



Joint Venture on Managing for Development Results

**Mutual Accountability at the Country Level
Rwanda Country Case Study
– Draft –**

Mutual Accountability at the Country Level

Rwanda Country Case Study

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The views presented in this paper are those of the authors and do not necessarily represent the views of the funding donors or the Joint Venture on MfDR

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Acknowledgements

This study has been commissioned by Germany on behalf of the Task Team on Mutual Accountability of the OECD-DAC Joint Venture on Managing for Development Results with funding from UK and Germany.¹ The work has been coordinated with the complementary review on mutual accountability at the international level being commissioned by the UK. The case study was only possible because of support provided by numerous individuals in government, civil society and donor agencies in Rwanda in the form of interviews, supporting documentation and comments on early drafts. Special thanks go to Wolfgang Ahrens in GTZ for help in coordinating the visit.

¹ The Task Team was co-chaired by Germany and the United Kingdom. Further members of the Task Team were: Austria, the DAC Secretariat, Ireland, the Netherlands, Spain, Sweden and the United States.

Acronyms

AAP	Annual Action Plan
ACU	Aid Coordination Unit
BSHG	Budget Support Harmonisation Group
CDF	Common Development Fund
CEPEX	Central Public Investment External Finance Bureau
COMESA	Common Market for East and Southern Africa
CPAF	Common Performance Assessment Framework
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DAD	Development Assistance Database
DoL	Division of Labour
DPAF	Donor Performance Assessment Framework
DPCG	Development Partners Coordination Group
DPR	Development Partners Retreat
EAC	East African Community
EC	European Commission
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit
EU	European Union
GBS	General Budget Support
GDP	Gross Domestic Product
JGA	Joint Governance Assessment
MA	Mutual Accountability
MDGs	Millennium Development Goals
MINECOFIN	Ministry of Finance and Economic Planning
MoU	Memorandum of Understanding
NGO	Non Government Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
RPF	Rwandan Patriotic Front
SBS	Sector Budget Support
SWAP	Sector Wide Programmes
UN	United Nations

Executive Summary

This review of mutual accountability (MA) in Rwanda is based on discussions with a range of stakeholders in Kigali held during 5-16th May 2008. It highlights key areas where positive progress is being made and obstacles encountered. It also identifies challenges for the future, recognising that mutual accountability is inseparable from other aid effectiveness principles, including wider commitments made by donors to provide 'more and better aid' - to which the government attaches considerable importance.

The review is circumscribed in certain important respects. It does not attempt to provide a comprehensive picture of development cooperation in Rwanda. It provides only a brief overview of the impact of Rwanda's political background and genocide history on the aid relationship, in view of differences of interpretation and sensitivities involved. For a recent and authoritative treatment see Whitfield (2008).

Rwanda is one of the poorest and most aid dependant countries in the world, has had an exceptionally difficult history and faces enormous development challenges. Approximately 57 per cent of Rwandans live below the poverty line, agriculture is stagnating and there is a worrying trend towards greater inequality. The genocide of 1994 provides a difficult backdrop for building unity and reconciliation, though stability and security have been restored. Civil society is comparatively passive and the political process fundamentally top down.

Rwanda's Constitution, Economic Development and Poverty Reduction Strategy (EDPRS) and Vision 2020 together provide a clear statement of the government's high level priorities and basis for a shared agenda. An important part of the domestic policy process is the Annual Action Plan (AAP), which is broadly consistent with the EDPRS.

The government currently regards predictable and scaled-up financing for the EDPRS as a central issue but feels unable to hold partners to account for providing development financing in the form it needs. The government and donor partners have established a strongly shared agenda on Public Financial Management (PFM) reform, though the result has been to reinforce government accountability to donors more than accountability to Rwandan citizens and taxpayers. A strongly shared agenda has also been built around Rwanda's decentralisation programme, where the dynamics of government are shifting rapidly.

A major step forward in building MA has been achieved through the creation of Rwanda's Aid Policy. This was designed to address concerns that during Rwanda's first Poverty Reduction Strategy Paper foreign aid had not been provided in ways that enhanced national ownership due to fragmentation and lack of coordination. The policy reflects state of the art thinking on aid effectiveness, though implementation has been comparatively weak.

The policy is strongly shared by donor partners at least in principle. Donor partners have begun to provide a greater share of funds through budget support mechanisms and have increased their use of delegated cooperation. The policy has also helped the Ministry of Finance and Economic Planning (MINECOFIN) improve internal accountability by ensuring that line ministries and donor partners no longer negotiate separate aid agreements outside the EDPRS and budget framework. But it remains the case that only 50-75 per cent of overall aid flows to Rwanda is reported by donors, undermining the government's ability to hold donors to account and manage the budget effectively. An entirely open and honest discussion on these issues has yet to take place.

Rwanda has well developed mechanisms for partner dialogue, which are effective in bringing together a wide range of stakeholders in businesslike discussions to address real policy issues. These mechanisms are supported by strong central coordinating capacity in MINECOFIN.

A Common Performance Assessment Framework (CPAF), drawn from the EDPRS, has recently been established (subject to further definition of governance indicators) in order to provide the Budget Support Harmonisation Group with a common and transparent monitoring framework. A Donor Performance Assessment Framework (DPAF) has also been drafted, as a way for the government to hold donors collectively to account. The CPAF and DPAF were in the process of finalisation during this review and, as such, it is too early to judge their impact; however, the process of preparation has been consultative and has helped to generate greater trust and credibility. The government is also taking a more proactive stance to encourage donors to adopt a Division of Labour (DoL), though these efforts are also at a relatively early stage.

There have been difficulties in building a credible and productive dialogue on political governance issues. This reflects a rift concerning the manner and pace in which internal accountability should be built up given Rwanda's unique situation. The government and donors partners are grappling to establish a genuinely shared agenda. Of particular importance, in the interest of enhancing partnership and dialogue, the government has submitted itself to an independent governance scrutiny. Rwanda's Joint Governance Assessment (JGA) is making good progress.

To address what it considers a "one-sided" MA relationship the government is interested in establishing a mechanism to provide a more balanced structure of incentives. A peer review mechanism has been suggested which would have the advantage of requiring only limited donor participation to get started, while providing a basis on which to build over time as partners see advantages in joining.

1. Introduction

This country case study forms part of a broader work stream on Mutual Accountability (MA) at the country level led by the Overseas Development Institute (ODI) between February and May 2008. The work was commissioned by the Task Team on Mutual Accountability of the OECD-DAC Joint Venture on Managing for Development Results as part of the preparatory process for the Accra High Level Forum on Aid Effectiveness. Two work-streams are being carried out to address this under the Joint Venture Managing for Development Results (MfDR) of the DAC Working Party on Aid Effectiveness. The first work-stream focuses on MA at the international level and is reported on separately². This report is a product of the second work-stream on MA at country level.

