

**Sector Budget Support in Practice**  
**Case Study**  
**Education Sector**  
**in**  
**Rwanda**

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## List of Acronyms

ADB	African Development Bank
BNR	Banque Nationale du Rwanda
BSHG	Budget Support Harmonisation Group
BTC	Belgian Technical Cooperation
CDF	Common Development Fund
CIDA	Canadian International Development Agency
CNDP	Centre National de Développement des Programmes
CPAF	Common Performance Assessment Framework
CREP	Projet d'Appui à la Construction et à la Réhabilitation d'Ecoles Primaires
DFID	Department For International Development
DPAF	Donor Performance Assessment Framework
DPCG	Development Partners Coordination Group
EC	European Commission
EDPRS	Economic Development and Poverty Reduction Strategy
EFA	Education For All
EFU	External Finance Unit
EICV	Household Living Conditions Survey
EMIS	Education Management Information System
ESSP	Education Sector Strategic Plan
FARG	Fonds d'Appui aux Rescapés du Génocide (Genocide Survivors' Fund)
FTI	Fast Track Initiative
GBS	General Budget Support
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GIS	Geographic Information System
GTZ	German Agency for Technical Cooperation
HACT	Harmonised Approach to Cash Transfer
HEI	Higher Education Institutions
HIDA	Human Resource and Institutional Capacity Development Agency
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HRDP	Human Resource Development Project
ICT	Information and Communications Technology
IGE	Inspection Générale de l'Education
IMF	International Monetary Fund
JCSR	Joint Budget Support Review
JICA	Japan International Cooperation Agency
JRES	Joint Review of the Education Sector
KIE	Kigali Institute of Education
KHI	Kigali Health Institute
KIST	Kigali Institute of Science and Technology
LTSFF	Long Term Strategy and Financial Framework
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
MEFP	Memorandum of Economic and Financial Policies
MIFOTRA	Ministry of Public Service and Labour
MINALOC	Ministry of Local Government, Community Development and Social Affairs

MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MTEF	Medium Term Expenditure Framework
NCDC	National Curriculum Development Center
NGO	Non Governmental Organisation
NISR	National Institute of Statistics of Rwanda
NEC	National Examination Council
NER	Net Enrolment Rate
NUFFIC	Netherlands Organisation for International Cooperation in Higher Education
NUR	National University of Rwanda
OAG	Office of the Auditor General
ODA	Official Development Aid
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PRSG	Poverty Reduction Support Grant
PRSP	Poverty Reduction Strategy Paper
SBS	Sector Budget Support
SG	Secretary General (Permanent Secretary)
SIDA	Swedish International Development Agency
SFAR	Student Financing Agency in Rwanda
SWAp	Sector Wide Approach
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UNWFP	United Nations World Food Program
WB	World Bank

## Executive summary

1. This study documents the experience with Sector Budget Support (SBS) in the education sector in Rwanda. It forms part of a broader study commissioned by the Strategic Partnership with Africa Task Team on Sector Budget Support which covers ten sector case studies from six different countries. The purpose of the study is to draw together experience of SBS to guide future improvements in policy and practice by partner countries and donors in order to maximise the effectiveness of SBS in improving sector outcomes.

### **Sector Context**

2. The education sector in Rwanda has made tremendous progress in improving access to primary and to a lesser extent secondary education since the early 2000s. Key policy decisions such as the fee free primary and lower secondary have contributed to this evolution. This positive evolution is set within a comprehensive policy framework and very structured donor coordination mechanism. A Sector Wide Approach (SWAp) was set up in 2003, and a set of common Partnership Principles were signed in 2006 – both of which were pioneered by the education sector. The improvements in the education sector have taken place in the context of improving public finance management (PFM) and accountability in Rwanda, and a policy of decentralisation.

3. Challenges remain: the education sector now faces the pressing need to maintain and improve quality of education, increase completion and transition rates from primary to secondary, enhance teacher motivation and qualification and enable a more relevant and competitive post basic and higher education. Key challenges therefore include matching the teacher workforce and education infrastructure with needs, improving the efficiency of the education sector management by MINEDUC and decentralised entities through the civil service reform, strengthening internal accountability mechanisms, and ensuring long term sustainability of the financing of the education sector.

