

AIDE MEMOIRE

Rwanda

Supervision Mission

Sixth Poverty Reduction Support Grant - P113241

January 3 – 6, 2011

1. INTRODUCTION AND ACKNOWLEDGEMENTS

1. The Rwanda Poverty Reduction Support Grant (PRSG) 6 (in the amount of US\$115.8 million) was approved by the Board on March 30, 2010. The effectiveness date was June 2, 2010 and the closing date is scheduled for June 30, 2011. This aide memoire covers key finding of the first supervision mission, January 3 – 6, 2011 in Kigali, conducted in parallel to the PRSG-7 appraisal mission.
2. Responsibilities of the team mission members were as follows: Birgit Hansl (based in Kigali) led the discussions with our counterparts, Peace Niyibizi (based in Kigali) assisted in the supervision process. Valens Mwumvaneza (based in Kigali), supported the team for assessing progress in the agriculture sector. Lewis Kabayiza Murara (based in Kigali), assisted on tracking progress in PFM and Civil Service Reform. Chantal Kajangwe (based in Kigali), with support from Irina Luca in Washington, supported the team in assessing progress in procurement. Bruno Mwanafunzi (based in Kigali), assisted the team on issues in the water sector. Paul Baringanire (based in Kigali), assisted the team on the energy sector. Alex Kamurase (based in Kigali), assisted on the issues related to decentralization reforms. From Washington D.C., Margo Hoftijzer assisted on assessing progress in the education sector and Elianne Tchapda provided administrative and logistic support to the team.
3. The mission would like to thank our counterpart at Government, including MINECOFIN and all line ministries and agencies, who contributed supporting evidence for the triggers of the PRSG-6.

2. CONTEXT

4. The PRSG-6 operation was meant to contribute to the strategic outcomes of the Country Assistance Strategy by focusing support on two Economic Development and Poverty Reduction Strategy (EDPRS) flagship programs—Growth for jobs and Exports, and Governance. It adopts policies and reforms that support more efficient governance and contribute to broad based growth by easing the key constraints posed by low agriculture productivity, low skills base, and the high cost of infrastructure services in Rwanda. Specifically, it aims at: (i) sustainably raising agricultural production; (ii) increasing access to infrastructure services; (iii) strengthening the framework for post-basic education, to build a skilled workforce and promote science and technology; (iv) deepening the financial sector including capacity building measures to facilitate increased access to finance by micro-enterprises; (v) strengthening the management of public resources at the central and local levels. It was drawn from the Common Performance Assessment Framework (CPAF) for monitoring the EDPRS, to reduce the transaction costs of Government reporting to donors on the use of aid funds.
5. **Triggers:** The PRSG-6 had 11 triggers all imbedded in the medium-term government reform program (see Annex 1). During the preparation of PRSG-7 two triggers were modified. The first trigger, *the Revision of the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) to include greater focus on and cost of Post Basic Education (PBE) and linkages to the labor market and Science Technology and Innovation (STI)*, was amended and reference to the LTSFF was dropped. The eleventh one, *“Pay and remuneration policy drafted and endorsed by key stakeholders on civil service reform and adopted by Cabinet*, was exchanged with another key action in this area. These triggers constitute the basis for PRSG-7 disbursement.
6. **Key outcome indicators:** The monitoring and evaluation of the PRSG series draws on the CPAF. The CPAF was developed by the Government in 2008, collaboratively with development partners, as a monitoring framework of the EDPRS implementation. The Bank monitors selected 12 key outcome indicators and the overall CPAF in close collaboration with Government and other budget support donors. Monitoring of data relies on the Government data.

3. KEY FINDINGS/PROGRESS OF SUPERVISION

7. During supervision the team found that the government has made progress in achieving triggers and key outcome indicators. Ten out of the 11 triggers were fulfilled (Annex 1). Only the trigger 10, the adoption by Cabinet and operationalization of a comprehensive 5-year capacity building strategy for local Government is still pending.
8. Of the 12 key outcome indicators of the PRSG series for 2009/10, eight were fulfilled. Two had no data measurement available and two were slightly underachieved. The

indicator (1) on credit to the private sector, suffered from the impact of the global economic downturn. ~~Annex 2~~ summarizes the expected outcomes and related indicators and targets and provides the actual achievements for 2009/10.

