

Republic of Rwanda



Rwanda Aid Policy Manual of Procedures

[May 2011]

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**Rwanda Aid Policy
Manual of Procedures**

May 2011

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Acronyms

| | |
|-------|---|
| APR | Annual Progress Report |
| NBR | National Bank of Rwanda (Rwanda's Central Bank) |
| BTC | Belgian Technical Cooperation |
| CAP | Country Assistance Paper |
| CAS | Country Assistance Strategy |
| CDF | Common Development Fund |
| CEPEX | Central Public Investments & External Finance Bureau |
| CNLS | Commission Nationale de Lutte Contre le SIDA (National body responsible for the fight against HIV/AIDS) |
| COSOP | Country Strategic Opportunities Programme |
| CP | Counterpart Funds |
| CSP | Country Strategy Paper |
| DAD | Development Assistance Database |
| DAF | Director for Administration & Finance |
| DDP | District Development Plan |
| DED | German Development Service (focus on TA) |
| DFID | Department For International Development |
| DG | Director General |
| DP | Development Partner |
| DPCG | Development Partners Coordination Group |
| DPU | Development Planning Unit |
| DSA | Debt Sustainability Assessment |
| EDPRS | Economic Development & Poverty Reduction Strategy |
| EFU | External Finance Unit |
| FA | Financing Agreement |
| GBS | General Budget Support |
| GF | Global Fund |
| GOR | Government of Rwanda |
| GTZ | Deutsche Gesellschaft fur Technische Zusammenarbeit (German Technical Cooperation) |
| HLIC | High Level Aid Policy Implementation Committee |
| HQ | Head Quarter |
| IDA | International Development Association |
| IFAD | International Fund for Agricultural Development |
| IGFR | Inter - Governmental Fiscal Relations |
| IFC | International Finance Corporation |
| IFMS | Integrated Financial Management System |

| | |
|-----------|---|
| IWG | Implementation Working Group |
| JFA | Joint Financing Agreement |
| KfW | Kreditanstalt fur Wiederaufbau (Germany's Development Bank) |
| LTIF | Long Term Investment Framework |
| M&E | Monitoring & Evaluation |
| MAP | HIV/AIDS Multi-Sector Project |
| MIGA | Multilateral Investment Guarantee Agency |
| MINAFFET | Ministry of Foreign Affairs & Cooperation |
| MINALOC | Ministry of Local Government |
| MINECOFIN | Ministry of Finance & Economic Planning |
| MINICOM | Ministry of Commerce and Industry |
| MINIJUST | Ministry of Justice |
| MTEF | Medium-Term Expenditure Framework |
| NBD | National Budget Directorate |
| NDPRD | National Development Planning and Research Directorate |
| NGO | Non-Governmental Organisation |
| NITT | National Investment Technical Team |
| OAG | Office of the Auditor General |
| PAD | Project Appraisal Document |
| PIC | Public Investment Committee |
| PIP | Public Investment Programme |
| PIU | Project Implementation Unit |
| PMU | Project Management Unit |
| PRIMATURE | Prime Minister's Office |
| PS | Permanent Secretary |
| PSCBS | Public Sector Capacity Building Secretariat |
| PSF | Private Sector Federation |
| RALGA | Rwandese Association of Local Government Authorities |
| RDB | Rwanda Development Board |
| SBS | Sector Budget Support |
| SmartFMS | Smart Financial management System |
| SSP | Sector Strategic Plan |
| SWAP | Sector-Wide Approach |
| SWG | Sectoral Working Group |
| TA | Technical Assistance |
| TC | Technical Co-ordination |
| TOR | Terms of Reference |
| UK | United Kingdom |
| USAID | United States Agency for International Development |

How to Use this Manual

Objectives

The purpose of the manual for the Mobilisation, Negotiation & Management of External Aid (hereafter “The Manual”) is to provide Government of Rwanda (hereafter “GoR”) and its agencies with procedures to guide and improve the implementation of the 2006 Aid Policy (GoR, 2006), with the overall aim to improve aid effectiveness in Rwanda:

5.5. A manual providing detailed advice on the processes of negotiation and management of aid will be devised, in order to ensure adherence to the division of responsibilities set out in 3.26 to 3.46 above. This document will provide clear guidance on the responsibilities of different government actors at each stage in the process, the necessary documentation, and timeframes within which requests must be actioned.

(GoR, 2006, p19)

This main objective can be split up in two:

- (1) Improve on **Transparency & Accountability** through ensuring better communication & information flow between GoR institutions dealing with external finance. This includes ensuring that external aid is better reflected in the budget so as to improve the allocation and efficiency of scarce resources; and,
- (2) Increase **Ownership** by ensuring appropriate GoR institutions/staff are involved at the right stages of the aid management cycle, and push donors to adhere to Aid Policy principles.

Target Audience

All GoR actors involved in aid management. These include the civil servants working within the Ministry of Finance and Economic Planning (mainly External Finance Unit and CEPEX) and the Ministry of Foreign Affairs & Cooperation. This manual serves as a reference guide for existing staff members and as an introduction to aid management for new arrivals. Some of the procedures suggested will need to be carried out by implementing agencies (line ministries, districts, other public entities...) and their project managers; while some of the proposed ways of working will require buy-in from senior GoR officials. The main responsible institutions/actors will always be clarified for every single task/procedure mentioned in the manual.

Using this Manual

This Manual should be used as a **reference guide** for GoR officials involved in aid management. Every **task / procedure** always includes: (1) a description of the task(s) to be performed, (2) the time-frame in which this task is to be performed, (3) which GoR institution carries responsibility for performing the task(s), and, (4) which documents and which other institutions should be consulted.

Updating

Chapters and sub-chapters are self-contained, which should make updating the manual a straightforward task. To take account of the changing aid environment this manual will **need to be updated at regular intervals**. Decision-making power on updating the manual should lie with the **High Level Implementation Committee** (HLIC) overseeing the implementation of the 2006 Aid Policy.

Overview

How to Use this Manual? This is a stand-alone section setting out how this manual should be used.

- Overview** Provides an overview of the manual's content.
- Chapter 1** Defines **the types of aid** covered by this Manual, its **legal status**, and gives an overview of the main Government of Rwanda **institutions** responsible for the **management of external assistance**.
- Chapter 2** Provides procedures for all phases of the standard **aid management cycle**. There is no distinction provided between different types of aid, even though it uses **project aid** as the default aid modality. Hence, there is no chapter specifically devoted to project aid.
- Chapter 3** **Budget Support**, including Sector Budget Support and the development of Sector Wide Approaches (SWAPs), is discussed.
- Chapter 4** Chapter four covers the basic nature of **Technical Assistance**.
- Chapter 5** Defines procedures in which aid is integrated into the national planning, budgeting and MTEF cycles with the view to further enhance alignment of aid to the national priorities and procedures.
- Chapter 6** Defines procedures in which aid execution/disbursement uses the national public financial management systems and procedures, particularly focusing on the disbursement through a Treasury Single Account as well as the use of budget execution, accounting, and reporting procedures.
- Chapter 7** Clarifies the procedures of tax exemption.
- Annex 1** **Aid Volumes and modalities used by Rwanda's main DPs** gives an overview of the amounts of aid and the aid modalities in Rwanda.
- Annex 2** **Framework and Financing Agreements of Rwanda's main DPs**. This annex details the policies and procedures used by Rwanda's main DPs. It includes three tables: (A2.1) gives DP-specific information on Framework Agreements, (A2.2) gives DP-specific information on Financing Agreements and (A2.3) gives information on Project Management structures used by DPs.
- Annex 3** **Terms of Reference for the High Level Aid Policy Implementation Committee**.
- Annex 4** **Development Partners Performance Assessment Framework (DPAF)** gives an overview of the indicators DPs in Rwanda have agreed to be assessed on, with the ultimate goal of increasing their aid effectiveness.
- Annex 5** **Aid Principles, procedures and Government of Rwanda preferences in aid management** gives an overview of all the principles underlying the Aid Policy and this Procedures Manual.
- Annex 6** **Summary of Externally financed project/programme** is a template that is to be filled out when an externally financed programme/project is signed. It summarizes key information related to the signed programme/project like amounts/type/sector/etc.
- Annex 7** **Flow Chart documenting implementation of Aid Programmes/projects** is a template for keeping track of the implementation status and progress of externally financed programmes & projects.

- Annex 8** **Generic Format of a Joint Financing Agreement (JFA)** provides a checklist of what considerations typically need to be taken into account when developing a JFA.
- Annex 9** **Revised Budget Calendar** illustrates budget calendar of the Government of Rwanda.
- Annex 10** **Report Format** is a template format for reporting on commitments, actual disbursements for Budget Support, Joint Financing Mechanisms and Projects, and Donor Budget Expenditure. The first four reports can be produced from the DAD, while the Donor Budget Expenditure will be produced through SmartFMS, which will be completed by information from the DAD.

Chapter 1: Introduction

1.1. External Assistance covered by the Aid Policy

This section details external financial flows governed by the Government of Rwanda's 2006 Aid Policy. Rwanda follows the OECD/DAC definition of External Finance, i.e. grants or loans with a development purpose and a grant element of more than 25% (OECD/DAC, 2008a)¹ (See Table 1). The focus on aid includes aid disbursements in the context of an agreement with the government sector (–central government or decentralized entities - authorised to receive revenue or undertake expenditures on behalf of central government), including works, goods or services delegated or subcontracted *by government* to other entities (e.g. NGOs, private companies)². All such aid is to follow the procedures detailed in this manual.

Table 1: External Financing in Rwanda

| | | Definition | Coverage in this manual |
|---------|--------------------------|--|---|
| Aid | To Gov't Sector | Aid disbursements in the context of an agreement with the Gov't sector (administrations – ministries, departments, agencies or district – authorised to receive revenue or undertake expenditures on behalf of central gov't), including works, goods or services delegated or subcontracted by gov't to other entities (e.g. NGOs, private companies) | Manual to explain fully procedures governing such aid. |
| | To Private Sector / CSOs | All other aid flows | Procedures linked to such aid mentioned in chapter 2 where appropriate. Follow-up should still happen through Sector Working Groups (1) |
| Non-Aid | To Gov't Sector | Loans with grant element < 25% - Not envisaged under Rwanda's current Debt Sustainability Framework – see (2) | Not covered. Follow-up should still happen through MINECOFIN |
| | To Private Sector / CSOs | Other market-based loans to private sector, FDI, etc. | Not covered. Follow-up should happen through MINICOM, PSF and RDB. |

- ❑ MINECOFIN (2007).
- ❑ MINECOFIN (2008a).

1.2. Legal Status of the Aid Procedures Manual & related issues

Status of the Aid Procedures Manual

The Aid Policy Manual is established by a Ministerial order.

Ratification

All Financing Agreements that bind the Government of Rwanda in any way (i.e. not only loans) have to be ratified by the President of the Republic of Rwanda (following authorization by Parliament) as explained by the Rwandan Constitution adopted in 2003:

- 1 See section 5.2 on loans for more detail on the grant element of a concessional loan.
- 2 Aid to the Government sector does not include aid monies channelled through CSOs & private sector where the Government has no control over.

However, peace treaties and treaties or agreements relating to commerce and international organizations and those which commit state finances, modify provisions of laws already adopted by Parliament or relate to the status of persons, can only be ratified after authorisation by Parliament.

(Rwandan Constitution, Article 189).

The concrete steps that lead to the ratification of Financing Agreements between a Development Partner and the Government of Rwanda are detailed in chapter 2, section 2.5.

1.3. Institutional Structures

This section details the main responsibilities of different GoR actors involved in the management of external finance flowing into Rwanda.

High level Aid Policy Implementation Committee (HLIC)

The **High-Level Aid Policy Implementation Committee (HLIC)**, was established by the Government of Rwanda to oversee the implementation of the aid policy.

5.14. An Aid Policy Implementation Committee will be mandated by Cabinet to oversee the effective implementation of this policy, the chair reporting to Cabinet on a regular basis on the progress made in implementation.

(Rwanda 2006, p20)

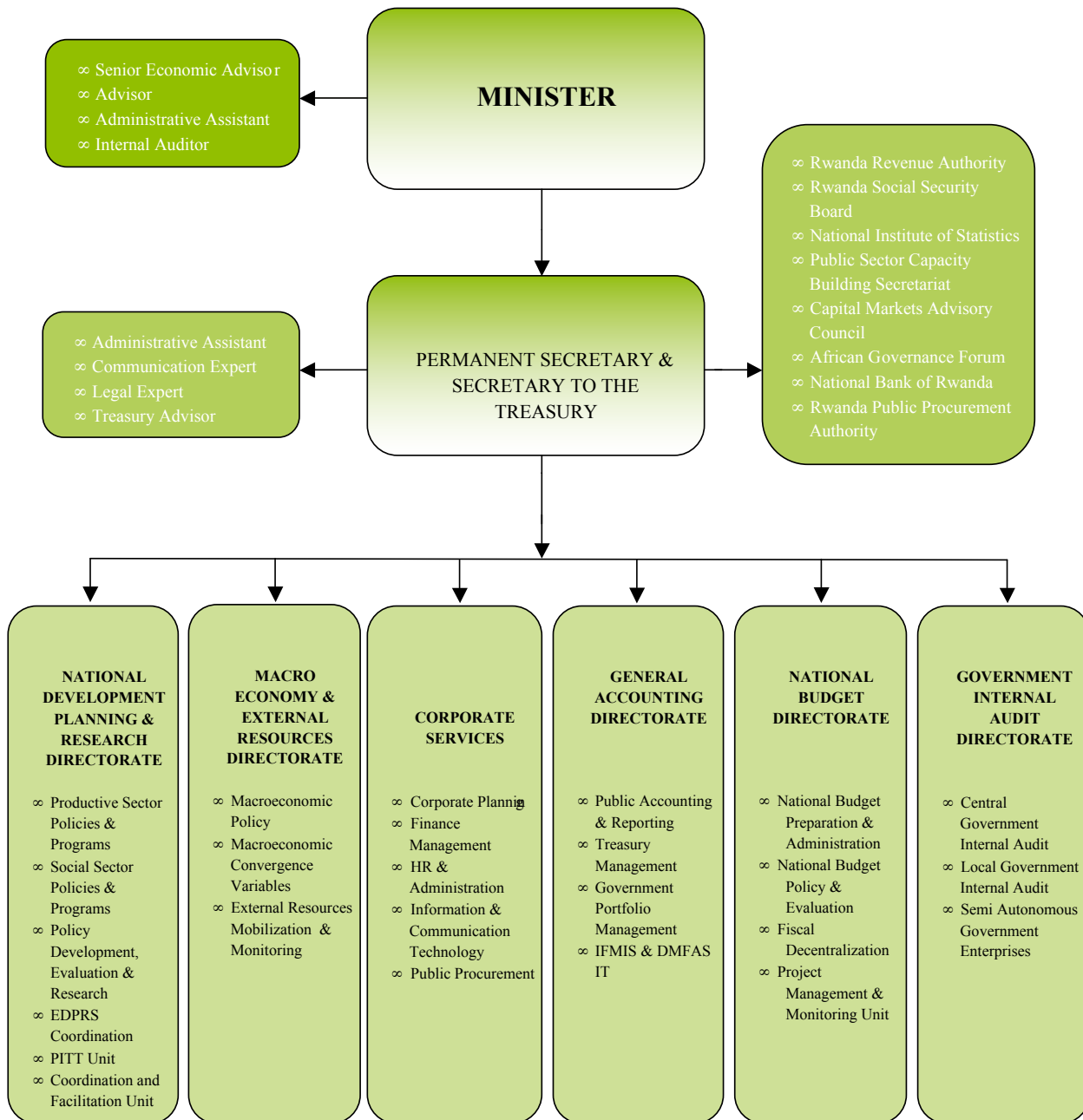
This committee draws its membership from the main Government institutions that manage external assistance and is chaired by the Minister of Finance and Economic Planning. Secretarial duties for the committee are taken up by the EFU, which also provides technical input (see Rwanda, 2006, par. 5.16, p.17). Terms of Reference (including membership) for this committee can be found in Annex 3. It reports to Cabinet on a bi-annual basis.

Ministry of Finance and Economic Planning (MINECOFIN)³

The Ministry of Finance and Economic Planning is responsible for the coordination and mobilisation of external assistance, whilst ensuring it is aligned to GoR priorities (GoR, 2006, p13). All documentation with respect to external financing should pass through the MINECOFIN which is also responsible for maintaining public debt at sustainable levels and contributing to the quality of the public investment portfolio.

3 Information on MINECOFIN in this section is mostly taken from the 2006 Aid Policy (GoR, 2006) and the MINECOFIN website: www.minecofin.gov.rw

Figure 1: MINECOFIN Organisational chart



The main units and institutions that have responsibilities and needs related to aid management, and that fall under MINECOFIN’s auspices, are:

External Finance Unit: Serves as the main interface between government and donors on all issues of external support. The unit is responsible for coordinating aid to Rwanda so that it best supports the government’s socio-economic policy objectives. EFU plays a leading role in donor’s strategic cooperation framework process, mobilisation of external resources, managing development partnership, appraisal of financing agreements/projects agreements, assessing quality and effectiveness of aid, overall country cooperation portfolio review, and is a central interface on information on aid flows.

National Budget Directorate: Core responsibilities are to prepare both the recurrent & development budgets, oversee budget approvals, monitor and report on budget execution and oversee the process of fiscal decentralisation. To perform this function adequately, the Directorate requires detailed and

timely information on commitments of external resources along the budget preparation process and whether these should be reflected in the budget. The Directorate also requires detailed information on actual execution/expenditure of external resources in order to report on budget execution. Within this Directorate, the Project Management and Monitoring Unit (PMMU) is responsible for monitoring financial and physical execution of both domestically and externally financed projects. The PMMU plays a key role in project implementation phases, including project evaluation. The Directorate mainly interfaces with the Budget Agencies in performing the responsibilities.

National Development Planning and Research Directorate: Overall objective is to ensure sound development planning at all government levels leading to sustained poverty reduction of in Rwanda. This directorate is responsible for ensuring that external finance programmes are aligned to Rwanda's overarching planning instruments such as VISION 2020 and the Economic Development and Poverty Reduction Strategy (EDPRS). The National Development Planning and Research Directorate is responsible for overseeing the functioning of the sector coordination structures (e.g., Sector Working Groups).

Macroeconomic Unit: The role of this unit is to design, coordinate and monitor the implementation of sound macroeconomic policies in Rwanda. This includes dealing with the macro-economic consequences of external finance flows.

IGFR Unit: The Inter-Governmental Fiscal Relations Unit is responsible for sustainable fiscal decentralisation in Rwanda, including providing support to districts on budgetary matters.

Treasury: The Treasury plays a key role in budget execution by controlling all payments (which pass through BNR which performs the role as the Gov't's banker). It is also responsible for monitoring, reporting and cash planning of the national budget. Finally, the Treasury is in charge of managing Rwanda's public debt, including concessional loans that qualify as aid (grant element > 25%).

Ministry of Foreign Affairs & Cooperation (MINAFFET)

MINAFFET's engagement with external assistance is summarized in 2 specific objectives:

1. Mobilizing bilateral and multilateral cooperation for development's sake through establishing and maintaining broad policy dialogue and re-invigorating good relations with other countries, regional and international organizations; and
2. Make arrangements and canvas for negotiations pertaining to bilateral and multilateral Cooperation agreements in line with the Aid Policy.

MINAFFET in collaboration with MINECOFIN plays an important role in aid mobilisation and negotiation with both bilateral Development Partners through its embassies abroad.

National Bank of Rwanda

Rwanda's Central Bank responsibilities include the supervision and regulation of the foreign exchange market and for the management of official foreign exchange reserves. The National Bank of Rwanda closely monitors external financing in form of grants and loans coming into and being spent in Rwanda. All projects which are nationally executed or delivered by Government agencies must hold accounts in the BNR. It also acts as the Government of Rwanda's (GoR) banker. As such, it is essential for the National Bank of Rwanda to have a good sense of Aid funds flow to monitor its foreign exchange requirements. The NBR, therefore, requires a cash flow forecast of external aid to assist it in monitoring its foreign currency requirements and drawdown schedule.

Sectoral Ministries

Sectoral ministries are the main beneficiaries of external assistance to Rwanda. They are mostly the implementing agencies and look after quality control of programmes and projects funded with external funds. According to the 2006 Aid Policy, sectoral ministries retain ownership of the externally financed programmes that fall under their supervision. As such, sector ministries are responsible for execution of externally financed projects as well as monitoring the execution of externally financed projects that are not on the national budget. Single Project Implementation Units (SPIUs) at sector ministries, in this context, provide programme/project management and monitoring support services of externally financed projects.

GoR Institutions linked to the decentralisation process

MINALOC: The Ministry of Local Government (MINALOC) is the guardian of Rwanda's decentralisation process. It is responsible for the elaboration, follow-up and evaluation of national policies and programs regarding good governance (decentralisation, democratisation), community development and social protection.

Districts: In Rwanda's decentralization structures, districts are the main recipients of central government transfers, and key service delivery entities. As such, districts are the primary beneficiary of external finance and, retain ownership of the development projects that fall under their jurisdiction.

Other Public Entities / Executing Agencies

Agencies executing externally financed projects/programmes can be GoR agencies (ministries, districts, (semi-)autonomous bodies), but also private companies or NGO's⁴. For the project aid modality, such agencies often appoint a **project manager**, who heads up the **Project Implementation Unit (PIU)** which would be the institutional structure managing the different aspects of a project's execution. However, in line with the Paris Declaration on Aid Effectiveness and the Kigali Statement of Action adopted at the 9th Government of Rwanda and Development Partners Meeting (DPM) in 2010, the use of parallel PIUs is prohibited. Instead, Single Project Implementation Units (SPIUs) are to be utilised for managing the different aspects of externally financed project execution, including monitoring and reporting.

1.4. Types of Aid and main GoR institutions responsible

Figure 2 gives an overview of the different aid modalities: Budget Support, Technical Assistance and Project Support. This section gives a short overview of what these modalities exactly are and who holds responsibility within the GoR for these at the more 'strategic' (high) level and at the implementation level.

1.4.1. Budget Support (BS)

Budget support is the transfer of resources from a DP to the Rwandan budget. The GoR entry point for budget support is the MINECOFIN (EFU) with the respective GoR budget executing agencies responsible for implementation. The same lines of authority and procedures that govern the normal Rwandan budget are applicable (see the Organic Budget Law on State Finances & Property and the recently developed budget manuals for the different levels of government). There are three main types of Budget Support in Rwanda (see Annex 1 for an overview of which DPs are involved in which modalities):

General Budget Support: is defined as a method of financing the GoR's national budget through a transfer of resources from a donor to the government national treasury account with no earmarking to a sector or programme dealing with budget allocation.

⁴ These are agencies executing aid to the Government sector (i.e. aid that somehow falls under the control of the GoR, see also the aid-on-budget research (Chiche, 2008) and section 1.1. of this manual).

Sector Budget Support: is budget support provided by a donor with the aim of financing the realisation of development objectives in an identified sector.

Budget Support to decentralization: is sector budget support for decentralized entities, channelled through the Rwanda Local Development Support Fund (RLDSF) – former Common Development Fund (CDF).

1.4.2. Technical Assistance (TA)

Technical Assistance is the provision of know-how in the form of personnel, training, research and associated costs. It comprises both activities that augment knowledge/skills levels and services that contribute to the execution of a capital project (OECD/DAC, 2008b, p143). Responsibility for TA related external financing at the GoR lies with the Public Sector Capacity Building Secretariat (PSCBS)). TA is mostly delivered in a project-type implementation framework.

1.4.3. Project Support

Most of Rwanda's external assistance still comprises a big portion of project support. All external assistance is considered project support, except for Budget Support. The guardians of the Project modality at the strategic level are the EFU, whilst PMMU is the main GoR institution that deals with project management at the implementation level. Depending on the degree to which GoR has control over different aspects of the project, we can distinguish three modus operandi related to the project mode:

Stand-alone Project: This is a project that is fully run and funded by a DP, without any reference to a GoR institution for management, alignment, recruitment or salary scales. This type of project management is discouraged.

Embedded Project: This is a project where the functions of the PMU are co-managed between the GoR and the DP. With the introduction of the Single Project Implementation Units (SPIUs), the management of this type of project is to be done through the SPIUs.

Fully run by GoR: Projects which are fully run by the GoR and fully use GoR procedures.

1.5. Loans

The Government of Rwanda prefers external assistance with the highest possible concessionality⁵. The Aid policy specifies the following about loans:

3.13. Assistance in the form of loans will only be considered where the terms (interest and maturity) of such a loan are highly concessional, (..).

3.14. The Government of Rwanda currently has a framework for the management of external debt to ensure that this is maintained at sustainable levels in the future.

(GoR, 2006, p8)

Every year, the GoR updates its Public Debt Management Strategy (e.g. MINECOFIN, 2008a), in which it decides what the maximum amount of loans that can be contracted in the next year, and on what terms (i.e. the concessionality).

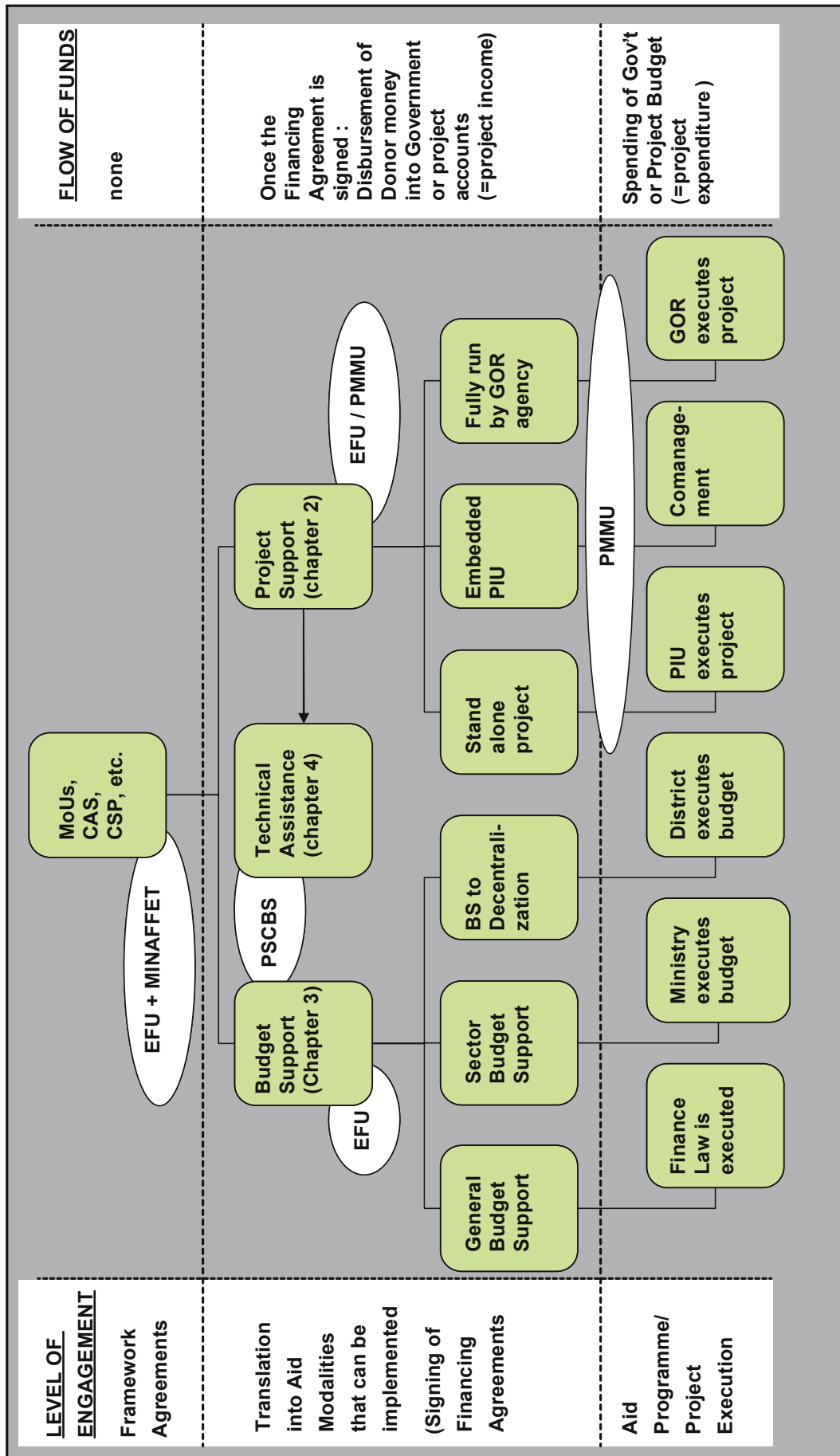
5 As mentioned in section 1.1, the OECD definition of aid (or ODA for Overseas Development Assistance) captures loans with a grant element of at least 25 per cent, when using a 10 per cent discount rate. The grant element calculation is designed to assess the actual cost of funds over time, with the discount rate representing the opportunity cost to the lender. However there are alternative definitions of concessionality used by the both OECD and IMF and the World Bank (see Johnson et al, 2008 for an in-depth discussion).

The institution responsible for dealing with public debt matters is the Treasury Unit in MINECOFIN. As pointed out in **section 2.4.**, the Treasury always needs to be represented in negotiations with Development Partners, when loans are under consideration. In terms of assessing new financing needs and terms of loans, Debt Management Committee plays a critical role. The Debt Management Committee is comprised of Director General of National Development and Planning Directorate, Director of Treasury, Director of Macroeconomic Unit, Director General of Budget, and Director of External Finance Unit from the Ministry of Finance and Director of Financial Markets, Director of Research and Statistics, Director of External Sector and BoP from the National Bank of Rwanda. This Committee oversees implementation of the Debt Policy, including preparation of Debt Sustainability Analysis, reviewing debt financing operations, and monitoring and coordinating all activities in debt management and advising to the Ministry on any external loans and public guarantees.

As is the case for grants, the Organic Budget Law on State Finance & Property states that for *loans from external sources, the approval shall be granted by Parliament*. (OBL, chapter V, article 54), and hence before a loan can become effective, **procedure 14** needs to be executed.

As for the management of loans (particularly recording, repayment, etc), the Treasury Unit at MINECOFIN has the responsibility and the tools for that; hence, outside of the reporting of the grant element (which is done through the summary reporting formats developed in annex 6), there are no specific procedures dealing specifically with loans in this manual in this regard.

