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Policy Brief on Impact of Aid in Rwanda

August 2012

Aid Effectiveness in Rwanda: Who Benefits?¹

Rwanda receives at least one billion US \$ in overseas aid every year. Is this investment paying off in terms of development goals and the eradication of poverty? Is the money efficiently managed, by Rwanda and are the donors keeping their commitments?

Key Highlights

- *Most ODP's who participated in the assessment failed to meet their targets for performance.*
- *The aggregate score in 2009/10 for the 14 DPs that participated in the assessment exercise was 59.3 per cent and in 2010/11 for the same ODPs 57.9 per cent.*
- *DfID is the top scorer in years, scoring 100 per cent in 2009/10 and 86.4 per cent in 2010/11.*
- *The US the poorest performer scored 23.5 per cent in 2009/10 and 13.3 per cent in 2010/11.*
- *Rwanda has undertaken a number of aid policy reforms and other like public financial system, enabling DPs to have confidence in using the country systems.*
- *Decisions by DPs to delay the payment of aid or reduce the amount committed, has a direct impact on service delivery to ordinary Rwandans.*

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INTRODUCTION

Rwanda is one of the poorest countries in the world, but it has made dramatic development progress in recent years. Rebuilding the country and setting it on a path of sustainable development after the 1994 Genocide against the Tutsi has been the major priority for the Government, and in this it has been supported by significant amounts of development assistance. The Government has put in place an agenda to ensure that the poor benefit from economic growth and that inequality narrows.

This Brief considers two questions:-

1. The extent to which Aid procedures live up to the Paris Agenda – that there is management for results and sufficient transparency that this can be assessed, that the agenda is set by Rwanda rather than the partners, that aid is predictably and reliably delivered, that donors work together to ensure efficient delivery, and that procedures are as simple as they can be.
2. That aid is having an effect on Rwanda's poverty and inequalities.

The comments given here are based on extensive desk research – policies, laws, reports and statistics – and work in the field - four case studies to examine how ordinary Rwandans are benefitting from aid or rather from programmes and projects designed to benefit ordinary Rwandans.

BACKGROUND

The *Paris Declaration* (2006) placed partner country ownership of policies and processes at the centre of the reform agenda while the *Accra Agenda for Action* (2008) considered in greater detail the role of actors, going beyond the state as owners of development efforts. If donors align with a country's priorities, this strengthens the country's systems and ownership. Setting up parallel institutions to implement projects that may not reflect a country's needs and priorities leads to high transaction costs and can undermine the sustainability of development efforts.

Rwanda has been awarded an A rating by the OECD for its progress towards achieving the Paris agenda targets and is on track to achieve most of its MDG targets by 2015, making it one of the best performing sub-Saharan countries. However, to move onto a path of sustainable development Rwanda needs support to develop a 'virtuous cycle' in which the building of human capital fuels equitable economic growth and builds political stability and trust. The country remains dependent on significant levels of foreign aid (ODA). The total ODA to the Government sector in 2009/10 was \$934 million US and for 2010/11 it was \$955 million US. Moreover, not all ODA is 'on budget' or even recorded in the Development Assistance Database, and it is difficult to estimate the amount of 'off budget Aid' that is received. (The PEPFAR budget for HIV/Aid, for example, is around \$123 million US a year.) In addition there is aid from donors not involved in the discussions about aid management. However, net ODA is probably around 20 per cent of Gross National Income.

There are several ways of delivering aid. Projects are stand-alone initiatives, separately and specifically funded; they may use the Government's systems for handling money and running the activities, but they may set up parallel delivery agencies outside government. Sector Budget Support and General Budget Support both involve the financing of the budget by a transfer of funds to the national treasury, with the funds managed by the Government's budgetary procedures and disbursed to the Ministry of Finance. (The difference is that Sector Budget Support is earmarked for a discrete sector or sectors.)

Achievement of the goals:

The Government has put in place the development agenda encapsulated in *Vision 2020* and implemented through the *Economic Development and Poverty Reduction strategy 2008-12*. The strategy is intended to ensure that the poor benefit from economic growth as well as move the country on to a path of sustainable.

