



Challenges in medium term expenditure planning arising from incomplete and variable information on future aid flows

- Perspectives from Rwanda

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Structure of Presentation

- Rwanda's aid dependency in figures
- Aid Policy and Rwanda's EDPRS
- Rwanda's aid pipeline in figures
- Issues and challenges in the medium-term predictability of aid to Rwanda
 - Incomplete or poor information
 - On-budget vs. off-budget aid
- Recommendations





Aid flows to Rwanda

- Composition of aid portfolio (FY2006):
 - Relatively small number of donors
 - Total ODA estimated at USD 602.7m
 - Equivalent to 27% of GDP
 - Equivalent to 75% of Budget BUT much ODA remains off-budget
 - ~ 30% budget support
 - ~ 70% projects, making limited use of GoR systems (of which 60.7% is off budget)
 - Recent developments in sector budget support and pooled funding



Rwanda's Aid Policy

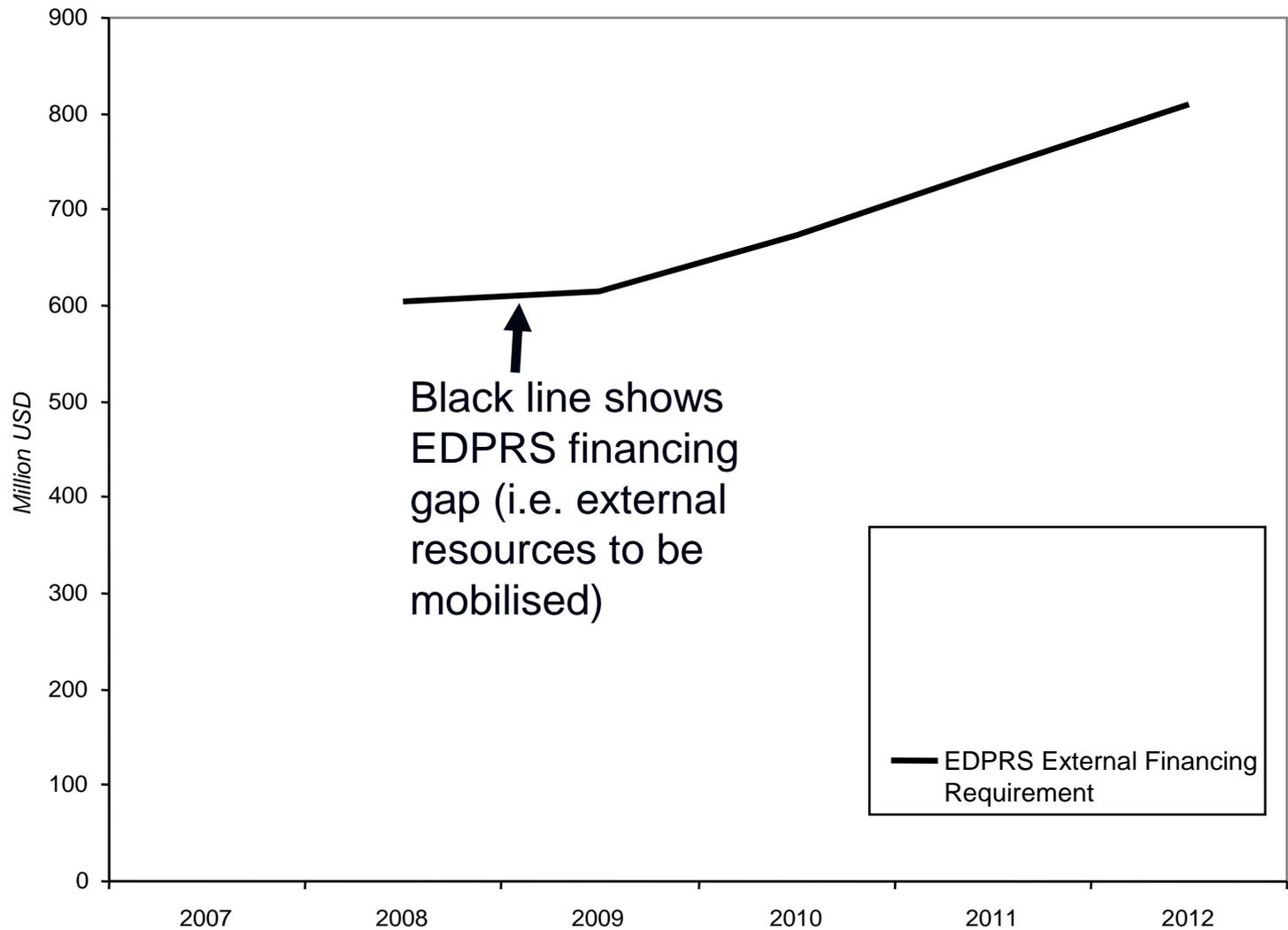
- Finalised in July 2006, it sets out the GoR's expectations for aid and its effectiveness.
- Predictability of aid is addressed to some extent:
 - Objective (g): *"Assistance to Rwanda is disbursed as scheduled, and medium-term projections are reliable"*.
 - Chapter 3 calls for donors to *"provide comprehensive, timely and accurate data"* on future aid flows through the GoR's Development Assistance Database.
- A joint donor response to the Policy (November 2006) binds partners to *"Provide (non-binding) indications of future aid flows on a rolling basis to cover at least three years ahead in order to improve predictability and allow better planning and budgeting"*.