### **The Nature of Sector Budget Support**

4. The education sector in Rwanda receives three types of aid which can either be categorised as sector budget support, or hybrid approaches with some characteristics of sector budget support: (1) general budget support programmes with a specific education window on non-traceable funding earmarked to the education sector overall; (2) non-traceable sector budget support programmes earmarked as additional resources to the education sector; and (3) traceable earmarked support to the education capacity building pooled fund. Type 2 is the only one that corresponds to the study definition of Sector Budget Support, but other types have been included in this study in order to ensure better understanding and coverage of SBS modalities and outputs.

5. Type 1 appeared in 2000 with DFID, and type 2 in 2002 with SIDA. Sector Budget Support (type 2) increased significantly in 2006 after the agreement on a Joint Education Sector Support (JESS) programme which included the development of an education capacity building pooled fund. Soon after this, UNICEF began to provide type 3 funds directly to this capacity building pooled fund. In 2007 the Fast Track Initiative joined the JESS, providing a significant boost to the levels of SBS funding. By 2008 the education sector in Rwanda received Sector Budget Support (type 2) from 6 donors.

6. By 2007 Sector Budget Support (type 2) had become the dominant form of aid to the sector. It has increased to 60% in 2007 of the external support earmarked to the education sector in 2008 it increased again to 90% it represented 48% of the total education budget in 2008. Whilst in-year predictability of funding has been reasonable, medium and long term predictability has been poor.

7. While both the general budget support (GBS) programmes with an Education Window (type 1) and SBS (type 2) use government systems in their entirety, UNICEF funding to the Pooled Fund

(type 3) does not pass through the treasury. Dialogue and conditions relating to the three aid modalities take place in the context of a structured framework between the Government of Rwanda (GoR) and donors at the national and sectoral level. The conditions relating to education agreed in the context of GBS (other than type 1 mentioned above) do, however, differ from those agreed at the sector level in the context of SBS. In the first half of the 2000s the provision of GBS with an Education Window and SBS was facilitated with dialogue and TA/Capacity building projects. After JESS and the creation of the Capacity Building Fund in 2006, an explicit link between SBS and capacity has emerged.

### ***The Effects of Sector Budget Support***

8. The effects of the provision of SBS can be summarised as follows:

- Improved quality of policies, planning, costing, with most progress being made in the first half of the 2000s. Such improvement was required by donors in order to make the move to type 2 SBS, and was supported by specific TA and dialogue through GBS with specific education window.
- Improved budgeting, reporting and monitoring in the sector, supported through policy dialogue, conditions and the provision of technical support linked to the provision of SBS. The use of national systems and alignment with national budgeting and reporting systems by SBS donors have been instrumental, in particular via non-traceable earmarked support as well as the use of reports produced for the purpose of the JRES as the basis of disbursement. Nevertheless, there remains room for improvement in sector and budget reporting, performance analysis, and improved coherence in the dialogue and conditions between SBS and GBS.
- Increased funding for service delivery in the sector, including: a reorientation towards and a scaling up of funding to primary education; an increased budget overall and particularly for key budget lines such as capitation grant, textbooks, construction. The considerable increase in GBS and subsequent very significant increase in SBS (thanks to FTI support) were instrumental in supporting this evolution. This was underpinned by increased GoR discretion on budget allocations, made possible through requirements of additionality and earmarking of non-traceable SBS. More importantly the policy dialogue in the context of the JRES and the budget process also helped to influence intra-sector allocations, which importantly included MINECOFIN.
- The use of government systems by sector budget support and the wholesale shift to SBS by donors, combined with improvements in PFM across government which was supported by GBS, led to a strengthening of overall PFM in the sector and increasingly reliable funding. In addition, there was a progressive focus on support to improved school financial management and planning. However, in-year unpredictability of SBS disbursements still makes MINECOFIN's management of budget disbursements more difficult.
- The capacity of service delivery institutions and systems for service delivery has been tested by the use of government systems. The capacity building fund is also potentially good practice, but it is not automatic that it will be government owned, or that funding will be channelled to capacity and systems gaps. It is now usefully focusing on system and capacity gaps at the local level. Finally the capitation grant has provided significant additional funding which has helped increase teacher motivation and enabled the hiring of contract teachers – this is empowering schools to improve themselves. SBS is nevertheless, yet to contribute to significant strengthening of institutions. The dialogue associated with SBS has steered clear of public sector reforms, which have left MINEDUC with currently only 42 staff. However, overall, the contribution to building capacity of institutions at various levels has been weak relative to other areas.
- Regarding accountability processes, SBS has strongly contributed to minimising parallel accountability requirements and one early derogation – the donor demand for the