As we have said, economic growth is a prerequisite for poverty reduction. With its current GDP of US\$6.27 billion Rwanda could not eliminate extreme poverty through redistribution alone; aid is essential until growth can be achieved. Even then, economic growth is no guarantee that there will be a reduction in inequalities; sound social policies are also needed. The challenge is ensure that the poor benefit, recognising the inter-linkages between economic progress and other aspects of social welfare.

Aid Management: the Government's *Aid Policy* clearly sets out its expectations for the use of aid and its management in support of the EDPRS. It makes clear the Government's preference for aid to be provided as direct budget support, or at least Sector Budget Support rather than project support, and for it to support the implementation of the EDPRS. *Harmonisation* (reducing fragmentation, avoiding unnecessary duplication and reducing transaction costs), *Aid Predictability* (knowing what aid the country is going to receive in order to undertake medium-term planning) and *Accountability* (having systems in place to support results-based management and the mutual accountability of donors and partners) are the key issues.

EFFICIENCY OF AID DELIVERY: IS AID BEING USED EFFECTIVELY AND EFFICIENTLY?

Rwanda's 'ownership' of the aid process:

The *Paris Declaration* placed ownership of policies and processes at the centre of the reform agenda. A major concern in the past has been that much donor assistance has been poorly aligned with government's priorities, limiting impact on poverty reduction and economic development and this was equally the case in Rwanda. In order to implement the *Declaration* Rwanda developed an *Aid Policy(2006)* and has undertaken a number of reforms and other initiatives to facilitate implementation including reforming the public financial system so that it complies with international good practice enabling DPs to have confidence in using the systems. Sector Wide Approach (SWAp) agreements have been signed with DPs in seven sectors and a division of labour agreed to ensure that development aid meets the needs of all sectors.

In 2008 the *Country Performance Assessment Framework (CPAF)*, with a wide range of indicators for use in budget support reviews and governance analysis was agreed by Government and DPs. It provides a series of indicators and benchmarks for monitoring progress, which forms part of an annual mutual review process designed to strengthen mutual accountability at country level. A draft review is prepared by the Ministry of Finance and Economic Planning and discussed with DPs at a DPCG meeting (see e.g. Ministry of Finance and Economic Planning 2011). In 2008 a *Joint Governance and Assessment Framework* was developed as a monitoring framework and integrated with the *EDPRS Results Monitoring Framework*.

Challenges as most donors fail to honour their commitments

Challenges nevertheless remain and thirty six per cent of aid remains off budget. Some ODP's and other DPs are failing to fully engage with the aid effectiveness agenda. Non-participation raises questions of the extent to which these DPs are providing funding in line with the country's development agenda. Most ODP's who participated in the assessment failed to meet their targets for performance. The aggregate score in 2009/10 for the 14 DPs that participated in the assessment exercise was 59.3 per cent and in 2010/11 for the same ODPs 57.9 per cent. However, the average conceals a wide variation in performance with DfID, the top scorer in years, scoring 100 per cent in 2009/10 and 86.4 per cent in 2010/11. The US the poorest performer scored 23.5 per cent in 2009/10 and 13.3 per cent in 2010/11. DfID, the EC and the World Bank were in the top three performers in both years and Japan and the US at the bottom with little movement of other DPs (See Table 1).

Predictability and reliability of aid delivery

It is clearly important that partner countries know what aid they are going to receive, in order to undertake medium term planning. In Rwanda less than half the DPs provide rolling multi-year binding and/or indicative information on rolling three-year expenditure plans. The problem is compounded by significant differences between what the OECD staff estimate Rwanda will receive, the information provided by ODPs to the OECD and what is provided to the Government of Rwanda. For example, forward spending information provided to the Government of Rwanda for 2014 is for just over 100 billion Frw, while the OECD is told 250 billion Frw and the OECD estimate is nearly 400 billion Frw. Lack of reliable and complete information on budgetary aid resources makes it difficult for the Government to prioritise and allocate resources effectively.

