursement.

How much PGBS did Rwanda receive?

Between 2000 and 2004, PGBS disbursements totalled USD 248m, rising to 26% of total aid flows (see Table 1).

Government informants saw PGBS as mainly a substitute for project aid. The donors believe that PGBS has increased total aid flows, since, taking account of their staffing constraints, they could not have disbursed as much through projects.

What were the benefits?

PGBS has been a response to perceived weaknesses of project aid. It has improved aid coordination, and harmonisation and alignment amongst donors.

PGBS added significantly to the external resources available. As it did so:

- It facilitated a steady increase in the share of "priority" spending in the

government budget (the government's defined priorities include, but are not limited to, obviously "pro-poor" spending).

- It enabled government to fund activities related to PRSP priorities such as "fee-free" primary education, reduced prices for critical HIV/AIDS drugs, and agricultural loan guarantees.
- It provided recurrent funding for rehabilitated and new service facilities, thus raising government spending efficiency.
- Government perceived large transaction cost savings compared with other modalities (but there has been little analysis of the trade-off between different types of transaction costs).

It also strengthened policy, planning and budgeting systems:

- With more discretionary funding, there are stronger incentives for government agencies to engage in the budget process.
- PGBS has improved general monitoring, reporting and accountability through systems and process development.

What is Partnership General Budget Support?

General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. Although the funds are not earmarked, they are part of a package which includes dialogue and conditions, technical assistance and capacity building, and donor efforts to harmonise their aid and align it with government strategies and procedures.

Partnership GBS emerged in the late 1990s to support national poverty reduction strategies. By channelling funds through national systems, it also aims to strengthen national planning and implementation capacity, increasing the effectiveness of all public expenditure, including aid.

Table 1: Partnership General Budget Support and Total Aid in Rwanda

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total ODA (actual) (USDm)	723	721	481	247	366	403	342	320	375	357	501
Total Partnership GBS disbursements (USDm)							14	37	33	34	130
PGBS as % total ODA (%)							4%	12%	9%	10%	26%
ODA as % GNI (%)	96%	54%	34%	13%	18%	19%	18%	18%	21%	20%	26%

- Accountability to PGBS donors complemented and strengthened domestic mechanisms and thereby enhanced policy learning.
- It strengthened government policy-making, partly by providing funding for new innovative policies. It also facilitated the involvement of national stakeholders in policy-making.

Poverty: The rebound after the genocide, time-lags, and a lack of consistent data series, make it hard to assess how much poverty reduction is attributable to public action (to which PGBS has contributed). On balance, taking account of both direct expenditures and other effects, PGBS has had a positive effect on the non-income dimensions of poverty reduction.

What were the drawbacks and limitations?

Although PGBS facilitated increased allocations for basic public services,

How did Rwanda compare with other countries studied?

Like Mozambique, Rwanda showed that PGBS could be successful where there was a commitment to improving public expenditure management, even if initial standards were weak.

In Uganda, Burkina Faso and Mozambique large numbers of donors participated in PGBS, and it became a focus of general aid coordination. In Rwanda, although, PGBS reached a similar share of total official aid, participation was limited by the different political perspectives of donors.

there are still problems in the efficiency of resource use.

Within-year predictability and timeliness of PGBS have been poor. This has also hampered service delivery.

Conditions are drawn more from government's own plans, but the government still sees some conditions as inconsistent with the principle of partnership.

The first PRSP focused more on service delivery strategy, and the economic growth agenda has only recently become more prominent.

PGBS review mechanisms are still being developed: it remains to be seen whether PGBS will be consistently and consciously improved over time.

Feedback to donors' home constituencies has been problematic for bilateral donors, especially at times of geo-political tension. This may partly explain donor interest in alternative aid instruments (including sector-specific support through the budget).

What was the evaluation's overall assessment?

PGBS in Rwanda has successfully channelled large flows of resources to the national budget to support the reconstruction and development agenda of the government in the short term, while empowering and building government capacity for the longer term.

The most positive results of PGBS in Rwanda have been:

- Additional external resources for the budget facilitating government spending on priorities, including the expansion of basic social services.
- Strong and effective support to public finance management system development.
- A strong effect in empowering central agencies. This provides a solid basis for further strengthening systems and capacities throughout government.

- Effective support to government leadership in aid management, through PGBS's own effectiveness as a modality and by setting examples for aid in general.

Prospects for PGBS depend on its ability to deal with four main challenges:

- To make PGBS more robust in coping with political and other uncertainties.
- To address the challenges of growth for poverty reduction.
- To strengthen accountability mechanisms throughout government.
- To strengthen government capacity, including decentralised capacity.

Main Recommendations

- Promote dialogue on Rwanda's long term development and the role aid (including PGBS) can play.
- Develop medium to long term commitments to PGBS.
- Strengthen the PGBS focus on capacity development.
- Adapt PGBS so that it simultaneously supports sector strategies, decentralisation and local development.
- Improve the definition of priority expenditures.
- Strengthen accountability throughout government systems.
- Clarify the roles that PGBS and other forms of aid can play in pursuing governance objectives.
- Strengthen feedback to donors' home constituencies.
- Strengthen learning and mutual accountability between government and donors.
- Promote systematic review of complementarity and trade-offs between different forms of aid.
- Systematically review transaction costs and seek to reduce them.

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The full report (and a longer summary) can be obtained from the OECD DAC website at: www.oecd.org/dac/evaluation or from the DFID website at www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp

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