establishment of the annual Joint Review of the Education Sector – has actually had a positive result in filling a gap in the sector’s own monitoring and review processes, thereby strengthening accountability. The channelling of SBS through the education budget to decentralised entities and schools, in parallel with the increasing decentralisation of the education budget, have helped to strengthen internal accountability mechanisms between MINEDUC and decentralised levels. However domestic accountability processes remain weak, and continued efforts are needed to support their strengthening and minimise parallel accountability requirements.

9. The provision of SBS types 1 and 2 in the early 2000s influenced the improvements in education outcomes through changes in policy, which inter-alia included the abolition of fees in primary education and its consequential rapid increases in access. Equally importantly it helped support the development of the strategies and plans that paved the way for the dramatic shift of donors to SBS.

10. SBS, both in terms of funding, policy dialogue and conditions, has contributed towards the reorientation of the budget towards primary education and the expansion of budget lines relating to capitation, textbooks and classroom construction. This in turn has increased the availability of Teaching and Learning Materials, allowed the construction and maintenance of school facilities, and also the recruitment of contract teachers. These are all likely to have a significant effect on education outcomes in the future. There is, however, a need to address the number, remuneration, deployment, management and professionalization of teachers over the medium term, if benefits are to be maximised.

11. It is also important to underscore that both GBS and SBS complemented one another and it is unlikely that the achievements within the sector would have been so great if one or the other had not been provided.

### **Conclusions and Recommendations**

12. Overall, the experience of the provision of SBS in the Rwandan education sector is an extremely positive one, in which, the objectives of both the government and donors are being met. There are several examples of positive practice that can be drawn from the Rwandan case, which include:

- *Overall Design and Implementation:* institutionalised structures for dialogue and conditionality in the sector contributed to build systems, processes and trust, and bring all donors on board. In particular, Partnership Principles and JESS provided a framework which gave other donors confidence to move to SBS in a harmonized way. The establishment of the annual JRES also addressed an important gap in the monitoring sector performance and contributed to increased trust and transparency. In addition, the role of the lead donor was essential in leading by example and bringing new donors on board. Finally, loose requirements for additionality and the use of non-traceable rather than traceable SBS have minimised unnecessary derogations and transaction costs.
- *Resource allocation:* SBS had strong effects on sector resource allocations through the aforementioned use of non-traceable earmarking and additionality. These were used as tools for influencing overall sector resource allocations through negotiations with the Ministry of Finance and Ministry of Education.
- *Planning, Budgeting and Reporting:* The establishment of a clear framework of policy and costed strategic plan before the wholesale shift towards SBS was crucial. This allowed a shift to SBS, and enabled the dialogue to focus on addressing financing gaps and aligning resources towards the policy framework. The emergence of the JRES as a focal point for monitoring sector performance also allowed a harmonised process of SBS donors’ assessment of government performance, thereby reducing transaction costs significantly. The magnitude of the shift towards SBS helped contribute to increasing budget allocations.