9. Rwanda has made impressive progress in regard to the number of EDPRS indicator targets which have been met already, as well as the number of policy actions which have been implemented since 2008. Monitoring of the EDPRS progress takes place in the context of the Joint Sector Reviews (JSRs) two times a year and is subsequently validated by the Joint Budget Support Review (JBSR). According to the Sector Working Groups¹ reports of the October 2010 JSRs, many sectors are now in a position to systematically monitor progress towards achieving the EDPRS targets. The government plans to revise the Monitoring & Evaluation framework of the EDPRS at its mid-term review in early 2011 in order to enable better the monitoring of progress.

4. AGREEMENTS REACHED

10. Agreement was reached that progress in implementing reforms supported by the PRSG-6 was satisfactory. This is also reflected in successful appraisal conclusion of the parallel appraisal mission of the PRSG-7 (see appraisal mission aide-memoire).

5. PENDING ACTIONS/NEXT STEPS

11. By supervision end, the trigger 10, the adoption by Cabinet and operationalization of a comprehensive 5-year capacity building strategy for local Government was still pending. However, the strategy was completed and submitted to Cabinet for consideration on December 29, 2010. Cabinet is still in its recess and will return in January 2011.

6. DISCLOSURE

12. The team discussed the Bank's Access to Information Policy introduced on July 1, 2010, in regard to disclosure specifically with our counterparts and reached an agreement during the mission. The Government of Rwanda agreed to disclosure. *The Bank and the Government of Rwanda confirm their understanding and agreement to publicly disclose this aide memoire. The disclosure of this Aide Memoire was discussed and agreed to with MINECOFIN led by Mr. Ronald Nkusi, Head of Financial Resources Mobilization Unit, MINECOFIN at the wrap-up meeting that took place on January 6, 2011, in Kigali.*

¹ SWGs, each chaired by a lead Government institution and co-chaired by a lead donor, monitor and report on their respective sector results and policy matrices. Sectors produce sector performance reports (around EDPRS, CPAF and budget indicators), which are subsequently discussed in Joint Sector Reviews (JSRs). Based on these discussions, summaries of sector performance over the fiscal year are signed by the co-chairs.

Annex 1-: Evolution of Triggers of PRSG 6

EDPRS Areas of Support	Aligned to the CPAF		
PRSG 5 to 7 Outcomes to be Monitored	PRSG-7 Trigger (proposed in the PRSG-6 operation)	Evolution to PRSG-7 Prior Actions	Status as of January 2011
Invest in Human Capital and Skills for Growth and Promote STI	(1) Revision of the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) to include greater focus on and cost of Post Basic Education (PBE) and linkages to the labor market and Science Technology and Innovation (STI)	<p>Prior action was amended and reference to the LTSFF was dropped. The prior action is:</p> <p>Revision of the Education Sector Strategic Plan (ESSP) to include greater focus on and cost of Post Basic Education (PBE) and its linkages to the labor market as well as Science Technology and Innovation (STI).</p> <p>Rational: A new financing model that has been used for the ESSP can be easily used for longer term projections. A separate LTSFF document was not found a useful exercise by Government, since it becomes outdated too quickly (as policies and content change often).</p>	<p>Met.</p> <p>The ESSP was completed with new financing model.</p> <p>The ESSP was assessed and endorsed by a multiple stakeholder group, including donors.</p>
Improve Economic Infrastructure	(2) Completion of a tariff study (including revised tariff structure) and its validation by Rwanda Utility Regulations Agency (RURA) and the Ministry of Infrastructure (MININFRA)	Same as trigger.	<p>Met.</p> <p>The electricity tariff study was completed, and subsequently validated by a workshop in October 2010.</p>
	(3) Removal of taxes (Import Duty and Value Added Tax) on Liquefied Petroleum Gas (LPG) to promote its use and reduce dependence on charcoal	Same as trigger.	<p>Met.</p> <p>The LPG VAT tax and Import Duty were removed.</p>
	(4) Design of a tariff framework for urban water services that promotes efficiency, reliability, equity and sustainability of water resources	Same as trigger.	<p>Met.</p> <p>The tariff framework for urban waters was finalized and validated by a workshop in December 2010.</p>