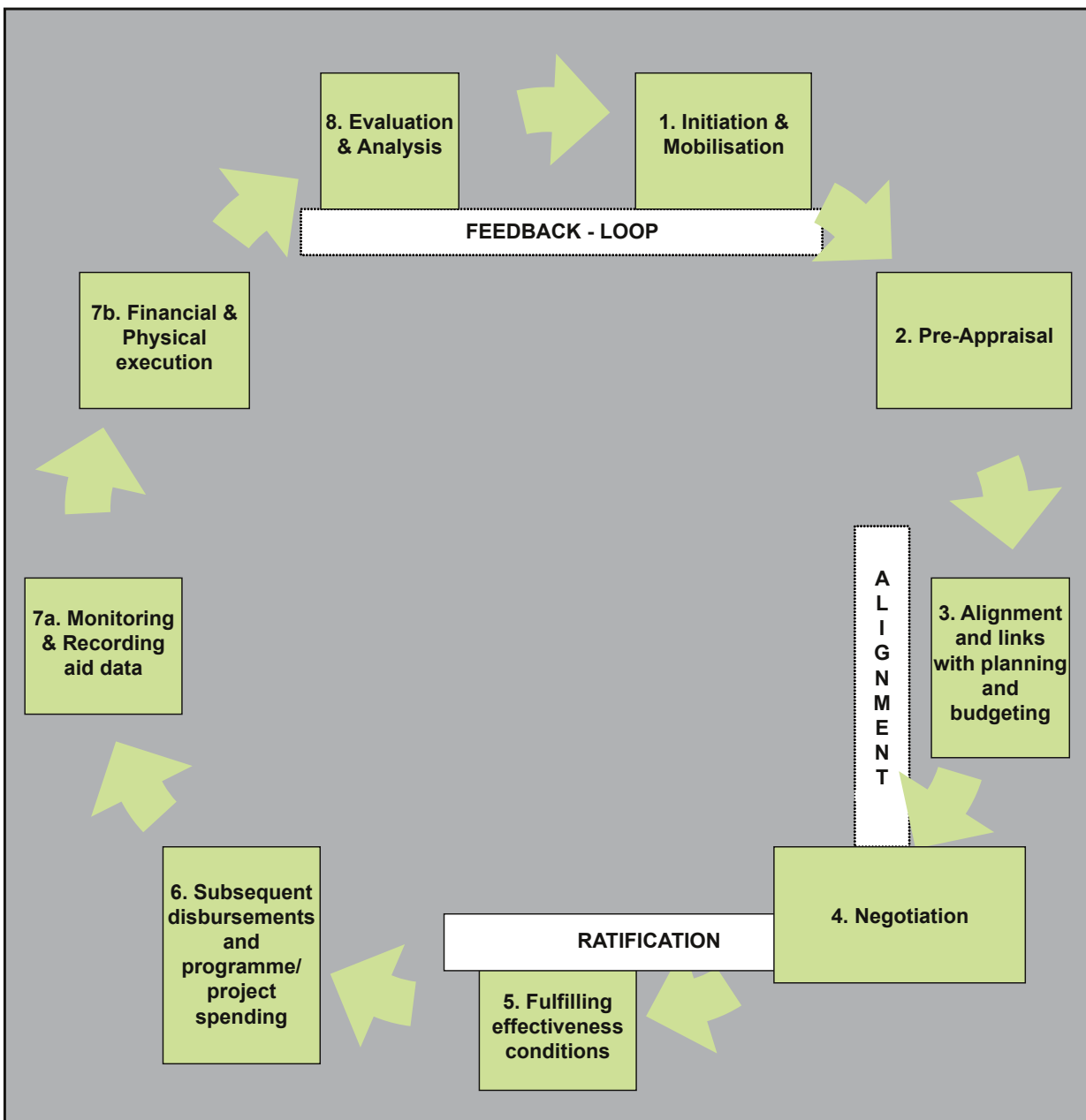
Figure 2: Aid Modalities and Aid Negotiation



Chapter 2: The Aid Management Cycle (project aid)

This chapter describes procedures related to aid management and the standard aid management cycle (see Figure 3). The default aid modality discussed in this chapter is project aid (see section 2.9). This is due to the fact that even though the GoR prefers General Budget Support, it “recognises that maintaining a ‘mixed’ portfolio in terms of modalities through which assistance is delivered can be beneficial (...) it recognizes that project support brings with it particular benefits in some areas” (GoR, 2006, par. 3.5 & 3.8).

Figure 3: The Aid Cycle

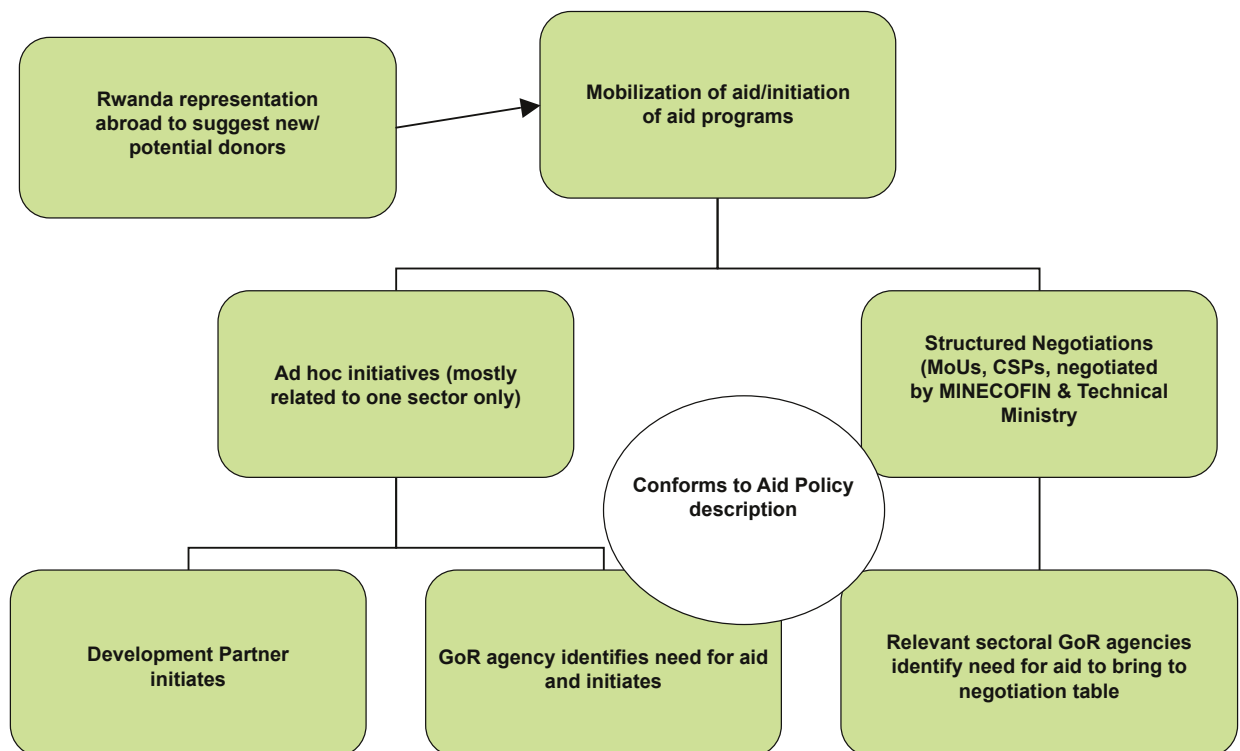


The principles underlying this Aid procedures manual, which will be developed in this and the following chapters are collected in Annex 5.

2.1. Initiation & Mobilisation

Figure 4 provides a picture as to how external aid is initiated and mobilized in the Rwandan context

Figure 4: Aid Mobilisation & Initiation



2.1.1. Contact with donors outside of Rwanda

The first step in the mobilisation of aid is often made by GoR representatives. Two procedures correspond to this stage in the aid management cycle:

- An annual report detailing new trends in development finance; and,
- Briefs for Rwanda’s external representation detailing prioritisation schedules for GoR external representations (i.e. which DPs are priority to approach at HQ levels).

Procedure 1: Annual External Finance Trends report

Task: An annual external finance report should be prepared documenting main trends and best practices in potential and existing donors to Rwanda. This report flags Rwanda-specific implementation issues that may need to be changed at an external donors’ HQ. It should include identification of ‘priority’ donors to work on/contact.

Time-frame: Annual (May-June) – to be discussed in first Cabinet meeting of the new (fiscal) year.

Main Institution: MINECOFIN (EFU).

Consult: Debt Relief International (DRI) new donor compendium (Debt Relief International, 2008). Institutional inputs need from MINECOFIN agencies (PMMU NDPRD and NBD).

Procedure 2: Prioritisation briefs for Rwanda's external representation

Task: Agree and document prioritisation schedule for GoR external representations.

Time-frame: Annual plan to be agreed May-June, then updated accordingly during the year.

Institution: MINAFFET, in cooperation with the High-Level Implementation Committee (HLIC) and with inputs from the relevant MINECOFIN units.

Consult: Bilateral and multilateral negotiation schedules/calendar for the coming year (basically Procedures 6 and 7 should be used as inputs into this work).

2.1.2. Initiation and identification of aid programmes

The Aid Policy defines that external financing is to be initiated by GoR agencies that have first identified a need for external financing through a gap analysis indicated in the relevant strategic framework. The bottom-left part of **Figure 4** in the previous page, however, highlights that a lot of aid is still initiated by development partners (DPs) rather than by GoR agencies. This is mostly the case for DPs that do not have a formal/structured dialogue⁶ with the GoR (like some smaller international NGO's, foreign universities, church groups – but also some bilateral aid is still managed like this); and, it mostly involves sectors that are currently favoured by DPs. This ad-hoc approach should be discouraged, as only MINECOFIN can request external financing.

The main difference between the 'ad hoc' and the structured approach, in terms of relations between GoR implementing agencies and MINECOFIN, is the following⁷:

Ad-hoc approach: GoR agency may involve in informal discussions with DP (regardless whether initial aid identification was mainly done by the DP or the respective GoR agency) and seeks MINECOFIN involvement during early and informal stages of the aid negotiation as per Rwanda's Aid Policy (**GoR, 2006, par. 3.31**). Any GoR agencies wishing to request formally to DPs for support should do so through the Minister of Finance and Economic Planning.

Structured approach: The Aid Dialog begins with:

1. MINECOFIN from the start with the primary co-ordinating role; and, then
2. GoR implementing agencies' involvement called for by MINECOFIN (Section 2.4)

It is the GoR preference that aid programmes should form part of structured negotiations (as concluded e.g. in Memoranda of Understanding) as this facilitates planning and budgeting, and, is captured in the following principle:

Structured vs. ad-hoc approach: GoR prefers identification and negotiation related to external assistance to happen through a structured dialogue, concluded in a MoU-type of agreement, which ideally covers a multi-year period.

Procedures 3 and 4 below set out relations between the GoR implementing agencies and MINECOFIN for initiation/identification of new aid programmes/projects that do not follow the structured approach⁸. When aid is negotiated in a more structured approach, it is normally part of an ongoing dialogue and initiation/mobilization issues are mostly dealt with when high-level

⁶ A 'structured' approach is the way most bilateral and multilaterals negotiate their aid programmes with the GoR – it is normally formalized through Memoranda of Understanding and/or Country Assistance Strategies, etc. (see section 2.4 on negotiations for more on this).

⁷ it should be noted that the difference between these two approaches is sometimes not that obvious, i.e. some Development Partners negotiate high-level agreements with the GoR, which leave a lot of questions open in terms of the concrete aid projects to be implemented (see also Concern 1 below)

⁸ **Annex 2, table A2.1** gives an overview of the formal/structured dialogue procedures that Rwanda's main bilateral and multilateral Development Partners follow.

strategic framework agreements are negotiated (see section 2.4.). Given the fact that the GoR's preference is to initiate aid programme through structured negotiation, the procedures below should be only utilized in responding to urgent needs. Given the leading role of the MINECOFIN in coordinating external assistance and ensuring its efficient allocation, MINECOFIN shall be consulted in early stage of initiation of ad-hoc aid initiatives.

Procedure 3: Initiation of 'ad-hoc' aid initiatives (=outside of framework agreements)

Procedure 3A: Aid Programme Initiation by Development Partner

Task: GoR agency checks whether proposed aid is consistent with its strategic plan. If the aid is proposed to a (semi-) autonomous agency, then this should be done in cooperation with the overseeing Line Ministry. Line Ministry writes to MINECOFIN with details of proposal and detailed arguments on alignment for approval.

Time-frame: Whenever a DP proposes an aid programme to a GoR agency – GoR should encourage DPs to inform MINECOFIN of financing possibilities well in-time for the annual budget discussions.

Institution: GoR agency (and line ministry if applicable) involved and MINECOFIN (EFU)

Consult: checklist for making sure proposed aid is aligned to sector programme / District Dev't Plan (see Checklist 1 of this manual), need to consult with SWG and the Public Investment Secretariat (PIS) and the National Investment Technical Team for medium-sized and large projects (the national public investment policy does not identify what exactly constitutes medium-size and large projects, GoR, 2008b).

Procedure 3B: Aid Programme Initiated by Government of Rwanda Agency

In principles, there should not be any "ad-hoc" aid initiatives initiated by GoR agencies outside of the GoR's planning and budgeting process. Therefore, any external financing need is to be identified through national planning and budgeting processes, and GoR Agency requests the MINECOFIN to mobilize resources with details of proposal. With regards to aid programme/support to districts, districts identify gaps through district planning and request through MINALOC to MINECOFIN of external financing needs.

Task: MINECOFIN assesses aid proposals to determine its fit with national priorities and policies (EDPRS, VISION 2020).

Time-frame: within 2 weeks of GoR agency making the request through formal letter.

Institution: EFU in consultation with National Development Planning and Research Directorate (MINECOFIN).

Consult: alignment with national priorities (see checklist 1 of this manual on alignment).

2.1.3. Recording of pipeline projects

The National Investment Technical Team (or NITT)⁹ is to play a supporting role in the identification of large projects, with the sectoral ministry in the lead¹⁰ as per the Aid Policy's principles. For large projects, which often take a long time to prepare, there is a need to record identification and (pre-appraisal information. This is mainly the responsibility of the Public Investment Programme including next to the Development Budget, signed projects and pipeline projects). More details on that can be found in the National Public Investment Policy, whilst section 2.7 gives an overview of the different ways externally financed projects/programmes are recorded in GoR systems.

⁹ This team of technicians would play a supporting role to the high-level Public Investment Committee (as proposed in the Public Investment Policy).

¹⁰ The Public Investment Policy covers ALL public investment projects in Rwanda, not only the externally financed ones. However, externally financed projects should also follow the processes outlined in that document as per the ownership principle.

Procedure 5: All investment projects to be recorded in the DAD when they become ‘pipeline’

Task: All pipeline projects to be captured in the DAD.

Time-frame: within 2 weeks of a project becoming ‘pipeline’.

Institution: Public Investment Secretariat in collaboration with National Development Planning and Research Directorate and EFU

Consult: National Public Investment Policy, also NBU for links with Development Budget.

2.2. Pre-appraisal

This section mainly deals with the project modality. In the meantime, appraisal for Budget Support normally includes a Public Financial Management assessment by a Development Partner. There are clear guidelines on such Budget Support-related issues that are outlined in detail in chapter 3.

The pre-appraisal phase comprises the process deciding whether a project is viable or not. Viability needs to be understood in terms of economic returns, but also in terms of social and environmental impact. For some big projects determining viability can be quite time consuming, with some DPs having quite stringent ‘due diligence’ processes to go through¹¹. A comprehensive National Investment Implementation strategy, based on the National Public Investment Policy (see GoR, 2008, p14) will outline clear criteria and prioritisation processes for the selection of public sector related projects (both externally and internally financed). The Aid Policy is clear on the principle that the implementing GoR agency should always be responsible for the technical side of the project – this includes the pre-appraisal phase:

Technical Ownership

Technical soundness of proposals and subsequent technical and organisational implementation issues remain the responsibility of the line ministry or government body seeking to implement the assistance package

(Aid Policy, par. 3.34)

Pre-appraisal work is typically carried out by staff or consultants from Development Partners in cooperation with the GoR agency that is responsible for the technical implementation of the envisaged project. However, this may lead to a concern that it is not the GoR deciding on these due diligence issues.

Concern 1: Due diligence processes mainly instituted by Development Partners



The GoR does not have clear procedures/guidelines for due diligence processes, which are mostly driven by Development Partners. As part of the development of the National Public Investment Policy (GoR, 2008) and the Project Management Manual (CEPEX, 2008b), clear guidelines should be developed for checking the viability of projects.

The National Public Investment Policy gives responsibility for pre-appraisal to the relevant Sector Working Group (which is a structure set up for the monitoring of the EDPRS), with the relevant ministry obviously taking a lead role. PMMU plays a supporting role in this process, as the GoR unit with the know-how on the management of large projects. Because different projects can demand very different due diligence processes, the time-frame is left open.

¹¹ For example the World Bank Group environmental and social safeguard policies & procedures are: Environmental Assessments, Natural Habitats, Pest Management, Indigenous Peoples, Management of Cultural Property in Bank-financed projects, Involuntary Resettlement, Forests and Safety of Dams.

Procedure 6: pre-appraisal process

Task: pre-appraisal process and due-diligence procedures to be concluded in a satisfactory manner in cooperation with the respective Development Partner.

Time-frame: N/A

Institution: Line Ministry / GoR agency responsible

Consult: National Public Investment Policy, PMMU and National Investment Technical Committee

2.3. Alignment and links with planning & budgeting

Whether a new aid project/programme is well-aligned to GoR priorities is fundamentally linked to how the aid project/programme is conceived in terms of GoR planning and budgeting practices. The Non-additionality principle is related to alignment, as it allows the GoR to maximise spending on its priority programmes¹²:

Non-Additionality Principle

External assistance should not condition the use of GoR (internal) resources, as detailed in the national budget. In other words, it is the sovereign prerogative of the GoR to use internal resources according to its priorities, including taking into account external financing allocations in the decision of budget allocations for government agencies. (This principle for example excludes conditionalities that request GoR to spend a certain amount of internal resources in a certain sector in return for a DP giving sector budget support).

There are two levels of alignment, one at the national level, checking whether aid programmes are in sync with the EDPRS, VISION 2020 and the Public Investment Programme, and one at the sectoral/district level, to see whether the proposed aid is aligned with sector strategies (or where these are not well developed agency/ministry strategies) and District Development Plans (DDPs).

For the sectoral/district level, again two levels are introduced: level I and level II alignment, with only the second level allowing the GoR to fully improve on intra-sectoral/agency allocations (which should ultimately be the aim of alignment).

Level I alignment: Development Partners align projects to sectoral priorities as defined in sectoral/GoR agency plans (might still lead to duplication and un-coordinated interventions, for example when DP projects are initiated in an unpredictable way or information is not given in time for the project to be considered during budget preparations).

Level II alignment: On top of Level I Alignment, the DPs also provide the GoR with information on its planned disbursements for the coming fiscal year, in time to be included in the GoR budget preparations and in the format of GoR budget-submissions and following the GoR chart of accounts.

Checklist 1 below helps GoR officials to deal with alignment issues every time a new aid programme is proposed. Responsibility for alignment to national planning tools remains with MINECOFIN, whilst alignment to sectoral/district plans is firmly in the hands of the line ministry / district – which is also responsible for quality control.

¹² This principle is actually implicit in the Aid Policy in the context of decentralisation: “GoR’s preference is for financing decentralised entities through mechanisms that seek to achieve equity in the allocation of resources across districts” (GoR, 2006, par. 3.10). The non-additionality principle says that this should also apply in other (national, sectoral) circumstances.

Checklist 1: Sectoral / District Development Plan Alignment checklist

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate ‘confidence-building’ steps that can be agreed on such that DP feels comfortable moving towards GoR preferences?

| Alignment Aspect | GoR preference | Questions/Tasks | Institution | Consult |
|---|---|--|--|---|
| Alignment to national plans and priorities | Aid to be aligned with EDPRS and ideally to fund EDPRS financing gaps; capital investment projects should be vetted by the PIC. | Does the aid cover one of the 3 flagship EDPRS projects? Is it already included in the EDPRS financing framework? If capital investment is proposed, has it been vetted by the PIC? | National Development Planning Directorate (MINE-COFIN), Public Investment Committee (PIC) | EDPRS, tables 6.3, 6.4, 6.5 (should be updated through the EDPRS APR) Long-Term Investment Framework National Public Investment Policy |
| Alignment to Sector (ministry) strategies/ district development plans | Alignment of project to priorities as defined in sectoral (Ministry) / district / other GoR budget agency plans * | Does the main objective of the suggested project fit with the overall objectives of the sector strategic plan (SSP) / District Development Plan (DDP)? Does the proposed project respond to a clearly identified financing gap in the SSP? Note: work with available ministry/district/GoR agency planning framework or annual action plan if there's no costed SSP. | Planning, budget committee and DAF of Ministry / District / other GoR budget agency Discuss in SWGs | Sector Strategic Plan (e.g. Education, health) Ministry/District/other GoR budget agency Annual Action Plans or other available planning framework EDPRS sometimes has more information on sectoral financing gaps |
| | DP aligns projects' procedures so as to be in sync with GoR fiscal year and budgeting format | Does DP submit information on the project time for the budget preparations? (such that GoR can include it in its budget allocations?) Is the information submitted such that it fits in with the MTEF/budget format used by the GoR? (in terms of classification, programmes, sub-programmes, etc.?) | Project Manger, DAF/budgeting committee of Ministry/District/other GoR budget agency NBD for support Discuss in SWGs | Costed SSP Finance Law related documentation (BCC, MTEF formats, etc.) DPAF indicators in section B |

* A budget agency is defined by law as “a state organ which is entitled to budget in the annual State Finances Law” (see Organic budget Law on State Finances and Property, Article 2, 3)

2.4. Negotiation

Figure 2 (see last page of the chapter 1) distinguishes between two main negotiation levels: high-level framework agreements (referring to the ‘strategic’ level of the aid agreement) and financing agreements. The negotiation of both Framework Agreements and Financing Agreements are key moments in the aid cycle where the GoR is to make sure aid will be delivered according to its preferences (as set out in the Aid Policy and this manual). Negotiations should always involve implementing agencies.

Subsidiarity Principle in negotiations with Development Partners

The level of seniority of GoR staff engaging with Development Partners should be reflected in the importance of the agreement. Whilst one of the immediate objectives of this principle is to free up time of senior GoR officials, it also aims for the institution and staff of the implementing agency to be present as much as possible when the project is being negotiated / discussed at its inception.

2.4.1. Framework Agreements vs. Financing Agreements

Most aid programmes will fall under high-level **framework agreements** between the GoR and the respective DP. These are typically the outcome of negotiations between Ministers, Ambassadors, Country Directors, Country resident representatives, etc and cover the broad context for aid programmes and are typically wrapped up in the form of a Memorandum of Understanding (MoU) and/or Country Strategy Paper (CSP) and do not normally bind the parties legally. The first table of **Annex 2** summarizes the Framework Agreements that exist for the GoR's main bilateral and multilateral Development Partners.

Some Framework Agreements include **aid to NGO's or the private sector**, which is not 'aid to the Government Sector', i.e. it bypasses Government structures (see table 1 for definitions). Whilst this is the type of external assistance that does not belong in the GoR budget (see also section 2.7 on recording), negotiations that cover such aid should at least try and make sure that it is reflected in sector plans and discussed in Sector Working Groups (see MINECOFIN, 2007) to reduce the probability of duplication and waste and improve allocation and efficiency.

For **Multilateral** organisations, framework agreements are mostly concluded through agreement on multi-year country strategy paper, setting out the over-arching vision and indicating the aid programmes to be implemented at a very broad level. As can be seen from **Annex 2**, some multilaterals do not prepare such over-arching documents. Nevertheless, at some point there still will be high-level discussions. The negotiations of such multilateral agreements should always be led by MINECOFIN (in accordance with the Aid Policy).

As for **bilateral** organisations, aid negotiations are mostly embedded within discussions that form part of a wider 'policy-dialogue' between the two respective countries. For example, for most active bilateral relations, Joint Permanent Commissions (JPCs) are organized every two years, where progress in current aid programmes is assessed and new programmes are negotiated. In these situations, it is mostly MINAFFET that formally leads the overall negotiations, even though MINECOFIN is still the co-ordinating agency on all aid matters, and still signing off on any significant aid-related aspects.

At a later stage in the aid management cycle, the content of framework agreements are further negotiated into **Financing Agreements** (FA's) that have legal power and set out programme/project implementation details. The second table in Annex 2 (table A2.2) sets out the main donor-specific procedural issues to do with such Financing Agreements. The majority of Financing Agreements detail project implementation issues, with review meetings taking the form of project steering committees.

Concern 2: Difference between Framework Agreements and Financing Agreements not always clear-cut



In practice, the distinction between negotiations covering high-level Framework Agreements & Financing Agreements is not always clear-cut. The main point is that when preparing such meetings, a reflection should be made as to whether negotiations will rather cover strategic issues, or more procedural issues (see checklists in this and the following chapters).

2.4.2. Information on Development Partners practices and calendar issues

Annex 2 gives detailed information on Development Partners' aid policies and procedures for both Framework Agreements and Financing Agreements. These tables presented in Annex 2 should be regularly updated, whilst the institutions involved should share information as to the forthcoming calendar for meetings related to either type of negotiation, with the aim of rationalising meeting schedules and making them more predictable for all actors involved. These issues lead to the two procedures below:

Procedure 7: Updating Information on DP procedures related to Framework & Financing Agreements

Task: Updating the information related to DPs' procedures on how they conduct Framework Agreements (Annex 2 - table A2.1) and Financing Agreements (tables A2.2 and A2.3).

Time-frame: annually in June – to be part of the EFU annual report on aid trends (see Procedure 1) and to be discussed in first Cabinet meeting of the new (fiscal) year.

Institution: MINECOFIN (EFU) in cooperation with MINAFFET for the Framework Agreements and Financing Agreements related to budget support and projects.

Consult: Current status of tables in Annex 2, EFU desk officers, donor field offices or HQ where necessary

Procedure 8: Calendar of Meetings with Development Partners

Procedure 8A: High-Level 'Framework' Meetings/Negotiations

Task: Prepare Bilateral & Multilateral negotiation schedule/calendar, including Joint Permanent Commissions). This is to be communicated at start of year to relevant implementing agencies & updated regularly (e.g. in PS's forum).

Time-frame: annually in June, then updated continually, with quarterly updates to be sent to all Government institutions involved.

Institution: MINECOFIN and MINAFFET

Consult: (Updated) table A2.1 (Annex 2) of the Aid Procedures Manual

Procedure 8B: Financing Agreement Meetings/Negotiations

Task: Prepare schedule/calendar for Financing Agreement meetings/negotiations. This should be communicated early in the year to relevant implementing agencies and updated regularly (e.g. in PS's forum).

Time-frame: annually in June, then updated continually, with quarterly updates to be sent to all Government institutions involved (this will normally be only the line ministry/implementing agency).

Institution: MINECOFIN

Consult: (Updated) table A2.2 and A2.3 (Annex 2) of the Aid Procedures Manual

2.4.3. Consultation and Negotiation of Framework Agreements

Negotiation of the Framework Agreement holds critical importance in ensuring overall alignment of aid to national priorities as set out in the Vision 2020, EDPRS, and MDGs. The Framework Agreement, while it is not binding typically, sets out the overall aid programme to Rwanda, and in some cases also sets out overall allocation of aid resources. Given the fact that the Government of Rwanda and its Development Partners had agreed on the Division of Labour for overall reallocation and rationalisation for focused interventions with higher quality and engagement, consultation and negotiation of Framework Agreements therefore will observe the following principles and preference:

- Ensuring Government leadership and ownership both at national and sector level;
- To the extent possible, align programming cycle to national development planning cycle (EDPRS cycle);
- Preparation of Framework to utilise the national and sectoral planning/programming framework (i.e. sector framework of DPs to consult SWGs, etc.);
- Ensuring adequate consultation on key contents of the Framework Agreement between the Government (MINECOFIN and MINAFFET if appropriate) and Development Partners;
- Observing the agreed Division of Labour, while providing an opportunity for dialogue for effective implementation of the DoL which observes the neutral impacts of DoL on overall aid envelop;

Ensuring coherent development cooperation support to national priorities and implementation of the Division of Labour will be benefited from harmonisation and coordination of framework agreements. Joint Programming of DPs should be further considered.

2.4.4. Negotiating team

Table 2 shows the composition of a GoR negotiation team for high-level framework agreement meetings.

Table 2: Composition of Negotiation team for high-level framework agreement negotiations

| MINECOFIN | Implementing agencies (should be present as much as possible in negotiations) |
|---|--|
| <ul style="list-style-type: none"> ▪ PS or Government Chief Economist | <ul style="list-style-type: none"> ▪ PS's or DG's from relevant line ministries / implementing agencies |
| <ul style="list-style-type: none"> ▪ Coordinator EFU | |
| <ul style="list-style-type: none"> ▪ DG-National Development Planning and Research | <ul style="list-style-type: none"> ▪ PS Minaloc, CDF, District mayors or province / RALGA |
| <ul style="list-style-type: none"> ▪ DG National Budget Directorate | |
| <ul style="list-style-type: none"> ▪ Deputy Accountant General and Coordinator of Treasury (if negotiations involve loans) | <ul style="list-style-type: none"> ▪ Executive Secretary of PSCBS ▪ (if negotiations involve substantial TA aspects) |
| <ul style="list-style-type: none"> ▪ Legal Advisor | |
| MINAFFET | |
| <ul style="list-style-type: none"> ▪ PS | |
| <ul style="list-style-type: none"> ▪ Repr. of DG, Bilateral & Multilateral Cooperation | |

Negotiation teams for Financing Agreements need to be focussed on concrete implementation issues. No suggestions are made here regarding the composition of such teams. The subsidiarity principle outlined above should be kept in mind and MINECOFIN should be involved in the negotiation and should sign off on any type of formal agreement with a Development Partner. At a minimum, there is a need for the following institutions to be present:

- MINECOFIN PS or Government Chief Economist
- Relevant desk officers from EFU and NDPRD
- Line Ministry / Implementing Agency / District staff
- Relevant staff from decentralized authorities (if FA has a decentralisation component)
- Relevant staff member from Public Sector Capacity Building Secretariat (if FA has a Technical Assistance component)
- Legal Advisor

2.4.5. Internal meetings & Formal negotiations

Preparing and conducting formal negotiations with DPs is a crucial stage in the aid management process. This is the stage where agreement is reached on the way aid programmes/projects will be managed. The section is built up around 2 procedures (one for high-level framework agreements and one for financing agreements) and 3 questions/tasks tables (one for high-level Framework agreement negotiations, one for procedural aspects of Financing Agreements and one for conditions precedent¹³). It might well be necessary for all questions/tasks table to be used for certain negotiations.

Procedure 9: Technical Consultation and internal coordination meetings

Procedure 9A: High Level Framework

Task:

- ❑ EFU as a focal point liaise with DPs on key contents of donor Framework (scope, sector allocation, etc.), and prepare analysis and issues for considerations.
- ❑ EFU to prepare briefings, organise internal meetings and facilitate flow of information between DP (which deals with MINECOFIN), MINECOFIN units and relevant GoR line ministries / implementing agencies on all matters before the formal negotiations. The latter would make their case for funding through these internal preparatory meetings (their funding proposals need to be aligned to national strategies like EDPRS and their own sectoral strategy)
- ❑ EFU to prepare short report after internal meetings on GoR negotiation position.
- ❑ These internal meetings are also the moment where – for bilateral – MINAFFET can make objections (see Aid Policy par. 3.36).

Time-frame: Whenever negotiations are coming up – briefings/notification should go out ideally 2 weeks before internal meetings.

Institution: MINECOFIN (EFU) to co-ordinate the organizational aspects of these meetings and information flow, line ministries / GoR agencies to take lead on technical issues in the meetings. EFU report to have inputs according to the institutions responsible as outlined in checklist 2

Consult: Information gathered from procedures 1 and 4. Bilateral & Multilateral Negotiation schedules as prepared through Procedure 8a. Checklists 1,2,3,4

Procedure 9B: Financing Agreement

Task: Technical internal meetings with EFU, the line ministry or other GoR agency to be organized, with a view to assessing the proposal and agreeing position to be adopted in donor meetings. These internal meetings are also the moment where – for bilateral DPs – MINAFFET can make objections (see Aid Policy par. 3.36).

Time-frame: Whenever financing agreement negotiations with a Development Partner are coming up.

Institution: MINECOFIN (EFU) to initiate and co-ordinate meetings, but line ministry / GoR agency to take lead on technical issues in the meetings.

Consult: Information gathered from procedures 1 and 4. Outcomes of procedures on alignment, checklists 2,3,4

¹³ Note that here conditions precedent are discussed in terms of the preferred GoR way of making aid agreements effective. The next section discusses how to action the different conditions precedent– taking the aid related agreement stipulations as given.