The work stream aims to address the following research questions:

- How is MA most usefully understood in aid relationships at the country level, and what are its key political and technical dimensions?
- What are the main mechanisms of MA currently in use at the country level, their key characteristics and modus operandi?
- How do these mechanisms contribute to the achievement of better development results?
- What enabling conditions and critical success factors are necessary to maximise the contribution of MA to development results?

Background research during the inception phase highlighted three important contextual factors, which formed the basis of a common approach by the country case study authors:

- The Paris Declaration (PD) commits both donors and partners to hold one another accountable for development results and jointly assess progress in achieving commitments on aid effectiveness. It also articulates pre-requisite conditions for MA – partner countries strengthening the involvement of parliament and other stakeholders, and donors providing information on aid flows to enable accurate budget reporting to parliament and citizens.
- Accountability is commonly understood to require both information to hold power-holders answerable, and incentives (some form of rewards and sanctions) to encourage compliance. Unlike representative and principal-agent models, the PD is a collaborative model of accountability that binds both parties to shared commitments on a voluntary basis.
- MA at country level can be usefully thought of as an iterative process in which different and heterogeneous actors agree to collaborate around (a) generating a shared agenda of common interests (b) monitoring and evaluating progress, and (c) engaging in debate, dialogue and negotiation aimed at securing the behaviour change necessary for delivering results.

² Droop, J. and Eisenmann, P. (2008) 'MA at the International Level – Review of Existing Mechanisms.' Joint Venture on Managing for Development Results

2. Country context

Poverty situation

About 57 per cent of Rwandans live below the poverty line. Average life expectancy is 44 years and one in seven children die before the age of 5. About 8 per 1,000 women die in childbirth (average for 2001-5), giving the country one of the highest maternal mortality rates in the world. Rwandan primary education compares favourably with African standards but the country's health services lag far behind. There is a worrying trend towards greater inequality, which can only be addressed by generating stronger growth in rural areas where the poor are concentrated.

Economic growth has averaged 5-6 per cent per annum over the past 5 years but has been much slower in per capita terms due to the high rate of population growth. The headcount poverty rate is declining at a slow rate: from 60 per cent in 2003 to 57 per cent in 2007. The government's Vision 2020 calls for the poverty rate to fall to an ambitious 30 per cent by 2020 but progress towards this appears off track. Agriculture has virtually stagnated after an initial bounce back after political stability was established. With elections due in 2010 the government may, against this economic and social background, find it hard to find a strong story to tell.

Regional context

Rwanda critically depends on integration into wider regional markets for its long term development. Recognising this, Rwanda acceded to the East African Community (EAC) in 2007. It has also been a member of the Common Market for East and Southern Africa (COMESA) since 2004. Rwanda's internal stability contrasts sharply with its neighbours in central Africa; given her small size and porous border, the unstable regional context presents a significant risk to development.

Political background

In the run up to the outbreak of civil war in 1990 Rwanda faced a serious economic crisis caused by escalating debt, drought and falling commodity prices. The crisis destabilised the government, which came under external pressure to liberalise the economy and political system, and find a negotiated solution to the civil war. A short lived solution was found in 1993 but the political process stalled, extremist factions grew in strength and a series of catastrophic events led to the start of organised massacres. The genocide of 1994 was a huge rupture in Rwanda's history and continues to provide a difficult backdrop for building unity and reconciliation. Some groups inevitably wish to challenge the legitimacy of government, complicating discussion on sensitive governance issues which have recently risen to the top of the agenda.

After 1994, the Rwandan Patriotic Front (RPF) led government faced massive development challenges, on top of structural economic constraints which pre-dated the war. Apart from the destruction caused by the conflict itself the government faced an array of new problems such as providing for vulnerable groups and resettling displaced people.

The RPF, together with its four allies, has continued to hold the majority of seats in Parliament since 1994. Other major parties are not fundamentally opposed to the RPF. This, together with arrangements for the sharing of cabinet positions, produces a climate of political accommodation and compromise rather than one of contestability. The situation is enshrined to some degree in Rwanda's Constitution which, as currently interpreted, treats positions taken by Parliamentarians during debate in the name of a specific political party as 'null and void'.

District Councils have rapidly become the key local institution mediating between central government and Rwandan citizens. Rwanda's 30 district Mayors hold deliberations with the

President's office each year, leading to individual contracts of performance which are reviewed on strict quarterly basis with the Prime Minister's Office. The system is now entering its third year. Although an evolving process, it reflects a major shift towards district and local level implementation, albeit with a high degree of central direction. It is encouraging that – according to those interviewed – new posts of Mayors have been filled by highly capable and motivated people.