Predictability both in terms of forward commitments and timely delivery is also important in enabling programmes and projects to be delivered on a continuous basis. Delays in the payment of aid can have a direct impact on the poor and the vulnerable by interrupting the delivery of projects. Decisions by DPs to delay the payment of aid or reduce the amount committed is likely to have a direct impact on service delivery to ordinary Rwandans.

Efficient organisation of aid delivery

The Accra Agenda emphasises the use of partner systems by donors and support in strengthening these systems. Harmonisation is needed, to reduce fragmentation and avoid unnecessary duplication of effort and high transaction costs. This involves using common arrangements, coordinating technical co-operation, coordinating missions and agreeing a division of labour

The *EDPRS* identifies the areas where technical assistance is required. The *Aid Policy* outlines the terms under which the Government would wish technical assistance to be given and 92 per cent of technical assistance is coordinated with the county's programmes. New initiatives have been introduced to facilitate dialogue following the introduction of the Policy: an annual Retreat of development partners, a website for information-sharing and organization and an agreed Donor Division of Labour to spread aid more equitably across the *EDPRS* sectors.

There has been steady but slow progress in ensuring that aid meets the expectations of the Government as set out in the *Aid Policy*. Most ODA bilateral donors explicitly link commitments and disbursements of Government Budget Support to performance against governance criteria in addition to progress on conventional aspects of economic and sector policy. However, a number of ODPs are continuing to provide project support, involving high transaction costs for the Government, and spending is not always coordinated to ensure the alignment of projects with Government's priorities.

It is difficult to capture the engagement with Rwanda of the other development partners who do not take part in the coordination of aid spending - China, India, BADEA, Kuwait Fund, Saudi Fund, Egypt, Cuba, South Africa and Nigeria - as they do not report transfers to the DAD. The aid provided by these partners does include some financial assistance but is mostly concessional loans and technical assistance. The non-integration of these donors into the Aid Architecture is a challenge, increasing transaction costs, reducing the possibilities for collaboration between donors and potentially resulting in duplication.

Transparency and management by results

The Paris declaration involved a commitment by donors and partner country governments to hold each other accountable through a clear set of indicators of progress. It emphasises the importance of performance assessment frameworks, statistical systems and statistics as well as efforts to strengthen and make greater use of partner country systems for results management. Accountability for results requires transparency and ensuring that citizens know how public resources are being used as well as there being mutual accountability between partners and donors.

In 2008 Government and donors agreed the *Common Performance Framework (CPF)* and the *Joint Governance and Assessment Framework*, together with a series of indicators and benchmarks for monitoring progress. Independent reviews of aid in Rwanda have concluded that there has been a move to mutual accountability between the Government and Donors but less progress in the Government having greater accountability to citizens and taxpayers. ODPs also continue to exert a strong influence on government policy.

ACHIEVEMENT OF OUTCOMES: are ordinary people benefitting from aid?

The MDGs represent the world's commitment to development, so one form of assessment is to consider the progress Rwanda has made towards achieving them. Rwanda is one of the best performing countries in Africa and an example of success in post-conflict reconstruction. It has been widely acknowledged for the progress it has made in fighting corruption. It remains one of only two countries in the world to have women as more than 50 per cent of its members of the elected chamber of its parliament. It has achieved political stability, with a new constitution being approved in 2003 and two rounds of parliamentary and presidential elections held without serious incident. It remains, however, one of the poorest and most aid-dependent countries in the world, faces enormous development challenges and is characterised by inequalities of both assets and income. High economic growth has hidden large and growing inequalities. It has high rates of poverty, high infant and under-five mortality rates and low life expectancy at birth.

Rwanda's own development targets

Rwanda's ambitious programme for development is encapsulated in *Vision 2020*, and the *Economic Development and Poverty Reduction Strategy 2008-12* is the mid-term framework for implementation. It is grounded in a human development approach and explicitly recognises that economic growth alone will not reduce poverty and improve the lives of the poor. It is based on three pillars: sustainable growth for jobs and exports; *Vision*

2020 Umurenge, which is a pro-poor rural development and social protection programme; and good economic governance as a precondition for poverty reduction and development.