Procedure 10: Formal meetings with Development Partner

Procedure 10A: High-Level Framework Agreements

Task: MINECOFIN to lead negotiation team for formal meetings with DP, or MINAFFET to lead for bilateral negotiations (with MINECOFIN co-ordinating on more concrete aid aspects).

Time-frame: MINECOFIN should inform relevant agencies of composition of negotiation team 1week before the proposed meeting date, with EFU short report on the internal meetings attached

Institution: See the institutions mentioned in table 2 that should form part of the negotiation team. MINECOFIN/EFU to coordinate the organizational aspects of the meetings

Consult: EFU report that summarizes GoR negotiating positions (Procedure 9a).

Procedure 10B: Financing Agreements

Task: MINECOFIN to lead negotiation team for meetings with DP and GoR to go through accompanying checklist 3 to close aid deal according to GoR preferences.

Time-frame: Whenever Financing Agreement negotiations with a DP are coming up.

Institution: See the respective institutions mentioned in the checklists 3 and 4.

Consult: Outcomes of analysis of checklists 2, 3 and 4.

2.4.6. Key Checklist for consideration during the negotiations

In order to ensure that both framework agreements and financing agreements embrace the principles of aid effectiveness as agreed in the Paris Declaration on Aid Effectiveness as well as guided by Rwanda's Aid Policy, the Government established a number of quantitative limits on donors' activities in order to enhance ownership and alignment of aid. Below is a principle statement of such quantitative limits which will guide the negotiation of agreements:

- Donors' support to Government should be limited to three active sectors per donor, as per the terms of the agreed Division of Labour.
- No single bilateral project should have an annual budget of below \$1 million, unless it is of an innovative or pilot nature and is part of regional programmes – in such case an exception must be requested from Government. MINECOFIN will consider together with relevant Ministries such cases. Smaller contributions will be encouraged to be channelled through the relevant pool fund for the sector or an existing programme.
- No donor should have more than two bilateral projects in any one sector, with the exception of large infrastructure projects.
- Government prefers that increased percentage of donor's portfolio be channelled through joint as opposed to bilateral initiatives.

With this statement in mind, the following tasks/questions will be performed/considered by negotiation team for high-level Framework Agreement as well as Financing agreement during the consultation and negotiation process.

Checklist 2: Aid Policy Checklist for

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate 'confidence-building' steps that can be agreed on such that DP feels comfortable moving towards GoR preferences?

| Aid Policy aspect | GoR preference | Questions/Tasks | Institution | Consult |
|---|---|---|---------------------------------------|---|
| Sectors | DPs involved in small number of sectors, using silent partnerships/delegated cooperation for other sectors | Which EDPRS sectors underfunded? Proposed sectors aligned to agreed DoL – 3 max active sectors? How silent partnership ensures the objectives of the DoL? Ideally, in which sector do we want the DP to put their support? | NDPRD, EFU | EDPRS (incl. Annual progress Report) Sector strategies Annual External Finance Report (see procedure 1) |
| Aid Modalities | GBS>SBS>Projects on-budget / plan > parallel set-up projects | If GBS/SBS not possible, what is the proposed project management structure? Conditionalities proposed by DP additional to CPAF/EDPRS/PSI? (non-additionality principle adhere to?) | EFU, Macro Unit (MINECOFIN) | Other checklists developed in this chapter (esp. Related to project mode, like checklist 4 on Conditions Precedent) |
| Aid to Decentralised Entities | Aid to be channelled through CDF & disbursed in a way that helps achieve equity in resource allocation across districts | Can CDF be used? Why not? Other external finance going to the same districts that are proposed for DP financing? | CDF, districts, EFU/PMMU for projects | District budget submissions (showing external and internal revenues) |
| Consessionality | Grants > Concessional Loans > Non-concessional Loans | Do suggested loans jeopardize debt sustainability? | Treasury Unit (MINECOFIN) | Public Debt Mgt Strategy (MINECOFIN, 2008a) and DSA |
| Predictability | Assistance to Rwanda to be disbursed as scheduled, with reliable medium-term projections. | Current time-frame and timing of the DP's commitments? Does this depend on the aid modality used? | EFU (MINECOFIN) and DAD | Annex 2 of Aid Procedures Manual, table A2.1. on Framework Agreements DPAF indicators C1-C5 (Annex 4) |
| Inclusiveness of all aid & information on aid flows | All external finance to the Government Sector should be reported to GoR. | Have there been problems with the DP filling out GoR data requests on aid flows? Are any of these issues to be taken up at DP HQ level? | NBD, EFU (MINECOFIN) | DAD, Development Budget data on DP aid coverage |

Checklist 2: Aid Policy Checklist for

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate 'confidence-building' steps that can be agreed on such that DP feels comfortable moving towards GoR preferences?

| Aid Policy aspect | GoR preference | Questions/Tasks | Institution | Consult |
|--|--|--|--------------------------------|---|
| Amounts | Additional aid should not jeopardize macro-economic stability | Analyze implications for macro-stability & IMF programme compatibility (disbursement timing) | Macro Unit, NBR | |
| | Planned project disbursement rates should be realistic | Analyze disbursement rates of projects similar to the ones proposed in Rwanda/Experience with respective DP | EFU, CDF (if decentralisation) | |
| | Limit the number of small projects (roughly below annual budget less than US \$1 million) that may lead to fragmentation / large transaction costs | Is the (small) suggested programme/project innovative in nature? Can the DP give any indication as to scaling up potential? | EFU, CDF (if decentralisation) | |
| Aid not going to the 'Government Sector' | Where Framework Agreements include such aid, it should be reflected in sector plans and discussed in SWGs | What are the reporting structures in place for these aid programmes/projects? Could problems be anticipated with specific implementing agencies (e.g. NGOs) in participating in SWGs? | MINALOC EFU/PMMU | Sector Working Groups, Sector Strategies |

Checklist 3: Financing Agreement Checklist General

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate 'confidence-building' steps that can be agreed on such that DP feels comfortable moving towards GoR preferences? (see checklist 4 for Conditions Precedent)

| Financing Agreement | GoR preference | Questions/Tasks | Institution | Consult |
|---|--|--|-------------------|--|
| Aspect Use of Country Systems: 1. Use of National budget execution procedures | All aid to Government uses Rwanda's national budget execution procedures ** | Will DP's project-related resources to be reported on in the Finance Law (using the criteria for putting aid-on-budget)? Will planned project disbursements known in time for budget preparations? Are the DP's project related resources deposited and disbursed through the GoR's treasury system - TSA ? Does the DP pay suppliers directly? Is the DP using Chief Budget Managers as stipulated in the OBL on State Finances & Property for signing off on expenditures? | Negotiating team* | National Budget procedures manuals (NMMU 2008a, 2008b, and 2008c) OECD/DAC (2008b, P145) |
| Use of Country Systems: 2. Use of National Financial Reporting Procedures | All external assistance is delivered by using Rwanda's national financial reporting procedures | Does the DP insist on a separate accounting system to satisfy its reporting requirements? Does the DP's financial reporting easily slot in with the national chart of accounts? Even if DP does not follow GoR reporting schedules, have there been problems with the DP reporting aid data to GoR? | Negotiating team* | OECD/DAC (2008b, P145) DPAF Indicator B4 Recent work on putting aid on budget |
| Use of Country Systems: 3. Use of National Auditing Procedures | All external assistance is delivered by using Rwanda's national auditing procedures | Does the DP propose to use the OAG for the project's auditing needs? Does the DP make any additional arrangements outside of the auditing arrangements offered by the OAG (as in Rwandan law)? OAG has annual audit plan, with GoR agencies specified for audit during that year. As a rule of thumb, projects should allow the OAG to audit them (instead of an outside audit) when its annual plan foresees the audit of the GoR agency it falls under. | Negotiating team* | OECD/DAC (2008b, P144) DPAF Indicator B3 National audit guidelines coming out of the OAG |
| Procurement and tied aid | DPs to use GoR's procurement systems, with no restrictions relating to source/nature of G&S used | Does DP make additional, or special requirements on GoR for procurement of goods, services or works? Does DP need a non-objection? Do Goods, services or Works need to be purchased in DP's country (tied aid) or is it subject to international competitive bidding? | Negotiating team* | OECD/DAC (2008b, p146) DPAF indicator B5 & B8 (see annex 4) Law on Public Procurement |

*Institution involved here is always the 'negotiating team', which means that this team has the responsibility to collect the necessary information from the relevant institutions.

** For project disbursements, GoR prefers direct advance cash payments into project accounts over reimbursement claims over DPs making direct payments to suppliers (see section 2.6).

Checklist 3: Financing Agreement Checklist General

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate 'confidence-building' steps that can be agreed on such that DP feels comfortable moving towards GoR preferences? (see checklist 4 for Conditions Precedent)

| Financing Agreement | GoR preference | Questions/Tasks | Institution | Consult |
|-----------------------------|---|---|-------------------|--|
| Joint Missions and Analysis | DPs to undertake analytical work and joint missions jointly, or through delegated cooperation | Does the FA foresee any missions / analytical work? Does the FA specify that annual workplans should have a detailed calendar of when missions/analytical work are to be undertaken and the implied time cost on senior GoR officials? All implications for senior GoR time outside of project steering committee type meetings should be detailed in Annual Workplan | Negotiating team* | OECD-DAC (2008b) for detailed definitions DPAF indicators D1-D5 |
| Amounts | Planned disbursements should be realistic | Analyze disbursement rates of similar projects in Rwanda/experience with respective DP / project-type. | Negotiating team* | Annual Dev't Projects' implementation report |
| Tax component | | What are the amount of tax components? Is it tax exempt or aid covers tax component? Or should it be covered by GoR from Counterpart funds | Negotiating team* | |

*Institution involved here is always the 'negotiating team', which means that this team has the responsibility to collect the necessary information from the relevant institutions.

** For project disbursements, GoR prefers direct advance cash payments into project accounts over reimbursement claims over DPs making direct payments to suppliers (see section 2.6).

Checklist 4: Financing Agreement Checklist – Conditions Precedent

IN GENERAL: If DP cannot fully commit to GoR preference, are there any intermediate 'confidence-building' steps that can be agreed on such that DP feels comfortable moving towards GoR preferences?

| Condition Precedent | GoR preference | Questions/Tasks | Institution | Consult |
|---------------------------------|--|---|---|---|
| GENERAL | GoR prefers as few as possible CPs (conditions that need to be fulfilled before agreement can become effective) | What is a reasonable timeframe to have compiled with all conditions precedent? What are the expected bottlenecks? | FA negotiating team | Historical precedence for complying with CP (research similar types of project & DP) |
| Counterpart Funds (CP) | GoR prefers no counterpart funds | Is there a legal requirement on the DPs part to insist on counterpart funding? Would it jeopardize budgetary sustainability of the Ministry/District Ministry/District to analyze budgetary implications with NBD | Ministry/District NBD | Finance Law Respective Ministry/ District MTEFs for outer years |
| Pre-appraisal studies | See section 2.3 on pre-appraisal – these conditions precedent would typically have to be fulfilled before negotiations proper can start. | | | |
| Financial Criteria | GoR requires DPs to open project account at NBR with no other conditions attached. GoR prefers such project accounts to be swiped daily to the project TSA. | Is there a legal requirement on the DP's part to insist on project accounts to be opened in a commercial bank? (If not possible & project is big, need to notify NBR/Macro for macro implications) Does the GoR need to provide a guarantee or security for the funds or ensure foreign exchange availability? | NBR/Macro Legal advisors MINECOFIN | NBR law |
| Project Management Units (PMUs) | GoR prefers > PMU fully run by GoR > PMU run by SPIUs in the relevant Ministries > PMU embedded in the executing Ministry/District/GoR Agency > purely stand alone PMU | Is PMU accountable to Dp rather than GoR implementing agency? Are ToRs for externally appointed staff determined by DP? Most professional staff appointed by DP? Salary structure of national staff: (a) determined by DP, (b) higher than for civil service personnel? Would the DP agree to put the PMU under a ministry/district-wide PMU structure? Update table A2.3 (annex 2) of this manual | PMMU and MIN-FOTRA (for e.g. salary negotiations) EFU for overview and paris indicators link | Annex 2, table 3 of the aid procedures manual See also Paris indicator on PMUs (OECD/DAC, 2008b, p145 and DPAF Indicators B6) |
| Cross financing clauses | GoR prefers no cross-financing clauses ** | Is there a legal requirement on the DPs part to insist on such clauses? Compiled with all such clauses? | Negotiation team | Documents on previous experiences? |

The main scour used for the set-up of this table is DRI (2004)

* Legal issues (e.g. the need for legal opinions) are covered in Section 2.5 that deals with the ratification process – as it is a process defined by Rwandan law (ie. Not to be negotiated over)

** Clauses that create conditions linked to other/previous financing agreements with the same or another DP – e.g. whether the GoR is in arrears on debt service payments to the DP in question.

2.4.7. Accepting or Rejecting?

What if a Development Partner is willing to follow GoR policies and procedures for some aspects of the previous checklists, but not for others? Certain considerations (e.g. volume of aid proposed) might well dwarf other aspects of the aid proposals. The following three principles underlie ultimate decisions of the GoR whether to accept or reject a specific aid programme:

❑ **Principle related to GoR Sovereignty**

After analyzing proposed aid projects and programmes, it is still the sovereign prerogative of the GoR to accept or reject the proposed aid package.

❑ **Do-no-harm Principle**

If the aid proposed is not working against the implementation of national/ sectoral/ district plans and if some (but perhaps not all) of it will be useful towards implementing those plans, then it is the prerogative of the implementing agency (Ministry/ District / Other GoR Agency) to accept or reject the proposed aid, with MINECOFIN EFU/NDPRU desk officers as guardians of this process.

❑ **Principle regarding accepting/rejecting small projects**

As a principle, a small project (defined as projects with annual budget below US\$ 1,000,000) should only be accepted if it can really show an innovative aspect of policy/implementation and/or there is credible potential of scaling up in the future (i.e. some kind of piloting of an approach).

2.4.8. Agreement & Signature

Once the Government, through the internal procedures outlined above, agrees to the outline and stipulations of the final framework/financing agreement, the following procedure is to be followed:

Procedure 11: Agreement and Signing

Task: MINECOFIN to (co-)sign MoU/ CSP/Financing Agreement if negotiations are positively concluded. MINAFFET to sign where it is a donor requirement that such agreements be signed by the MINAFFET (“MINAFFET will sign agreements with donors only once agreed in writing with MINECOFIN” - Aid Policy, par.3.41). For regional (EAC) projects which include financing issues, MINEAC will sign such agreements with donors only once agreed in writing with MINECOFIN.

Time-frame: Whenever Framework/Financing Agreements are successfully concluded.r

Institution: MINECOFIN (MINAFFET and MINEAC as required).

A signing ceremony will be organised only for the agreements for USD 5 million and above. If an agreement is for less than USD 5 million, agreements will be sent to Minister’s Office for signature unless deemed necessary for organising a signing ceremony.

With regard to aid executed/implemented by NGOs, the Government will not be a signatory of any agreements between DPs and implementing NGOs, as there is no legal responsibility, management control and accountability over aid implemented/executed by NGOs. However, if aid is provided for Rwanda’s Government sector, overarching agreement between DPs and the MINECOFIN should be made, which delegates or subcontracts works, goods, services to other entities such as NGOs, semi-autonomous government agencies (e.g. parastatls) or private companies.

Aid that is directly executed by DPs should be jointly agreed through a cooperation framework if aid is provided for Rwanda's benefit. Such agreement will specify the rationale for the aid to be directly executed by DPs.

2.4.9. Initial recording of signed agreement

Whenever a Framework Agreement or Financing Agreement is signed, it needs to be recorded in Government systems¹⁴. The Procedures in this section outline the reporting requirements at the point where a Financing/Framework Agreement is concluded and the initiation at the EFU of the envisaged follow-up of aid programmes/projects. More detail on recording can be found in section 2.7. As for projects that are in preparation, but not yet signed (so-called pipeline projects), these are also recorded in the Development Assistance Database during the pre-appraisal phase.

The first procedure is related to the EFU becoming the single entry point for data recording on all MoU's, financing agreements, etc concluded with DPs. Within a week of the signing of the agreement, the EFU is to fill out the summary form as detailed in Annex 7 and distributes this summary to all ministries, units, and agencies that are involved in recording external aid data. The EFU will create the project's unique project identification number (UPIN) in line with the Chart of Accounts, and distribute the number to relevant departments. This project identification number should be used for preparation of national budget, reporting and monitoring of execution. Annex 7 has two forms; one for framework and one for financing agreements (see also procedure 19 in section 2.7 which describes a way to facilitate this flow of information in the early stages of implementation).

Procedure 12: Recording details of signed agreements – EFU summary

Task: Once the MoU/CSP/Financing Agreement is signed, copies of the agreement should be retained by MINECOFIN (central secretariat) and MINAFFET and a copy should also be put on the (if DP and GoR agree on it). The EFU (MINECOFIN) should get copies of every single signed agreement, and should summarize information contained in the agreement as suggested in the format in **Annex 7**; after which this summary would be distributed to:

- ❑ MINECOFIN units: NDPRU, NBU, EFU, Accounts (IGFR only if agreement touches on decentralisation)
- ❑ Relevant line ministries and public agencies (including MINALOC/districts if agreement has any geographical/decentralisation specifications)

For multi-sector projects, projects need to be classified according to the sectoral working groups division, so as to make sector wide planning more easily – reporting should follow that classification.

Time-frame: Whenever a framework agreement is signed – EFU should distribute the summary within a week of the signing of the agreement. Within one week of receipt of the summary, the Accountant General's Office will issue UPIN to EFU.

Institution: MINECOFIN central secretariat to distribute copies of the agreement, then EFU to distribute further as specified above. EFU also keeps copies of all signed agreements along with EFU summary.

¹⁴ This excludes information of the specifics of loan recording for debt management needs – this is done by the Treasury in MINECOFIN and is dealt with in a specific manual on debt issues. A short section on loans can be found in chapter 5, section 2.

Procedure 13: Updating Annex 2

Task: Update the information contained in Annex 2.

Time-frame: Whenever a framework agreement is signed

Institution: MINECOFIN (EFU)

Consult: Annex 2 of this Manual

2.5. Fulfilling Effectiveness Conditions (1st disbursement)

Once the agreement is signed certain conditions which are agreed upon in the negotiation and stipulated in the agreement should be fulfilled before disbursements can start – this is referred to as the agreement becoming ‘effective’. During the negotiations, the GoR tries to balance the conditionalities associated with disbursements with the current practices of the Government of Rwanda. The checklist 4 that deals with GoR preferences regarding how agreements are therefore should be examined in this context. This section deals with issues that need to be taken care of once the GoR has agreed on a certain programme with a DP and signed off on it. Hence, not all of these procedures will be relevant for all agreements. Most of these are related to the project mode. In general, MINECOFIN oversees the fulfilment of these ‘conditions precedent’ (see the Aid Policy, GoR, 2006a, par 3.42).

2.5.1. Ratification of the Agreement (including legal opinion)

The first procedure in this section is related to the way the legal process for agreement ratification is organized in Rwanda.

Procedure 14: Ratification of the Agreement

Tasks:

- Legal Advisors in MINECOFIN prepare draft law authorising ratification together with an explanatory note
- The draft law, the explanatory note and a copy of the signed agreement is sent from MINECOFIN to PRIMATURE, who puts it up for discussion in Cabinet
- Once Cabinet approves, the draft law, a copy of the signed agreement and the explanatory note are sent to Parliament
- The draft law is adopted by both chambers of Parliament, upon which a Presidential Decree makes the ratification formal
- All documentation goes to MINIJUST for a legal opinion.
- Ratified law sent to DP for effectiveness of the agreement to start.

Time-frame: Whenever a Financing Agreement is signed.

Institution: Institutional responsibilities as set out above in the ‘tasks’ section of this procedure.

2.5.2. Counterpart funding

This will normally only be related to projects, where a DP wants to make sure that his project is important enough for the GoR to make it contribute to the project’s financing. If the project is not signed in time for budget preparations, then the counterpart funds can only start disbursing in the fiscal year n+2 (current year is year n, the budget preparations are for year n+1). Therefore, the below procedure aims to guide ensuring availability of counterpart funding to meet the conditions of the 1st disbursement.

Procedure 15: Counterpart funding

Tasks: Make sure counterpart funding is available for the project. If the project has not been signed off in time for budget preparations, then counterpart funds should only start flowing in the next fiscal year.

Time-frame: Whenever a Financing Agreement is signed that includes counterpart fund clauses. Resources should be made available according to the importance of the project.

Institution: National Budget Directorate, in coordination with Chief Budget Manager of the budget agency responsible for the project.

Consult: Latest Finance Law, PMMU on forecasted disbursement rates for specific projects.

2.5.3. Financial Issues

Financial issues will normally only be related to projects, where a DP might have specific legal requirements in its own country for disbursing funds on concessional terms. A distinction is made between the following financial issues:

Opening bank account: Some DPs insist on opening bank accounts that are not in the GoR's name – however with the law related to project accounts, all project accounts are now held at the NBR. In addition, all project accounts should be linked to a Project Treasury Single Account (TSA). In case special accounts that are not linked to a Project TSA and not integrated into any basket funds will require justification which will be approved by the MINECOFIN as part of project agreements.

Guarantee / Security for foreign exchange: Some DPs want the GoR to provide a guarantee or security to ensure foreign exchange availability.

Cross-financing clauses these are conditions related to other projects/programmes the DP has in the country, e.g. when a country is in arrears with a DP, the DP may refuse to disburse money on certain other projects. (Such issues will normally have been discussed during the pre-appraisal and negotiation phases – so at this stage, it should not be a stumbling block anymore).

Procedure 16: Conditions Precedent – financial issues

Tasks: Considers feasibility of channelling cash resources through existing basket funds. If not applicable/possible, open bank account, make sure there is a guarantee for the foreign exchange if necessary, and clear any possible arrears. Agree on MoU/agreement for the account to be linked to a Project TSA.

Time-frame: Opening accounts should not take more than 1 week from the signing of the agreement. (Arrears clearance might take longer, but is currently not an issue in Rwanda).

Institution: The implementing budget agency (line ministry/district/other GoR institution) to take lead with consultation with MINECOFIN (Treasury Department) and NBR.

Consult: NBR for bank account opening and how to set up forex guarantees. Also the National Budget Directorate at MINECOFIN for arrears clearance.

With the view to ensure effective aggregate control over government cash balances, it is the Government preference to consolidate cash resources through a Project TSA arrangement. In this context, cash revenues will be accrued into a common pool, which eliminating revenue specific or expenditure specific bank accounts. Revenue and expenditure transactions will be classified through a well developed Chart of Accounts. The Project Treasury Single Account will have sub-accounts at the level of spending units – either at basket funds or special accounts, which are not integrated into

basket funds. Funds are swiped into sub-accounts to allow execution of activities through national execution procedures.

2.5.4. Setting up of a Project Implementation Unit

In line with the Paris declaration on Aid Effectiveness, Rwanda's Aid Policy, and as agreed in the 9th DPM in November 2010, no new PIU is to be created. Since February 2010, the Government of Rwanda has also introduced a **Single Project Implementation Unit** per Ministry/district. This allows for a more integrated and coordinated approach to project management, and therefore reduces transaction costs through sharing of function.

While use of GoR procedures to implement projects is the most preferred project execution/management modality, any projects requiring an implementation unit will utilise the SPIUs for the relevant sector as opposed to establishing a stand-alone structure. An overhead fee will be applied for the use of SPIU services equivalent to a percentage of the total project budget. SPIUs will therefore become self-sustaining. The percentage fee will vary according to the size of the projects. The percentage will be established for projects below \$ 1 million USD, for projects between \$1 million USD and \$5 million USD and for projects over \$5 million. All joint projects will also be subject to different percentage. Percentages will be established favourably for joint projects and large projects.

Procedure 17: Conditions Precedent – Project Implementation Units

Tasks: Preparing a standard agreement for the use of SPIUs, including agreement on specific percentage of SPIU financing.

Time-frame: As quickly as possible if agreed to in Financing Agreement

Institution: The implementing budget agency (line ministry/district/other GoR institution) to take lead, with support from EFU and Project Management and Monitoring Unit where needed.

Consult: Project Management Manual (CEPEX, 2008b) and Single PMU documentation (CEPEX, 2007).

2.5.5. Conditions Precedent related to programme support

Some programme support now also requires the Government of Rwanda to fulfil certain conditions before an agreement can become effective. These are so-called prior actions (e.g. for the World Bank's Poverty Reduction Strategy Grants), and are more policy oriented. Timing and content of these should be dealt with during the negotiation phase. In any case, budget support DPs have agreed for both ex-ante and ex-post conditionalities to use only the CPAF (Common Performance Assessment Framework which takes indicators from the EDPRS monitoring framework). See Chapter 3 on Budget Support for more detail.

2.6. Subsequent disbursements and programme/project spending

As the right column of **Figure 2** in the previous chapter shows that disbursements can be divided into two stages:

- ❑ A donor disbursing into a project/Government account;
- ❑ A Government institution or Project Management Unit (PMU) spending on goods & services for project/programme implementation purposes.

2.6.1. Disbursements into programme & project accounts

Once the first disbursement into the programme/project account is made by the Development Partner, the Agreement becomes 'effective'. Typically, conditions will also be attached to the release of subsequent tranches. In general, there are 3 ways in which Development Partners make disbursements:

Cash-in-advance: This provides cash upfront which can then be spent as required. This is the usual method for disbursing programme aid. This is also the GoR preferred way of disbursement as outlined in the principle below.

Reimbursement claims: This method requires the recipient to finance expenditures and then seek reimbursement from the Development Partner.

Direct Payment to suppliers: This final method implies no aid funds actually enter Rwanda. Instead the money is paid directly to external suppliers of the goods and services provided. Used mainly for Technical Assistance, but also for project equipment/vehicles and big contract of works in some cases.

Procedure 18: Subsequent disbursements

Tasks: Implementing budget agency to make request for account replenishment and to comply with all conditions needed for subsequent disbursements feeding into the project account.

Time-frame: within the time-frames that are detailed in the Financing Agreements.

Institution: The implementing budget agency (line ministry/district/other GoR institution) with an overseeing/supporting role from MINECOFIN (EFU).

Consult: The implementing budget agency should seek advice on these conditions as it sees fit with NBR, MINECOFIN, etc.

The disbursement process should follow national procedures (see the 'Use of Country Systems' principle in Annex 5). This procedure is described in details in the Chapter 7. Even though all three methods can potentially do that, the cash-in-advance method involves much less transaction costs, whilst direct payment to suppliers flows are often very hard to track (see also DRI, 2004, p30-31). Hence the following principle:

Principle related to Disbursement methods

As far as aid disbursement methods go, the Government of Rwanda prefers cash-in-advance over reimbursement claims and reimbursement claims over payments to direct suppliers.

Budget support often has policy conditions that need to be met (conditionalities) before the next disbursement can take place. Conditionalities for programme support are basically linked to the Common Performance Assessment Framework (CPAF), which is described in detail in **chapter 3**.

For projects, conditions are more of a procedural nature, and are linked to issues like reimbursement claims or satisfactory progress reports (both on physical and financial aspects). For disbursements into project accounts, the Government of Rwanda prefers Development Partners to use the standard reporting on financial flows set up by the GoR. Currently, this means projects to submit monthly financial statements to the public accounts department following the GoR chart of accounts and quarterly reports on physical execution to Project Management and Monitoring Unit (see section 2.7 on monitoring) and audits performed by the Office of the Auditor General (again as set out in section 2.7). For direct payment to suppliers, the Government of Rwanda also requires information in the Development Assistance Database.

There has been a case where late disbursement occurs even when conditions for disbursement are met. Such late disbursement causes significant challenges to timely and effective execution of projects and national budget. Responsible implementing agency/Ministry should inform MINECOFIN of such cases for MINECOFIN to initiate bilateral dialogue on delayed disbursements.

2.6.2. Execution of projects/programmes

The financial execution of externally financed projects and programmes involves spending of the funds in the project/programme accounts. The main procedures for releasing and overseeing these funds have to follow the GoR budget process as explained in the *Organic Budget Law (OBL) on State Property & Finance, Organic Law on procurement agencies*) and the *Ministerial Order relating to Financial Regulations*. The established budget execution procedure, particularly with the introduction of the SmartFMS, is described further in the Chapter 8. The OBL defines two key parties regarding budget preparation and execution:

Budget Agency: A Budget Agency is a state organ which is entitled to budget in the annual State Finances Law. (OBL, Article 2, 3°)

Chief Budget Manager: A chief Budget Manager is the administrative head of the budget in the budget agency as mentioned in article 20 of this organic law, or any other civil servant such a manager delegates. (OBL, Article 2, 8°)

Externally financed projects/programmes are not Budget Agencies and their managers are not Chief Budget Managers. For project/programme execution it means that Chief Budget Managers have to sign off on any meaningful project/programme expenditure: “(Chief Budget Managers shall) exercise control over the execution of the budget of his or her Agency, in respect of all related provisions of the Organic Law on State Finances and Property as well as all regulations issued by the Minister” (Financial Regulations, Article 9, section 4).

2.6.3. Extension of projects/programmes

There have been cases where extensions of existing projects and programmes are automatically given without consultation and approval from the MINECOFIN. Some projects may be in existence for a long time without fully achieving the intended outcomes of the support. In line with the principles of aid effectiveness and improved quality of aid to deliver its intended results, it is discouraged to extend projects/programmes beyond its original duration unless it is considered appropriate. In this regard, there is a need to consider appropriateness of project and programme designs during the negotiation phase. However, there may be cases where extension of projects / programmes is required to ensure the outcomes achieved through the project/programme are sustainable. Below outlines a checklist to be considered for requesting extension of projects/programmes.

- Is the extension of projects/programmes intended to bring additional funds?
- Is the extension of projects/programmes a bridge-arrangement to foreseeable commencement of sub-sequent phase of projects/programmes and/or roll-out of a project to national level?
- If the extension of projects/programmes is needed to carry over activities due to slow implementation or late disbursement? And if so, has appropriate rationale been provided?

2.7. Recording & Monitoring of financial and physical execution

After the agreement becomes effective there is a need to record and monitor the financial and physical execution of the aid programme/project. The primary objective is to enhance accountability of external aid to the Government sector in delivering results by ensuring comprehensive reporting of development activities submitted to the Cabinet and Parliament. The first sub-section deals with some general background on aid recording systems in Rwanda, the next three subsections then cover the different phases of financial aid flows: commitments, disbursements and execution. Sub-section 5 discusses the monitoring framework and the final sub-sections detail issues to do with procurement and audit.

2.7.1. Recording aid: institutional process related to the GoR budget

Figure 5 below gives an overview of the institutions (and the affiliated databases) managing the Rwandan budget. On the expenditure side, the budget is made up of the development budget and the recurrent budget. Currently, the recurrent budget is financed by internally generated revenues, Budget support from DPs and the odd externally financed project that covers certain recurrent expenditures. The development budget is mainly made up of investment expenditure, with some externally financed projects included that have recurrent expenditures¹⁵.

As for high-level institutional structures, the national budget committee, which is made up of senior officials in MINECOFIN, has overall responsibility for the budget. The Public Investment Committee (PIC) proposed in the National Public Investment Policy¹⁶ is to coordinate and vet investment projects, regardless of their financing source. Finally, the High Level Aid Policy Implementation Committee is responsible for providing oversight as to how the Aid Policy is implemented, which means being informed on progress, issues, and challenges emerging from quarterly Country Portfolio Performance Review (CPPR) (see also chapter 1 and Annex 3).