- *Financial Management*: the sector has focused on improving financial management at the service delivery level, using the capacity building pooled fund, thereby addressing sector level PFM issues which are beyond the reach of cross-cutting reforms. GBS has allowed donors to support improvements in overall PFM and government resources, which have then enabled a more efficient use of SBS resources. This would not have been possible with SBS alone.
- *Institutional Capacity and Service Delivery Systems*: The use of government systems by SBS has meant that the capacity demanded from staff within sector institutions relate to their core roles in the education system. The establishment of a capacity building fund alongside the provision of SBS is potentially good practice. However, it should be recognised that the capacity building fund can only complement and support the overall civil service reform and Government's own efforts to strengthen the capacity of MINEDUC, local governments and schools. Arrangements need to be established to ensure that capacity building initiatives funded through the pooled fund are well directed towards institutional needs and systems development, and are adequately coordinated with other capacity building efforts across Government.
- *Accountability*: The use of government systems in the provision of SBS and minimal parallel requirements of SBS, has raised the profile of domestic accountability processes, whether within the executive or parliamentary oversight. The use of non-traceable earmarking, instead of traceable earmarking, meant that there is greater ownership of budget allocations and annual workplans within the sector, as the government maintains discretion over the budget. Influence is exercised through the dialogue, instead.

13. However, there remain areas where opportunities have been missed, and greater gains can be made in future:

- The Rwanda case shows the complementarity between GBS and SBS - combined they strengthen their contribution towards improved predictability of sector funding, and overall impact on the sector. This means that SBS without GBS or GBS without SBS would most probably have had a much less significant impact on the education sector. In Rwanda education, the added value from this combination could be further enhanced by better information sharing and coordination between GBS-related dialogue and SBS-related dialogue, both in terms of donor involvement and government (MINECOFIN and MINEDUC) involvement.
- The second important lesson is that all efforts to use government systems and build human and institutional capacity require government-wide reforms. These are important so that the specificities of the education sector are taken into account and an adequate framework for management and implementation of education policies is provided. A stronger link between cross cutting reforms such as civil service reforms, PFM reforms, and initiatives to strengthen internal accountabilities is essential. Donors have a role to play in that respect, by strengthening the dialogue and interaction between donors involved at sector level and at central level (including within donor agencies).
- Finally, the remaining lack of long term predictability of funding to the education sector remains a major constraint to enhancing further the performance of the sector. This is due both to the lack of long term commitment by some donors in particular the FTI, and the potential reduction in number of donors supporting the education support in coming years. This has occurred mainly as a result of the "division of labour" which has not (so far) compensated by providing increased support of donors who choose to stay in the education sector.

## 1. Introduction and Study Objectives

14. This is a case study examining Sector Budget Support in the Education sector in Rwanda. It forms part of a broader study commissioned by the Strategic Partnership with Africa Task Team on Sector Budget Support which covers 10 case studies in six countries.

15. The overall purpose of the study is to draw together experience of SBS to guide future improvements in policy and practice by partner countries and donors. The additional objective of this case study is to assess the lessons from experience to date in the education sector and to provide the Government of Rwanda and donors with guidance that will help them improve the design and implementation of SBS in future.

### 1.1. Methodology

16. The case study has been carried out using a methodology (ODI and Mokoro, 2008) which draws from evaluation frameworks of General Budget Support (IDD and Associates, 2006; Lawson and Booth, 2004, Caputo, Lawson and van de Linde, 2007), and the specific requirements of the Terms of Reference for the Assignment. The assessment framework has four levels:

- Level 1 breaks down sector budget support into inputs, both financial and non financial inputs such as dialogue, conditionality and associated technical assistance and capacity.
- Level 2 identifies out the immediate effects of SBS inputs on the overall nature of external assistance to the sector.
- Level 3 examines the outputs influenced by SBS in terms of sector policy, budgeting, financial management, institutional capacity, service delivery and accountability systems and processes.
- Level 4 examines the likely influence of SBS on outcomes in the sector, in terms of the achievement of sector policy objectives and service delivery.

17. The assessment framework also recognises the importance of external factors on the effects of SBS, the context within which it is provided, and the existence of feedback loops between and within each of the levels. A diagram of the assessment framework is provided in Annex 1.