The Government target for spending on human Development and Social Sectors is 34.2 per cent of the budget and that actual spending has fallen short of this. The shortfall is on education. There has also been a noticeable spending below target on water and sanitation, but spending on transport and communication and general public services has been above target.

The MDGs

Rwanda is on course to achieve most of its 2015 MDG targets, or has the potential to do so. Where targets will not be met, there has nonetheless been visible progress. Eradicating extreme hunger and poverty is a target, for example, and the proportion of the population living below the national poverty line decreased significantly between 2005/6 and 2010/11, from 57% to 44.9%. Despite this excellent progress it is unlikely that the 2015 target will be met, but Rwanda is on track to achieve its target for reduction in the proportion of the population below the minimum level of dietary intake. The target for the prevalence of underweight children has already been met, and the number of children going hungry has declined dramatically since 1994.

MDGs	
Goal 1: Eradicate Extreme Poverty and Hunger ²	Off Track
Goal 2: Achieve Universal Primary Education	Challenging
Goal 3: Promote Gender Equality and Empower Women	On Track for All or Nearly all Targets
Goal 4: Reduce Child Mortality	On Track for All or Nearly all Targets
Goal 5: Improve Maternal Health	On Track for All or Nearly all Targets
Goal 6: Combat HIV/AIDS	Challenging
Combat Malaria and Other Diseases	On Track for All or Nearly all Targets
Goal 7: Ensure Environmental Sustainability	Off Track
Goal 8 Develop a Global Partnership for Development	Challenging

Decent employment is the main route out of poverty, and there is a deficit of decent jobs in Rwanda. A majority of the population are engaged in subsistence agriculture, nearly 47 per cent of women are dependent family workers and a majority of those in non-farm jobs are in the informal sector. Those households mainly dependent on farm wages are most likely to be living in poverty and those mainly dependent on non-farm wages are the least likely. The main route out of poverty is to move into paid non-farm employment or non-farm self employment/household enterprise.

This kind of pattern is repeated in the other sectors. While some targets will not be met, very considerable progress is being achieved, and the lives of the poor are being improved. This would not be possible without the contribution made by ODAs to Rwanda's budget.

Well-being

In considering the effectiveness of aid it is important to go beyond asking whether it is aligned with government priorities and ask whether it is improving the well-being of ordinary Rwandans. A recent, broad approach to understanding well-being, the Social Quality Model, offers new perspectives on what matters and new ways to assess policy outcomes and their impact on people's lives. The model covers four dimensions of people's well-being: *socio-economic security* (or ensuring people have the resources over time to be able to cope with daily life, enjoy a dignified lifestyle and take advantage of the opportunities available to citizens); *social cohesion*, the glue that binds a society together and creates trust; *social inclusion* - the degree to which people are and feel integrated in institutions, organisations and social systems; and *conditions for social empowerment* - that the objective conditions exist and that individuals have the ability to make use of them. Empowerment encompasses both the means by which people can be empowered – their levels of health and education – and also their subjective feelings of agency. The model leads us to ask what it means to live well and what constitutes 'a good society'.

Ultimately the test of well-being must be people's satisfaction with their lives. It has to be said that Rwandans are not very satisfied – Rwanda scores one of the lowest for general satisfaction, among all the countries of the

2 Key to 'traffic lights':

Off Track
Challenging
On Track for All or Nearly all Targets

World Values Survey. The main influences on general satisfaction in Rwanda are the economic circumstances of the household, health, and control over life. This suggests that reducing poverty, improving health and enable people to have more control over their lives will increase subjective satisfaction. Rwanda has policies and programmes in place to secure the well-being of ordinary Rwandans, which include achieving the MDGs but are broader and designed to enable ordinary Rwandan's to live well.