Returning to the recording/monitoring issue at hand, Procedure 12 details how the EFU is to be the unique entry point for recording all programmes & projects that are externally financed at the signature stage. It also summarizes key information for the main constituencies that need external finance related data (see the forms in Annex 6). The procedures related to integrating aid into the national budget are described in details in the Chapter 5.

These databases are shown at the bottom of Figure 5, which also gives an overview of the content of these databases. While the Government prefers aid to the Government sector to be fully delivered by the Government agency, direct execution of aid by DPs and/or aid executed by NGOs (these are often off-budget) will also need to be reported and recorded. In this context, the DAD provides for recording directly executed aid as well as aid executed by NGOs. Procedures 12 and 19 dealing with the single entry point for all externally financed projects and programmes will be crucial in making sure all institutions involved have the same basis of information¹⁷.

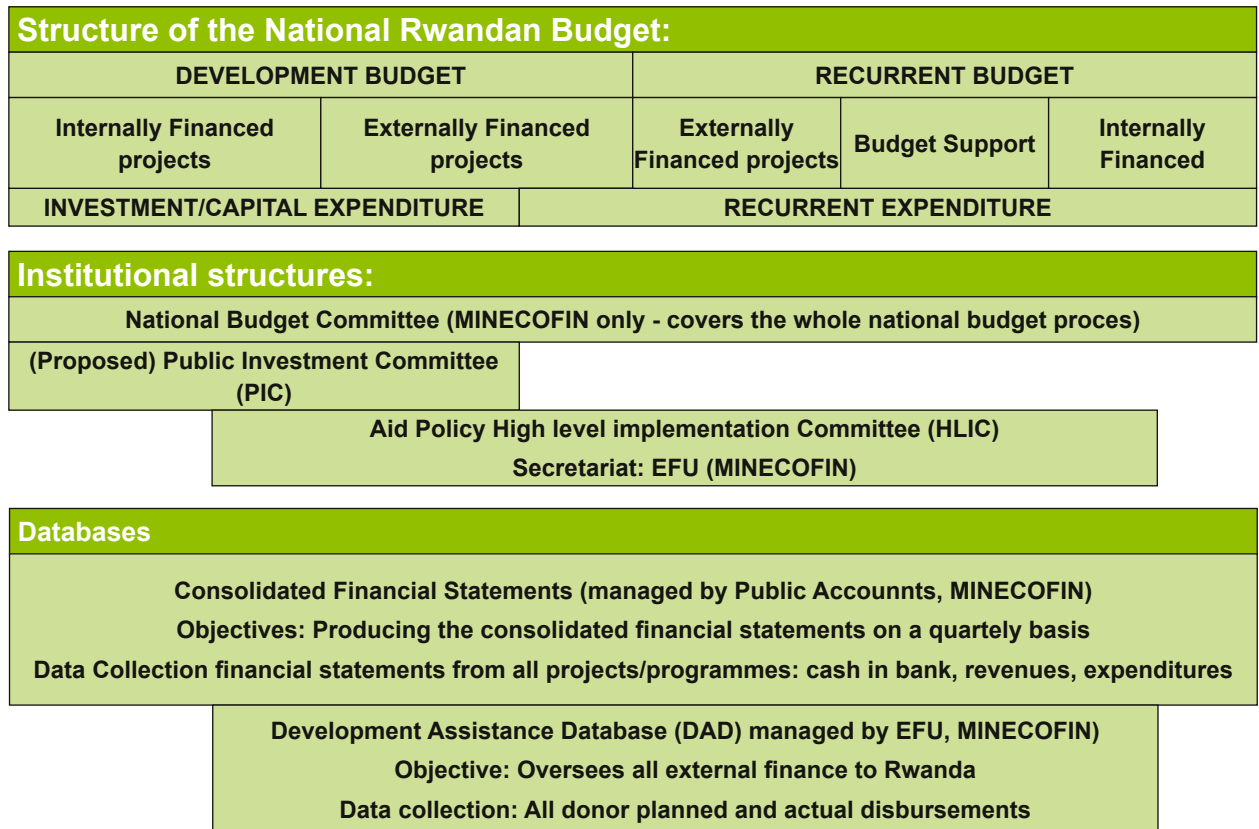
Finally, the National Public Investment Policy (GoR, 2008) proposes for the National Development Planning and Research Directorate and the National Investment Technical Committee to have joint responsibility for managing the Public Investment Programme (PIP).

¹⁵ The future work of the Public Investment Committee and the recommendations of the aid-on-budget work will make the development budget a true multi-year capital budget

¹⁶ The National Public Investment Policy (GoR, 2008b) is aimed at governing all public investment in Rwanda, not just the investment projects that are financed with external funds. It aims to increase the volume, quality and alignment (to EDPRS, LTIF) of Rwanda's public investment programmes. Investments financed by DPs should align to this policy.

¹⁷ Of course, individual sectors also need to keep track of projects/programmes being implemented in their respective sector. More detail on this aspect can be found in chapter 3 on principles and procedures for the Sector Wide Approach (SWAp). Other end-users of external finance related data include the macro department at MINECOFIN and the NBR for the monitoring of macro/monetary issues.

Figure 5: The Rwandan budgetary process



Procedure 19: Making sure all newly signed projects go through the steps outlined in procedure 12

Tasks: All MINECOFIN units who get information on newly signed externally financed programmes/projects that are not coming from the EFU to check whether the information has gone through EFU. All newly signed projects should be recorded by DPs on the Development Assistance Database (DAD) and verified by relevant MINECOFIN units such as PMMU.

Time-frame: whenever a MINECOFIN unit gets information on a newly signed programme/project

Institution: All relevant MINECOFIN units and institutions (NBD,NDPRD,PMMU,Public Accounts,..)

2.7.2. Recording aid: Commitments

Recording of Development Partners’ commitments mainly happens through two different channels. For programme support, dates by which the GoR expects commitments to be made are clearly outlined in the *Memorandum of Understanding Governing the Provision of Direct Budget Support* (GoR/DP,2008) that is discussed in chapter 3. All such commitments are captured in the Development Assistance Database (DAD) managed by the External Finance Unit in MINECOFIN.

For the project modality, commitment announcements are generally not as well structured. Commitments are often indicated in Framework Agreements like Memoranda of Understanding or Country Strategy Papers. Ultimately, the way in which project commitments translate into disbursements and then spending, will depend on how quickly the project is envisaged to be implemented. It is again the task of the EFU to cross check whether the DP recorded commitments in the DAD. While the project modality usually poses greater predictability challenges given that

commitment announcement are not well structured, it is the task of the EFU to liaise with DPs to record indicative projections and confirmed commitments in line with the national planning and budget cycle (please see more details in the **chapter 5**).

Procedure 20: Recording of aid commitments

Tasks: EFU to cross check whether the DP recorded all external finance commitments in the DAD.

Time-frame: whenever a commitment is made by a Development Partner, and in line with the national planning and budget cycles for indicative projections and confirmed commitments.

Institution: MINECOFIN

Consult: any relevant MoU, CAS, CSP or occasion where aid commitments are announced (e.g. the annual Development Partners Meeting), including the timing of these announcements for Budget Support (see chapter 3).

2.7.3. Recording aid: Disbursements

Recording of Development Partners' disbursements into project/programme accounts (see the right column of figure 2 on the last page of the Chapter 1) happens as follows. The Development Partner is to write to the Minister of Finance and Economic Planning, with copy to the relevant Budget Agency, when a disbursement into programme/project accounts has been made. At the same time, the Development partners will record the disbursement in the DAD (which will then be verified by relevant institutions). The NBR is then to forward a copy of the receipt¹⁸ to the relevant MINECOFIN units once payment has come through (this should be done regardless of the aid modality). Hence, similar to the one page summary at the signature stage, all relevant institutions are informed of disbursements made by a Development Partner (Procedure 21a. See below). MINECOFIN also acknowledges (to the DP) in writing receipt of funds in foreign currency in GoR account held at the NBR.

For Development Partners that make direct payments to suppliers, the NBR will not receive a receipt. Hence, procedure 21b, which documents how the line ministry / overseeing agency (relevant SPIU) verifies such data as part of its quarterly reporting on the project modality, while a Development Partners record such direct payment to suppliers in the DAD. Again, this should be forwarded to the relevant MINECOFIN units. As the SmartFMIS expands its scope to cover all public investment and development projects, such direct payment information will also be captured in the SmartFMIS.

With regard to Aid that is executed by NGOs, Development Partners record disbursement made to NGOs in the DAD. As for aid directly executed, Development Partners do not disburse aid to any other entities. Therefore, recording of aid directly executed by DPs is done at spending level (execution information).

2.7.4. Recording aid: Spending foreign aid

The final stage of the financial flow related to external finance is when project/programme account balances are actually used to buy goods & services to execute the project/programme physically. For Programme support, this process will follow the Rwandan budgetary system. For the project modality, this is also ultimately the aim. The aid-on-budget work (Chiche, 2008) and the recently developed manuals on the Rwandan budgetary process (NBU, 2008a, 2008b and 2008c) show how projects are to be included in the budgetary process. As for the recording of project expenditure, the Public Accounts unit in MINECOFIN collects data on financial execution (monthly) if project funds are included in the national budget, and PMMU collect the information for physical execution (quarterly).

¹⁸ This can be done because all DPs have to have bank accounts with the BNR if they want to disburse aid to Rwanda.

Procedure 21: Recording of aid disbursements

Procedure 21A: Cash-In-Advance And Reimbursement Claims

Tasks: NBR to forward copies of receipt to MINECOFIN, for the copies then to be sent on to the relevant MINECOFIN entities (NDPRU, PMMU, NBU, Public Accounts, EFU). The NBR should also send a copy to the relevant Budget Agency overseeing the project/programme.

Time-frame: whenever a disbursement is made by a Development Partner into a NBR account. A Development Partner will record a disbursement in the DAD simultaneously or on a quarterly basis at minimum.

Institution: NBR, MINECOFIN.

Procedure 21B: Direct Payment to Suppliers

Tasks: A Development Partner will record direct payment in the DAD. This will be verified with relevant SPIU, which will relay information on direct payment to suppliers to other relevant institutions (Public Accounts and NBD) as part of its quarterly reporting on projects. As the Smart FMIS expanding its scope, information on direct payment to suppliers will also be captured through the SmartIFMS module.

Time-frame: Quarterly.

Institution: Line Ministries / overseeing agencies.

Direct payment and execution are to be reported by Development Partners in the DAD, which will be validated by relevant Ministries and agencies. Development Assistance Database (DAD) will produce necessarily reports in the format included in the Annex 10. Aid executed by NGOs is to be reported by implementing NGOs in the DAD as part of their annual registration process.

Procedure 22: Physical and Financial execution of project aid

Tasks: PMMU for physical and Public Accounts for financial execution reporting on externally financed projects (only need to relay info to NBD if it is aid to Government sector and on budget) DPs to report on direct payment and direct execution information in the DAD.

NGO execution will be reported by NGOs in the DAD in terms of financial execution as part of annual registration process.

Time-frame: monthly for Public Accounts, Quarterly for PMMU, Quarterly for DPs

Institution: MINECOFIN (PMMU, Public Accounts, EFU)

2.7.5. Monitoring externally financed projects & programmes

Reliably recording aid flows is a precondition for monitoring whether the Aid Policy is being adhered to and to look at the way externally financed projects and programmes are implemented. Of course the two are related, as the discussion in this section will show.

Monitoring the implementation of the Aid Policy is the responsibility of the High Level Aid Policy Implementation Committee (HLIC), and the EFU as its technical secretariat. The Development Assistance Database (DAD) is set up expressly to deal with this monitoring task. The DAD captures aid commitments and disbursements, and has links to how well DPs score on the indicators of the monitoring framework agreed upon between DPs and the GoR (the Development Partners Performance Assessment Framework or DPAF, see **Annex 4**)¹⁹. It is essentially a backward looking tool.

¹⁹ The DPAF goes beyond the indicators that are reported on in the two-yearly survey linked to the follow-up of the Paris Declaration (for the last one, see OECD/DAC, 2008b), even though a lot of the indicators overlap. For more on the technical details of the Paris indicators, see OECD/DAC (2008b, Annex E).

Procedure 23: Monitoring Development Partners through the DPAF

Tasks: EFU to organize and collect data for the annual DPAF assessment

Time-frame: annually (August-October), dialogue on the results during Development Partners Retreat which brings together all DPs and GoR

Institution: EFU

Consult: DAD – DPAF indicators filled out by the Development Partners

The Table provided in Annex 7 aims to illustrate how monitoring and implementation of project and programme aid is undertaken. Annex 7 provides a quick overview of the status of externally financed projects & programmes, e.g. ‘awaiting fulfilment of effectiveness conditions’, ‘awaiting second disbursement’, etc. Progressively, this should become part of the DAD. EFU monitors the project/programme performance at this level, while PMMU monitors the physical and financial execution of projects.

Overall responsibility of effectiveness conditions rests with EFU, and this is not captured in any other database at the moment. The starting point for filling out the monitoring chart is the signing of a framework agreement. Because of the labour-intensiveness of these tasks, Annex 7 should only be kept active for those programmes/projects with total planned disbursements of higher than USD 100,000.

Procedure 24: Monitoring Development Partners through flow chart (Annex 7) – process monitoring

Tasks: EFU to maintain excel-based monitoring table showing projects’ & programmes’ implementation status.

Time-frame: continuously

Institution: MINECOFIN (EFU)

Consult: Development Budget (NBD) in particular PMMU

Monitoring of project implementation is done by PMMU, which follows up physical execution and identifies bottlenecks and issues with project management. Such issues are discussed in project steering committees for externally financed projects.

Procedure 25: Monitoring the projects’ financing Agreement

Tasks: Monitor project implementation to make sure it happens as agreed in the Financing Agreement. Push the DP to implement project management measures that make it adhere more to the negotiating principles and checklists developed in the previous sections (even if it is not so specified in the FA). Problems should be flagged in PMMU report on project implementation.

Time-frame: following Project Steering Committees and Portfolio Meeting calendar.

Institution: MINECOFIN (PMMU), implementing line ministry / district / other GoR agency

Consult: Financing Agreement and any reporting that went with the negotiations.

While the project-level monitoring is undertaken by PMMU, the country portfolio performance review (CPPR) is undertaken by EFU. The CPPR will review on quarterly basis the performance of donor portfolio and consider critical issues of projects/programmes in terms of its execution, effectiveness, and quality. To this end, the Country Portfolio Performance Review will consider the process of implementation of projects/programmes, issues emerging from DPAF, and critical issues emerging from PMMU’s physical and financial execution of projects/programmes.

Procedure 26: Country Portfolio Performance Review

Tasks: Monitor project/programme performance in terms of execution, effectiveness, and quality. Push DP to implement necessary measures that make the country portfolio adhere to the Framework Agreements, Division of Labour, aid effectiveness principles, among others. Challenges should be flagged in CPPR report.

Time-frame: Quarterly

Institution: MINECOFIN (EFU), PMMU, relevant GoR agency

Consult: Framework Agreement, DoL, DPAF, etc.

2.7.6. Procurement

The underlying principle for procurement issues related to externally financed projects and programmes is that GoR procedures should be followed as much as possible. For procurement, this mainly means adhering to the 2007 Law on Public Procurement as amended to date. By definition, budget support does this, by channelling aid funds through the GoR budget²⁰.

For procurement issues related to project implementation, there are two major issues to be dealt with:

- (i) procurement planning and
- (ii) making sure non-objection clauses are adhered to. Relevant Actions are summarized in the procedure below. Project managers should always push for international competitive bidding procedures.

Procedure 27: Procurement in project aid

Tasks: Prepare annual procurement plans and plan non-objection processes carefully.

Time-frame: annual procurement plans should be prepared one month before the beginning of the fiscal year, with non-objection clauses taken into account.

Institution: SPIU/line ministry in charge of the project, with support from PMMU, Rwanda Public Procurement Authority for supporting services on procurement aspects.

Consult: Procurement Law, relevant sections of National Public Investment Policy (GoR, 2008) and Project Management Manual (CEPEX, 2008b). Previous experience with some DP on how long non-objection process takes should be taken into account.

2.7.7. Audit

For audit issues related to externally financed projects, GoR procedures and institutions should be used as much as possible. Checklist 3 already provided a 'rule of thumb', reproduced in the procedure below:

For programme support, GoR audit procedures are mostly used, with any additional issues to be dealt with outlined in chapter 3 (e.g. when and if audit reports are to be made available to budget support donors).

²⁰ The MoU Governing the provision of Direct Budget Support in the Implementation of Rwanda's EDPRS (GOR and BS DPs, 2008) states: "The GoR commits to (...) (v) Perform all public procurement in accordance with the applicable Laws of Rwanda, which should reflect internationally accepted standards;"

Procedure 28: Audit in project aid

Tasks: Projects should allow the Office of the Auditor General to audit their accounts (instead of an outside audit firm) when the OAG's annual audit plan includes the audit of the GoR agency the project reports to. Sector Ministries submit the list of on-going projects to OAG for inclusion in the OAG's annual audit plan. Should OAG be unable to audit specific projects, OAG to inform a relevant Sector Ministry accordingly. Sector Ministries arrange an independent audit firm under the OAG guidance to audit the projects.

Time-frame: following the annual work plan outlined by the OAG

Institution: Office of the Auditor General, relevant Budget Agency overseeing the project's implementation

Consult: OBL, Financial Instructions on audit issues.

2.8. Termination

While it is advisable to engage in dialogue to address any issues that may affect the execution of financing agreements, there may be a case where termination of such agreements is inevitable. In such a case, termination should be processed in accordance to the terms agreed in the financing agreement, and a Development Partner write officially to MINECOFIN and notify MINAFEET if appropriate.

2.9. Evaluation & Analysis

This section deals mainly with projects. Evaluation and analysis issues linked to programme aid are covered in the next chapter on budget support. Once the project is completed, project management will normally produce a project completion report. It is crucial that this report documents the advantages and disadvantages of how the project/programme was set-up from an aid management perspective and whether the Financing Agreement stipulations were adhered to. This would then lead to a discussion on whether the project/programme had followed the main tenets of the Aid Policy. This project completion report becomes even more important when the project / programme enters a new phase, in which case the programme / project management set up is up for re-negotiation (all or at least certain aspects of it).

Procedure 29: Project Completion and Re-negotiation

Tasks: Project completion report to analyze Aid Policy related issues, as set out in this manual. When the project comes up for re-negotiation, the completion report should make recommendations as to how the Aid Policy can be better adhered to, again looking at the procedures in this manual.

Time-frame: Project completion report to be finalized within 6 months (large projects) or 3 months (small projects) of formal project completion date.

Institution: Project Management Units are normally responsible for the project completion report. However, the overseeing GoR institution should make sure the report analyses Aid Policy related issues (with the help of EFU).

Consult: Procedures and checklist of Aid Procedures.

Finally, the project cycle comes to a close with an impact assessment. From the perspective of the aid policy, the core issue here is whether the project impact is related to certain aid management practices. As impact studies are expensive and time-consuming, it is not advisable to have such exercises done for all projects, and it should be guided by EDPRS monitoring considerations (as set out by NDPRD, in consultation with HLIC).

Procedure 30: Impact Assessment

Tasks: Impact Analysis to have a section specifying the relationship between the set up of the project's aid management and outcomes (where possible).

Time-frame: Not specified, as it is accepted that how quickly impact analysis can be done might depend on the nature of the project.

Institution: GoR agency responsible for the quality control of the project. NDPRD to co-ordinate EDPRS-related impact-analyses (which should then be reported on in the EDPRS APR).

Consult: Financing Agreement and any other relevant technical documentation.

On a yearly basis, the High-Level Implementation Committee should agree on a list of research projects to analyse aid effectiveness issues of particular interest to Rwanda. Impact assessments will be part of this.

Procedure 31: Aid Effectiveness studies

Tasks: High-level implementation committee (HLIC) to approve a yearly list of aid effectiveness related studies specifically relevant to the Rwandan aid environment.

Time-frame: annually, before the start of the fiscal year.

Institution: HLIC, in coordination with the NDPRD, which is responsible for EDPRS monitoring as well as EFU.

Chapter 3: Budget Support and Programme Aid

This chapter deals with Budget Support (BS), the Government's preferred aid modality. In Rwanda only large multilateral and bilateral donors use the BS modality to disburse external assistance. Hence, budget support discussions are always embedded in high-level framework agreements (there is no reason this will change anytime soon – hence, this is the default assumption used in the rest of this chapter).

Figure 2 on the last page of chapter 1 distinguishes between 3 sub-modalities within the Budget Support aid-category:

- (i) General Budget Support (GBS),
- (ii) Sector budget support, and
- (iii) Budget support for decentralization. The discussion above gives formal definitions of these modalities.

Compared to the project aid modality, Budget Support is less 'limited' in time, with procedural issues less linked to the aid management cycle. Also, Budget Support related procedures are already codified to a large extent in the '*Memorandum of Understanding Governing the Provision of Direct Budget Support in the Implementation of Rwanda's EDPRS*' (GoR & Budget Support DPs, 2008 – referred to as *the MoU* in this chapter). Hence, the outlay of this chapter does not follow the aid management cycle, but focuses on initiation and negotiation of BS (section 3.1), the aforementioned MoU, which focuses on GBS (section 3.2) and the development of Sector Wide Approaches (section 3.3).

3.1. Identification and negotiation of Budget Support

The two procedures below set out *identification* & *negotiation* procedures regarding Budget Support.

Procedure 32: Initiation and Identification of Budget Support

Task: GoR to approach & convince existing and potential DPs to deliver aid to Rwanda in BS form (with a preference of General Budget Support over Sector Budget Support). This includes lobbying by Rwanda's embassies abroad and lobbying by senior GoR officials within Rwanda.

Time-frame: Whenever DPs are making new commitment decisions that could potentially affect Rwanda.

Institution: MINECOFIN and MINAFFET.

Consult: Annual External Finance Trends report to see whether and in which countries current and potential DPs deliver Budget Support (see procedure 1).

Procedure 33: Negotiating Budget Support

Task: GoR to negotiate Budget Support agreements, with the following short checklist in mind:

- Is the DP willing to become signature to the MoU Governing the Provision of Direct Budget Support in the Implementation of Rwanda's EDPRS?
- Does the DP demand any extra provisions outside of the aforementioned MoU?
- Is DP willing to sign up to the CPAF / Joint Governance Assessment for its conditionalities?

Time-frame: Whenever DPs are indicating an intention to move towards Budget Support

Institution: MINECOFIN (EFU)

Consult: MoU Governing the Provision of Direct Budget Support in the Implementation of Rwanda's EDPRS

3.2. GBS and the MoU governing the provision of Direct Budget Support

3.2.1. Institutions governing Budget Support (BS)

As BS Agreements are negotiated at senior levels, with implementation governed by Rwandan PFM procedures, there are less coordination issues within GoR compared to project aid. A Senior MINECOFIN staff is in the lead, with the EFU providing technical support. The main institutional structure related to BS is the bi-annual Joint Budget Support Review, organized in backward (discussing past fiscal year) and forward-looking (discussing next fiscal year) meetings. The main coordination structure governing BS is the Budget Support Harmonisation Group (BSHG) which *is the forum in which all discussions between Government and Budget Support DPs relating to the provision of budget support to Rwanda take place* (see MoU, par.11). Please see next page for procedures governing the BSHG.

3.2.2. Budget Support procedures related to GoR responsibilities

Procedures on the next pages give an overview of the GoR obligations under the signed MoU.

3.2.3. Budget Support procedures related to DPs' obligations

The last page of this section shows procedures related to DPs' obligations under the MoU. It performs a similar task as previous checklists, i.e. to have GoR officials make sure DP's honour their commitments.

Procedure 34: Procedures related to the functioning of the Budget Support Harmonization Group (BSHG)

MAIN BRIEF OF THE BUDGET SUPPORT HARMONISATION GROUP (BSHG)

The Budget Support Harmonisation Group (BSHG) is the forum in which all discussions between Government and Budget Support Partners relating to the provisions of support to Rwanda take place

COMPOSITION OF THE BUDGET SUPPORT HARMONISATION GROUP (BSHG) – meeting frequency is Quarterly

| Function | Who | Responsibilities / Comments |
|------------------------|---|---|
| Chair | PS and Secretary to the Treasury of MICECOFIN | Responsible for convening all BSHG meetings, including point reviews |
| Co- chair | Representative of a General Budget Support Donor, nominated by all Budget Support partners on a Rotational basis | Responsible on a day-to-day basis for coordination and harmonization of all dialogue and communication between partners and GOR on BS related issues. All DPs requests for information are channelled through the BSHG co-chair |
| Full Membership | <ul style="list-style-type: none"> ▪ Restricted to those partners contributing a minimum of USD 10 Million of budget support (both general & sector) to Rwanda in that year. ▪ IMF | If DP provides less, the chair may, in consultation with members, admit the DP as a member only where the DP provides a clear indication of its intention to scale-up its BS to meet or exceed the threshold within 3 years of joining. |
| Observer Status | <ul style="list-style-type: none"> ▪ BS donor providing less than USD 10 Million ▪ A DP indicating intention to start providing BS within 2 years (decision in consultation with all full members) ▪ UN resident coordinator | Observers do not participate actively in the proceedings of BSHG meetings or the Joint Reviews |
| Sector Member | <ul style="list-style-type: none"> ▪ DPs providing only sector support are granted the status of sector member | Sector members participate actively only in discussions related to performance in the sector to which BS is provide, or more general issues insofar impact or performance in the given sector. |

Procedure 35: GoR obligations regarding Budget Support

| Task | Timeline | Institution | Consult |
|--|---|---|--|
| III. Scope & Nature | | | |
| BS partners will not introduce conditions that contradict or diverge from the MoU in their bilateral agreements | Whenever bilateral agreements are negotiated with DPs | GoR institutions responsible for negotiating bilateral agreements (mainly MINECOFIN & MINAFEET) | MoU Governing Provision of DBS to Rwanda |
| VI.3. Programming & Disbursement of Budget Support contributions | | | |
| Ensure that all BS commitments are recorded in the national budget | Following Rwandan budgetary calendar | NBD & Macro Unit (MINECOFIN). Commitments should be recorded in the DAD (EFU) | N/A |
| Acknowledge in writing receipt of funds in foreign currency in GoR account held at the NBR, and the transfer of the equivalent in Rwf to the GoR's Single Treasury Account | Whenever DP makes transfer of budget Support resources | NBR and Treasury Unit (MINECOFIN) | N/A |
| VI.4. Monitoring & Performance Management (see also reporting requirements under VIII) | | | |
| Provide BS partners with consolidated preliminary results for performance at national & sector level in the preceding year against CPAF indicators | At least one week prior to the start of the backward-looking review | NDPRD (MINECOFIN) to co-ordinate information coming from sectors/districts – to put in APR | Sectoral / District Reviews |
| Make arrangements for the aggregation & presentation of data pertaining to DP's performance as measured through the DPAF | GoR to present DPAF results in forward looking review (DPs to fill out questionnaire on DPAF at least 1 month before) | EFU (MINECOFIN) | DPAF related information sent by DPs |
| Forward-looking Joint Review will be held prior to submission of draft finance law to cabinet (see section VIII for info requested by DPs) | April/May (following new EAC budgetary calendar) | Senior MINECOFIN management, NDPRD, EFU coordinating | BFP Draft Finance Law |
| VII. Evaluation & Audit | | | |
| OAG to commission a financial audit of BS disbursements to verify whether disbursed amounts reached the GoR's Single Treasury Account | Annually | OAG | N/A |

Source: MoU Governing Provision of DBS in the implementation of Rwanda's EDPBS (sections referred to correspond to the sections in that document)

Procedure 35: GoR obligations regarding Budget Support

| Task | Timeline | Institution | Consult |
|--|--|--------------------------------------|---------|
| III. Scope & Nature | | | |
| VIII. Reporting & Information Sharing | | | |
| GoR to share with DPs the following (based on the new EAC budgetary calendar): | | | |
| The EDRPS APR and CPAF subset, and their assessment of progress in line with the CPAF scoring methodology detailed in annex | By end-September | NDPRD (MINECOFIN) | |
| Consolidated Financial Statements | By end-April | | |
| The report of the Auditor general on the implementation of the state budget | By end-April (after Auditor General's presented to Parliament) | OAG (transmission through MINECOFIN) | |
| Draft Finance Law | By end-February | NDPRD (MINECOFIN) | |
| Final Finance Law & any subsequent Revised Law | By June & December respectively | NDPRD (MINECOFIN) | |
| Quarterly Budget Execution Reports | Within 1 m of relevant quarter | NDPRD (MINECOFIN) | |
| Annual Budget Execution Reports | By end-Sept (at least 2 weeks before backward-looking Review) | NDPRD (MINECOFIN) | |
| XIII. Miscellaneous provisions | | | |
| Results of meetings between GoR and BS partners specified in the MoU are recorded in agreed Minutes and sent to BS partners. | Within 3 weeks of the end of the meeting | GoR (EFU, MINECOFIN) | |
| Comments and corrections incorporated into the Draft Minutes | BS Partners to provide written comments within 5 working days of receipt of draft minutes – final Agreed Minutes published no later than 6 weeks after end of meeting. | Chair & Co-chair BSHG | |

Source: MoU Governing Provision of DBS in the implementation of Rwanda's EDRPS (sections referred to correspond to the sections in that document)

Checklist 5: Budget Support procedures related to Development Partners' obligations

| Issue | GoR preference | Questions/Tasks | Institution | Consult |
|---|---|---|---|---|
| GENERAL ISSUES | | | | |
| Predictability of Budget Support financing | GoR preferences as stated in the DPAF/MoU Governing provision of DBS to Rwanda | <ul style="list-style-type: none"> ▪ Does DP provide indicative commitments for BS in year n + a to GoR within 4 weeks of end of backward looking JBSR in year n? ▪ Does DP provide firm commitments for BS in year n + 1 to GoR at least 4 weeks before start of forward looking JBSR in year n? ▪ What is % of BS disbursed within the first Q of GoR fiscal year. ▪ What is % of BS disbursed within the GoR fiscal year for which it was scheduled, according to disbursement schedule agreed? ▪ Is GoR informed of anticipate dvolume of BS to be provided over next 3-year MTEF period 6 months before start of fiscal year in question? ▪ Is GoR informed of anticipated volume of BS and month of expected BS disbursement to be made before start of fiscal year in question? ▪ Does DP provide the information in a standard reporting format through the DAD? | EFU reporting on whether DPs are fulfilling their commitments | <ul style="list-style-type: none"> ▪ DPAF indicators G1-G4 ▪ MoU governing provision of DBS |
| Jointly under-taken work | BS related work to be undertaken jointly by DPs | <ul style="list-style-type: none"> ▪ Are missions, meetings, analytic work undertaken jointly by BS DPs? ▪ Is there a common forward timetable for all reviews/evaluations related to EDPRS/ PFM/etc work? Does the DP participate? | | <ul style="list-style-type: none"> ▪ DPAF indicators D1-D4 |
| DPs Assessment of GoR | Conditionalities / indicators all taken from CPAF & Joint Governance Assessment | <ul style="list-style-type: none"> ▪ Does the DP adhere fully to common conditionality (Joint Governance Assessment and CPAF)? | | <ul style="list-style-type: none"> ▪ MoU ▪ DPAF Indicator G5 |
| Information sharing by DPs | DPs to provide the following info in a timely manner | <ul style="list-style-type: none"> ▪ Copies of the overarching country programme documentation (e.g. CAS, CSP, or similar) ▪ Copies of all final budget support programme documents. ▪ Copies of any financial bilateral programme evaluation relevant to EDPRS implementation ▪ Comprehensive data on budget support commitments and disbursements (through DAD) | EFU (MINECOFIN) | <ul style="list-style-type: none"> ▪ MoU |
| *Allocation for individual districts taken into account: Area (20%), Access to Water & Electricity (30%) and Population (20%) (See CDF, 2008). Source: MoU Governing the Provision on Direct Budget Support in the implementation of Rwanda's EDPRS | | | | |

| Checklist 5: Budget Support procedures related to Development Partners' obligations | | | |
|--|---|---|--|
| Issue | GoR preference | Questions/Tasks | Institution |
| GENERAL ISSUES | | | |
| ISSUES SPECIFIC TO SECTOR BUDGET SUPPORT | | | |
| Additionality | Budget allocations are subject to parliamentary decisions | <ul style="list-style-type: none"> Does the DP ask for conditionalities related to budgetary allocations? | EFU |
| Disbursement | SBS to be disbursed through Single GoR Treasury Account | <ul style="list-style-type: none"> Does DP have any additional (to GoR budgetary procedures) conditions related to financial procedures? | EFU, Treasury |
| Alignment | Monitoring should be limited to CPAF indicators | <ul style="list-style-type: none"> Does DP demand to monitoring of indicators outside of CPAF? Are indicators at least taken from the EDPRS Policy & Results matrix? <ul style="list-style-type: none"> Is so, is DP's monitoring harmonized around common sector PAF? Is SBS for decentralisation going through the CDF earmarked? Is the DP's support follow the CDF equalization formula*? | EFU, relevant sectoral Ministry |
| <p>*Allocation for individual districts taken into account: Area (20%), Access to Water & Electricity (30%) and Population (20%) (See CDF, 2008). Source: MoU Governing the Provision on Direct Budget Support in the implementation of Rwanda's EDPRS</p> | | | |
| | | | <ul style="list-style-type: none"> Bilateral MoU Sector Strategic Plan/MTEF CDF quarterly reports |
| | | | Consult |

3.3. Sector Wide Approach and Sector Budget Support

The essence of a Sector-Wide Approach (or SWAP) is for Government and development partners to work together to implement a single sector strategy, reflected in a single expenditure programme for the sector. Achieving this is in theory independent of the financing modality used, but in the Rwandan context, the GoR prefers a SWAp to lead to some form of Joint Financing Arrangement, with a preference for Sector Budget Support.