18. The primary question posed for the case studies by the terms of reference is as follows:

*How far has SBS met the objectives of partner countries and donors and what are the good practice lessons that can be used to improve effectiveness in future?*

19. The key purpose of the study is therefore the identification of good practice. It is not an evaluation. Therefore the assessment framework will be used as the basis for the identification of cases good practice. For the purpose of this study, good practice is defined as:

*Instances where SBS inputs (level 1), and their influence on the overall nature of external assistance to the sector (level 2), have helped strengthen sector processes (level 3) in areas which have improved, or will plausibly improve, service delivery outcomes (level 4).*

20. The case studies follow four steps in applying the assessment framework:

- The first step involves analysis of the country, sector, and aid environment, in particular evolution of sector systems and service delivery outcomes (i.e. the context in which results, from levels 1 to 4, are to be achieved).
- The second step involves documenting and assessing the specific nature of SBS provided to the sector, and its effects on the quality of partnership in the sector (level 1).

- The third involves an assessment of the effects of SBS from inputs to outputs (i.e. across Levels 1 to 3). This is carried out along four dimensions:
  - (i) Policy, planning and budgeting processes and monitoring and evaluation systems;
  - (ii) Sector procurement, expenditure control, accounting and audit processes;
  - (iii) Sector institutions, their capacity and service delivery systems; and
  - (iv) Domestic, ownership, incentives and accountability (See Figure 4).
- The fourth step involves an assessment of contribution of outputs influenced by SBS to improvements in sector outcomes (level 4).

The structure of this report follows the four steps. Under each of the four steps Main Study Questions (SQs) have been identified, as shown in

Box 1.

#### **Box 1: Main Study Questions**

<p><b>Step 1: Setting the Country, Sector and Aid Context</b></p> <p>SQ1.1: What have been the main national trends in poverty, economic performance, governance, and public sector delivery prior to and during the provision of SBS?</p> <p>SQ1.2: How have sector processes, institutions, accountability and service delivery outcomes evolved prior to and during the provision of SBS?</p> <p>SQ1.3: What has been the environment for external assistance at the national and sector level?</p> <p><b>Step 2: The Key Features of SBS Provided and its Effects on the Quality of Partnership</b></p> <p>SQ2.1: What are the key features of the SBS that has been provided?</p> <p>SQ2.2: Has SBS contributed positively to the quality of partnership and reduction in transaction costs between development partners, the recipient government and civil society?</p> <p><b>Step 3: The Influence of SBS in Practice on the Sector and Lessons Learned</b></p> <p>SQ 3.1: What has been the influence of SBS on Sector Policy, Planning, Budgeting, Monitoring and Evaluation Processes, and what are the constraints faced and lessons learned in practice?</p> <p>SQ3.2: What has been the influence of SBS on Procurement, Expenditure Control, Accounting and Audit Systems at the Sector Level, and what are the constraints faced and lessons learned in practice?</p> <p>SQ3.3: What has been the influence of SBS on Sector Institutions, their Capacity and Systems for Service Delivery and what are the constraints faced and lessons learned in practice?</p> <p>SQ3.4: What has been the Influence of SBS on Domestic Ownership, Incentives and Accountability in the Sector, and what are the constraints faced and lessons learned in practice?</p> <p><b>Step 4: The Effectiveness of SBS, and the Conditions for Success</b></p> <p>SQ4.1: What are the main contributions that SBS has made to the improvement of sector policy processes, public financial management, sector institutions, service delivery systems and accountability, and what were the conditions for success?</p> <p>SQ4.2: Have the improvements in sector systems and processes to which SBS has contributed, had a positive influence on sector service delivery outcomes, and are they likely to do so in future?</p>
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1. The conclusion will draw out the answer to the primary questions, and examine how the practice of the provision SBS to the education sector can be improved in future.

## **1.2. Activities Carried Out**

21. The field visit took place between November 17th and December 6<sup>th</sup> 2008. It included meetings of key government officials in MINEDUC, MINECOFIN and key education institutions such as the National Curriculum Development Centre, the Inspection General of Education, the National University of Rwanda.