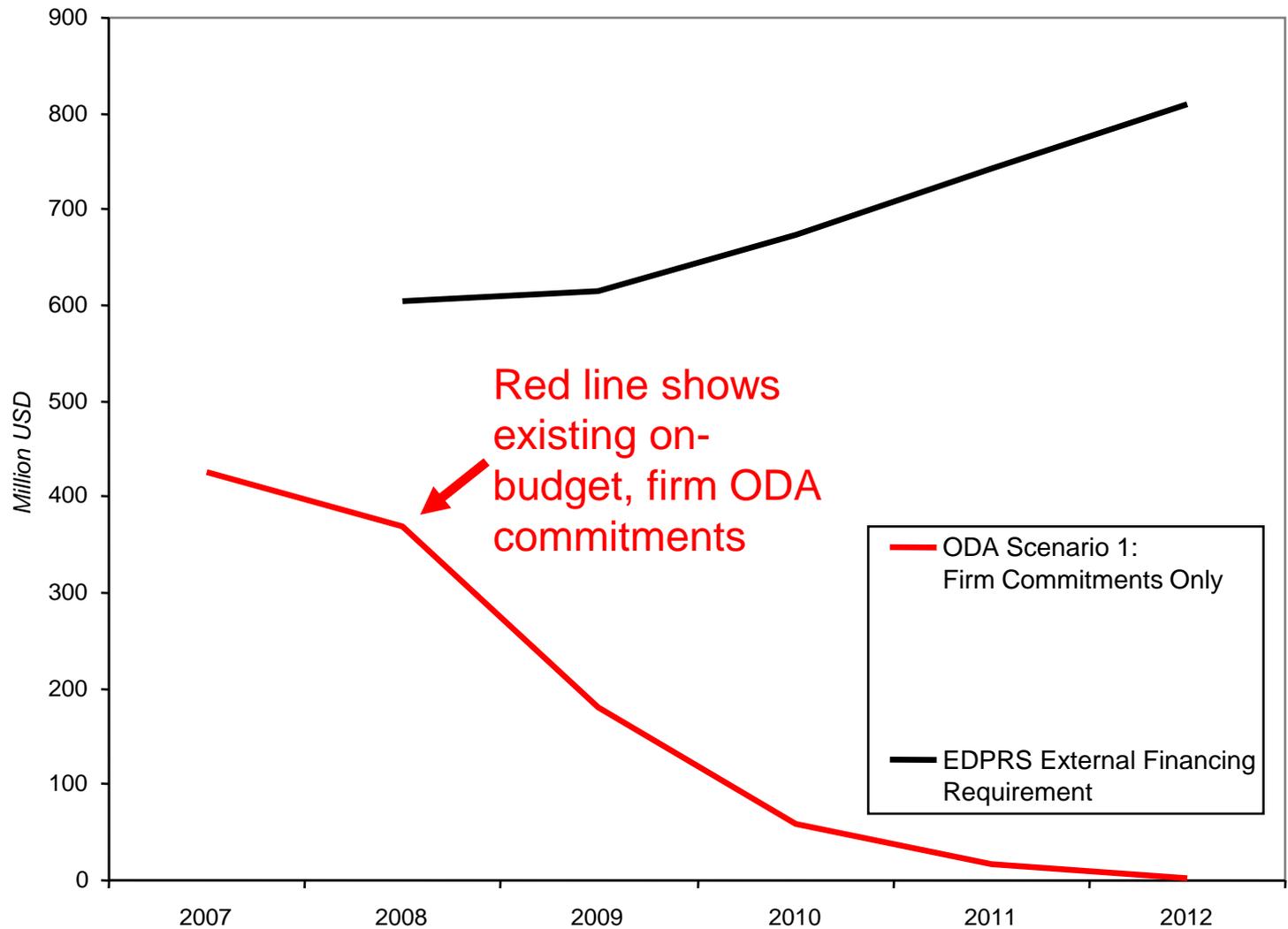
The Economic Development and Poverty Reduction Strategy

- Rwanda's second generation PRSP (2008-2012).
- Cost to public of implementing EDPRS is ~ USD 6bn.
- Despite recent successes in raising domestic revenue, ODA will play a critical role in financing the EDPRS.
- Rwanda will need to see a scaling up of ODA if it is to fully finance the EDPRS (12% financing gap).
- This must go hand-in-hand with increased alignment of existing aid to GoR plans, with more aid brought on-budget.