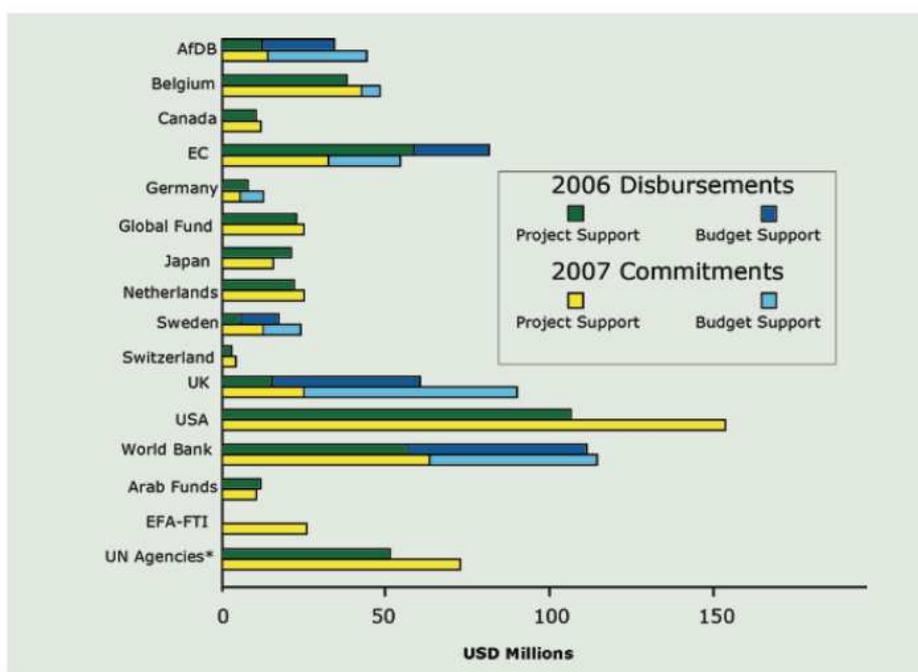
Aid relationship

Since independence Rwanda has been one of the most heavily aided countries in Africa. The international community, including the United Nations (UN), is widely regarded as having failed to adequately respond during the conflict period. In its aftermath international humanitarian agencies and non-governmental organisations (NGOs) began to return. Former bilateral donors also returned, at a varied pace, and a number of new donors emerged onto the scene. Whitfield (2008) describes considerable soul-searching among the country's former traditional donors about their previous involvement. Although the influence that donors have had on Rwanda's internal governance is the subject of debate, there is a strong body of opinion that donors made a substantial contribution to government efforts to rapidly rebuild state capacity and service delivery, and restore law and order after the conflicts. In recent years there has been a change in atmosphere as many donors and international human rights organisations have become concerned about what they regard as a fundamental lack of political openness.

In 2006 total Official Development Assistance (ODA) to Rwanda reached \$603 million, equivalent to roughly 27 per cent of Gross Domestic Product (GDP), with a very substantial share provided by multilaterals and global programmes (MINECOFIN, 2007). In line with Rwanda's 2006 Aid Policy, development partners are, as a collective, increasingly providing funds through budget support mechanisms. In 2006, 26 per cent of external grants took the form of budget support, increasing to about 30 per cent in 2007 as new partners joined Rwanda's Budget Support Harmonisation Group (BSHG). See Figure 1 for details.

Figure1. Composition of External resources.

(Source: MINECOFIN)



Data Source: Rwanda Development Assistance Database (DAD)

3. Mutual Accountability Initiatives

This section looks at areas where government and donor partners have developed common agendas around the development strategy and aid effectiveness initiatives; arrangements and frameworks in place for monitoring and reviewing progress against the EDPRS; and the nature of debate taking place between government and donor partners.

Development strategy

The Economic Development and Poverty Reduction Strategy (EDPRS), adopted in 2007 together with Rwanda's Vision 2020 and Constitution, provides a clear statement of the government's high level priorities and a consistent set of principles. The EDPRS grew out of the Rwanda's first Poverty Reduction Strategy Paper (PRSP), adopted in 2002 and agreed with donor partners as a necessary step towards receiving debt relief under the Heavily Indebted Poor Countries initiative.

The successor EDPRS took 18 months to develop and represents a major advance. Despite some consultative elements, the extent of local participation in the first PRSP was questionable, though it did succeed in providing a focus on the shared agenda of reducing poverty and achieving the Millennium Development Goals (MDGs). The EDPRS is more locally driven, carries stronger ownership and re-emphasises the centrality of growth and poverty reduction.

Sector working groups were heavily engaged during development of the EDPRS, ensuring a high degree of consensus on main parameters of sector policy. There was also effective consultation in Parliament as demonstrated by specific amendments and improvements. Lack of substantial input from Rwandan civil society organisations (CSOs) is largely a reflection of very weak capacity in this sector.

Rwanda's long term Vision 2020, created in 2000, is heavily framed by the legacy of the genocide. Vision 2020 is targeted primarily at the Rwandan population, and relates to security, national unity and socio-economic development. The President's seven year political programme, linked to Vision 2020, provides the basis of the government's Annual Action Plan (AAP) -- which is generated without donor involvement. The APP and EDPRS are therefore arrived to through different processes, though their content is broadly consistent.

Two areas of the EDPRS which have particular significance for internal accountability, and where donor partners and the government have built up strongly shared agendas, are public financial management (PFM) reform and decentralisation. The PFM reform agenda has developed in the context of Rwanda's multi donor budget support programme and is receiving a significant amount of coordinated technical assistance from donor partners.

Rwanda's decentralisation programme is proceeding at an ambitious pace and is fundamentally shifting the dynamics of government. New policy was elaborated in 2006 and is now in its third phase of implementation, covering the period 2008 -12. The programme is expected over time to help enable the government to provide public services in a much more inclusive and accountable way. It is strongly supported by donors, as reflected in the proportion (15 per cent) of overall official aid flows to Rwanda now being allocated for decentralisation. Substantial numbers of central Government staff were transferred to Districts following Local Government elections in 2006, indicating a very high degree of political commitment by the government as well.

Government and donor partners are struggling to establish a shared agenda on other aspects of governance not yet fully addressed in the EDPRS, as further discussed in section 4.

Aid Policy

The first major step in building Rwanda's basic framework for MA was the creation of its Aid Policy, approved by Cabinet on 26 July 2006. This document clearly sets out the government's preferences in terms of the type of aid it wishes to attract, and the processes to be followed in agreeing and managing external assistance. Introduction of the policy reflected the government's concern that during implementation of Rwanda's first PRSP foreign aid had not gone far enough in supporting national ownership as it was too fragmented and donor driven. As such, the government saw a need to set out priorities and principles in a transparent manner, and actively hold donor partners to account for providing aid consistent with Paris Declaration principles and other international commitments.

The policy reflects state-of-the-art thinking on aid effectiveness and takes a pragmatic line on aid instrument choice, recognising this is often constrained by donor headquarter policies beyond local control. The policy is strongly supported in principle by donors, though implementation -- as discussed below -- has been slow.

Budget support and sector working groups

The Aid Policy identifies general budget support (GBS) as Rwanda's preferred aid modality, followed by Sector Budget Support (SBS). The budget support programme provides a key mechanism for building a shared overview of challenges under the EDPRS with particular emphasis on macroeconomic management, budget preparation and execution, and PFM reform. In general there has been a significant increase in use of common funds and SBS at sector level. This reflects the creation of shared agendas through logical progression from agreed sector objectives and policies via the EDPRS, through to technical aspects of implementation. The general pattern in both the budget support programme and sector working groups over the last 3 years has been one in which each side of the partnership has actively sought to hold each other to account through open dialogue and a progressive tightening of mutual monitoring frameworks.

Since creation of the EDPRS, the structure and mandates of sector-based working groups have evolved to better support implementation of the strategy. All major sector wide programmes (SWAPs) in Rwanda have developed memorandums of understanding (MoUs) which tie government and groups of donor partners together by setting out expectations, commitments and monitoring and review arrangements in a transparent way. For example:

- A major MoU setting out harmonisation and alignment commitments in health was signed by a group of donors, drawn from the wider health cluster (which also embraces a number of international NGOs who are not signatories to the MoU) in late 2007. However, HIV/AIDS maintains its own cluster arrangement, raising some issues of coordination and information sharing with the main health cluster.
- A series of MoUs for infrastructure are now being put in place.
- A Common Development Fund (CDF) was established in 2002 to support the government's decentralisation programme, and is now formalised in a common MoU (concluded in March 2008) modelled on the Health MoU.