3.3.1. Establishing a SWAP

The focus in this section is on the establishment of a SWAP and monitoring of effectiveness of a SWAP, not on its implementation. The second part of the checklist on the previous page highlights Sector Budget Support implementation issues like monitoring and recording. In general, those issues are well taken care of in the MoU governing the provision of Direct Budget Support, and the final JFA (signed) document should make provisions for implementation issues.

Procedure 36: Ten steps to developing a SWAp / Joint Financing Agreement

Information sharing - producing a mapping of the sector

1. Communicating positions and programmes;
2. Setting up institutions and forums to exchange information regularly;
3. Understanding of each other's positions & programmes.

Strategic co-operation - development of the sector strategy

4. Actively building consensus on policies and key interventions (using established institutions and forums, mentioned under 2);
5. Agreement on policies and key interventions ;
6. Agreement on division of tasks;

Operational harmonisation - modalities, procedures, monitoring, joint reviews, etc

7. Agreement on financial modalities, common intervention procedures & their application;
8. Negotiating a JFA;
9. Agreement on a JFA and the bilateral arrangements;
10. Joint implementation of the JFA

The procedure outlined above shows how a JFA/SWAp can be developed in 10 steps. There are three main issues that need to be addressed. The **first** one is the production of a sectoral mapping, i.e. a list of all interventions and their financing in the sector. This serves to identify areas of overlap and identifies gaps. Also, it gives a useful strategic overview of the Development Partners involved in the sector, and the amount of funds that could *potentially* be re-directed towards the JFA/SWAp. It is crucial however that the sector mapping includes all types of aid modalities, including the project support from donors that are not willing to move towards some kind of joint funding mechanism. **Secondly**, there is the development of the sectoral strategy, which will need a strong sectoral ministry to outline the GoR's sectoral priorities, including red lines that are not up for negotiation with the DPs. This will probably be an ongoing activity and could take place simultaneously to the 'Information sharing – sectoral mapping' stage. The **third** stage is then the operationalisation of the SWAp/JFA, including how a common monitoring framework is to be set up (as a principle, indicators should be taken from the CPAF), and how Joint Reviews are to be held.

3.3.2. Effectiveness of SWAP or Programme-Based Approach (PBA)

Enhanced quality of aid and ensuring maximum impacts of aid on development impacts largely depend on how aid is coordinated, harmonised, aligned, and utilised at sector and decentralised level. SWAPs/PBAs is considered as an approach that enhances sector-level coordination, harmonisation, alignment and effectiveness led by the Government. To this end, this section deals with key conditions/criteria of effective Sector-Wide Approach framework and procedures of monitoring and assessing effectiveness of SWAPs. Below set out basic components of a SWAP/PBA for the effectiveness of SWAP.

Basic components of a SWAP:

Leadership – Any PBAs/SWAPs are nationally owned programme/framework. Government sets out policy, identifies how resources are to be used, defines implementation arrangements, manages coordination arrangements, and establishes effective monitoring mechanisms.

Comprehensive policy and programme framework – this provides the basis for defining the “sector” and the engagement and resources of all domestic and external partners.

A comprehensive resource framework – an annual workplan (and/or a medium-term framework linked to the Budget) that supports the strategic allocation of resources and promotes consistency, prioritisation, efficiency and sustainability in programming and expenditure.

Coordination – all partners engaged in a SWAP/PBA engages in a formal process of donor coordination and harmonisation of donor procedures in reporting, budgeting, financial management and procurement, and also engages in policy dialogue and review.

Use of national systems – projects/programme within SWAP uses local systems of programme design, programme implementation, financial management and monitoring and evaluation.

Partnership and dialogue structures – inclusive coordination mechanisms are established to discuss policy, to clarify roles and responsibilities, and to support implementation and review. The effective SWAP enables coordination of engagement and contribution of various stakeholders, such as NGOs and private sector within the single comprehensive programme framework.

Procedure 37: Monitoring and assessing effectiveness of SWAPs/PBAs

Task: EFU to undertake annual assessment through DPAF. DPAF to incorporate effectiveness assessment of PBAs/SWAPs. EFU in coordination with NDPRD to engage in SWGs and joint sector reviews to monitor the effectiveness of PBAs/SWAPs.

Time-frame: Quarterly for SWGs, annual for DPAF and Joint Sector Reviews

Institution: MINECOFIN (EFU)

Consult: MoU SWAPs, SWGs, PMMU, SPIUs

3.4. Pooled Funding

Development Partners not able or willing to move towards General Budget Support have looked for alternative ways, like pooled funding, to respond to the Paris/Accra Aid Effectiveness agenda (OECD/DAC, 2005 and 2008c). Pooling initiatives are a means of improving aid effectiveness through increasing ownership, improving transparency & accountability, reducing administration costs, simplifying procedures and improving efficiency (OPM, 2006, p60). The Aid Policy states: “*the GoR prefers that donor resources be pooled rather than earmarked for individual projects*” (GoR, 2006, par. 3.9). Pooled funding is also operational in capacity building in education and health sector, in addition to a central Capacity Building Fund.

The table below (taken from DFID, 2006) gives an overview of the different arrangements possible under pooled funding mechanisms, with the checklist on the next page developing the preferences of the GoR related to this table. Pooled funding arrangements do not automatically suggest that the GoR is in charge of all funding arrangements. However, there is a need for reviewing these structures at pre-agreed intervals or to build in sunset clauses (see checklist).

Table 3: Pooled Funding mechanisms

| Pooling | H&A | Design | Procurement | Strategic Management | Day-to-day Management |
|------------------------------|---------|----------------------------|--------------------|--------------------------|-----------------------|
| Delegated Cooperation | Depends | One DP on behalf of others | Single Donor | Single Donor | Single Donor |
| Loose | √ | Joint | DP off-budget fund | DP in liaison with Gov't | DP |
| Mixed | √ | Joint | DP off-budget fund | Gov't in liaison with DP | Government |
| Full | √ | Government | Government | Government | Government |

Source: DFID (2006).

In order to ensure effective aggregate control over government cash balances, the number of project accounts held at BNR is to be further reduced. In this context, increased use of basket /pooled fund modality is encouraged at the level of 14 EDPRS sectors. In this context, all basket funds managed by the Government will be linked to a Project Treasury Single Account (TSA).

| Checklist 6: Pooled Funding | | | |
|--|---|---|--|
| Issue | GoR preference | Questions/Tasks | Institution |
| GENERAL ISSUES | | | |
| Pooling around what? | GoR prefers pooling to happen in the context of a SWAp (incl. support to decentralisation) | <ul style="list-style-type: none"> What is the pooling about? Sectoral / Geographical / Vertical (e.g. Aids initiatives like immunization campaigns / specific activities?) | <p>Relevant line ministry to negotiate pooling around sector strategy (consulting with relevant SWG)</p> <ul style="list-style-type: none"> Relevant sectoral plans - DPs operations in other countries |
| Design of the pooled fund institutional structures | <ul style="list-style-type: none"> As much as possible decided by GoR, whilst avoiding 'heavy' structures (e.g. DPs pooling funds managed by another DP not participating in the funding) | <p>(the rest of the table mainly discusses the different aspects of the institutional structures' set up)</p> | <ul style="list-style-type: none"> DPs operations in other countries Organisational aspects of other pooled funding arrangements |
| Management structure of the pooled fund? | <ul style="list-style-type: none"> Day-to-day management under GoR control Strategic management under GoR control (or at least envisaged to move towards GoR control) | <ul style="list-style-type: none"> What are institutional capacities of GoR in the relevant sector to run/manage the pooled fund? Are DPs objections to wanting more managerial control reasonable? What are the structures put into place to make sure over time GoR can perform all management tasks? How are the | <ul style="list-style-type: none"> GoR agency implementing the TA with RPPA |
| Procurement | Procurement to be fully untied and done through GoR systems | <ul style="list-style-type: none"> How are Goods, Services, Works, TA needs advertised? If GoR procurement procedures are not used, which DP's procedures are used? Is it subject to international competitive bidding? What are the non-objection needs for the DP? | <ul style="list-style-type: none"> DPs procurement regulations Rwanda procurement law |
| Harmonisation & Alignment | <ul style="list-style-type: none"> DPs to have all support to the sector through the pooled fund (or phase out any other programmes that are not part of it) Pooled funding arrangements to follow aid-on-budget rules (Chiche, 2008) | <ul style="list-style-type: none"> Is there any programme from a DP participating in the pooled funds that still has 'separate' status? (why?) Is pooled funding arrangement on-budget (possibly more problematic for TA aid modality) | <ul style="list-style-type: none"> DPs procedures in other countries (esp. Silent partnership type of arrangements) |

Chapter 4: Technical Assistance²¹

4.1. Introduction

This chapter is – like chapter 2 dealing with project aid – built up around the aid management cycle. As a lot of the issues related to the management of externally financed TA are similar to the project aid modality, this chapter is much shorter. After this introduction, section 4.2 deals with identification and alignment, section 3 with negotiation, and section 4 with implementation and management of TA programmes. Section 5 concludes with evaluation and impact analysis of TA. The reader is referred to the relevant sections of chapter 2 for phases in the aid management cycle that are not discussed

The Aid Policy is quite clear on what the ultimate aim of Technical Assistance to Rwanda should be: *“All TA to be focussed on knowledge transfer through coordinated programmes consistent with Rwanda’s priorities”* (GoR, 2006, par 2.3d). And further: *“All such assistance should be aimed at the building of local capacity”* (GoR, 2006, par 3.15). As shown in Figure 2 of chapter 1, the main agency responsible for capacity building efforts in the Rwandan Public Sector is the Public Sector Capacity Building Secretariat (PSCBS): *“All TA in the public sector entities is overseen by PSCBS”* (GoR, 2006, par. 3.18).

It is useful to define clearly what we mean by the concepts of TA and capacity building, and what types the procedures outlined in this chapter will cover. The mapping exercise on capacity building activities in Rwanda defines capacity building as *“The ability of individuals, institutions and societies to perform functions, solve problems, set and achieve objectives in a sustainable manner”* (MIFOTRA/ UNDP, 2007, p4). However, it should be noted that externally financed TA is only one input into the capacity development process.

Based on the definition of capacity building in the previous paragraph, **three capacity dimensions** can be identified:

- Individual (human resource development);
- Organizational (development of systems, procedures and processes);
- Institutional (development of legal & regulatory frameworks, incentives, governance mechanisms);

The same mapping study also analyses different **types of recipients of capacity building efforts**:

- Public Sector;
- Local governments;
- Private Sector;
- NGO’s

Next, a distinction can be made regarding the **ultimate goal of the TA** (see e.g. OPM, 2006):

- Transactional: assisting organisations to perform their functions without necessarily strengthening their capacity to perform the functions without continued support;
- Transformational: relates to developing countries’ capacity in the longer-term, i.e. moving organisations towards being able to produce their own key products.

²¹ Throughout the chapter, the terms Technical Assistance and Technical Cooperation are used inter-changeably.

Finally, Development Partners (see e.g. DFID, 2006, p1) characterize Technical Cooperation as the provision of **different forms of know-how**:

- ❑ Personnel (long and short term specialists and consultants);
- ❑ Training & Scholarships;
- ❑ Knowledge & Research to benefit developing countries.

This division leads to the following principle on the use of Technical Assistance Personnel:

Principle related to the use of Technical Assistance Personnel

All personnel that is not 100% (full) staff member of the GoR institution, including autonomous and semi-autonomous institutions, should have capacity building linked tasks in their Terms of Reference and these should be explicitly shown in work plans.

The focus of the chapter is on the public sector (including local governments), as the manual mainly deals with aid to the Government sector. The GoR does prefer however for TA and skills-development initiatives to be organised through sector-wide approaches. As in most sectors, NGO's and the private sector play quite a big role, it will be imperative to address sector-wide skills-gaps when developing sector strategies. In a first instance, this would need to happen through the institutional framework set up for implementing and monitoring the EDPRS, i.e. the Sector Working Group on 'Capacity Building' (see MINECOFIN, 2007)

As for the 3 different 'capacity dimensions'; whilst these clearly should be taken into account at key stages of TA delivery, the chapter will not develop separate procedures for all three. Similarly, whether the TA aims to be transactional or transformational will need to be taken into account in the early stages of the TA cycle. There is a need in Rwanda to move TA from the transactional to the transformational, which leads to the following principle:

Principle related to the aims of Technical Assistance

Technical Assistance programmes in Rwanda should prioritise transformational over transactional activities. Even where it is acknowledged that certain TA plays a role in transactional activities, Terms of Reference should still specify how to make the needed skills available after the TA's departure²².

This principle is further enhanced by the increasing preference of the Government for a more practical form of TA since the 2009 National leadership retreat. This reflects the need for long-term embedded coaching and mentoring rather than "fly in – fly out" TA.

The chapter's discussions will be limited to the first two forms of know-how (i.e. Personnel and Training & Scholarships), as the 'Knowledge & Research' mode is mostly related to aid that actually does not enter the country, with links to the public sector not always entirely clear.

4.2. The TA cycle: Identification & Alignment

The identification process for externally financed Technical Assistance to support Public sector institutions needs to happen with the GoR in the driving seat. This implies that regardless whether it is the GoR or a DP initiating the TA, the proposed TA should be aligned to GoR capacity building strategies and sectoral/district strategic plans and linked to wider national planning instruments like the EDPRS or VISION 2020 (checklist 1 of chapter 2 on alignment is also valid for externally financed TA)²³.

22 This is echoed in the Aid Policy in the following way: "All TA provided to the Government of Rwanda must be concerned primarily with the transfer of capacity to the government by building the skills and capabilities of local staff and/or developing systems and procedures and codifying these in an accessible manner for use by local staff. All terms of reference for TA must recognise these as the ultimate objectives of such assistance." (GoR, 2006, par. 3.16).

23 The national skills audit, planned in the EDPRS should go a long way in addressing the need for the identification of nationwide skills gaps (GoR, 2007, p85).

Skills & technical gaps should ideally be identified through needs assessments. This has been done for example for capacity building at the district level in the 2008 'District Capacity Building Needs Assessment and Planning' (MINALOC/MIFOTRA, 2008). At the sectoral level, progress towards a single sectoral framework in which TA can be made available is limited, even in the education sector, which has arguably the most advanced SWAp in Rwanda (see e.g. Foster et al, 2006, p8)²⁴.

Procedures outlined below on identification and MINECOFIN/PSCBS assessment are very similar to procedures 3 and 4 in chapter 2. Where districts/sectors do not have detailed skills gap analysis and capacity building plans, central agencies like PSCBS & MIFOTRA will have to be more pro-active.

Procedure 38: Initiation and Identification of TA

Task: GoR agency that is the end-user of the TA is to make sure proposed TA is consistent with capacity needs in its sector/district.

Time-frame: Whenever new TA is being proposed / Capacity gap is being identified (e.g. in the wake of a capacity needs assessment within a sector/district)

Institution: Sectoral Ministry / District / Other Public Agency, with the help from PSCBS

Consult: Sectoral / district Capacity building plans & strategies

Procedure 39: Assessment by PSCBS/MIFOTRA of proposed TA activities

Task: PSCBS to assess TA proposals fit with national capacity/skills needs assessments.

Time-frame: Within 2 weeks of GoR agency making the request through formal letter.

Institution: PSCBS, supported by EFU as the overall guardian of external finance, and MIFOTRA where needed.

Consult: Provisional Terms of Reference (see next section), national capacity building plans, needs assessments, etc (EDPRS capacity building sectoral working group to discuss, see MINECOFIN, 2007)

Otherwise, the principles underpinning alignment discussed in chapter 2, section 2.3 remain valid. TA is often paid directly to suppliers, which implies extra attention is needed on making sure all TA is captured through the existing databases (more on that in section 4.4.), which is of course the first condition in making sure the TA is well aligned and focused on capacity building.

4.3. The TA cycle: Negotiation

During the negotiation phase, there is a need to make sure that TA proposals are well thought-through and the principles underlying this chapter are well adhered to. The checklist on the next page gives an overview of the different aspects of TA that should be considered when negotiating TA.

Four different stages are identified in the negotiation process. The first one is the negotiation between the DP and the GoR, which mainly revolves around the Terms of Reference for the TA personnel to be hired (or the company that is to perform training activities). This culminates in the signing of some kind of Financing Agreement between the DP and the GoR. Third, there is the procurement process for the actual hiring of the TA, and fourth, there is the negotiation over implementation between the retained service provider and the GoR agency that is the 'end-user' of the TA, culminating in formally contracting of the SP.

²⁴ A lot of TA related programmes are now being delivered through DPs pooling funds – for more on pooled funds, see section 5.1.

4.3.1. Negotiating Terms of Reference (ToR)

The main principle regarding the Terms of Reference is that they are to be developed by the GoR agency that wants the TA. In a way, ToR performs a similar function to Project Appraisal Documents for project aid. Crucially, the ToR should include clear benchmarks / progress indicators against which the TA can be held accountable. The ToRs should be well thought through following best practice and setting out clear assessment of value for money, demonstrating clear ownership by the relevant Ministries, clear rationale for why this type of TA was chosen and effective ways of measuring impact. These should be linked to the original needs assessment / gap analysis that identified the TA in the first place.

Procedure 40: Negotiating Terms of Reference for TA

Task: GoR agency drafting ToR and negotiating with funding DP over GoR preferences over how to identify and manage the Service Provider that will deliver the TA. There should be clear and separate agenda points when TA discussions are part of wider Framework Agreements or part of project/programme proposals involving other aid types.

Time-frame: whenever TA is proposed

Institution: Negotiation team should include – at a minimum – representation from:

- (i) GoR agency implementing the TA,
- (ii) PSCBS, and
- (iii) MINECOFIN (EFU)

Consult: Checklist 6.

4.3.2. Recording TA agreement

Exactly as for programme or project aid, once TA agreements are signed, they need to be recorded in Government systems. As a lot of TA involves direct payment to suppliers, monitoring will in general be more difficult. This leads to the following concern, with the Capacity building mapping exercise proposing the development of a database for all capacity building initiatives (see annex 4 of MIFOTRA/UNDP, 2007) and section 4.4 of this chapter.

Concern 7: Co-ordination of information on capacity building activities



There is currently no unique place where information on capacity building activities is gathered. Currently the scope of DAD is being expanded to capture information on TA.

| Checklist 6: Technical Assistance | | | |
|--|--|--|---|
| Issue | GoR preference | Questions/Tasks | Institution |
| Concept Note | To be developed by the GoR Agency that will be the end-user of the TA | <ul style="list-style-type: none"> Does the need for the work clearly demonstrated, aligning to the capacity needs assessed using standardised tools and template (to be provided by PSCBS). | <ul style="list-style-type: none"> GoR agency that is end-user to develop concept note, supported by PSCBS |
| Terms of Reference (ToR) | To be developed by the GoR Agency that will be the end-user of the TA | <ul style="list-style-type: none"> Who writes the ToR (first draft very important as it becomes the reference for future discussions)? Do ToR include clear benchmarks/progress indicators to evaluate TA? | <ul style="list-style-type: none"> GoR agency that is end-user to develop ToR, supported by PSCBS |
| Transformational v.s. Transactional TA | All TA should be first and foremost transformational, with at least 75% of all TA's time to be devoted to capacity building activities | <ul style="list-style-type: none"> If transactional TA is proposed, does it clearly link to a Short-Term crisis situation? Will there be GoR staff ready to fill in the gap once the TA leaves? Possible for the TA to train a GoR staff successor? How much time does the TA's workplan envisage to be involved in capacity building related activities? (rule of thumb: 75%) | <ul style="list-style-type: none"> Day – to – day management of the TA (will normally fall to the implementing GoR agency) Terms of Reference Detailed work-plan of the TA |
| Skills mix needed of the TA | TA should not only be technically proficient but also have clear capacity building skills | <ul style="list-style-type: none"> What are exact skills and quantities required beyond the technical? (e.g. interpersonal, networking skills, ability to manage changing difficult contexts) How will skills transfers and 'soft' aspects of promoting change be factored in (e.g. networking, relationship building, mentoring of colleagues, flexible facilitation, feedback) (1) | <ul style="list-style-type: none"> PSCBS/ MINECOFIN Laws governing Public Sector institutions (including pay, retention, etc.) |
| Nationality of TA | GoR seeks the best candidate for the job, and gives weight to local institutional memory and competitive cost. | <ul style="list-style-type: none"> What are minimum requirements as to country/language? Is proposed TA value for money? | <ul style="list-style-type: none"> PSCBS/ MINECOFIN Laws governing Public Sector institutions (including pay, retention, etc.) |

Taken from DFID (2006)
See section 3.4- on pooled funding arrangements.

| Checklist 6: Technical Assistance | | | | |
|--|--|--|--|---|
| Issue | GoR preference | Questions/Tasks | Institution | Consult |
| Wider implications of the proposed TA | Awareness of impact on other sectors constraints to TA effectiveness (at organisational / institutional levels) needs to go into TA design | <ul style="list-style-type: none"> What are the anticipated consequences of the TA / training on capacity development in other sectors / NGOs / private sector (e.g. is it to be expected trained people will leave quickly for the private sector)? What are the anticipated effects of factors such as brain drain / incentives / low pay? | <ul style="list-style-type: none"> PSCBS/ MINECOFIN | <ul style="list-style-type: none"> Capacity/skills needs assessments Capacity Building sectoral group |
| Financing Arrangements | GoR prefers 'full pooling' (2), ideally as part of General or Sector Budget Support arrangements | <ul style="list-style-type: none"> Can DPs support pooled funding arrangements? Can resources available from the Capacity Building Fund? If yes, can they support 'full pooling' (2)? Why not? If no, make sure TA addresses identified skill gaps | <ul style="list-style-type: none"> PSCBS/ MINECOFIN | <ul style="list-style-type: none"> Capacity Building sectoral group SWAp JFA (if there is one) |
| Procurement | Hiring of TA personnel to be fully untied and done through GoR systems | <ul style="list-style-type: none"> Can DPs use the GoR process to procure TA? If no, why not? What are the specific conditions? How are the TA positions advertised? What are the non-objection needs for the DP? | <ul style="list-style-type: none"> GoR agency implementing the TA with RPPA | <ul style="list-style-type: none"> DPs procurement regulation Rwanda procurement law |
| Allocation and spending of TA category | Allocation of TA category aligned to national capacity development priorities | <ul style="list-style-type: none"> Is proposed TA category appropriate to priority needs of national capacity development? How is TA disbursement/spending proposed to be monitored? Will they be providing the data to DAD or SmartFMS? | <ul style="list-style-type: none"> PSCBS, SPIUs, PMMU and NBD | <ul style="list-style-type: none"> Capacity development plans, priority capacity development sectors |

Taken from DFID (2006)
See section 3.4- on pooled funding arrangements.

4.3.3. Procuring TA

Unlike for the project aid modality, procurement of TA comes in the beginning of the cycle, the identification of the 'right' service provider being probably the single most important decision related to the aid management cycle as it relates to TA. The institutions responsible for external finance (mainly EFU) and for capacity building (PSCBS and MIFOTRA), through the database (i.e. DAD) on all capacity building activities, should record the tying status of TA for different donors. A start on this would be table 4 of Annex 2, which records the main issues related to DPs procurement policies.

Procedure 41: Procuring TA

Task: GoR agency to make sure procurement process runs smoothly (whether it is done by the DP or by the GoR).

Time-frame: whenever TA agreement is signed.

Institution: GoR Agency as the end-user of TA, with the help of PSCBS and the Rwanda Public Procurement Agency where necessary.

Consult: Checklist 6.

4.3.4. Implementation negotiations between SP and GoR / DP

Negotiations between the retained Service Provider (SP) and the GoR / DP are mostly about how the SP plans to implement the ToR. A work-plan should be agreed on, with clear indicators and benchmarks as to how the work will develop. As a rule of thumb, 75% of the TA activities should have direct links to capacity building.

4.4. The TA cycle: Implementation & Management

TA Implementation and Management issues should be detailed in ToR. For all Implementation & Management issues outside recording, the reader is referred to the relevant sections of chapter 2 (sections 2.5 to 2.7).

As for the recording of externally financed TA; all development assistance that has a TA component should be recorded at the time of the signing of the agreement between GoR (i.e. MINECOFIN as per procedure 11) and the respective Development Partner. As is the case for all external assistance, EFU is to record the TA details in a short summary, as detailed in procedure 12. Even if the TA is part of another aid modality, the EFU should make a separate summary for the TA component. Also, table A2.4 (part of Annex 2) on the DP's procurement methods is to be updated for all newly agreed TA.

Further, and as mentioned in concern 7, there is a need for a comprehensive TA database. The mapping exercise is a good starting point, but the information gathered in that exercise would need to be updated regularly. Currently, the scope of DAD is being expanded to capture information on TA.

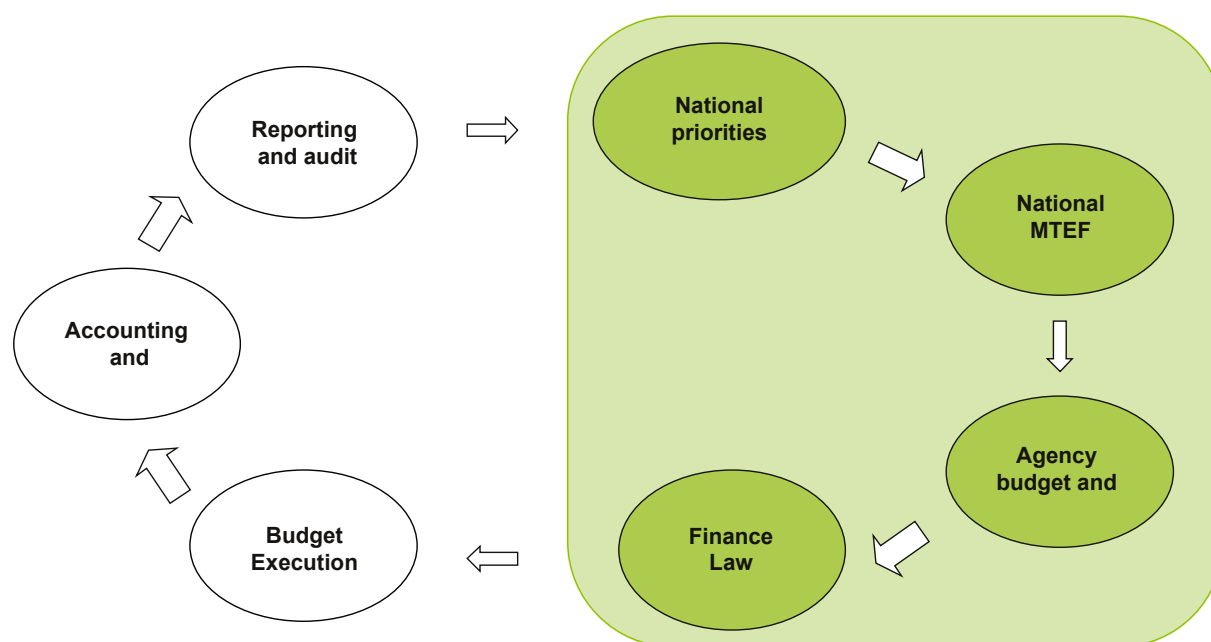
4.5. The TA cycle: Evaluation & Impact Analysis

This section mainly talks about Long-Term TA. Basically, once the TA has fulfilled the ToR, (s)he will write a completion report. It is imperative that this has some clear benchmarks / progress indicators against which the TA can be held accountable. These should include whether more TA is needed after the completion of the ToR and in which form. The PSCBS provides no objections to criteria to improve the quality of TA. More thorough evaluations / impact analyses should make the link back to labour market circumstances and public sector reforms. Otherwise, the procedures outlined in section 2.8 are still valid.

Chapter 5: Integration of Aid to the National Planning, Budgeting and MTEF Cycles

This chapter describes procedures in which aid is integrated into the national planning, budgeting and MTEF cycles with the view to further enhance alignment of aid to the national priorities and procedures. It aims to link the standard aid management cycle with the national core processes, with particular focus on aid information flow and GoR-DP coordination and consultation dialogue. This chapter is informed from the aid-on-budget work (Chiche, 2008) as well as the manuals on the Rwandan budgetary process (NBU, 2008a, 2008b and 2008c).