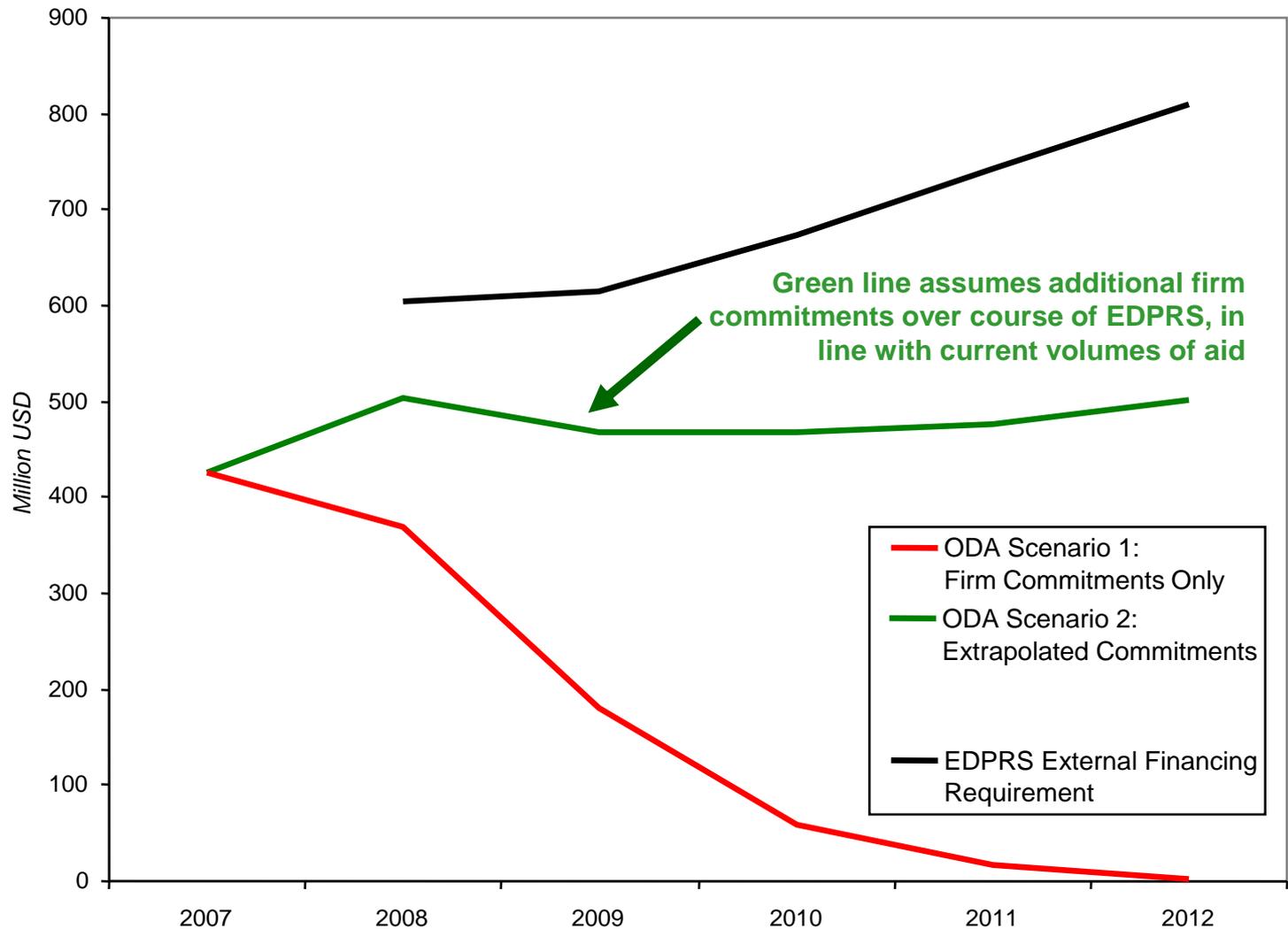
Some Financing Scenarios



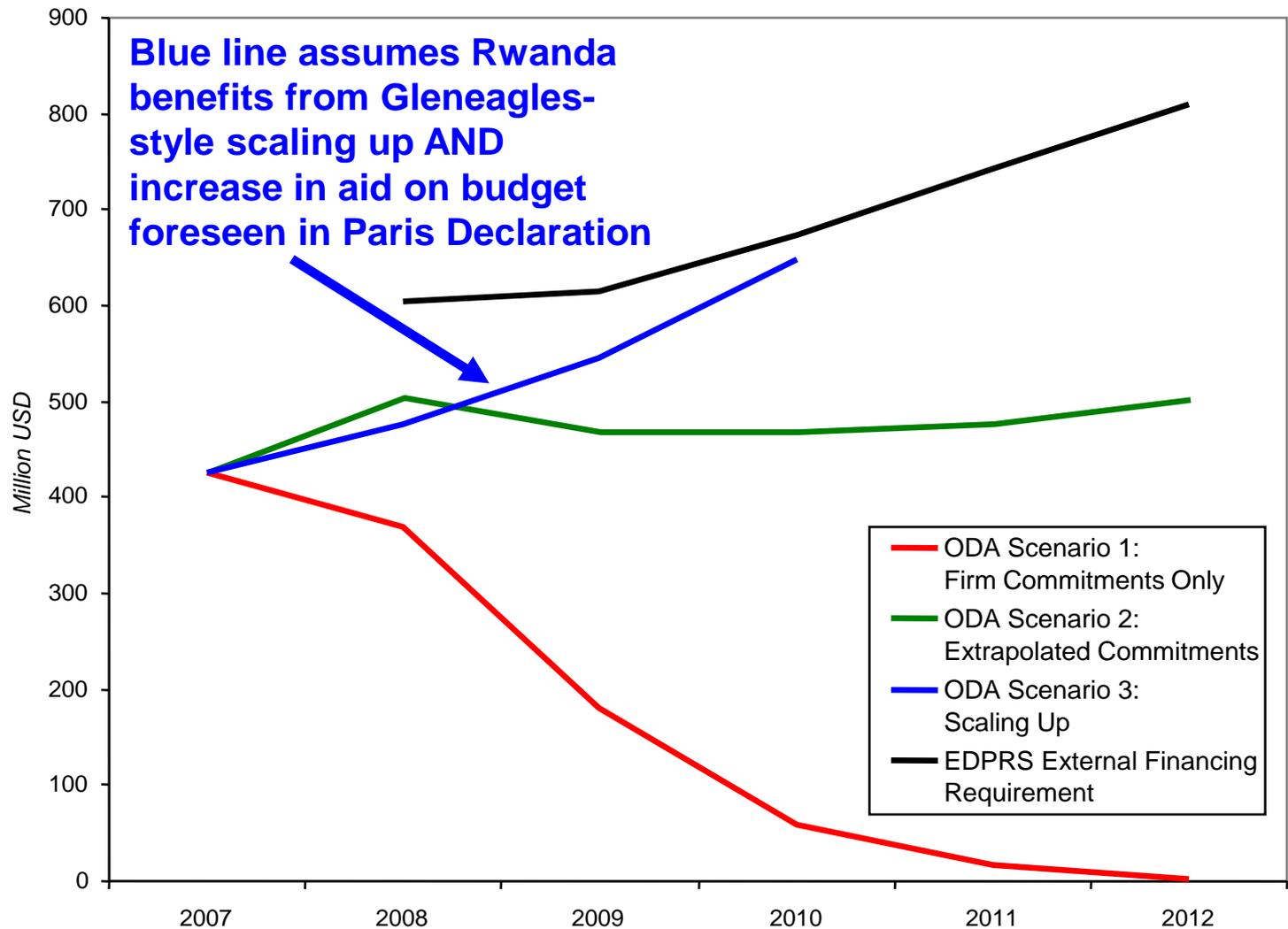
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