Division of labour

Donor fragmentation is a concern in a number of Rwanda's sectors. Many donor partners are present (depending on precise definition) in four or five different sectors. Each sector hosts on average nine donors but the average is significantly higher in a number of sectors. In health, for example, some sixteen partners are active, providing in total about 12 per cent of overall ODA flows. The infrastructure sector hosts eleven partners (distributed across the energy, transport and

water sub-sectors), also providing about 12 per cent of overall ODA. The education sector is supported by some fifteen partners (excluding silent partners) whose support to the sector accounts for just 5 per cent of overall ODA flows to Rwanda.

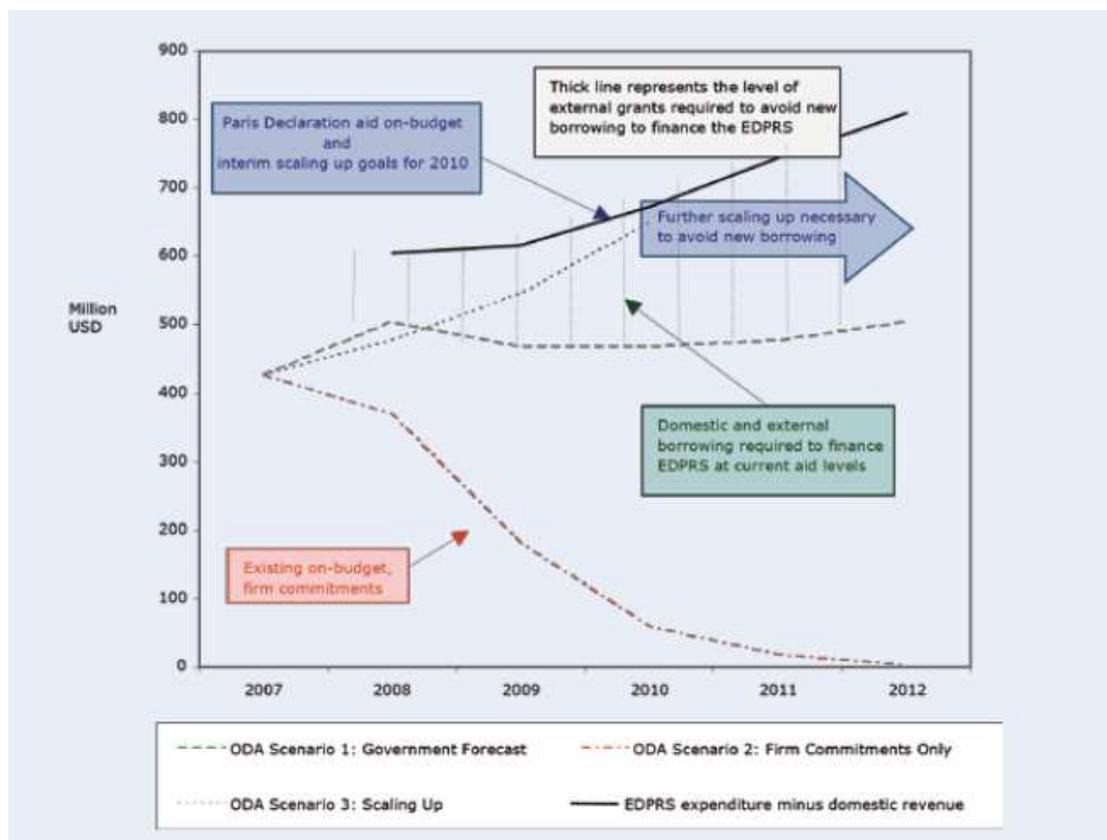
Although a shared agenda on Division of Labour has yet to emerge some of the initial building blocks appear to be in place. The government has begun to take a lead in building a shared agenda on a Division of Labour among donors. The government made clear its concern over the high level of transaction cost of receiving aid and its desire for a more rational distribution of donor activity across sectors during early discussions on the Aid Policy. Interviews indicate a high degree of government competence in identifying areas of donor comparative advantage.

External financing for EDPRS

The government has been working to build a shared agenda on the external financing volumes needed for the EDPRS since its launch in 2007, as illustrated in figure 2 below. Scenario 1 shows the government's forecast of future on-budget ODA extrapolated from past support and indicative commitments in relation to the projected financing needs of the EDPRS. Scenario 2 shows the level of external grants for which donor partners have made firm commitments based on signed programme or project documents (as of November 2007). Scenario 3 illustrates the financing that Rwanda might expect if donor partners in Rwanda were to meet international commitments including those made at the 2005 G8 summit, reaffirmed in July 2008 (MINECOFIN, 2007).

Figure 2. EDPRS financing scenarios

(Source: MINECOFIN)



Although the shortfalls are considerable, interviews indicate differences in views between donor partners and government over the need for and feasibility of providing financing on a more long

term and predictable basis. The government feels it is meeting its commitments to establish a shared development agenda and that it has demonstrated its capacity to manage and absorb substantially increased aid flows; however, it suggests that donors have not in turn translated their international commitments to provide 'more and better aid' into reality (Foster and Heller, 2007).