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PRSG 5 to 7 Outcomes to be Monitored	PRSG-7 Trigger (proposed in the PRSG-6 operation)	Evolution to PRSG-7 Prior Actions	Status as of January 2011
Raise Agricultural Productivity and Value Added Exports	(5) Development, costing and initiation of an action plan for capacity building of private sector agro-dealers in agricultural input procurement and distribution, particularly at decentralized levels	Same as trigger.	<p>Met.</p> <p>The Government provided an action plan, which took into account comments of the World Bank team.</p> <p>The Government has started to initiate these activities and provided a progress report on these activities as of December 2010.</p>
Broaden and Deepen the Financial Sector	<p>(6) Adoption by Cabinet of a comprehensive framework of support to Small and Medium Enterprises (SMEs) (including consolidation of financing mechanisms)</p> <p>(7) Gazetting of the Regulation governing Payment Service Providers</p>	<p>Same as trigger.</p> <p>Same as trigger.</p>	<p>Met.</p> <p>The SMEs development policy was adopted by Cabinet in June 2010.</p> <p>Met.</p> <p>The Regulation governing payment service providers was gazetted in March 2010.</p>
Develop and Enhance the Public Financial Management System	(8) Completion of the piloting of the Integrated Financial Management Information System (IFMIS) in central government, and its integration with the IPPS	Same as trigger.	<p>Met.</p> <p>IFMIS pilot and roll-out to Central Government agencies is completed and an implementation report was provided.</p> <p>IFMIS and IPPS integration was completed and tested in December 2010</p>
Strengthen Capacity and Transparency of Procurement Systems	(9) Cabinet approval of the bill to amend the Procurement Law to increase efficiency and transparency of public procurement	Same as trigger.	<p>Met.</p> <p>The Bill to amend the Procurement Law was approved by Cabinet in on December 15, 2010.</p>
Strengthen Implementation of Budget and Fiscal Decentralization Reforms	(10) Adoption by Cabinet and operationalization of a comprehensive 5-year capacity building strategy for local Government	Same as trigger.	<p>Not met yet.</p> <p>The strategy was finalized and is projected to be adopted by Cabinet in January 2011. Operationalization of the strategy already commenced and is reflected in a section of the strategy.</p>

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PRSG 5 to 7 Outcomes to be Monitored	PRSG-7 Trigger (proposed in the PRSG-6 operation)	Evolution to PRSG-7 Prior Actions	Status as of January 2011
Adopt Civil Service Reforms to Build Skills, Incentives and Retention	(11) Pay and remuneration policy drafted and endorsed by key stakeholders on civil service reform and adopted by Cabinet	<p>Prior action was amended by exchanging it with another key action in this area. The prior action is:</p> <p>Cabinet approval of the General Statutes for the Public Service.</p> <p>While this substitute trigger is less comprehensive than the expected Pay and remuneration policy, it is a key step towards the policy and towards increasing retention. The Statutes define the terms of public servant pay depending on performance on the job. The law introduces a bonus system for public servants linked to their annual performance reports.</p>	<p>Met.</p> <p>Cabinet approved the General Statutes for the Public Service in July 2010.</p>

Annex 2: Overview of Outcome Indicators Monitored Under the PRSG Series

Indicator	Baseline (2006)	Target 2009/10	Actual 2009/10	Data Source
(1) Credit to the private sector (as % of GDP)	10	12.2	11.7	BNR Monetary Survey
(2) Number of households and firms with access to electricity	91,332	139,000	159,516	MININFRA Report, and ELECTROGAZ Report
(3) MW of electricity generated	45	80	84	Mininfra
(4) % Classified District Road Network in Good Condition	11	19	53.8	MININFRA, Districts
(5) Percent of population with access to clean drinking water	64	75	76.2	EICV, MINIRENA, Districts, Water utility
(6) Percent of population with access to hygienic sanitation	38	50	56.3	Districts, MINISANTE MINIRENA, EICV DHS
(7) Proportion of arable land protected against soil erosion	40	50	80.9	Agriculture Household Survey/Enquete agricole
(8) Mineral Fertilizer used (MT)	14,000	30,800	27,906	EICV (benchmark) and BNR and RRA (Customs) for annual statistics
(9) Transition from basic education (TC) to upper secondary education	82	82	90.2	EMIS & LTSFF
(10) Percent of employees satisfied with performance of TVET graduates	n/a	9	n/a	LMIS & MINEDUC
(11) Percent of Districts achieving minimum of 80 percent of their service delivery and development targets for which they are responsible	60	65	67	Annual Imihigo reports
(12) Percentage of Performing Budget Agencies	No baseline coordination unit in place late 2008	25	n/a	Coordination Unit (PM office)