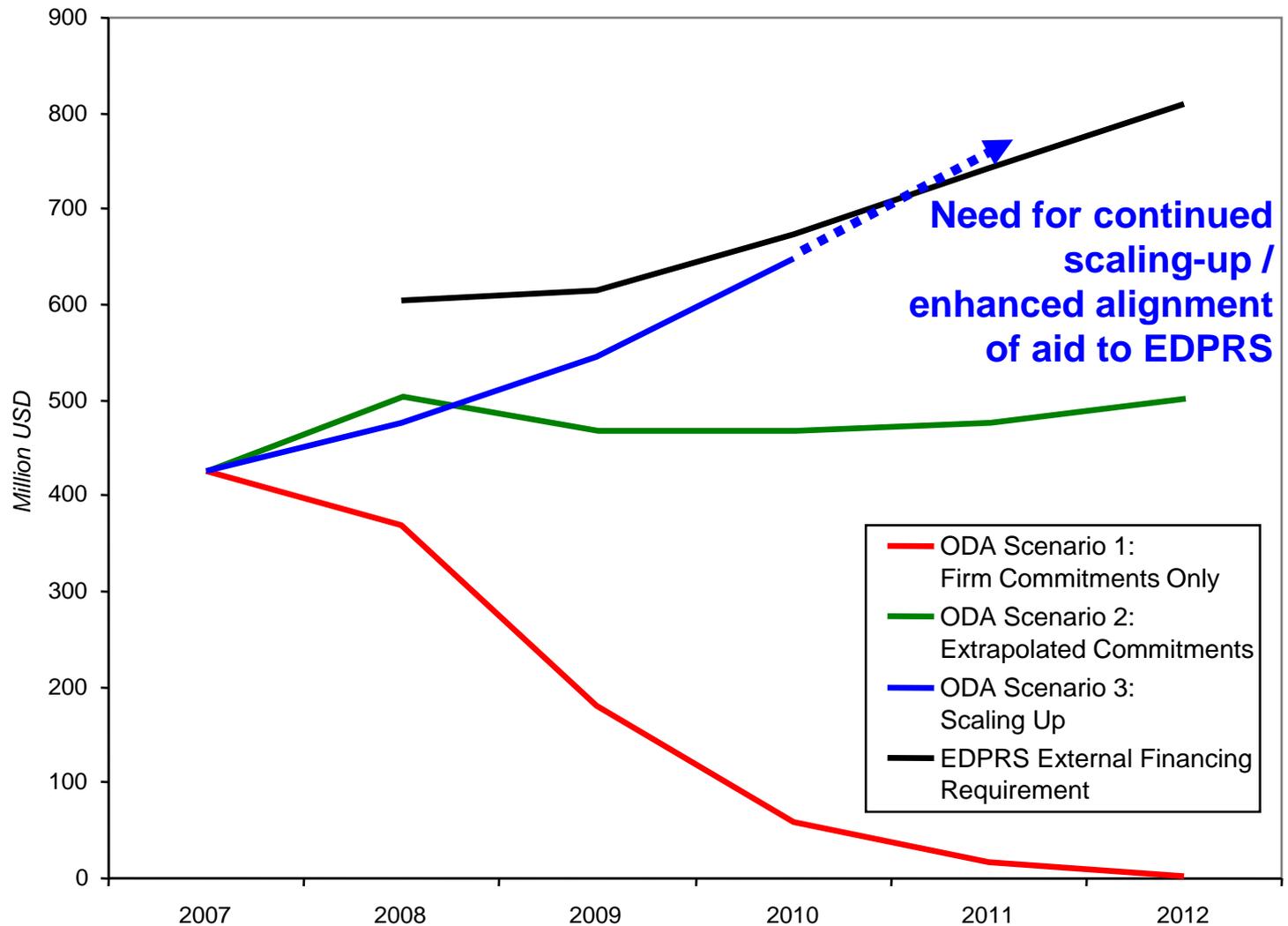
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Some Financing Scenarios