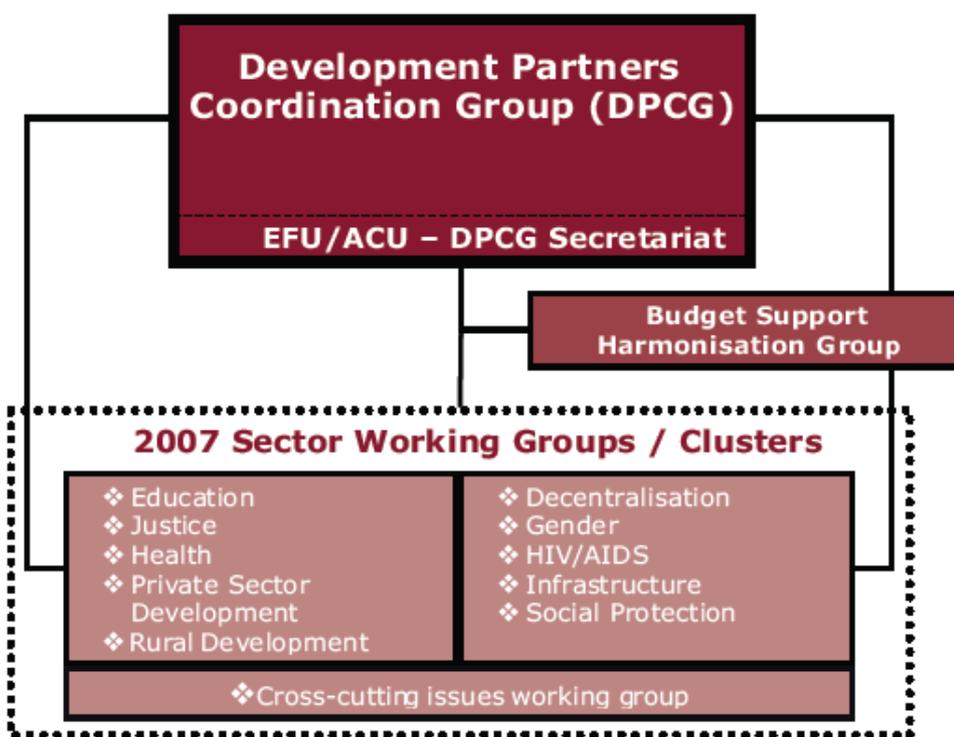
Monitoring and review of progress: institutional arrangements

The Development Partners Retreat (DPR) is a key senior-level monitoring and review event held annually in Rwanda starting in 2005. The DPR brings together a wide range of stakeholders (Government Ministers and officials, Multilateral and Bilateral Donors, Private Sector and International and National NGOs) for several days to review and discuss coordination, harmonization and alignment of programmes under the EDPRS. The meetings address specific policy issues including controversial issues of political governance, though to date there has been less discussion on development outcomes or results. Discussion is businesslike, open and mutual in character, and is far from ceremonial. These events have proved effective in laying plans for future evolution of donor-partner dialogue.

The Development Partners Coordination Group (DPCG) provides the structure for regular aid coordination, monitoring and review at a more technical level (see figure 3). The group comprises government Secretary Generals, heads of bilateral and multilateral donor agencies, and representatives of civil society and the private sector. Meetings are held every two months and are co-chaired by the Secretary General of MINECOFIN and the UN Resident Coordinator on behalf of development partners. The DPCG does not address political issues, though Ministers often take the initiative to participate as a way to raise issues of high priority to the government.

Figure 3: Aid coordination structure

(Source: MINECOFIN)



The objective of the DPCG is to provide a forum for regular dialogue on aid co-ordination, monitor and assist implementation of the EDPRS and to review progress made by development partners

against their Paris Declaration commitments. The DPCG was key to facilitating high-level donor partner input into preparation of the EDPRS including technical inputs from sector working groups.

The DPCG actively draws upon DPR meetings to formulate its operational plans. On the government side this is led by the External Finance Unit (EFU) located in MINECOFIN. The EFU comprises three teams covering relations with bilateral and multilateral organizations and aid management. Its responsibilities have also included preparation of Rwanda's Aid Policy, leading negotiations with donor partners on new loans and grants, ensuring that reporting and procurement requirements are met, maintaining records of external financial flows by sector and donor, and providing forecasts of external support to complement the government's revenue projections as an input to the budget (MINECOFIN, 2007). The EFU is supported by the UN Resident Coordinator's Aid Coordination Unit (ACU). Together the EFU and ACU provide the secretariat for the DPCG.

A Development Assistance Database (DAD) registration system was introduced by MINECOFIN in 2005 to help improve the flow of information on aid commitments and, critically, aid disbursements. There have been some technical difficulties in implementing this database, though problems with software appear capable of resolution. A further constraint however is that MINECOFIN's Central Public Investment External Finance Bureau (CEPEX) is currently unable to capture information in a way that is helpful for budgetary management. Efforts are currently underway to enhance capacity in MINECOFIN to assist aid monitoring and preparation of the budget. An important next step will be for EFU/ACU to develop a Manual of Procedures to provide step-by-step guidance for national, provincial and district officials.

The BSHG is a technical working group of the DPCG which brings together key government institutions and budget support donors. The BSHG carries out bi-annual reviews and meets on a quarterly basis to discuss the macro economic and PFM reform programmes. Reviews are normally preceded by a round of sector reviews to inform and support discussions, though exceptionally this did not occur in 2008 due to the pressures of other business. Dialogue is mutual and open, though the quality of reviews has at times been diminished by late delivery and lack of coverage of key government documentation, reflecting a clear lack of capacity in MINECOFIN. Budget execution reports are consistently provided on time, though in the government's view most donors lack the capacity to interpret budget data. Moreover, donors do not always respond to requests for information on aid commitments and disbursements in advance of meetings.

EDPRS monitoring framework

The EDPRS provides the core framework for monitoring and evaluation of the government's development strategy at all levels. It provides indicator systems for four linked matrices designed as a way for domestic stakeholders and donor partners to monitor development outcomes over a rolling 3 year budget period, as follows:

- *Matrix 1:* includes medium and long term indicators at outcome or impact level (such as poverty and mortality rates) to provide a basis for mid term and final evaluation of the EDPRS.
- *Matrix 2:* comprises a limited number of intermediate high level indicators relating to government actions which are measurable annually, linked to the outcome indicators in the first matrix.
- *Matrix 3:* provides a table of policies prioritised by the government for each year of the EDPRS which are limited in number and related to intermediate actions in the second matrix.
- *Matrix 4:* includes aspirational indicators which are needed to strengthen the whole monitoring framework, but for which data cannot yet be collected, setting out actions and time frames envisaged for filling these gaps.

The government has made attempts to tie the EDPRS indicators more explicitly into the high level objectives of the AAP. In practice this effort was not sustained. Interviews suggest this may have been due to the processes being led by different parts of the government system. The EDPRS, on which MINECOFIN leads, tends to be looked upon as a technocratic tool essential for managing its relationship with donor partners, while the APP is aimed at a domestic and political audience communicated through press briefings and the media. Although the high degree of consistency between the EDPRS and AAP is encouraging, the existence of two parallel processes raises some risk of a false agenda emerging in future.

Performance Assessment Framework

Until recently the BSHG lacked a common and transparent monitoring framework, though this is now emerging in the form of a Common Performance Assessment Framework (CPAF) elaborated with the oversight of the DPCG and drawn systematically from the EDPRS. The CPAF provides a key new tool by which donor partners can hold the government to account in delivering the EDPRS. In view of its significance, some donors made creation of the CPAF itself a condition for continuation of GBS. A new partnership agreement for GBS is being prepared which will incorporate the new features. Elements of the CPAF relating to governance have yet to be finalised, however, and remain the subject of intense discussion and debate.