The IPAR case study research assessed how the beneficiaries of various donor-supported programmes felt about their lives. Focus group participants were asked to give a score from one to ten for how satisfied they felt with aspects of their lives. Overall, men scored a little below 5 on a ten-point scale and women significantly higher at 6.8. The difference is sufficient to suggest – but not, of course, to prove – that the programmes in which the women were participating have had an effect of their overall well-being. Scoring was similarly distributed on whether other community members could be trusted, and on satisfaction with household living standard, though even the women do not score much above 6 here on a ten-point scale. Both genders scored below the mid-point in terms of confidence about household management. Women are more satisfied than men with the healthcare they receive. Men scored only slightly above the mid-point, while women scored well above 7 on average. The majority of informants reported that their state of health only “sometimes” or “occasionally” prevented them from doing what they wanted to do. The majority of informants confirmed that they were confident that they contributed to public decision making. The majority seemed confident that they would get help from other community member in times of crisis, though the proportion who said otherwise was not negligible. Few felt completely out of control of their lives, though men tended to report greater control than women.

All of these aid-supported programmes were said to have brought about significant improvements in the lives of beneficiaries, but a number of the men were less satisfied than the women and thought there was a long way to go still in order for them to reach where they needed to be in the future.

CONCLUSIONS

The country was left devastated after 1994, with its infrastructure destroyed and with much of the educated population dead or in flight. Rebuilding the country has been the major priority for the Government and in this it has been supported by significant amounts of development assistance.

The Government has taken strong ownership of development support, skilfully taking up DAC DP's rhetoric to exert leverage and bring its negotiating capital into play. Challenges do remain, and some partners are failing to engage with the aid effectiveness agenda. There is evidence, however, that DPs do give assistance in line with EDPRS priorities even if the assistance is not always provided in the way the Government would prefer or in line with commitments made at Paris, Accra and Busan.

Given the relationship between the Government and the major DPs it is not possible to determine what benefits aid is bringing, independently of the development results generally. It is evident, however, that aid makes a strong contribution the development results. Promoting genuine improvements in the life of the poor, inclusive growth, reducing poverty and, inequalities and exclusion is central to government policy and the objectives of the DPs. There is strong evidence that a determined government with the support of its DPs has brought about significant improvements in the lives of ordinary Rwandans. However, we should remain aware that there is a long way to go before extreme poverty and want is eliminated in Rwandan.

What this study demonstrates is that strong country ownership and leadership of the development agenda combined with supportive DPs can bring about genuine and sustainable progress even in the poorest countries. It provides strong indicative evidence that the effective management of aid enables the realisation of development outcomes and results.

RECOMMENDATIONS

Donors should:

- In general donors should honour the commitments they made in Paris and renewed in Accra and Busan
- Continue to proactively support the country's development strategy and work with the government and other stakeholders to develop and implement EDPRS-2;
- Ensure that they provide timely information to the Government, align with the Government's fiscal year and in particular that they ensure that they provide information so that all aid to Government is included in the budget;
- Proactively engage with the Donor Performance Assessment Framework;

- Move to provide GBS and SBS but where this is not possible use the Single Project Implementation Units, support basket funds and the PBA;
- Use national systems and institutions thereby strengthening them, reducing costs and ensuring sustainability;
- Fully adopt the division of labour policy agreed with the Government;
- Provide forward predictions of aid through multi-year binding agreements but where this is not possible provide non-binding indications to cover the next three years on a rolling basis;
- Ensure the timely disbursement of aid;
- Only provide TA only in areas where the Government has indicated a need and ensure that it is managed by the Government and builds local capacity;
- Purchase goods and services locally where ever possible;
- Work with the government and other stakeholders to ensure greater public disclosure of information on the what aid is given for, what projects and programmes it has supported and the results;
- Ensure and encourage the meaningful participation of civil society in all planning and monitoring and evaluation activities related to the development policy and aid;
- Continue to provide Aid for Trade and for investment in public sector development and infrastructure to ensure that aid is invested in sustainable growth as well as human development;
- Continue to support Gender Equality and the empowerment of women but also ensure that the distinct needs of other groups in the population are addressed including people living with disabilities, children and adolescents and young youth.