Figure 6: National Planning, Budgeting and MTEF Cycles

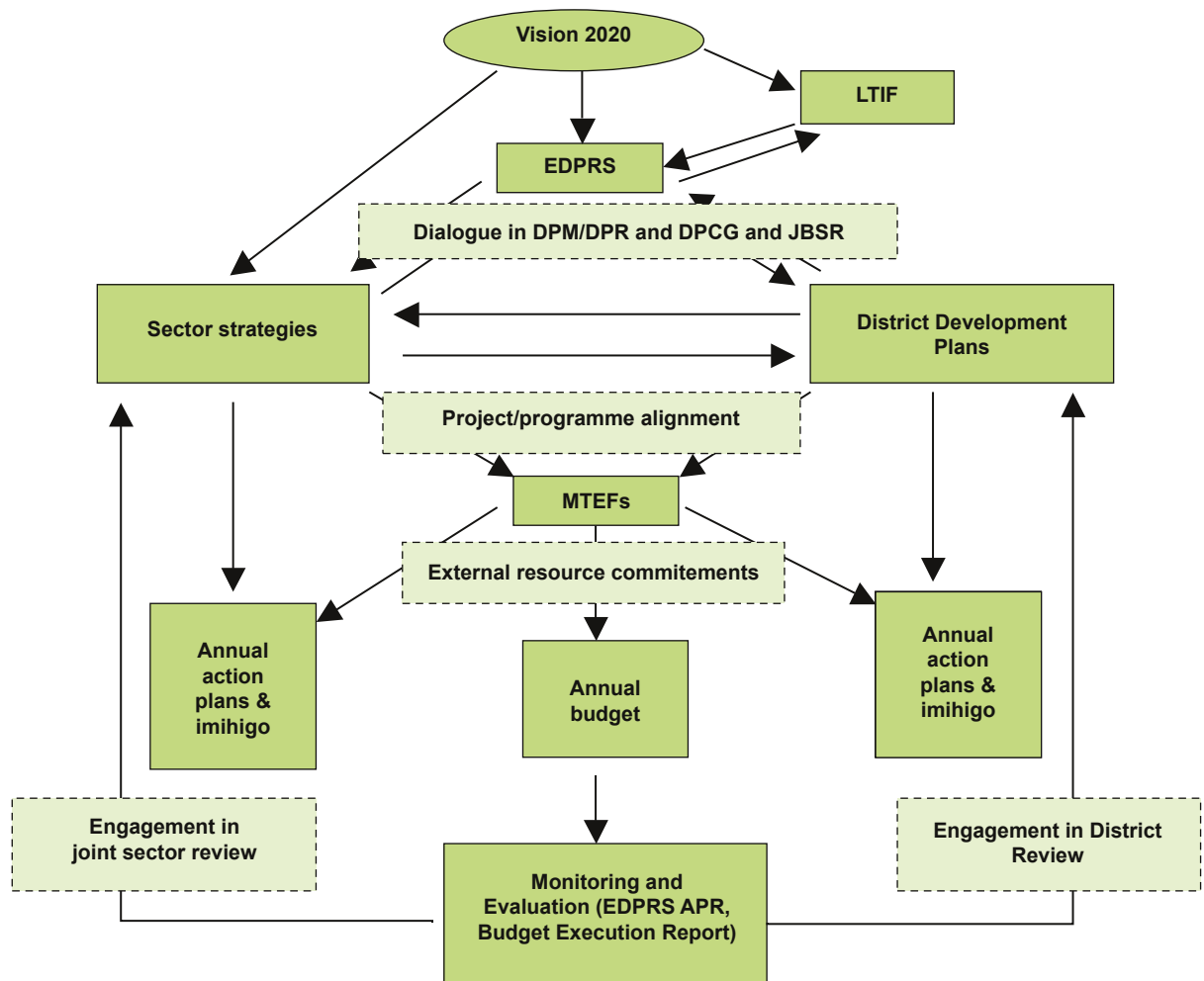


Source: National Planning, budgeting and MTEF Guidelines, MINECOFIN 2008

5.1. National and Sector Planning

A number of important planning instruments have been elaborated in Rwanda in the recent past, such as the Vision 2020; the Long Term Investment Framework; the Economic Development and poverty Reduction Strategy (EDPRS); sector strategic plans, District development plans; the Medium-Term Expenditure Framework; and the Annual Actions Plans and District performance Contracts. These instruments, particularly the EDPRS, sector strategic plans, District development plans inform overall and sector level development cooperation framework as well as the current and future project/programme support, including the General Budget support and Sector Budget Support. Figure 7 outlines the linkages between these different instruments as well as interfaces with development partnership and cooperation process.

Figure 7: Linkages between the different planning instruments and interfaces with development cooperation processes



Source: National Planning, budgeting and MTEF Guidelines, MINECOFIN 2008

Vision 2020 sets out the long-term vision for the country in terms of goals and objectives by the year 2020, serving as the basis for the elaboration of national and sector plans for the medium term. The **Long-term investment Framework (LTIF)** projects GDP and government resources and expenditures over the longer-term to provide a context in which to embed the medium term plans, while the **Economic Development and poverty Reduction Strategy (EDPRS)** provides the national priorities for a 5-year period (2008-2012) within which the sector strategic plans should be developed. The EDPRS covers aspects related to the actual management of public expenditures as well as sectoral development objectives.

Sector strategic Plans, in turn, focus on a single sector, which may involve a number of different ministries, and these plans determine sector objectives, outputs and outcomes expected from sector expenditures, and the activities which the expenditures will fund in order to achieve the desired outputs and outcomes. The EDPRS and the Sector Strategic Plans set the framework for the **District Development Plans**, which look at problems and constraints experienced in the district and their causes as well as available opportunities. These problems are then prioritised at the district level and strategies are elaborated to solve the problems.

The relationship between both the EDPRS and Sector Strategic Plans and between sector and local government plans is an interactive process. Similarly the relation between the annual budget and MTEF, and the Sector Strategic Plans and annual action plans is an interactive one, where the policy

framework that guides other plans is also a product of those other plans. A number of initiatives are in place to ensure the alignment of sector strategic plans, MTEF and EDPRS, including standardised **Annual District Review**, the results of which will be incorporated into the **EDPRS Annual Progress Report**, feed into the **Joint Sector Reviews**, and inform intergovernmental consultations as part of the national budget cycle, and an annual network of Planners meeting. In addition, **Public Expenditure Reviews (PERs)** are used to analyze the effectiveness of allocation and management of public spending for the whole government budget or a single sector. The goods and services are delivered to the general public through budget execution. The execution of the budget is monitored (a) financially, (b) physically, and (c) through participatory dialogue. Two notably monitoring instruments are the **annual budget execution report** and the **EDPRS Annual and Biannual Progress Report (APR)**; the results of which guide the revision of plans and budgets at all levels of the planning process.

5.1.1. Interface with Development Cooperation/Partnership Process

Development Partners interface with the national and sector planning process at two levels: overall EDPRS level and sector/district level. At overall EDPRS level, Development partners engage in policy dialogue through the Development Partners Meeting (DPM), Development Partners Retreat (DPR), the Development Partners Coordination Group (DPCG) meetings as well as the Joint Budget Support Review (JBSR), centring on the EDPRS review and Common Performance Assessment Framework (CPAF). Such dialogue contributes to informing the review of national priorities at EDPRS level, which not only informs the revision of Sector Strategic Plans as well as District Development Plans, but also informs overall alignment of development cooperation with the national priorities.

At the sector/district level, DPs interface mainly through their engagement at Sector Working Groups (SWGs) with some of their functions guided mainly through the implementation of a Sector-Wide Approach (SWAp). Through the SWGs and SWAp, DPs align their project/programme support with the sector strategies/sector strategic plans and district development plans, which will further inform the MTEF. Through the MTEF process at sector level, DPs also inform external finance commitments, which inform further the annual budget. DPs also engage in sector policy dialogue through Joint Sector Reviews and Joint District Reviews, which would inform not only the revision of sector and district plans and EDPRS and CPAF review, but also the necessarily revisions of projects/programme support. The section 6.3 further elaborates the function and timing of coordination and dialogue forums.

5.2. Annual Planning and Budget Preparation, and Policy Review

The Paris Declaration on Aid Effectiveness and Accra Agenda for Action agreed to accelerate efforts to enhance alignment through increased aid on budget, the use of country systems, and increased programme-based approach. In this context, Table 4 outlines the annual calendar for planning, budget preparation and policy review and defines the interface between the aid management and the national planning and budgeting cycle so as to improve integration of aid process with the national core processes. Annex 8 outlines comprehensive budget calendar, while Table 4 attempts to focus on key process that interfaces with the aid management process.

Key interfaces between the aid management and annual planning and budgeting process take place in the form of provision of aid information through both the Development Assistance Database as well as on-going sector and cooperation dialogue, such as Sector WGs, Development Partners Coordination Group (DPCG), and bilateral aid dialogue related to project execution and management. Table 4 also indicates the timing in which provision of aid information should take place in support of the Government's annual planning and budget process.

5.2.1. Key Products of Annual Budget Preparation Process

| Month | Products | Responsible |
|-------------|--|---|
| July | Macroeconomic Framework , summarising the country's economic performance including the projected revenues and expenditures of government. The revenues include both estimates of contributions from external financing partners and internally collected revenues and the expenditures include both domestically and externally financed spending interventions. | MINECOFIN (Macro) |
| Dec-January | National Medium Term Expenditure Framework (MTEF) is constituted by the proposed and projected annual expenditures by sector for the three year period starting with the budget year under preparation. The national MTEF translates the government spending side of the macroeconomic framework into a national budget proposal and multi-year forecast. As such, the preparation of the MTEF relies on the quality of the 3 year economic forecasts, leading to a prevision of the resources available for government spending over the next three years, both from domestic resources and from external financing partners. The national MTEF imposes on government a first aggregate level of overall budget discipline. The allocation of overall expenditures to each sector is then determined by the national priorities and the results of the budget support and sector reviews, consistent with the EDPRS. MINECOFIN then translates the proposed and projected sector allocations into budget agency allocation that constitute each agency's initial budget envelopes for budget proposal and projections. | MINECOFIN (NDPRD and NBD) |
| Dec | Budget Call Circular (BCC): MINECOFIN provides all budget agencies with the Budget Call Circular (BCC) in which, among others, are indicated for each agency the initial budget envelopes for the budget year as well as projections. The BCC provides explicit information and guidance for the preparation of the budget proposal and the agency MTEF, the national MTEF, the development of the Strategic Issues Paper, the list of national and EDPRS priorities, the budget preparation calendar, budget preparation formats as well as other relevant information. Budget agencies have the responsibility to prepare their proposed budget for the year N+1 within the budget envelope signified in the BCC. This budget discipline applies to annual expenditure projections for years N+2 and N+3, the agency MTEF. | NBD |
| Feb-March | Agency Budget and MTEF: Budget agencies are required to prepare and present their budget proposal (for the MTEF period) on a programme and sub-programme basis, and according to the GoR's economic classification, provided in the Budget Call Circular. Budget agencies, as part of their ongoing strategic planning and management process, determines and adjust their strategic priorities for the budget year and the medium term. As such, the strategic priorities expressed in the budget proposal and MTEF should be consistent with national priorities and be supported by a strategic issues paper, that serves as a basis for budget discussions with MINECOFIN. | Sector Ministries, Agencies and Departments |
| March-May | Budget Framework Paper is produced annually in month 8-9, before the budget is discussed by Cabinet and Parliament, in order to provide the background and justification for the budget, by setting out the affordable resource envelope over the medium-term (3 years) and clarifying the costs of strategic policy options. | |
| June | Cabinet budget deliberations and decisions: the budget proposal, the Budget Framework Paper, MTEF and related budget information are submitted to the Cabinet for discussion and approval. After Cabinet decisions on the BFP and final budget ceilings, Ministries' detailed budget for year N+1 are finalised and verified in Smartgov. | Cabinet |
| June | The Finance Law: MINECOFIN integrates Cabinet decisions into the Finance Law project. This will be forwarded to the Prime Minister for transmission to the Chamber of Deputies along with supporting budget documentation that includes the MTEF at national and agency levels. | NBD |
| June | Annual Budget and Action Plan , is finalised in month 10, through further changes may be made depending on discussions by Cabinet or Parliament. The Annual Action Plan should be presented in the MTEF format, detailing Programmes, Sub-programmes, outputs, and activities to be undertaken, and their associated costs by the different types of economic expenditure categories. | |

5.2.2. Key aid management procedures in planning and budget process

Procedure 42: Provision of MTEF aid/external finance projections

This takes place as indicated in the Procedure 20. More specifically, particularly in light of the planning and budgeting process:

Tasks: Development Partners provide in the DAD on their rolling three year forward expenditure and/or implementation plans (projections) as agreed in the Accra Agenda for Actions. EFU communicate this information to relevant Ministries to inform their preparation of sector BFPs and district BFPs.

Time-frame: Nov-Dec

Institution: MINECOFIN

Consult: any relevant sector Ministries and sector dialogue (i.e. Joint Sector Review and Review of Ministerial expenditures).

Procedure 43: Provision of annual firm commitments

This takes place as indicated in the Procedure 20. More specifically, particularly in light of the planning and budgeting process:

Tasks: Development Partners provide in the DAD firm commitments on a next FY both budget support and project support. EFU, Budget Unit and relevant Ministries cross check the commitment figures to inform consultative meeting on resource allocation and Ministry draft budgets.

Time-frame: January

Institution: MINECOFIN

Consult: any relevant sector Ministries and sector dialogue (Sector WGs).

Procedure 44: Provision of quarterly and annual disbursements

This takes place as indicated in the Procedure 21.

Tasks: Development Partners provide in the DAD actual disbursements on the quarterly basis. EFU cross check with PMMU, NBR, and Treasury Unit to verify the information. The annual disbursement information will feed into the preparation of budget execution report.

Time-frame: July, October, January, April.

Institution: MINECOFIN

Table 4: Annual Planning, budget Preparation and Aid Management

| ANNUAL PLANNING, BUDGET PREPARATION AND AID MANAGEMENT | | | | | | |
|--|--|-------------------------------------|--|---|---------------------------------------|--|
| | District | Line Ministries | MINECOFIN | Development Partners | Cabinet/Parliament | |
| JUL | Preparation of Financial Statements | Preparation of Financial Statements | Macroframework review and update | Provision of Disbursement figures in the DAD | | |
| | Preparation of Annual Reports | Preparation of Annual Reports | Preparation of Budget Execution Report | Participation in District Expenditure Reviews | | |
| AUG | Joint Sector Reviews | | Budget Outlook Paper | | | Akagera Retreat and approved of BOP |
| | | | First budget call Circulate | | | |
| SEP | | Joint Sector Reviews | | Provision of MTEF projection in the | Participation in Joint Sector Reviews | |
| | | | National budget Consultative Workshop to launch the budget process | Quarterly Disbursement in the DAD | National budget Consultative Workshop | |
| OCT | Preparation of District BFPs | Preparation of Sector BFPs | | | | |
| | | | | | | |
| NOV | | Participation in the JBF | Joint Budget Support Review (JBSR) and update of Macro- | Participate in the JBSR Review | | |
| | | | Second budget Call Circular with Revised MTEF and Agency Ceilings | | | |
| DEC | Consultations with Ministries on District BHPs | SWG Retreat to consolidate Sector | Preparation and Submission of the Revised Budget to Cabinet | | | Approved of Revised budgetary by Cabinet |
| | | | | Participation to the SWG Retreat | | |

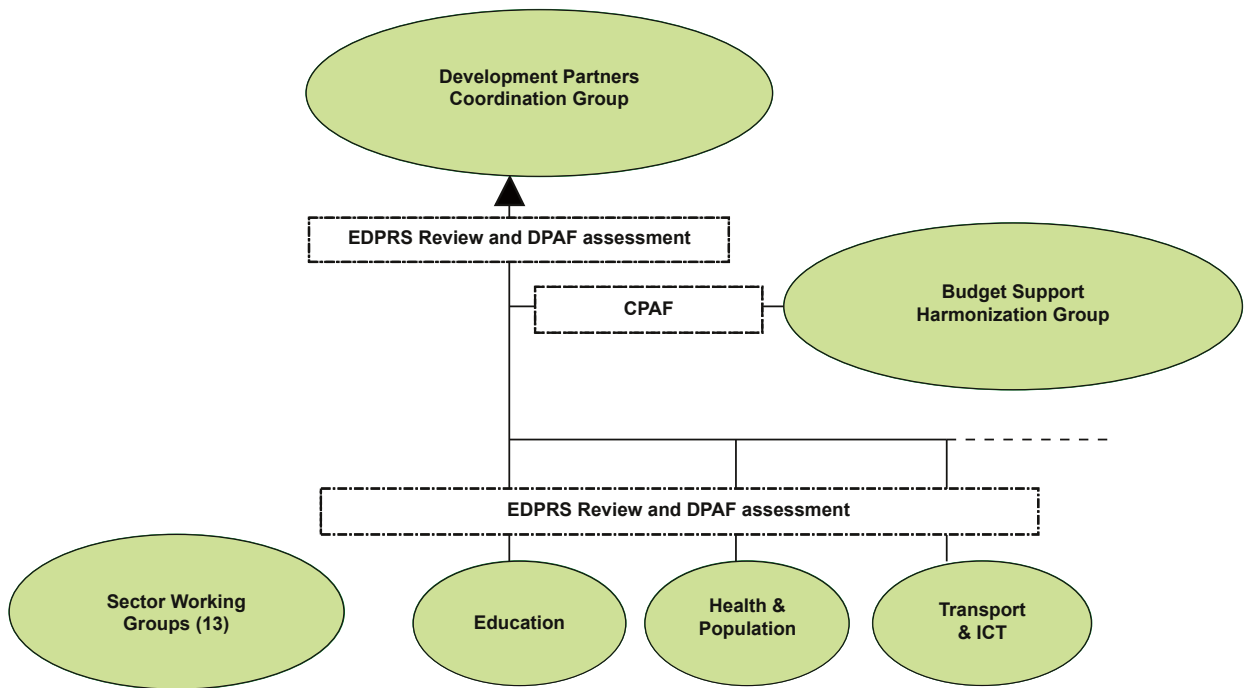
Table 4: Annual Planning, budget Preparation and Aid Management

| ANNUAL PLANNING, BUDGET PREPARATION AND AID MANAGEMENT | | | | | | |
|--|--|--------------------------------------|--|--|---|--|
| | District | Line Ministries | MINECOFIN | Development Partners | Cabinet/Parliament | |
| JAN | Estimation of District Resources and Preparation of District Budgets | Submission of Ministry draft budgets | Submission of the Revised Budget to Parliament | Provision of Quarterly Disbursement in | Communication of Firm Commitments (at relevant dialogue and | Approval of the Revised Budget by the Parliament |
| FEB | | | | | | |
| MAR | | | Preparation and Submission of the National BFP and draft Budget to Cabinet | | | Cabinet Approval of the BFP and Draft Budget |
| APR | | | BFP presented to Parliament (no later than April 5) | Provision of Quarterly Disbursement in the DAD | | Discussion of the BFP and the draft Budget by the Parliament |
| | | | Draft Budget Submitted to Parliament | | | |
| | | | 3rd Budget call Circular on the final ceilings | | | |
| MAY | | Participation in the JBP | Joint Budget Review | Participation in the JBR | | |
| | District Council Scrutiny and Approval of Annual budget | | Presentation of the draft budget to Parliament | | | |
| JUN | | | | | | Approval of the Budget |

5.3. National and Sector Coordination and Dialogue Forum

In support of effective implementation of the EDPRS and Vision 2020 and strengthening effectiveness of development cooperation, figure 8 outlines the national and sector coordination framework for development cooperation and EDPRS implementation and how each of the forum relates to each other.

Figure 8: Aid Coordination Architecture in Rwanda



The **Development Partners Coordination Group (DPCG)** is the highest-level coordination body in-country, responsible for overseeing the entire aid coordination system. As such, it provides a forum for policy dialogue on effectiveness of development cooperation in light of its overall support to the EDPRS implementation. In this context, heads of bilateral and multilateral agencies, as well as representatives of civil society and the private sector, meet with the Government of Rwanda to monitor and assist Rwanda in implementing its Aid Policy and meeting its targets as set out in the

Figure 9: GoR-DP Coordination Calendar

| GoR-DP Coordination Calendar | | | | | | | | | | |
|------------------------------|-------------------------------------|--------|----------------|----------------------|------------------------|--------------|---------|-----|-----------------|--|
| | July | August | September | October | November | December | January | | | |
| | National Priority Setting | | | | Strategic Planning | | | | | |
| EDPRS | | | | | Annual Progress Report | | | | | |
| MINECOFIN | PEFA(R) - biennial or every 3 years | | | | BSHG JBSR | | | | BSHG Q3 meeting | |
| DPs | | | Quarterly DPCG | | IMF PSI Mission | Biennial DPM | | DPR | | |
| SWGs | | | CPAF reviews | Joint Sector Reviews | | | | | | |
| | Quarterly SWGs meetings | | | | | | | | | |

EDPRS and the Paris Declaration on Aid Effectiveness and the Accra Agenda for Actions. Therefore, the EDPRS review and the Donor Performance Assessment Framework (DPAF) inform the coordination and policy dialogue at the DPCG level.

The **Budget Support Harmonization Group (BSHG)** meets at minimum twice a year at the occasion of a Joint Budget Support Review (JBSR) meeting to discuss broad issues relevant to the efficient and effective functioning of budget support programmes. Development Partners and the GoR discussed budget allocations and execution, sector performance and public financial management issues in more depth. The Country Performance Assessment Framework (CPAF) informs the JBSR in terms of effectiveness of budget support in support of the EDPRS implementation.

There are a number of **Sector coordination Working Groups** comprised of GoR and Development Partner representatives, co-chaired by the lead Ministry of the sector and a lead DP. These groups are technical working forums through which the GoR and stakeholders meet to discuss sector and cross-sector planning and prioritisation in the context of strategic plans and development programmes. SWGs are responsible for supporting the development and implementation of sector strategic plans, and many of them are implementing Sector Wide Approaches (SWAPs) or actively working towards the development of SWAPs. Given the critical roles of SWGs, certain core deliverables will be required of all SWGs, including:

- ❑ Undertaking of a bi-annual Joint Sector Review, which feeds into both the CPAF review and EDPRS review. This will include completion of the sectoral DPAF (i.e. DoL / Quality of Aid rating). On the basis of these, SWGs will make and implement recommendations for improvements in aid quality. NDPRD plays a key coordinating role of bi-annual joint sector reviews, while EFU provides specific support to the assessment of quality of aid.
- ❑ Discussion and approval of any new donor project or programme planned for the sector.
- ❑ Ensuring integration of capacity building component in their sector plans. Cluster specialists from PSCBS will assist the SWGs in this aspect.
- ❑ Coordination of analysis for the sector. A Government-led process will annually agree a list of studies that need to be carried out. This should be published on the group’s website. Donors will then be invited to select which they wish to finance, with joint funding preferred. Proposals for any additional studies will be subject to the approval of the SWG. All studies must also be presented to the SWG on completion and added to the Group’s website once completed.

| GoR-DP Coordination Calendar | | | | | |
|------------------------------|---------------------------------------|------------------------|-----|-----------------------|------------------|
| February | March | April | May | June | |
| National Finance Law | | | | | |
| | EDPRS Biannual Progress Report | | | | EDPRS |
| | | BSHG JBSRs | | | MINECOFIN |
| | Quarterly DPCG | IMF PSI Mission | | Quarterly DPCG | DPs |
| | | | | | SWGs |
| | | | | | |

- ❑ Production and annual update of an overall sector analysis. Donors working in the sector are invited to use this analysis as opposed to carrying out bilateral diagnostics. The sector analysis of all sectors will ultimately be included in a joint country diagnostic to serve as a basis for joint programming.
- ❑ Maintenance of a dedicated website for the Group on the DPCG website.
 - The agreed indicators for the sector.
 - The results of Joint sector Reviews and Sector DPAFs
 - Studies carried out for the sector along with short summaries of each available on the page itself;
 - A list of future planned studies.

5.3.1. Harmonisation and Coordination Practices

Mission Policy

- ❑ Donors' missions should be planned to coincide with the meeting of the respective Sector Working Group wherever possible. This will allow the mission to report on its work and to interact with Government and donors without imposing undue transaction costs upon them.
- ❑ Donors will be required to request missions from a single centralised point in Government. Requests will be made using an online calendar which will only allow proposed dates that are at least 2 weeks in advance.
- ❑ Government will assess the suitability of the proposed timing in light of planned SWGs meetings and other relevant planned missions and may suggest alternative dates accordingly.
- ❑ While donors will be free to propose the Government officials with whom their missions would like to meet, it will be at the Government's discretion to approve this, to substitute higher or lower level officials as appropriate to the nature of the mission, or to advise that the proposed officials can only be met if the mission is re-scheduled to a certain date (e.g. to coincide with another donor mission).
- ❑ The mission calendar will be used to provide a historical record of missions in order to provide data for the DPAF.

Silent Period: The period of April and May is a silent period. During this period, the Government requests donors not to schedule any donor missions. This aims to reduce transaction costs for the Government, thus providing ample time for budget preparation and consultation.

DPCG Website: Development Partners' website (www.devpartners.gov.rw) provides a communication tool for enhancing coordination, harmonisation and alignment of donor support in Rwanda. It will therefore aim to include the following updated and additional information:

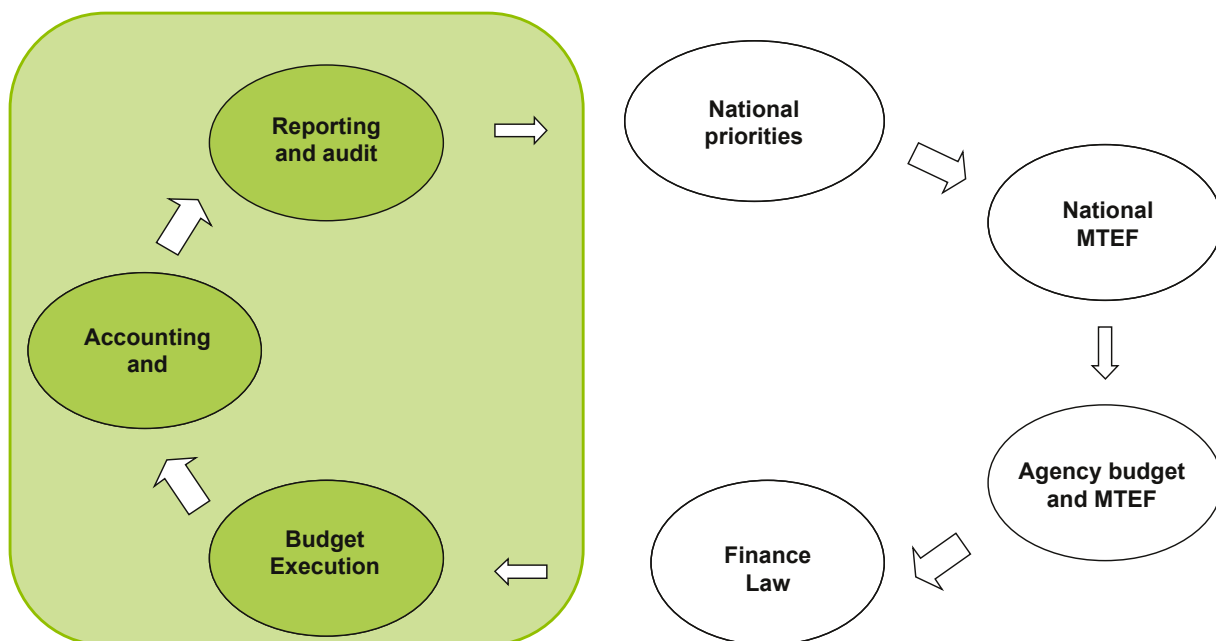
- ❑ A summary box for each donor detailing their total funding, programming cycle, focal sectors, DPAF and DoL score overviews, and a link to download their current strategy paper.
- ❑ A page provided for each SWG, with the latter mandated to populate it with the minimum standard information as detailed in the Section above.
- ❑ The mission calendar (showing approved mission).
- ❑ Studies that are not sector-specific, with short summaries of each available on the page itself.

Chapter 6: Public Financial Management and IFMS

The Government's public financial management is strengthened through the Public Financial Management Reform Strategy, with the view to *ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery*. In this context, *the budget execution systems and procedures as well as external audit are strengthened through the PFMRP*.

This chapter describes the ongoing efforts made in strengthening the Public Financial Management system, and outlines Government's public financial management process, particularly focusing on the budget execution, accounting, reporting and auditing with the view to define how project/programme execution process can use the Government's PFM system and process (budget execution procedures, accounting and reporting, and auditing). In this context, the chapter also describes the procedure to channel aid through the Treasury Single Accounts (TSAs).

Figure 10: National Planning, Budgeting and MTEF Cycles

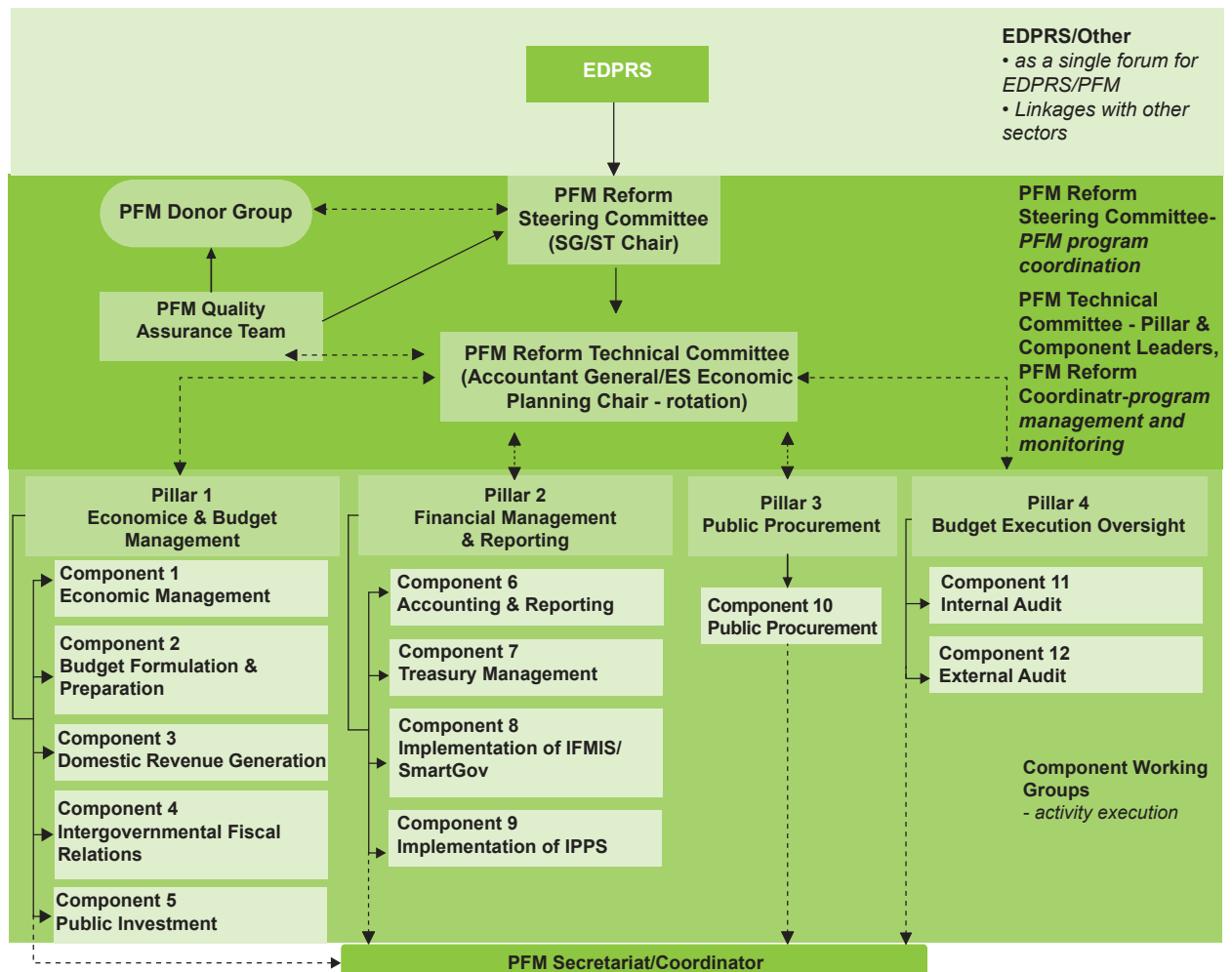


Source: National Planning, budgeting and MTEF Guidelines, MINECOFIN 2008

6.1 Government of Rwanda's PFM Reform Strategy

The ultimate goal of the Government of Rwanda PFM Reform Strategy [2008-2012] is to ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery. The strategy focuses on building human resource capacity, putting in place modern and effective systems and procedures for effective financial management and reporting and strengthening the institutional framework in accordance with international best practices for a more efficient and transparent PFM system. It also aims at increasing effective coordination of various reforms, sequencing the reforms to the priorities of the country consistent with both the Economic Development and Poverty Reduction Strategy (EDPRS) and the Vision 2020, and to ensure effective implementation.