Discussions on the CPAF have taken place against a background of difficulties experienced by donor partners in making progress against their Paris Declaration commitments. This led to agreement to complement the CPAF with a Donor Performance Assessment Framework (DPAF) for all donors, which in practice is a localised version of the Paris Declaration with individual donor targets. Interviews indicate that donors have yet to appreciate fully that the DPAF will apply to all modalities for official development assistance, as opposed to being limited to the GBS programme.

Preparation of both the CPAF and DPAF has been highly consultative and transparent. Together these monitoring frameworks mark a major change in the way government and donor partners are aiming to hold each other to account.

Dialogue, negotiation and debate

Discussions on the EDPRS have generated, as noted above, a high degree of consensus throughout the government system and with donor partners on the main elements of Rwanda's development strategy. However, donor partners have consistently raised concerns about internal domestic accountability. Donors see this as integral to achieving the goals of the EDPRS and to addressing their own domestic concerns around political governance in Rwanda. Donor partners take a close interest not least because many bilateral agreements include political conditionality. Conditionality impacts on disbursements and forward commitments – particularly in the general budget support programme.

The government is being challenged on issues relating to human rights, 'political space' (including independence of the media), and corporate governance. The approach taken by donors has, however, generally not been closely harmonised. The government has expressed concerns that donors are acting bilaterally, using aid as a lever and intruding into areas not considered legitimate or relevant to the development strategy -- undermining its expectations of the partnership. The issue is also one of aid effectiveness in so far as the EDPRS requires long term predictable financing which will be difficult for donors to provide given their current approaches to political conditionality. Discussions on the creation of a due process mechanism are currently underway and will be reflected in a new GBS MoU committing the parties to frank and open dialogue prior to aid interruptions.

Aid effectiveness dialogue

The Aid Policy was the outcome of extensive consultation between central and local Government, donors, civil society and the private sector, and was a central theme of negotiations in the DPCG. An understanding was reached that the government is accountable to donor partners for effective design and implementation of policies and programs that rely on external funding, while donor partners are accountable to the government for the quality and quantity of aid interventions in line with Paris Declaration principles.

Discussions on the Policy were strongly led by the government. A series of workshops considered early drafts and generated productive comments and amendments. The new arrangements for aid management were further discussed within government and taken to Cabinet for approval. During these discussions the government emphasised its commitment to the long term vision set out in the Vision 2020 and EDPRS, and its desire to work jointly with donors. Major issues revolved around:

- Developing sector strategies consistent with the EDPRS;
- Achieving a progressive shift away from stand alone projects towards budget support;
- Addressing the lack of effectiveness of donor driven and tied technical assistance;
- Reducing distortions created by large vertical funds, especially in health;
- Developing a clear view of donor comparative advantage and improved donor division of labour; and
- Providing long term predictable financing for the EDPRS.

The Aid Policy which emerged addresses each of these issues, but does not itself provide a systematic framework for tackling division of labour and long term financing.

A sensitization program was put in place during 2007, culminating in a series of further workshops which brought together some 80 officials from local and central government involved in aid management to familiarise them with the Policy and its implications for future ways of working. The Aid Policy is now well understood and integrated into the system, though it remains the case that the government's preference for GBS is only partly shared by donors, which to a considerable extent is a matter for donor headquarters and as such outside local control. During preparatory discussions, donors exclusively providing project aid expressed concern that their access to dialogue might be reduced. In practice participation seems to have been largely unaffected.

The 2006 DPR was a critical moment in which the first round of the Paris Declaration survey provided the government and donors partners a clear picture of the challenges of bringing aid on budget, increasing use of national systems, and organising joint missions and analytical work. Donor partners responded with a joint statement of intent and agreed to adopt the Paris Declaration 2010 targets on an individual basis, providing the basis for the DPAF.

The 2008 survey round has since revealed that little progress has been achieved against the Paris Declaration indicators to date. The government quickly reacted by sending a formal circular and pro forma to all donor partners, requesting detailed feedback on remedial management actions envisaged to improve compliance. Actions such as this leave donor partners in no doubt of the importance the government attaches to the Paris Declaration commitments and the frustration it is experiencing. A number of donor partners sense increasing pressure and are making reasonable efforts; others admit they could do more and simply failed to give sufficient priority in the past.

Interviews suggest that the government looks upon weak performance in meeting these commitments as a fundamental lack of reciprocity. The government feels it has and continues to carry out key reforms within the limits of its capacity, for the purpose of enhancing both its

accountability to Parliament and to donors. The government considers that donors are not using the capacity they possess to address their commitments, especially on aid reporting. There is a range of opinion on where the main blockages lie. There is however a common feeling on both sides of the partnership that, even though day-to-day dialogue at the working level is positive, an open and honest discussion has yet to take place and that considerable investment in capacity will be needed on both sides. A task force has been set up to take the matter forward.

4. Outcomes

This section summaries the main impacts of the mechanisms described above to date and highlights their key strengths and weaknesses.

Development strategy

The manner in which the EDPRS was generated has helped ensure that at sector level donors are following a government lead strategy, so far as line ministry capacity permits. A much stronger basis for MA has been generated via the CPAF and DPAF. The EDPRS is also having some role in reinforcing domestic accountability through its consistency with the AAP, though -- as discussed below -- it appears that government accountability to donors is being reinforced at a faster rate than accountability to Parliament. In general, the development strategy and supporting co-ordination mechanisms have generated momentum for continued evolution of the system, as distinct from a measurable impact on poverty on the ground.

One of the most important improvements in the process began with the decision announced by the government at the 2007 DPR to submit to an independent governance scrutiny - the Joint Governance Assessment (JGA) - in the interests of enhancing partnership and dialogue. The JGA is being carried out under the leadership of a steering committee comprising government and donor partners, co-chaired by the Minister for Local Administration, Good Governance, Community Development and Social Affairs, and the World Bank Country representative. It is coordinated by independent experts with the agreement and involvement of all parties.

The goal of the JGA is to build consensus around Rwanda's governance programme, develop objective indicators for incorporation into the CPAF and help develop strategies to address identified challenges. A first draft was discussed at the March 2008 development partners retreat. At first these discussions proved difficult but were nevertheless open and frank. Having embarked on the process, both sides of the partnership now have a strong interest in bringing the assessment to a satisfactory conclusion. The aim is to present the assessment together with a detailed action plan to cabinet by October 2008.