22. All donors providing SBS to the education sector were met, as well as key donors providing support to education either through project mode (US, Japan) or through GBS (EC, World Bank).
23. A field visit was organised in Gicumbi District in the Northern Province, where the team met with the District education officer, and visited a secondary and a primary school.
24. The consultants also participated in a meeting of the education donor group, an education cluster meeting, and presentations of the findings of a study on Teacher Motivation and Incentives in Rwanda.
25. The complete list of persons met is provided in Annex 4.

## 2. Country, Sector and Aid Context

### 2.1. Country Context

**SQ1.1: What have been the main national trends in poverty, economic performance, governance, and public sector delivery prior to and during the provision of SBS?**

#### *Economic Growth and Poverty Reduction*

26. Years of political instability, which culminated in the genocide of 1994, devastated Rwanda's population, economy and institutions of governance. Rwanda is now one of the ten most densely populated countries in the world, with a rapidly growing population of over 8 million.

27. In the aftermath of the genocide (1996-2000), real GDP grew at over 10% per year as the economy recovered from a low base. This was followed by a period of stabilisation (2001-2006) during which real growth fell to an annual rate of 6.4%. Despite the fact that Rwanda has grown more strongly than the average economy in Africa in the last five years, there are important causes for concern about recent growth performance, which is undermined by population growth of 2.7% annually. The EDPRS1 aims for the annual GDP growth rate to rise from 6.5% to 8.1% by 2012.

**Table 1: GDP growth in Rwanda 1996-2006**

	Average annual growth		Share of GDP	
	1996-2000	2001-2006	1996-2000	2001-2006
<b>GDP</b>	10.8	6.4	100	100
Agriculture	9.5	4.8	37.7	36.4
Industry	7.5	8.1	15.1	14.2
Services	11.7	7.4	41.9	43.8

Source: World Bank CAS 2009-2012

28. As for the fiscal performance, it has improved over the last five years, with revenue collection growing to around 13% of GDP in 2006. The domestic fiscal deficit has widened from around 2% of GDP in 2001 to 6% in 2006<sup>2</sup>, due to large increases in Aid. Rwanda has also benefited from both the Heavily Indebted Poor Country (HIPC) and Multilateral Debt Relief (MDR) initiatives resulting in a sustainable debt position, in which the net present value of debt to export ratio is less than 60%.

29. According to the 2005/2006 household survey, 56 % of Rwandans live below the national income poverty line. Inequality is high by African standards. The Gini coefficient increased from 0.47 to 0.51 between the two household surveys (2001-2006). Poverty in Rwanda is largely a rural- and agricultural-phenomenon with rural poverty at 67%, with significant regional disparity. Table 2 presents an overview of Rwanda's progress towards MDG targets.

**Table 2: Progress towards MDG targets**

MDG	Baseline (2000)	Latest status	MDG Target 2015	Attainment prospects
<b>1. Eradicate extreme poverty and hunger</b>				
Poverty headcount (below national poverty line)	60.4%	56.9%	30.2%	Not likely
Extreme poverty incidence	41.3%	36.9%	20.7%	Not likely
Prevalence of malnutrition (children under 5)	24.5%	18%	15%	Attainable
<b>2. Achieve universal primary education</b>				
Net primary enrolment	72.0%	96%	100%	Attainable
Completion rate in primary school	24.2%	52%	100%	Attainable
<b>3. Eliminate gender disparity</b>				

<sup>1</sup> Second-generation Poverty Reduction Strategy (Economic Development and Poverty Reduction Strategy).

<sup>2</sup> Revenue excluding grants minus current expenditure, domestically financed capital expenditure, and net lending, excluding external interest. Source: IMF (2007) MEFP Tables.