The PFM Reform Strategy is to be implemented under four pillars and twelve distinct complementary components. A Steering Committee, Technical Committee and PFM Reform Secretariat oversee the implementation of the PFM Reform Strategy.



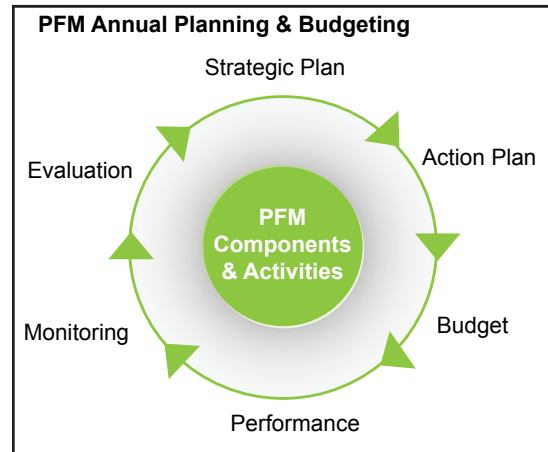
6.1.1. Basket Funding Arrangements for the PFM Reform Strategy

On 8th February 2010, the Government of Rwanda (GoR) through the Ministry of Finance and Economic Planning (MINECOFIN) signed a Memorandum of Understanding (MoU) with four Development Partners (DPs) namely the World Bank, the UK Department for International Development (DfID), the Swedish International Development Agency (SIDA) and Germany who undertook to support the GoR Public Financial Management (PFM) Reform Strategy through the PFM Reform Basket Fund. The PFM Basket Fund arrangements are currently fully operational and disbursements have been effected by the signatories to the MOU to support the 2010/2011 fiscal year. GOR encourages other donors to join and support the basket fund arrangements that will ensure that the implementation of the PFM Reforms remain on track.

6.1.2. Planning and Budgeting under the PFM Reform Basket Fund

An Annual Work Plan with a Budget for the PFM Reform Strategy, to be funded by the PFM Basket Fund is produced by GoR and approved by the PFM Reform Steering Committee no later than three months prior the start of each fiscal year.

MINECOFIN is the custodian of budget and is responsible for agreeing resource allocation with the Steering Committee and for providing all Development Partners with guidance from the planning stages, right through implementation.



The PFM Secretariat uses the Action Plan and the Budget to guide their day-to-day activities and as a basis for gauging and reporting on the implementation process at Steering and Technical Committee Meetings. The Secretariat is responsible for updating and revising plans and budgets to reflect changed circumstances or issues arising during implementation

6.2. Increased use of Government Systems

Multiple disbursement channels of external finance and associated administrative, reporting and financial management requirements place significant burden on the Government, both at central, sector and district levels. The Paris Declarations on Aid Effectiveness and the Accra Agenda for Action emphasises the critical importance of increased use of the Government systems not only to reduce transaction costs but also to strengthen the existing Government systems by using them.

- ❑ Using Government systems has the following advantages:
- ❑ Facilitating budget preparation through the inclusion of all resources available to the Government;
- ❑ The budget is the main tool for EDPRS implementation, and we must include all resources allocated to EDPRS activities if we are to gauge the consistency of the planning process and the effectiveness of the national development programme;
- ❑ Macroeconomic management is facilitated by ensuring that total projected expenditure is included in the macroeconomic framework and the MTEF. Predictability of development finance can only be assessed if funds are included, ex ante, in the budget and, ex post in the public accounts;
- ❑ By ensuring that the TSA records all funds included in the budget and that all funds are utilised using the Government's financial system, monitoring the performance of external assistance is more easily done, ensuring maximum impact and accountability. This is particularly the case as the Government's financial system can prepare cash flow forecasts and provide project level accounting.
- ❑ Government counterpart funding can only be guaranteed if external funding is included in the budget and disbursements are recorded in the Treasury Single Account;
- ❑ Using national budget execution procedures, financial accounting and reporting systems, audit procedures and procurement procedures and avoiding parallel mechanisms such as parallel project management unit and procedures, consolidates and strengthens national capacity, rather than fragmenting it;
- ❑ Transparency and accountability is promoted as all funds recorded in the Government Exchequer system are subject to oversight by the Auditor General; and

6.3. Budget Execution via the Integrated Financial Management Information System

The main objective of the SmartFMS is to help the GoR improve its financial data recording, tracking and information management, in response to the increasing demands for greater transparency and accountability in the management of public finances. SmartFMS is designed to facilitate GoR's budget preparation, budget execution, and revenue management, commitment control and payment. With effect from 1st July 2010, Government of Rwanda rolled out core modules of a modern Integrated Financial Management Information System (IFMIS) including Budgeting, Accounts Payable, Accounts Receivable, Cash and Revenue Management and General Ledger functionalities. The new system has the following features:

- ❑ Enables automated commitment and payment by budget agencies ensuring that payments can only be made against an approved budget so that no unauthorized arrears are accumulated;
- ❑ Enables the capturing of own resources and donor funds by budget agencies;
- ❑ Enables integrated accounting (payable-receivables and General Ledger) thereby easing the management of public financial management procedures and processes;
- ❑ Has a single repository for reporting thereby easing the preparation of management reports and financial statements.

6.3.1. Integrating aid on budget

Integrating aid on budget starts with ensuring all aid are included in the national budget as discussed in the previous chapter. Once funds are included in the national budget approved by the Parliament, the Government is accountable for ensuring effective and efficient execution of the budget. As such, integrating external finance in the national budget execution, accounting, and reporting systems is of critical importance. This section focuses on the procedures of integrating aid on budget, disbursing and executing aid using the national treasury system, budget execution systems and recording projects using the SmartFMS.

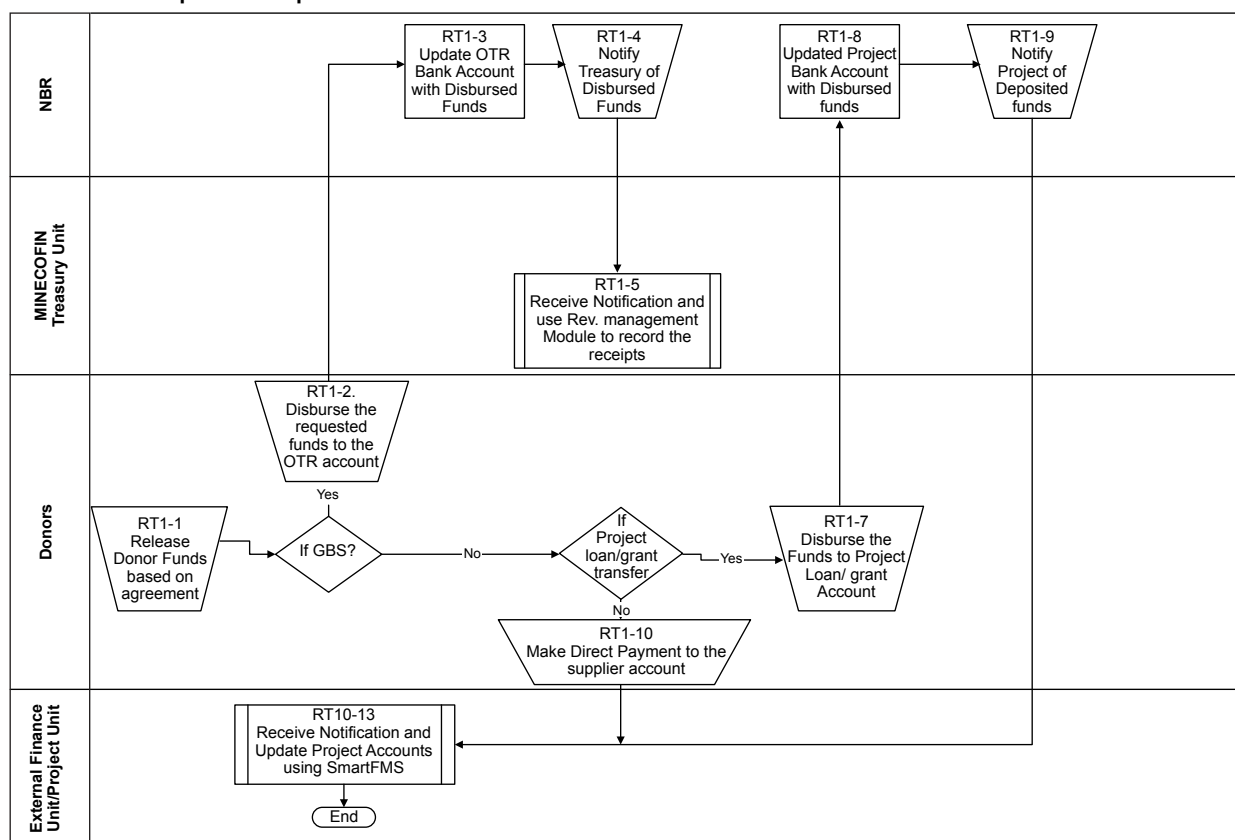
6.3.2. Budget Execution Procedures (Disbursement of Funds)

Through the PFM reform, the Government financial management and procurement systems have been strengthened. There are clear budget execution procedures put in place to execute budget effectively, and there are on-going efforts made in strengthening financial accounting and reporting systems (through introduction of the IFMIS) as well as audit procedures.

Channelling through a Treasury Single Account (TSA) and the use of Budget Execution Procedure enables for capturing all public money flow, enabling the MINECOFIN to make deep analysis on public finance and to plan more comprehensively and, increasingly, link the recurrent and development budgets. As for the Budget Agencies, clear understanding of entire movement of projects/programmes is a requisite for strengthening ownership for development projects/programmes. With the introduction of the SmartFMS, it is now possible to capture all aid flows in the public financial management system. Figure 11 illustrates the process of donor disbursement of funds.

Figure 11: Process Maps for Receipt of Donor Funds

RT1-Process maps for receipt of donor funds



Source: National Planning, budgeting and MTEF Guidelines, MINECOFIN 2008

Currently, there broadly three channels of aid disbursement: (1) General and Sector Budget Support disbursement (channelled through the Treasury Single Account (ORT Account), (2) the Project Loan/ Grant Transfer disbursed to Project Loan/Grant Account held at the National Bank or Rwanda (both on- and off-budget), and (3) direct execution/direct payment to the supplier account (both on- and off-budget).

Procedure 45: Cash Forecast

- ❑ DPs provide cash forecast plan for Direct Budget Support (month and volume of expected disbursement of Budget Support) prior to the fiscal year in the DAD;
- ❑ PMMU monitor cash forecast of project funds in liaison with SPIUs/relevant Ministries;
- ❑ Treasury (?) update cash forecast plan via Cash Forecast module and notify spending limits to Budget Agencies;

Procedure 46: Disbursing General Budget Support and Sector Budget Support through Treasury Single Account (TSA)

- DPs will initially deposit funds in OTR account, which is at the National Bank of Rwanda;
- The NRB update ORT bank Account with Disbursed Funds and notify Treasury of Disbursed Funds.
- The Treasury Unit/MINECOFIN receives notification and use Rev. Management Module to record the receipts in the SmartFMS

Procedure 47: Disbursing Cash Funds for Projects (On-Budget)

- DPs will deposit funds to relevant Project Account, which is at the National Bank of Rwanda. DPs record such transaction in the DAD as actual disbursement;
- NRB update Project Bank account with disbursed funds and notify Project (SPIU)/Budget Agency of deposited funds and confirm the actual receipt of the disbursements in the DAD;
- Project (SPIU)/Budget Agency confirms the receipt of the disbursements on the DAD and updates Project Accounts using SmartIFMS;
- Treasury, NBD, PMMU, and EFU will be informed on the cash flow through SmartIFMS and DAD.
- Budget agency / Project accounts are swept on a daily basis for those that have framework agreement on the Project TSA.

Procedure 48: Disbursing Cash Funds for Projects (Off-Budget)

While the GoR strives to reflect all the Project Aid Funds in the national budget, some projects continue existing as off-budget support for various reasons. The SmartFMS aims to account for these projects, with the view to progressively increase aid on budget.

- At the beginning of fiscal year, Budget Agency discloses to the MINECOFIN/Treasury Unit all the relevant information of projects that are off-budget.
- The Treasury Unit creates off-budget Project Accounts/Budget Line and authorizes expenditure related to off-budget projects. Relevant information of these off-budget projects will feed into the preparation and submission of the Revised Budget in December to be included in the annual national budget.
- Disbursement of Cash Funds for off-budget projects will follow the same procedure as in the on-budget projects.

Procedure 49: Direct Disbursement to the Project and in-kind contribution

There are instances where Development Partners disburse directly to the project or provide in-kind assistance (donor procurement, recruitment of consultants). This is generally not encouraged since capturing data on these transactions has proved to be difficult and mostly inaccurate. The Government is encouraging all Development Partners to route their resources through the Project Accounts at the NRB as described above. However, where such disbursements occur, the procedure used to account for such transactions is as follows:

- ❑ Project Unit/Budget Agency request direct disbursement/execution by DPs;
- ❑ DP disburse funds or provides goods or services directly to the project upon the request and report on the amounts, goods, services of equipment value with the relevant supporting evidence of the disbursements and purchases to the Project Unit/Budget Agency;
- ❑ Relevant Budget Agency receipt the notification and relevant information and update, and upon satisfying itself, will update the Project Accounts using the SmartFMS.
- ❑ The process of reporting of funds of this nature will be done preferably monthly.

In order to improve cash flow projections, liquidation management, and allow deep analysis on public finance to plan more comprehensively, the GoR will further consider feasibility of cash disbursement to Projects through the Treasury Single Account (TSA) on a pilot basis. If such arrangement is considered feasible, further revision may be made in the Manual of Procedure.

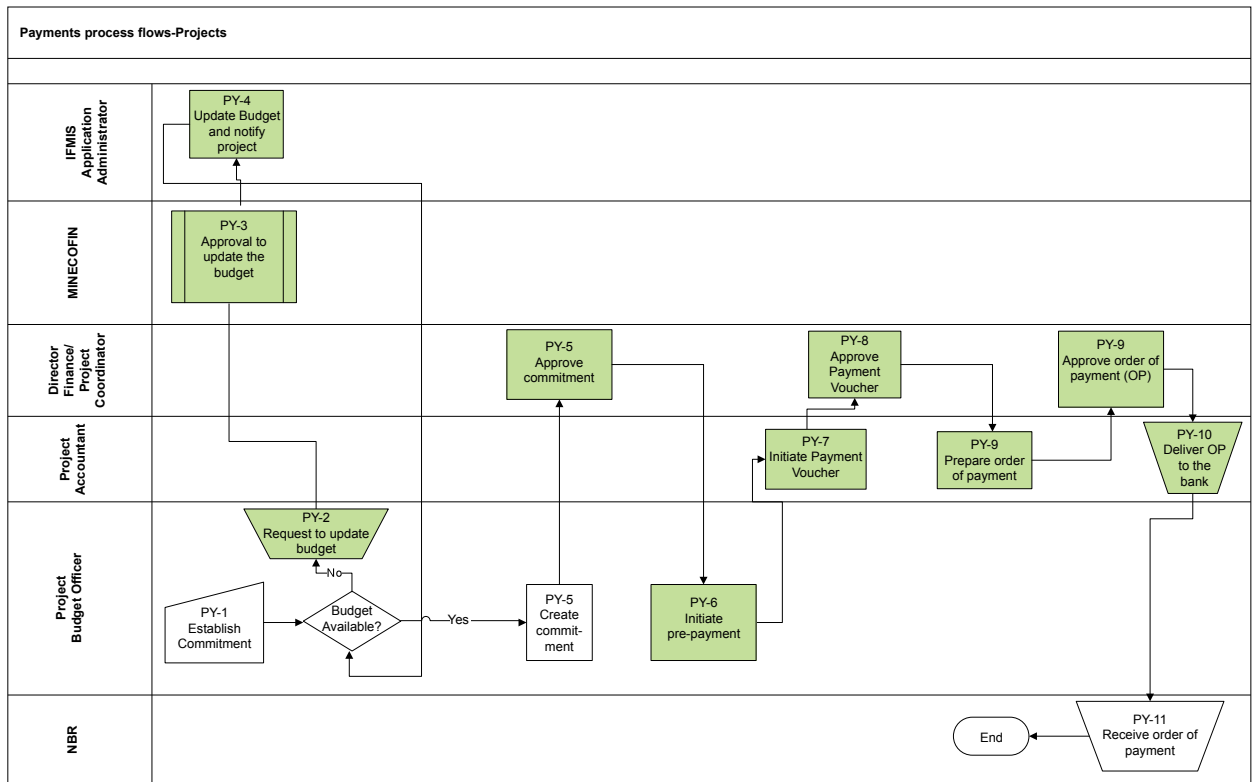
6.3.3. Budget Execution using the SmartFMS

Most of donor project funds are currently disbursed outside of the government budget execution procedures. As such, they do not use the Government's accounting systems given that they are not included in the SmartFMS. This means that many spending Agencies (Implementing Partners) are required to account donor project funds and prepare reports separately. Many spending agencies' annual accounts prepared for audit also do not cover project aids. This poses significant accountability problems, particularly if such donor project aids are included in the national annual budget.

As set out in the figure 11, all donor funds can be integrated into the SmartFMS if they are disbursed in accordance to the procedures set forth in the Section 6.3.1. This will enable the Government system to account for donor funds, which makes tracking of expenditure of those funds much easier. This will also enhance mutual accountability of donor project funds, supporting further the oversight responsibilities of the Parliament not only over the national budget but also development impacts.

The Ministerial Instruction in July 2010 noted that the process of commitment and payment using the approved budget shall be done without exception through the SmartFMS. Where funds are committed and transferred to the bank account of a budget agency, the expenditures from that bank account shall be made using purchase orders and payment vouchers generated from the SmartFMS. The **Figure 12** illustrates the payment process flows for projects.

Figure 12: Payments Process Flows for Projects



6.3.4. Reporting

Once captured in the SmartFMS, the public financial reports will also include all the aid funds. Currently, the following reports are produced by the National Budget Directorate, although the SmartFMS can produce any reports as needed at any given time:

- Monthly financial execution reports
- Annual consolidated budget execution report

With the views to further simplify and harmonise reporting requirements, the MINECOFIN will further consult various DPs on the reporting requirements so that the SmartFMS produces financial reports that meet the donor reporting requirements.

6.4: Aid Information System

Pursuant to the recommendations of the Rwanda Aid Policy, MINECOFIN puts in place a database - the Development Assistance Database (DAD) - for the purpose of recording and tracking aid flows to Rwanda. To date, aid data has not been systematically been used for budgeting purposes, due to the fact that data from DAD has been largely considered unreliable by those who need it.

This shortcoming of the DAD also highlights the reason why aid has been poorly captured *on budget*. The DAD should ideally feed information on the development side of the budget, as it is the sole repository of aid data. To this end, the new features²⁵ of the DAD incorporating the Government’s new Chart of Account and Unique Project Identification Number (UPIN) enables to feed aid information (projections, commitments, actual disbursement) to the SmartFMS, allowing tracking of aid all the way from planning, budgeting, and execution and enabling integration of aid into the Government systems easier. The Development Assistance Database (DAD) as the sole repository of aid data in Rwanda therefore captures ODA information of both Budget Support and Project Funds

²⁵ The DAD strengthening work is expected to be completed by September 2011.

related to projections, commitments, and actual disbursement. The actual disbursement data from the DAD, as described in the section on Budget Execution (disbursement of funds), directly links into the SmartFMS as receipts of Funds, while actual expenditure of Project Funds are tracked through the SmartFMS. Given the fact that the SmartFMS can also prepare cash forecast plans for project, further integration and strengthening of the DAD and the SmartFMS will further clarify scope of each system in terms of capturing aid.

6.4.1. Aid Reporting through the DAD

All donor initiatives must be reported in the DAD. As discussed in the previous chapters, information required to be reported/recorded include:

- Pipeline projects
- Project/programme information at the timing of signing financial/project agreements and/or relevant Memorandum of Understanding;
- Medium-term forward spending planning figures/projections for programme/projects;
- Annual firm commitments in line with the national budget preparation process;
- Quarterly and annual disbursements as well as expenditures of directly executed projects;
- DPAF/PD Indicators related information;

6.4.2. Reporting on CSOs funding

Civil Society Organisations play important roles in Rwanda's efforts towards meeting the goals of Vision 2020, EDPRS, and MDGs. Currently, international NGOs are registered with the Directorate of Immigration and Emigration, and local NGOs are registered with the MINALOC. Given the important roles played by Civil society Organisations, information on aid to CSOs is critical for Government's national and sector development planning. In this regard, the DAD is introducing the CSOs/NGOs module to be able to collect aid to CSOs information. To this end, in addition to donors reporting on aid to Rwanda (which includes aid to CSOs), CSOs/NGOs are requested to report on their receipt of aid and their execution. The annual registration process will be linked with the DAD, facilitating the streamlining process of NGOs reporting to their relevant Government authorities and registration process.

Chapter 7: Tax Exemption

Projects involving development, humanitarian, and other assistance provided by governments or international organizations often enjoy tax exemptions. Exemptions may apply to imports and procurement of goods and services, and may extend to both direct and indirect taxes (including customs duties).

The tax exemptions relating to international aid are varied. Imports of goods may be exempt from customs duties, VAT, excises, and other indirect taxes. Goods or services procured locally may be exempt from VAT or sales tax. Income tax exemption may be extended to persons working under contracts. There may be exemptions from other taxes as well.

The legal instruments for providing exemption vary as well. In some cases, domestic tax laws set the conditions for exemption. In other cases, the terms for exemption are provided by treaties or other agreements entered into by recipient governments (Government of Rwanda and any other Development Partner)

Exemptions are not always provided. The World Bank, for example, has not sought exemptions. Rather, the policy of the Bank has been that it would not use its loans to finance taxes (*General Conditions Applicable to loan and Guarantee Agreement, sec.508: "no proceeds of the Loan shall be withdrawn on importation of payments for any taxes levied by, or in the territory of, the borrower...on goods or services, or on the importation, manufacture, procurement or supply thereof."*(as in effect before April 13, 2004)

Where exemptions are provided, the question arises as to which specific transactions qualify for exemption. As abovementioned, exemption might be granted by the general domestic tax rules, by general rules of double tax treaties, by specific exemptions in domestic law directed to international assistance, or by bilateral agreement. Possible transactions and taxes include the following:

- ❑ Goods are imported by a nonresident on a temporary (regime for temporary imports may apply) (possible exemption from customs duties, VAT, and other indirect taxes);
- ❑ Goods are imported by a nonresident, but will not be reexported (possible exemption from customs duties and VAT);
- ❑ Goods or services are purchased from a local supplier, using project funds (possible exemption from VAT);
- ❑ A nonresident individual comes to the country to provide services to be paid for using project funds stays in the country for only a limited period of time (possible exemption from individual income tax and social contributions, perhaps under a general provision of domestic law, under treaty provisions, or under a bilateral agreement);
- ❑ A nonresident contractor without a permanent establishment in the country provides services under a contract financed with project funds (possible exemption from profit tax, perhaps under a general provision of domestic law, under treaty provisions, or under a bilateral agreement);
- ❑ A resident company is hired to provide services to be financed using project funds (possible exemption from profit tax);
- ❑ Resident individuals are hired to work for a resident or nonresident contractor with project funds (possible exemption for individual income tax and social contributions)

The list in the preceding paragraph is not complete. It is intended to illustrate that the question of potential tax exemption arises in different contexts and requires drawing a line at some point.

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Annex 1: Rwanda's Division of Labour

(X²⁶), (S²⁷)

| | Education | Health & Population | Social Protection | Employment | Youth, Sports & Culture | Transport & ICT | Energy | Water & Sanitation | Agriculture | Forestry, Land & Environment | Manufacturing services & off-farm industry | Decentralization/CDF | Justice, Reconciliation, Law & Order |
|-------------|-----------------|---------------------|-------------------|------------|-------------------------|-----------------|--------|--------------------|-------------|------------------------------|--|----------------------|--------------------------------------|
| Belgium | S | X | | | | | X | | | | | X | S |
| Canada | S ²⁷ | | | | | | | | X | | | | |
| Germany | X | S | | X | | | | | | | | X | |
| Japan | X | | | | | S | S | X | X | | | | |
| Netherlands | S | | | | | | X | | | | | X | X |
| Sweden | | | X | | | | | | | X | | | X |
| UK | X | S | X | | | | | | X | | | | |
| US | | X | | X | | | | | X | | | | |
| AfDB | S | | | | | X | X | X | S | | | | |
| EC | | | S | | | X | | | X | | | | X |
| WB | | S | S | | | X | X | | X | | | | |
| Switzerland | | X | | | | | | | | | | X | |
| France | | | | | X | | X | | | | | | |
| Austria | | | | | | | | X | | | | | |
| Luxembourg | | X | | | | | | | | | | | |
| FAO | | | | | | | | | X | X | | | |
| ILO | | | | X | | | | | | | | | |
| UNDP | | | | | S | | | | | X | | X | X |
| UNEP | | | | | | | | | | S | | | |
| UNESCO | S | | | | S | | | | | | | | |
| UNFPA | | X | S | | X | | | | | | | | |
| UNHCR | | | S | | | | | | | | | | |
| UN-HABITAT | | | | | | | | S | | S | | | |
| UNICEF | X | X | X | | S | | | X | | | | S | S |

26 X represents internal UN Lead

27 S represents silent partners providing Sector Budget Support.

| Justice, Reconciliation, Law & Order | Decentralization/CDF | Manufacturing services & off-farm industry | Forestry, Land & Environment | Agriculture | Water & Sanitation | Energy | Transport & ICT | Youth, Sports & Culture | Employment | Social Protection | Health & Population | Education |
|--------------------------------------|----------------------|--|------------------------------|-------------|--------------------|--------|-----------------|-------------------------|------------|-------------------|---------------------|-----------|
| | | X | | | | X | | | | | | |
| S | | | | | | | | | | | | |
| | | | S | X | | | | | | X | | X |
| | S | | | X | | | | | | | | |
| | | | | | S | | | | | S | X | |
| | | | | | | | X | | | | | |
| | S | | | | | | | | | | | |

| TABLE A2.1: Framework Agreements (MoUs, CSPs, etc) | | | | | | | | | | |
|--|---------------------------------|---|----------------------------------|---------------------------------------|------------------------------|----------------------------|----------------------|-----------------------------|--|---------------------------------------|
| Donor | Main agencies present in Rwanda | Country plan / overarching MoU | Current time – Frame of MoU /CSP | Review interval of current MoU / CSP* | Who signs MoU / CSP for GOR? | Does MINECOFIN (co-)sign ? | Commitment Horizon** | Fiscal year Runs From ?-to? | Annual envelope committed in time for budget?*** | High-level Meetings in 2008-2009 **** |
| MULTILATERALS | | | | | | | | | | |
| African Capacity Building Foundation (ACBF) | | | | | | | | | | |
| African Development Bank | | Country Strategy Paper (CSP) | 2005-2007 | | | | | | | |
| BADEA | | ? | ? | | | | | | | |
| European Commission | | Country Strategy Paper (CSP) | 2008-2013 | | | | | | | |
| European Investment Bank | | n/a | n/a | | | | | | | |
| Global Fund | | n/a | n/a | | | | | | | |
| IFAD | | Country Strategic Opportunities Program | 2008-2012 | | | | | | | |
| Nordic Development Fund | | | | | | | | | | |
| OPEC Fund | | ? | ? | | | | | | | |
| World Bank | IDA, IFC, MIGA | Country Assistance Strategy (CAS) | 2009-2012 | | | | | | | |

*What are the review mechanisms and what is the time-interval to comprehensively review the ongoing MoU/CSP (e.g. The EC's EDF procedures have a standard mid-term review)

**Are firm commitments for the next financial year made in time for the GOR budget preparations ?

***Captures when resources envelope for recipients is decided (e.g. On yearly basis, at the end of December)

****To be filled out and updated by staff in EFU / MINAFFET and circulated amongst relevant MINECOFIN departments, line ministers and districts (see procedures 3 and 6)

TABLE A2.2: Financing Agreements (FA) and Project follow-up

| Donor | Type of agreement signed for projects implementation | Who Signs off on the FA? | MINECOFIN (co-)signs FA? | Who signs off on disbursements into project account? | Who signs off on project expenditures? | Steering Committee (or similar) meetings (time-frame) | Portfolio Review Meetings (time-frame)?* |
|---|--|--------------------------|--------------------------|--|--|---|--|
| MULTILATERAL | | | | | | | |
| African Capacity Building Foundation (ACBF) | | | | | | | |
| African Development Bank | | | | | | | |
| BADEA | | | | | | | |
| European Commission | | | | | MINECOFIN (cellule d'appui) | | |
| European Investment Bank | | | | | | | |
| Global Fund | | | | | | | |
| IFAD | | | | | | | |
| Nordic Development Fund | | | | | | | |
| OPEC Fund | | | | | | | |

* CEPEX organises portfolio review meetings for most donors-specific (rather than project-specific) implementation issues are resolved (see, CEPEX, 2008, p.vii).

TABLE A2.2: Financing Agreements (FA) and Project follow-up

| Donor | Type of agreement signed for projects implementation | Who Signs off on the FA? | MINECOFIN (co-)signs FA? | Who signs off on disbursements into project account? | Who signs off on project expenditures? | Steering Committee (or similar) meetings (time-frame) | Portfolio Review Meetings (time-frame)* |
|---|--|--------------------------|--------------------------|--|--|---|---|
| World Bank | Financing Agreement | | | | | | Yes-on Quarterly basis |
| BILATERALS | | | | | | | |
| Belgium | Convention Specificque | | | MINECOFIN (CEPEX) | | | Yes, QUARTERLY? |
| Canada | | | | | | | Yes, QUARTERLY |
| Germany | | | | | | | Yes, QUARTERLY? |
| Japan | | | | | | | |
| Kuwait Fund for Arab Economic Development | | | | | | | |
| Luxembourg | | | | | | | Yes, QUARTERLY? |
| Netherlands | | | | | | | |
| Saudi Fund for Development | | | | | | | |
| Sweden | | | | | | | Yes, QUARTERLY? |
| Switzerland | | | | | | | Yes, QUARTERLY? |
| UK (DFID) | | | | | | | Yes, QUARTERLY? |
| USA (USAID) | | | | | | | Yes, QUARTERLY? |

* CEPEX organises portfolio review meetings for most donors-specific (rather than project-specific) implementation issues are resolved (see, CEPEX, 2008, p.vii).