Key issues (1)

- Incomplete or inaccurate information on likely future aid flows
 - Some partners unable / unwilling to provide even indicative figures more than one year ahead
 - Insufficient detail on likely future composition of donor portfolios (e.g. aid modality, sector etc)
- GoR has put in place a database through which commitments data should be collected and fed into budget and planning processes
 - Usage remains low on the donor side
 - GoR then relies on its own estimates, which may be limited in their coverage and assumptions
- This lack of reliable information makes medium term planning a nightmare.



Key issues (2)

- Getting all aid on-budget remains problematic
 - There is a need to ensure that all aid is aligned to the EDPRS (such that it results in a reduction of the financing gap)
 - This requires to channel all aid thru budget, and not necessarily as budget support; where it is difficult to achieve



Recommendations

- **Some information is better than none:** donors need to be encouraged to provide indications of likely aid flows to countries in the medium term, even if these are not firm commitments.
- **Volume and quality of aid are interchangeable to a certain degree:** ensuring complete alignment of existing aid to a national plan, and a reduction in transaction costs, increase the real value of that assistance.
- **Donors should be encouraged to further align their programming frameworks** to those of the recipient country (e.g. Rwanda's UNDAF covers the EDPRS period, as will WB CAS...)
- All of this must happen in the context of **continued efforts to strengthen national capacities** for planning, budgeting and other areas of PFM.



Thank you