In going down this path the government has made a significant step in holding itself to account, and seeking to hold donor partners to account for harmonising their positions in a problematic area of the aid relationship. The process had helped to bring about an improvement in trust, though it is not clear if it can achieve a breakthrough in the quality of dialogue at the political level. There is some reflection taking place among donor partners about how to best manage this situation, recognising that the government may not be receptive to open criticism and prefer to address difficult issues through a less visible but nonetheless intensive internal discussion.

Although direct attribution to the aid relationship is difficult, Rwanda's political environment is being liberalised in a controlled fashion. Rwanda's new NGO law provides important opportunities for players to engage in a range of activities. These have yet to be seized upon on a significant scale, possibly for reasons of inertia and the inherent uncertainties of operating in a more liberal environment, though there are tangible signs that the rules of the game are changing. Involvement

is starting to show though, for example in new policy and legislation on land rights. Although this depended in large part on trust between particular individuals rather than at the institutional level, the trajectory is a positive one.

CSOs are increasing in number and voice. Most are still involved in service delivery and religious or community work, but there is nascent involvement in advocacy, human rights and political work. Political party law has recently been liberalised to allow political parties to open local offices and actively campaign. Interviews indicate this has produced little visible effect so far, but the law is almost universally seen as an important step in the right direction. Recent discussion around the idea of introducing 'Green Papers', setting out government proposals for discussion, and 'White Papers' providing statements of government policy and proposed legislative changes, suggest the government is looking for new ways to open up the policy process.

Public Financial Management

Tangible progress is being made on technical elements of the PFM agenda. An Organic Budget Law is in place which clearly assigns powers, roles and responsibilities for all actors in the PFM system, prohibits government incurring extra budgetary expenditure and requires public institutions not covered in the budget to submit financial reports. The budget is prepared following international classification standards, with an improved budget presentation due in 2008. The annual budget is accompanied by indicative provisional figures up to three years ahead, though these are not based on a well structured Medium Term Expenditure Framework (a mechanism which appears to have languished). This aside, there is a high degree of consistency between the annual budget and the EDPRS, and off-budget spending (excluding aid funds not reported in the budget) is modest by African standards.

Audit reports have been produced and submitted to the President and Parliament since 2003, but until recently had to be based on an incomplete set of records reflecting lack of accounting capacity and delays in establishing a general ledger. The first submission of consolidated financial statements to the Auditor General (appointed in August 2004) occurred in 2006.

The 2007 Public Expenditure and Financial Accountability (PEFA) assessment, which provides a snapshot of the performance of the overall PFM system, gave Rwanda remarkably high marks especially in revenue collection (noting a fourfold increase in tax revenues over the past 5 years) and budget preparation. Areas for further improvement identified in the PEFA assessment relate to external scrutiny and audit, and improved control of budget execution.

Despite improvements, interviews carried out under this review point to very limited scrutiny of the budget by Rwanda's Parliament, reflecting a severe lack of capacity and resources, though the Cabinet plays a stronger role. The concern expressed is that building blocks put in place under the PFM reform strategy have primarily reinforced government accountability to donors and to a much lesser extent to Rwandans. The problem has been recognised and discussions are underway with a view to establishing a Public Accounts Committee supported by a properly resourced secretariat. A major practical constraint to be overcome is the lack of trained accountants and auditors in Rwanda.

Aid effectiveness

The impact of Rwanda's Aid Policy on donor behaviour has varied considerably among those already providing GBS or SBS, those moving in this direction and those exclusively providing project aid. The latter group has been more challenged by the Aid Policy because of the additional demands of harmonising and aligning project activities, using government systems and making adjustments needed to ensure that spending is routinely reported in an appropriate format.

As noted the government's preference for GBS is stronger than among donor partners collectively, though the Aid Policy appears to have led to a change in behaviour. The policy has made it easier for some donors to adapt where room to manoeuvre exists. A shift towards GBS, SBS, pooled technical assistance and delegated cooperation arrangements provide evidence of this. Until recently GBS was provided by a limited group of four bilateral donors and multilateral banks, however this group has now been joined by a number of additional bilateral donors and others are in the process of switching their modalities. Existing providers of GBS are also increasing their share of overall of aid provided in this form. The Aid Policy also appears to be encouraging donors to channel funds as SBS and use common funds to harmonise and align technical assistance.

To date the Policy has had little impact on aid reporting. MINECOFIN estimates that it is still only able to capture 50-75 per cent of overall aid flows in its reporting system, undermining its ability to hold donor partners to account for providing resources 'on plan' and to manage the budget effectively (MINECOFIN, 2008).

The Policy has, however, been instrumental in strengthening accountability within government in other significant ways. During preparation line ministries were at first reluctant to see MINECOFIN take strong overall control of aid management and since the Policy was introduced line ministries and donor partners have attempted on occasion to continue their previous practice of negotiating separate aid agreements. However MINECOFIN, acting in collaboration with relevant donor partners, has managed to prevent future circumvention by increasing pressure for compliance..

Regarding long term financing for the EDPRS, the government is aware of the constraints that most donors face in extending aid commitment periods for more than one or two years ahead. Nevertheless donors have partially responded to government calls by providing qualified, indicative commitments, and in a small minority cases through long term MoUs. The EC is planning to introduce its innovative 'MDG contract' in Rwanda as a means of providing GBS over a longer multi-year horizon.

There has been a partial response to government calls for an improved Division of Labour. One bilateral donor has announced its intention to phase out cooperation in health and social protection, while two have agreed to act as silent partners in education. However, specific targets to increase concentration have yet to be discussed or agreed in detail. The government has been proactive in raising issues of comparative advantage with the multilateral development banks where both sides have benefited from constructive and open discussions which have impacted on assistance strategies. The government intends to carry out a survey, supplementary to the 2008 Paris Declaration monitoring survey, to develop a more comprehensive and action orientated agenda with all donor partners.

5. Achievements and challenges

This section looks at the main achievements and challenges, as well as the underlying factors enhancing or retarding progress on Mutual Accountability.

Development strategy

Mutual Accountability works best in Rwanda at operational and technical levels. This reflects the well developed structure of sector clusters and working groups as well as their shared objectives and consistency with the government's development strategy. Confidence and trust is helped by a high level of government competence and a low level of corruption. The main technical challenges

at sector level relate to information flows and aid reporting -- a problem exacerbated by the large numbers of donors present in most sectors.