TABLE A2.3: Parallel (?) Project Implementation Units *

| Donor | PIU accountable to DPs rather than country implementing agencies? | ToR for externally appointed staff determined by DP? | Most professional staff appointed by DP ? | Salary structure of national staff higher than 'normal' GOR staff? | DP agrees to put PMU under Ministry/ district-wide PMU structure? | Any changes for newly signed projects? / other comments.. |
|---|---|--|---|--|---|---|
| MULTILATERAL | | | | | | |
| African Capacity Building Foundation (ACBF) | | | | | | |
| African Development Bank | | | | | | |
| BADEA | | | | | | |
| European Commission | | | | | | |
| European Investment Bank | | | | | | |
| Global Fund | | | | | | |
| IFAD | | | | | | |
| Nordic Development Fund | | | | | | |
| OPEC Fund | | | | | | |
| World Bank | | | | | | |
| BILATERALS | | | | | | |
| Belgium | | | | | | |
| Canada | | | | | | |
| Germany | | | | | | |
| Japan | | | | | | |
| Kuwait Fund for Arab Economic Development | | | | | | |
| Luxemburg | | | | | | |
| Netherlands | | | | | | |
| Saudi Fund for Development | | | | | | |
| Sweden | | | | | | |
| Switzerland | | | | | | |
| UK (DFID) | | | | | | |
| USA (USAID) | | | | | | |

* The Paris survey considers a PIU as parallel if there are three or more 'yes' answers to the first 4 questions in the table

TABLE A2.4: DPs Procurement Arrangements related to Technical Assistance *

| Donor | Does DP use GoR Procurement Framework to hire TA? | Does DP have specific provisions to hire local / regional TA? | Does DP allow decentralized procurement by country offices for lower value contracts? | How widely does DP advertise TA positions? | Non-objection from DP needed? | Does GoR have Opportunity to Interview Long-Term TA during recruitment Phase? | Any changes for newly signed projects / Other Comments.. |
|---|---|---|---|--|-------------------------------|---|--|
| MULTILATERAL | | | | | | | |
| African Capacity Building Foundation (ACBF) | | | | | | | |
| African Development Bank | | | | | | | |
| BADEA | | | | | | | |
| European Commission | | | | | | | |
| European Investment Bank | | | | | | | |
| Global Fund | | | | | | | |
| IFAD | | | | | | | |
| Nordic Development Fund | | | | | | | |
| OPEC Fund | | | | | | | |
| World Bank | | | | | | | |
| BILATERALS | | | | | | | |
| Belgium | | | | | | | |
| Canada | | | | | | | |
| Germany | | | | | | | |
| Japan | | | | | | | |
| Kuwait Fund for Arab Economic Development | | | | | | | |
| Luxemburg | | | | | | | |
| Netherlands | | | | | | | |
| Saudi Fund for Development | | | | | | | |
| Sweden | | | | | | | |
| Switzerland | | | | | | | |
| UK (DFID) | | | | | | | |
| USA (USAID) | | | | | | | |

* The Paris survey does not report on the tying status of TA

Annex 3: ToR for the High Level Aid Policy Implementation Committee

Proposed Terms of Reference for the High Level Aid Policy Implementation Committee (External Finance Unit, 15 May 2007)

For review and endorsement by the Committee (note: these ToR have not been formally adopted as of October 2008)

Background

- ❑ Rwanda's Aid Policy was drafted over the course of 2005 and early 2006, bringing together the views of GoR and development partner stakeholders on aid and its effectiveness in Rwanda. As the government's vision for the effective mobilisation and utilisation of aid in Rwanda, it sets out responsibilities on the part of Government actors with respect to aid, and highlights the Government's expectations of donors.
- ❑ The Cabinet endorsed the Aid Policy on 26th July 2006, and agreed that a high level committee, chaired by the Minister of Finance and Economic Planning, should be put in place to oversee the implementation of this Policy.
- ❑ The Aid Policy was developed in the context of the Rome Declaration on Harmonisation, and the Paris Declaration on Aid Effectiveness – to which Rwanda and most of its donors are signatory. In overseeing the effective implementation of Rwanda's Aid Policy, the Committee also has an important role to play in ensuring that the Government of Rwanda fulfils its obligations as set out in these international agreements.
- ❑ Successful implementation of the policy may create conditions that will lead to increased volumes of aid to Rwanda in the medium term, and more effective use of aid in support of the EDPRS, thus maximising the impact of external assistance on poverty reduction and growth.

Role of the High Level Implementation Committee

- ❑ The Committee will oversee the implementation of the Aid Policy by Government bodies, as well as the performance of development partners against the GoR's preferences set out in the document. The chairman of the Committee is then able to report to the Cabinet on progress and issues arising in the implementation of the Policy.
- ❑ High-level commitment is essential to the successful implementation of the Policy. As such, Committee members will play an important role in advocating for the effective use of aid across Government, and in ensuring that GoR bodies understand the Policy and its implications for their operations.
- ❑ The Committee will set priorities and attribute tasks to technical teams (e.g. External Finance Unit, MINECOFIN) relating to the implementation of the Policy.
- ❑ The Committee will oversee the implementation of international commitments relating to aid and its effectiveness (for example, the Paris Declaration on Aid Effectiveness).

Composition of the Committee

- ❑ In its meeting of 26th July 2006, the Cabinet nominated the following individuals to form the High-Level Implementation Committee:
 - Minister of Finance and Economic Planning (Chair)
 - Secretary General MINAFFET
 - Secretary General MINALOC
 - Executive Secretary CNLS
 - Director General, Economic Affairs, Office of the President
 - Director General, Planning and Economic Affairs, PRIMATURE
 - Director General HIDA
 - Director of External Finance, MINECOFIN

- ❑ The Committee may draw on the expertise of other Government officials as appropriate, and amend membership in the event that the mandates and posts within institutions should change.

Tasks to be undertaken

- ❑ The Committee will agree on a detailed plan for the implementation of the Aid Policy, agreeing on priorities and timelines for the completion of related tasks.
- ❑ The Committee will discuss analytical work relating to the implementation of the Aid Policy and related international commitments with a view to informing its actions and priorities (for example, the results of the OECD-DAC Survey on Monitoring the Paris Declaration in Rwanda).
- ❑ The Committee will guide technical teams in the implementation of tasks foreseen in the implementation plan (for example, sensitisation workshops with government officials).

Administrative arrangements

- ❑ It is proposed that the Committee meets between two and four times per year to review progress in the implementation of the Aid Policy and agree on actions to be undertaken by Government bodies in respect of the implementation of the Policy.
- ❑ The External Finance Unit of MINECOFIN will act as Secretariat to the Committee, providing administrative and technical support to the activities of the Committee, and having primary responsibilities for technical work related to the implementation of the Policy.

Annex 4: Development Partner Performance Assessment Framework (DPAF)

| Results Area | Indicator | 2007 Baseline | 2008 Target | 2009 Target | 2010 Target | 2011 Target |
|---|--|---------------|-------------|-------------|-------------|-------------|
| A. Financing national strategies in support of the MDGs and Vision 2020 | A1 Volume of ODA on-budget | | | | | |
| | A2 % ODA recorded in the national budget (PD indicator 3) | | | | | |
| | A3 % ODA captured and detailed in sector strategic plans | | | | | |
| B. Use of national systems institutions for strengthened ownership, sustainability and reduced transaction costs | B1 % ODA disbursed in the context of a PBA (PD indicator 9) | | | | | |
| | B2 % ODA disbursed using GoR budget execution procedures | | | | | |
| | B3 % ODA disbursed using GoR auditing procedures (PD indicator 5a) | | | | | |
| | B4 % ODA disbursed using GoR financial reporting systems (PD indicator 5a) | | | | | |
| | B5 % ODA disbursed using GoR procurement systems (PD indicator 5b) | | | | | |
| | B6 Number of parallel PIUs (PD indicator 6) | | | | | |
| | B7 % of TC provided through coordinated programmes (PD indicator 4) | | | | | |
| | B8 % of OD A untied (PD indicator 8) | | | | | |
| C. Facilitating long-term planning and implementation through predictable development financing | C1 % of donors delivering all ODA through multi-year binding agreements of at least three years | | | | | |
| | C2 % of donors providing non-binding indication of future aid to cover at least 3 years ahead, on a rolling basis and according to GoR fiscal year | | | | | |
| | C3 % ODA delivered in the year for which it was scheduled (PD indicator 7) | | | | | |
| | C4 % of ODA disbursements for the years n and n- 1 captured in DAD | | | | | |
| | C5 % of committed / indicative ODA for years n to n+3 captured in DAD | | | | | |
| | C6 DAD data quality index for year n | | | | | |

| Results Area | Indicator | 2007 Baseline | 2008 Target | 2009 Target | 2010 Target | 2011 Target |
|--|--|------------------|----------------|----------------|----------------|----------------|
| D. Reduction transaction costs and strengthening of partnerships through the adoption of harmonised approaches. | D1 Total number of missions | | | | | |
| | D2 % of total missions that are joint (PD indicator 10a) | | | | | |
| | D3 Total number of analytic works | | | | | |
| | D4 % of donor analytic work that is coordinated (PD indicator 10b) | | | | | |
| | D5 % of donors respecting GoR silent period | | | | | |
| E. Streamlining delivery at the sector level through effective use of comparative advantage | E1 (Average) number of sectors of intervention per donor | | | | | |
| | E2 Donors agree and adopt an inter-sectoral division of labour (policy action) | | | | | |
| | E3 Number of signed silent partnership / delegated cooperation agreements | | | | | |
| F. (Sector-specific indicators on aid volume and effectiveness) | (To be determined in consultation with sector clusters) | | | | | |
| Key Results are G applies only to donors providing budget support to Rwanda | | | | | | |
| G. Budget support provided in a manner that enhances ownership, predictability and reduces transaction costs. | G1 %of BS donors providing indicative commitments for BS in year n+1 to GoR within 4 weeks of end of April JBSR in year n | | | | | |
| | G2 % of BS donors providing firm commitments for BS in year n+1 to GoR at least 4 weeks before start of Sept JBSR in year n | | | | | |
| | G3 % of BS disbursed within the first quarter of the GoR fiscal year | | | | | |
| | G4 % of BS disbursed within the GoR fiscal year for which it was scheduled, according to quartely disbursement schedule agreed withGoR | | | | | |
| | G5 % of BS donors adhering fully to common conditionality (CPAF) | | | | | |
| | G6 % of BS donors adhering fully to partnership framework. | | | | | |

Annex 5: Glossary of Terms

Aid Policy – Policies

Alignment (Aid Policy, par. 1.10 – 1.12, 2.3c, 3.10)

- ❑ All aid should be aligned with Vision 2020 & EDPRS (national level), sector strategic plans, ideally as part of a Sector Wide Approach (sectoral level), and if aimed at decentralised levels with district development plans (decentralised level). Also NGO's performing service delivery function should make sure their activities are aligned to strategic plans at the respective levels. Further, all aid should be reported on the GoR budget.

Sectors (Aid Policy, par. 3.51, 3.55, 3.56)

- ❑ Preference for delegated cooperation (and silent partnerships)
- ❑ Donors invited to make greater use of their comparative (sectoral) advantage, with GoR playing a guiding role

Aid Modalities (Aid Policy, par. 3.6 – 3.9)

- ❑ General Budget Support > Sector Budget Support > projects on-budget & on-plan > parallel projects
- ❑ Preference for aid to be pooled rather than earmarked for individual projects

Aid to decentralized entities (Aid Policy, par.3.10)

- ❑ Preference for aid to be channelled through the Common Development Fund (CDF)
- ❑ Preference for aid to be disbursed in such a way that it helps to achieve equity in resource allocation across districts

Concessionality (Aid Policy, par.3.12 – 3.13)

- ❑ Grants > Loans
- ❑ Only highly concessional loans will be taken into consideration (as defined in GoR's Debt Sustainability Framework)

Predictability (Aid Policy, par.2.3g)

- ❑ Assistance to Rwanda to be disbursed as scheduled, and medium-term projections are reliable.

Technical Assistance (Aid Policy, par.2.3d)

- ❑ All TA to be focussed on knowledge transfer through coordinated programmes consistent with Rwanda's priorities.

Inclusiveness of all aid & information on aid flows (Aid Policy, par. 2.9, 3.52 – 3.54)

- ❑ All external finance flows that are disbursed to the 'Government Sector' (see **Table 1** for a definition) are subject to the procedures described in this manual, regardless of the donor agency involved.

- ❑ Improved reporting of donor activities to the GoR is essential if aid management is to be improved.

Rwanda's Aid Policy – Procedures

Use of Country Systems (Aid Policy, par. 2.3e)

External assistance destined for the 'Government sector' should follow as much as possible the same procedures as GoR revenues emanating from other sources, i.e. use Rwanda's PFM and procurement systems.

Avoiding Parallel Implementation Units (Aid Policy, par. 2.3f)

Implementation of projects and TA should avoid the use of project management units, that function outside of the GoR systems.

Aid is Untied (Aid Policy, par. 2.3h)

All aid should be untied, i.e. it should not be provided on the condition that the recipient will use it to purchase goods and services from suppliers based in the respective Development Partner.

Joint Mission & Analysis (Aid Policy, par. 2.3f)

Country analytical work and donor missions should be co-ordinated. This means that country analytical work / donor missions are undertaken jointly or undertaken by one donor on behalf of another donor.

More Aid Policies / Procedures / GoR Preferences

Structured vs. ad-hoc approach (related to initiation/mobilization stage)

GoR prefers identification and negotiation related to external assistance to happen through a structured dialogue, concluded in a MoU-type of agreement, which ideally covers a multi-year period.

Technical Ownership (related to pre-appraisal stage)

Technical soundness of proposals and subsequent technical and organisational implementation issues remain the responsibility of the line ministry or government body seeking to implement the assistance package (Aid Policy, par. 3.34).

Non-Additionality Principle (related to alignment stage)

External assistance should not condition the use of GoR (internal) resources, as detailed in the national budget. In other words, it is the sovereign prerogative of the GoR to use internal resources according to its priorities, including taking into account external financing allocations in the decision of budget allocations for government agencies. (This principle for example excludes conditionalities that request GoR to spend a certain amount of internal resources in a certain sector in return for a DP giving sector budget support).

Subsidiarity Principle in negotiations with Development Partners (related to negotiation stage)

The level of seniority of GoR staff engaging with Development Partners should be reflected in the importance of the agreement. Whilst one of the immediate objectives of this principle is to free up

time of senior GoR officials, it also aims for the institution and staff of the implementing agency to be present as much as possible when the project is being negotiated / discussed at its inception.

Principle related to GoR Sovereignty (related to negotiation stage)

After analyzing proposed aid projects and programmes, it is still the sovereign prerogative of the GoR to accept or reject the proposed aid package.

Do-no-harm Principle (related to negotiation stage)

If the aid proposed is not working against the implementation of national/ sectoral/ district plans and if some (but perhaps not all) of it will be useful towards implementing those plans, then it is the prerogative of the implementing agency (Ministry/ District / Other GoR Agency) to accept or reject the proposed aid, with MINECOFIN EFU/DPU desk officers as guardians of this process.

Principle regarding accepting/rejecting small projects (related to negotiation stage)

As a principle, a small project (defined as projects below US\$ 100,000) should only be accepted if it can really show an innovative aspect of policy/implementation and/or there is credible potential of scaling up in the future (i.e. some kind of piloting of an approach).

Principle related to Disbursement methods (related to disbursement conditions)

As far as aid disbursement methods go, the GoR prefers cash-in-advance over reimbursement claims and reimbursement claims over payments to direct suppliers.

Principle related to the use of Technical Assistance Personnel

All personnel that is not 100% (full) staff member of the GoR institution, including autonomous and semi-autonomous institutions, needs to have capacity building linked tasks in their Terms of Reference and these should be explicitly shown in workplans.

Principle related to the aims of Technical Assistance

Technical Assistance programmes in Rwanda should prioritise transformational over transactional activities. Even where it is acknowledged that certain TA plays a role in transactional activities, Terms of Reference should still specify how to make the needed skills available after the TA's departure.

Annex 6a: Summary of Framework Agreements

(to be prepared by EFU within 1 week of Agreement signing, or by PIC when a project becomes 'pipeline')

| SECTION A Details of the Framework Agreement | | | | | | |
|---|--|------------------------------------|-----------------------------------|--------------------------|---------------------------|-----------------------|
| A1. Name of the Development Partner? | | | | | | |
| A2. Name of Framework Agreement? | | | | | | |
| A3. Time frame of the Framework Agreement? | | | | | | |
| A4. Under the control of Government? | | | | | | |
| A5. Special Considerations / issues? (1) | | | | | | |
| SECTION B Details of the Framework Agreement | | | | | | |
| Aid Modality | Total amount over Framework Agreement period (in US\$) | If loan, What is the Grant Element | Intervention In which Sector (2)? | Gov't entity responsible | Gov't Implementing entity | DP entity responsible |
| General Budget Support | | | N/A | | | |
| Sector Budget Support | | | | | | |
| - Sector 1 | | | | | | |
| - Sector 2 | | | | | | |
| Project | | | | | | |
| - Project 1 | | | | | | |
| - Project 2 | | | | | | |
| - Project 3 | | | | | | |
| - Project 4 | | | | | | |
| Technical Assistance | | | | | | |
| - TA 1 | | | | | | |
| - TA 2 | | | | | | |

- (1) For example: not all financing in the MoU is for the Government sector, the MoU envisages silent partnerships, or co-financed
 (2) Should follow the 14-sector budget classification.

Annex 6b: Summary of externally financed project / programme

(To be prepared by EFU within 1 week of Agreement signing, or by PIC when a project becomes 'pipeline')

| SECTION A To be specified by EFU, MINECOFIN when providing unique project identification number | |
|---|---|
| A1. | aid to Government Sector? |
| A2. | Under the control of Government? |
| A3. | Investment or recurrent (for projects) |
| A4. | Loan or grant? (if it's loan, specify the grant element) |
| SECTION B Project / Programme Background information | |
| B1. | Project Name: |
| B2. | Project identification number in donor system |
| B3. | Project Unique Identification Number |
| B4. | Signature date |
| B5. | Start date |
| B6. | End date |
| B7. | Project Objectives |
| B8. | Parent Ministry or institution overseeing the project |
| B9. | Implementing entity (specify Donor Gov't, Donor Organisation, NGO, Private Company) |
| B10. | Multi Donor project? |
| | <ul style="list-style-type: none"> ▪ If yes, which donors are involved? ▪ Which donor is the project manager? |
| B11. | Financing Modality (GBS, SBS<Project, TA) ? |
| B12. | Contact Details (name, phone & email) |
| | <ul style="list-style-type: none"> ▪ Project Manager ▪ Project Accountant ▪ Contact person in Development Partner office ▪ Contact person in parent ministry and/or public entity |

SECTION C Project Details

| Project sub-components | unique identification number | Government entity responsible | Programme and sub-programme in GoR budget structure ⁽¹⁾ | Total amount over project/programme life | Of which Donor contribution (in rwf) | Of which Gov't contribution (specify entity) |
|------------------------|------------------------------|-------------------------------|--|--|--------------------------------------|--|
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |

(1) not for Budget Support

Filling out Annex 6b – some pointers

SECTION A

A1. aid to Government Sector?

Aid disbursements in the context of an agreement with Gov't sector (ministries, departments, agencies or districts - authorised to receive revenue or undertake expenditures on behalf of central Gov't), including works, goods or services delegated or subcontracted by Gov't to other entities (e.g. NGOs, private companies)

A2. Under the control of Government?

All of the conditions below must be met (see Chiche, 2008)

- (i) If there is a third party as implementing partner (NGO, consulting firm, etc), a contract must be signed between the budget agency and the implementing partner and MINECOFIN
- (ii) The responsible budget agency is implicated in the decision on the allocation of funds for the project
- (iii) Disbursement of the funds is approved by the budget agency's Chief Budget Manager
- (iv) The project submits its accounts to the responsible budget agency
- (v) Supporting documents for financial transactions are kept by the responsible budget agency

SECTION B

B8. Parent Ministry or institution overseeing the project

It might well be that a project is overseen by a GoR agency/institution that falls under the responsibility of a Ministry. In that case, provide both..

B10. Multi Donor project?

Normally, one donor will provide the project manager. It is possible however that the project manager is a GoR official..

Annex 7: Flow Chart documenting implementation of aid programmes/projects

| Development Partner | Framework Agreement MoU/CSP/CAS/etc | Effectiveness Conditions | 2nd disbursement | etc.. |
|----------------------|---|--------------------------|------------------|-------|
| MULTILATERALS | | | | |
| World Bank | Country Assistance Strategy (total amounts in USD) | | | |
| | General Budget Support: | | | |
| | Project 1: | | | |
| | Project 2: | | | |
| EC | Country Strategy Paper (CSP) (total amounts in USD) | | | |
| | General Budget Support: | | | |
| | Project 1: | | | |
| | Project 2: | | | |
| Etc.. | | | | |
| Bilaterals | | | | |
| UK(DFID) | Country Assistance Paper (total amount in USD) | | | |
| | General Budget Support: | | | |
| | Project 1: | | | |
| | Project 2: | | | |
| etc.. | | | | |
| BILATERALS | | | | |
| UK(DFID) | Country Assistance Paper (total amount in USD) | | | |
| | General Budget Support: | | | |
| | Project 1: | | | |
| | Project 2: | | | |
| etc.. | | | | |

Annex 8: Generic format of a Joint Financing Agreement

Considerations / Preamble

- Definition of signatories;
- Reference to request from recipient;
- Brief description of essential principles for collaboration;

Paragraph 1: Goals of the Program and scope of the JFA

- Reference to National Plan/Program Document including title and date;
- Inclusion of a goal hierarchy with indicators or reference to a Logical Frame Analysis (LFA) matrix;
- Reference to bilateral arrangements/agreements;

Paragraph 2: Responsibilities and representation

- Joint responsibilities;
- Recipients' responsibilities;
- Donors' responsibilities;
- Lead donor's responsibilities;
- Representation;

Paragraph 3: Contributions

- Timing of Donor 'pledge' and when commitments become firm;
- Set up and management of Interest/ non-interest bearing Forex account;
- Rate of exchange to be used;

Paragraph 4: Consultations, decision making process

- types of meetings;
- mandate of meetings;
- frequency and timing of meetings;
- participants to meetings;
- who should call and chair the meetings;
- who should draft the agreed minutes within what deadline;
- which documents should be delivered to participants and within what deadline before the meeting;

Paragraph 5: Organisational structure

- types: e.g. steering committees;
- reference to attached terms of reference for each type of committee/unit with mandate;
- participants to the different structures;

Paragraph 6: Disbursements

- required documentation;
- procedures of approval and transfer of funds;
- disbursement schedule;

Paragraph 7: Procurement

- choice of procurement system;
- who will be responsible for the procurement;
- what type of control from the donors is necessary;
- technical assistance needs;
- notifications;

Paragraph 8: Reporting

- types
- format and content
- frequency and deadline
- procedures for approval

Paragraph 9: Review and evaluation

- types (audit, impact analysis, etc)
- frequency
- participation (GoR in the lead, who to write ToR for external evaluators, etc)

Paragraph 10: Audit

- who will be the auditor (default should be the OAG)
- type of audit e.g. audit of financial records, value for money audit frequency
- how will the costs be covered

Paragraph 11: Non-compliance, force majeure

- what type of non compliance will be relevant what type of sanctions

Paragraph 12: Corruption 5

Paragraph 13: Modifications, donor accession, withdrawal

- procedure for amendment of the JFA
- procedure for donor accession
- procedure for donor withdrawal

Paragraph 14: Dispute settlement

- procedure for dispute settlement

Paragraph 15: Entry into effect

- procedures for coming into effect

Signature

- One original for each signatory partner.

Annex 9: Revised Budget Calendar

| TIMEFRAME | MINECOFIN | LINE MINISTERS | DISTRICTS | Non-State Actors/ DevPartners |
|------------------|--|--|--|---|
| July | Update of Macro-Framework | Preparation of Financial Statements | Preparation of Financial Statements | |
| August | Preparation of Budget Execution report Preparation of Budget Outlook Paper | Preparations of annual reports | Preparation of annual reports | |
| September | Issuance of First Budget Call Circular to communicate Sector MTEFs and request for preparation of Sector BFPs | Review of Ministerial expenditures | Review of District Expenditures | Participation in District Expenditure Reviews |
| October | National Budget Consultative Workshop to officially launch the budget process Local Government Consultative Workshop Training of Budget staff on new utilities of Smartgov | Joint Sector Review and Preparation of Sector BFPs | District Expenditure Reviews and Preparation of District BFPs | Participation to the National Budget Consultative Workshop |
| November | Joint Budget Review (JBR) and update of Macro-framework | Participation in the JBR | Consultations with Ministries on District BFPs | Participation in the JBR |
| December | Issuance of the second Budget Call Circular with Revised MTEF and Agency Ceilings Preparation and submission of the Revised Budget to Cabinet | Training of Budget Officers on the use of Smartgov SWG Retreat to consolidate Sector BFPs | | |
| January | Submission of the Revised Budget to Parliament | Online Budget Submission by Budget Agencies Revise budget data input in the smartgov | Estimation of district resources and preparation of District Budgets | Participation in the SWG Retreat Communication of Indicative Commitments |
| February | Inter-Ministerial Consultative Meeting on Budget Priorities and Resource Allocations Beginning of the EAC Pre-Budget Consultations process | | Budget data input in the smartgov | |

| TIMEFRAME | MINECOFIN | LINE MINISTERS | DISTRICTS | Non-State Actors/ DevPartners |
|-----------|--|--------------------------|---|---|
| March | Preparation and submission of the National BFP and draft Budget to Cabinet | | | |
| April | BFP presented to Parliament not later than April 5 Draft Budget submitted to Parliament Issue the 3rd BCC on the final ceilings | | District Council Scrutiny and Approval of Annual Budget | |
| May | Joint Budget Review EAC Ministerial Consultations on Tax Policy Issues Preparation of the Budget Speech and finalization of the draft Budget Presentation of the draft Budget to the Parliament | Participation in the JBR | | Participation in JBR Communication of firm Commitments |
| June | | | | |

Annex 10: Ministry / Donor Reporting Formats

1. Report Format: Total Resource Commitments

| Medium-Term Expenditure Framework – Donor Support Commitments and Projections | | | | | | | | | | | | | | | | | | | | | | |
|---|--------|--------------|--------------|---------------|---------------|---------------------|-------|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------------|-------------|------|
| Modality | Sector | Project Code | Project Name | Loan or Grant | Budget Agency | Name of Basket Fund | Donor | Commitments (USD) | | | | | | | | | | | | Projections | Projections | |
| | | | | | | | | Yn | | | | | | | | | | | | | | Yn+1 |
| | | | | | | | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | | | |
| General Budget Support | N/A | N/A | N/A | Grant | N/A | N/A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | C | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | D | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | E | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Sector Budget Support | A | N/A | N/A | Grant | A | N/A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | B | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | C | | C | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | D | | D | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | E | | E | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | B | N/A | N/A | Grant | A | N/A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | B | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | C | | C | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | D | | D | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | E | | E | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Joint Financing Mechanisms | C | N/A | N/A | Grant | A | N/A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | B | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | C | | C | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | D | | D | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | E | | E | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Project Support | A | N/A | N/A | Grant | A | A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | B | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | B | N/A | N/A | Grant | A | B | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Project Support | | | | | B | | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | A | X | A | Grant | A | N/A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | B | Y | B | Loan | B | N/A | B | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | C | Z | C | Grant | C | N/A | C | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |

2. Report Format: Budget Support Disbursements

| ACTUAL DISBURSEMENTS | | | | | | | | | | | | | | | | |
|------------------------|--------|---------------|-------|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| Modality | Sector | Budget Agency | Donor | Disbursements (USD) | | | | | | | | | | | | |
| | | | | Current Budget Year | | | | | | | | | | | | |
| | | | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | |
| General Budget Support | N/A | N/A | A | | | | | | | | | | | | | |
| | N/A | N/A | B | | | | | | | | | | | | | |
| | N/A | N/A | C | | | | | | | | | | | | | |
| | N/A | N/A | D | | | | | | | | | | | | | |
| | N/A | N/A | E | | | | | | | | | | | | | |
| | N/A | N/A | F | | | | | | | | | | | | | |
| | N/A | N/A | G | | | | | | | | | | | | | |
| | N/A | N/A | H | | | | | | | | | | | | | |
| Sector Budget Support | A | A | A | | | | | | | | | | | | | |
| | | B | B | | | | | | | | | | | | | |
| | | C | C | | | | | | | | | | | | | |
| | | D | D | | | | | | | | | | | | | |
| | | E | E | | | | | | | | | | | | | |
| | B | A | A | | | | | | | | | | | | | |
| | | B | B | | | | | | | | | | | | | |
| | | C | C | | | | | | | | | | | | | |
| | | D | D | | | | | | | | | | | | | |
| | | E | E | | | | | | | | | | | | | |
| | C | A | A | | | | | | | | | | | | | |
| | | B | B | | | | | | | | | | | | | |
| | | C | C | | | | | | | | | | | | | |
| | | D | D | | | | | | | | | | | | | |
| | | E | E | | | | | | | | | | | | | |

3. Report Format: Disbursements of Basket Fund

| Modality | Sector | Project Code | Project Name | Loan or Grant | Budget Agency | Name of Basket Fund | Donor | Disbursements (USD) | | | | | | | | | | | |
|----------------------------|--------|--------------|--------------|---------------|---------------|---------------------|-------|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | | | | | | | Current Budget Year | | | | | | | | | | | |
| | | | | | | | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| Joint Financing mechanisms | A | N/A | N/A | Grant | A | A | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | B | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | B | N/A | N/A | Grant | A | B | A | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | B | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |

4. Reporting Format: Project Fund Disbursements

| Modality | Sector | Project Code | Project Name | Loan or Grant | Budget Agency | Name of Basket Fund | Donor | Nature of Disbursement | Disbursements (USD) | | | | | | | | | | | | | |
|-----------------|--------|--------------|--------------|---------------|---------------|---------------------|----------------------|------------------------|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|
| | | | | | | | | | Current Budget Year | | | | | | | | | | | | | |
| | | | | | | | | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | | |
| Project Support | A | X | A | Grant | A | N/A | A | Total disbursement | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | | Cash transfers | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | | Direct Payments | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | | Technical Assistance | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | | | | | | | | | | | | | | | | |
| | B | Y | B | Loan | B | N/A | B | Total disbursement | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | Cash transfers | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | Direct Payments | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | Technical Assistance | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | | | | | | | | | | | | | | | |
| | C | Z | C | Grant | C | N/A | C | Total disbursement | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | Cash transfers | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | Direct Payments | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | Technical Assistance | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |

5. Report Format: Donor Budget Expenditure Reporting

| Donor | Fund Code (Loan/Grant) | Project Code | Project name | Line Ministry / Agency | Project Component | Economic Category (Major) | Budget | |
|---------------------|---------------------------|-------------------|-----------------------|----------------------------|----------------------|-----------------------------------|--------|--------|
| | | | | | | | Budget | Actual |
| Donor Name (xxx) | | | | | | | | |
| | Loan / Grant No. | | | | | | | |
| | | Project Code (xx) | | | | | | |
| | | | Project Name (xxx) | | | | | |
| | | | | Ministry/Agen- cy (xxx) | | | | |
| | | | | | Component (i) | A) Use of Goods and services | xx Rwf | xx Rwf |
| | | | | | | B) Acquisition of Fixed Assets | xx Rwf | xx Rwf |
| | | | | | | C) Other Expenditures | xx Rwf | xx Rwf |
| | | | | | | Subtotal | xx Rwf | xx Rwf |
| | | | | | | A) Use of Goods and services | xx Rwf | xx Rwf |
| | | | | | | B) Acquisition of Fixed Assets | xx Rwf | xx Rwf |
| | | | | | | C) Other Expenditures | xx Rwf | xx Rwf |
| | | | | | | Subtotal | xx Rwf | xx Rwf |

1 S represents silent partners providing Sector Budget Support.

| ILLUSTRATION | | | | | | | | | | |
|---|---------------------------|--------------|---|---------------------------|----------------------|------------------------------|--------|--------|--|--|
| Donor | Fund Code (Loan/Grant) | Project Code | Project name | Line Ministry / Agency | Project Component | Economic Category (Major) | Budget | Actual | | |
| IDA | | | | | | | | | | |
| | Loan No 56/2000 | | | | | | | | | |
| | | RWA / 000731 | Life skills and Teacher Development Programme 2008-2012 | | | | | | | |
| | | | | 14- MINEDUC | Girls Education | | | | | |
| | | | | | | 62 Goods & services | 100000 | 10000 | | |
| | | | | | | | | | | |
| | | | | | | 2.1 Capital Expenditure | 25400 | 1800 | | |
| 1 S represents silent partners providing Sector Budget Support. | | | | | | | | | | |

Rwanda Aid Policy Manual of Procedures

[May 2011]

Republic of Rwanda



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