GOVERNMENT

The Government should:

- Continue to take a firm leadership of the development agenda and identify the areas where foreign assistance is most needed to improve service delivery;
- Continue to work with ODPs to ensure the alignment of project aid with the governments own budgeting, accounting and reporting cycle as this is likely to remain the most significant modality for delivering aid to Rwanda ;
- Increase the participation of and genuine consultation with civil society and marginalised groups especially on the development, implementation and monitoring of development plans, laws and policies by establishing a formal mechanism;
- Ensure that it is fully accountable to domestic stakeholders;
- Ensure that information on development policy and its implementation including the role of development aid is disseminated in a way that a majority of the population can access it and encourage debate ;
- Speed up the passage of the Draft Access to Information Law and ensure that it is implemented as soon as it is on the statue book;
- Continue to work with ODPs to ensure the full implementation of the *Aid Policy* ;
- Incorporate a gender perspective in national development plans, policies and strategies as well as ensuring that other identifiable groups in the population with identifiable needs, such as children and adolescents, people living with disabilities and young youth are also taken into account;

Civil Society should:

- Organise more effectively and become more proactive in exercising its rights to participate in local and national fora for policy development, implementation and monitoring and evaluation and specifically participate in the development of EDPRS-2;
- Build capacity to hold Government accountable including building mechanisms for coordinating civil society organisations to enable joint working ;
- Lobby the government for greater tax justice and transparency

TABLE 1: DONOR PERFORMANCE ASSESSMENT FRAMEWORK 2010/11

Results Area	Indicator	All	AfDB	Be	CA	EC	GE	GF	Ja	Lux	NE	SE	SW	UK	UN	US	WB
Financing National Strategies in support of MDGs and vision 2020	% ODA Recorded in Budget	64	51	54	0	71	67	27	9	76	84	92	57	85	36	3	100
	% Budget for GoR Delivered by GoR Agencies	65	100	19	81	99	60	100	100	45	68	87	68	78	87	0.2	98
Use of National Systems and Institutions for Strengthening Ownership, sustainability and Reduced Transaction Costs	% ODA Disburse in Context of PBA	66	79	100	0	86	92	100	95	0	75	84	100	84	56	13	76
	% ODA Disburse using GoR Budget Execution	34	15	19	0	87	68	0	18	0	65	48	60	75	7	0	62
	% ODA Disburse using GoR Using GoR Auditing Procedures	47	82	19	0	87	69	0	18	0	67	54	59	77	31	0	100
	% ODA Disburse using GoR Using GoR Reporting Systems	59	82	19	51	87	69	100	18	19	67	87	60	77	36	0	100
	% ODA Disburse Using GoR Procurement Systems	62	82	100	51	89	69	95	21	19	88	87	68	79	72	62	72
	Number of Parallel PIUs	26	0	16	1	0	5	0	2	2	0	0	1	0	2	N/A	0
Facilitating Long-Term planning and Implemented Through Predictable Financing	% TC Provided through Coordinated Programmes	97	100	99	100	100	94	50	100	74	83	100	0	100	73	100	70
	All ODA through Multi-year Binding Agreements of at Least three Years	60	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	Yes	No	No	Yes
	Non-binding Indications of Future Aid to cover at Least three Years Ahead on a rolling Basis According to the GoR fiscal Year	67	Yes	Yes	NO	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes
	% ODA Delivered in Year for which Scheduled	63	60	83	0	91	68	74	10	33	70	72	67	72	51	12	85
	DAD Quality Indicator for Year	0.87	0.85	99	0.95	0.92	0.97	0.92	0.91	1.00	0.98	0.85	0.97	1.00	0.94	0.99	0.97
	% Total Missions Joint	49	100	100	100	100	67	None	None	0	80	100	None	100	44	100	31
	% Donor Analytic Work that is Coordinated	67	None	None	0	50	100	None	0	None	0	0	0	86	87	38	None
	Silent Period Respected	93	Yes	No	Yes												

(Source: Ministry of Finance and Economic Planning 2011)

Met Target	Target Not Met	Not applicable
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African Development Bank	Belgium	Canada	European Commission	Germany	Global Fund	Japan	Luxembourg	Netherlands	Sweden	Switzerland	United Kingdom	United Nations	United States of America	World Bank