The problems are not entirely technical however, and it remains to be seen if the DPAF will generate the improvements the government is seeking. In the government's view, poor reporting is in large part due to a basic lack of donor willingness to provide data in the appropriate format. There is a sense of frustration within government that donor partners are not doing as much as they could. Likewise there is some frustration among donors that the government is underestimating the practical challenges involved.

Where difficulties have emerged at the policy level, for instance in recent concerns over level of spending on tertiary health care, these have been resolved through constructive and open dialogue. There are still unresolved difficulties in the health sector however. These stem from the large numbers of donors and NGOs in the sector and insufficient flexible financing available to the government to implement its health strategy (MINECOFIN, 2006).

The JGA is establishing itself as a key new mechanism. It has done much to reveal agreed areas of strength and spotlight issues of sensitivity, and is making progress in generating a transparent and monitorable governance performance matrix for incorporation into the CPAF. It is however a fundamentally technocratic exercise which faces risks and challenges. The usual forum for discussing government performance may not be the most appropriate in situations where issues of sensitivity are involved since it includes, in addition to an array of donor partners, a number of government ministers, the Ombudsman and State Prosecutors among others. Forging consensus with donor partners is complicated by the fact that positions are not entirely determined by donors locally and can involve domestic political and diplomatic considerations.

One of the most challenging aspects of the development agenda is how and at what pace to open up the policy process. There is a perception among national NGOs that they have not received support from donors commensurate with their role, and concerns that as donors increasingly channel funds through government systems they may become over reliant on government. However many donors continue to route a significant proportion of their aid funds through NGO channels and the shift to GBS has mainly replaced project aid provided directly to the government. Interviews indicate that the potential for national NGOs to play a more active and constructive role, as demonstrated for example in creation of Rwanda's new NGO law, seem to have been underestimated and that there is scope for national NGOs to take a more pro-active stance in future.

The government's decentralisation agenda faces considerable challenges. Programmes being implemented at district level are on the whole still conceived centrally, with the role of District administrations subsumed into an implementation role with little real devolution of choice over design or prioritisation. There is a village level (umudugudu) planning process which is beginning to take shape and encouraging local people to participate in discussions on project proposals. The intention is that discussions will eventually feed into five year District Development Plans, though the process will inevitably be a slow one. The fundamental challenge is that stakeholders have limited understanding of their rights and obligations, and the presumption in favour of upward accountability in the system is deep rooted and widespread.

Aid effectiveness

The main challenge for Rwanda's Aid Policy is that it is not yet supported by a mechanism which provides strong incentives to donor partners, as the more powerful party in the aid partnership. Consideration was given to an Independent Monitoring Group or Peer Review mechanism at the Donor Partners 2007 retreat, but these ideas have not yet been developed. In the meantime the government is seeking to hold donors to account single-handedly through the DPAF.

The government is taking a more proactive stance on Division of Labour, and has the opportunity to hold donors more to account in the context of the EU Code of Conduct. Efforts are still at an early stage and will need to overcome the challenge that donor decisions on future country assistance strategy, and strategic withdrawals in particular, are not in general delegated to country offices and will require further engagement with headquarters.

Reaching agreement on predictable financing for the EDPRS remains an outstanding challenge. The government has pointed to commitments made by donor partners at the international level including the MDG Africa Steering Group which is aiming to mobilise the resources of the UN system and partners, focussing on shortcomings in the way the aid system is supporting African countries. The challenge in Rwanda's case appears to be lack of a mechanism for translating international commitments into commitments on the ground, such as through a 'Results and Resources' process as attempted in some other countries.

6. Policy implications

The Rwanda experience suggests that a well designed Aid Policy is necessary for MA but is far from sufficient on its own. Strong incentives for donor partners and capacity building on both sides of the partnership are highly important. Engagement of donor headquarters on issues which may not be delegated to country level is also critical. Ultimately however there needs to be strong will on all sides to make existing mechanisms work as effectively as they can, learn from their weaknesses and support continuous evolution of the system.

Given the lack of an entirely open and honest discussion on the technical issue of aid reporting together with other difficulties raised in this review, creation of a review mechanism would now seem to be a priority. A peer review approach would have the advantage of requiring only limited donor participation to get started, while providing a basis on which to build over time as other partners see advantages in joining. At least one major partner indicated its enthusiasm to join a peer review mechanism during the course of the review.

Donor partners have made it clear that governance issues are a major area of concern, and reserve the right to provide constructive criticism and in extreme cases withdraw aid. Most bilateral donors explicitly link commitments and disbursements of GBS to performance against governance criteria, in addition to progress on conventional aspects of economic and sector policy. However governance in Rwanda is widely considered to be, first and foremost, an instrument of national unity and reconciliation. Human rights, political opposition, freedom of expression and the media, popular participation, and civil society activities are tolerated within certain boundaries provided they do not fundamentally challenge the status quo or threaten national stability and security.

There is therefore an overlap between government policy and international norms, but also areas of subtle difference. Interviews suggest that partners could do more to take the temperature of opinion within Rwandan civil society in formulating positions on controversial governance issues. The 2006 Evaluation of Budget Support in Rwanda (Purcell et al, 2006) raised the question of whether using aid to leverage change is effective. Evidence gathered in this review suggests that it is not, and that providing space for political discussion in smaller groups if difficulties are encountered may be more productive. This seems especially important as transparent and open monitoring of governance issues comes into play through an enhanced CPAF.

History seems to make Rwanda and its relationship with donor partners a special case. The honeymoon period with donors is passing. The government feels pressured by donors and seems to be using all means at its disposal to hold donors to account and reinforce its own international reputation. Donors for their part are asking a great deal of the government given Rwanda's context.

Taken together, these illustrate strong desire for greater MA. Many important ingredients, notably Rwanda's Aid Policy, the EDPRS and JGA, are now in place but these are far from fully tested and progress to date is partial. This review has identified a number of gaps and blockages which, it is hoped, will contribute to further discussion within Rwanda and to wider lesson learning at the international level.

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Annex A: People interviewed

- Annie Kairaba, Director, Rwanda Initiative for Sustainable Development
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- Carl Seagrave, Deputy Program Officer, USAID Rwanda
- Christian Shingiro, External Finance Unit, Ministry of Finance and Economic Planning
- Claudia Lormann, German Development Service
- David MacRae, EU Head of Delegation
- David Mukete, Resident Representative, African Development Bank
- Duncan Overfield, Economic Adviser, Department for International Development
- Eugène Barikana, Secretary General, Ministry of Local Government, Good Governance, Community Development and Social Affairs (MINALOC)
- Gareth Williams, Consultant, The Policy Practice
- Gertjan Tempelman, Deputy Head of Mission, Dutch Foreign Ministry
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