Women participation in parliament		56%	50%	Achieved
Gender equality in primary and secondary education		Achieved		Achieved
<b>4. Reduce child mortality</b>				
Under 5 mortality (per 1000)	196.0	103.0	65.0	Attainable
Infant mortality rate (per 1000)	107.0	62.0	35.0	Attainable
<b>5. Reduce maternal mortality</b>				
Maternal mortality (per 100000)	1071.0	750	286	Not likely
<b>6. Halt/reverse AIDS, malaria and other diseases</b>				
HIV prevalence	13%	3%		Attainable
Malaria related mortality	51%	26%		Attainable
<b>7. Ensure environmental sustainability</b>				
Access to improved water source	64%	71%	82%	Attainable

Source: MINECOFIN presentation at Development Partners Meeting, November 2008

### Political Governance

30. The Rwandan Patriotic Front, led by Paul Kagame, came to power following the 1994 Genocide, removing the previous government. Multi-party democracy was installed nine years later, when, in 2003, parliamentary and presidential elections were held. The ruling party won a resounding victory, and Paul Kagame was returned as President for a seven year term.

31. Rwanda is a unitary state, with three main levels of government: central government, 4 Provinces plus Kigali City, and 30 districts (*akarere*). Below districts are two additional administrative levels: 416 sectors (*imirenge*) and 2150 cells (*imidugudu*). Provinces are devolved government entities which act mainly as coordination bodies, while districts are the main recipients of central government transfers, and key service delivery entities. Plans are to decentralise further down to sector level in the coming years.

32. The decentralisation process was launched in 2000 with the adoption of the Decentralisation Policy<sup>3</sup>. Large scale fiscal decentralisation started in 2006 with the scaling up of transfers from central government to districts. In the 2008 budget, districts receive Rwf81bn, which represents 13% of the total budget. The Common Development Fund (CDF) was created in 2002 to finance and coordinate investment expenditures in districts. It receives its revenue from both development partners and the Government.

33. Strong internal accountability mechanisms have been developed with the performance contracts (*imihigo*) signed by district mayors with the President of the Republic, the Akagera retreat assessing the implementation of annual work plans within Government, and the National Dialogue which takes place in December each year involving private sector and civil society. In parallel, the role and capacity of the National Parliament has been strengthened as has that of the Office of the Auditor General under its responsibility.

34. Nevertheless, public sector capacity remains weak. The 1994 events left Rwanda with destroyed public institutions and very limited capacity in the public and private sectors. The acute lack is particularly pervasive in the public sector, where only 6.5% of public servants have some university education and 2.7% have a university degree<sup>4</sup>. Refugees who returned to Rwanda since 1994 and found employment in the public sector have not fully compensated for lost skills.<sup>5</sup> The World Bank Public Sector Capacity Building Project identifies a series of challenges for strengthening public sector capacity in Rwanda: a need to strengthen the link between public service reform and capacity building initiatives, high staff turnover mainly due to non-competitive Government salaries, and weak ownership and coordination of capacity building initiatives. Two initiatives have been taken to address these issues. The first one is the Public Sector Reform Strategy (2003), which led to a restructuring of central ministries transforming the role of central government agents from deliverers of services to overseers and facilitators. It was accompanied by

<sup>3</sup> <http://www.minaloc.gov.rw/spip.php?article10>

<sup>4</sup> 2004 data.

<sup>5</sup> From World Bank Project Appraisal Document, Public Sector Capacity Building Project, 2004.

a significant reduction in the size of civil service while the total wage bill remained stable. The second one is the setting up of HIDA, public agency in charge of coordinating and overseeing capacity building initiatives across Government.

### **Policy, planning and public financial management**

35. Vision 2020, which was developed under the leadership of the Office of the President between 1998 and 2000 and the Economic Development and Poverty Reduction Strategy (EDPRS)<sup>6</sup> provide the overarching framework for GoR plans and policies. They define priorities and targets respectively for the long term (2020) and the medium term (2012).

#### **Box 2: Six pillars of Vision 2020 and EDPRS flagships**

Rwanda's Vision 2020 is built around six pillars: (i) good governance and a capable state; (ii) human resource development and a knowledge-based economy; (iii) a private sector-led economy; (iv) infrastructure development; (v) productive and market-oriented agriculture; and (vi) regional and international economic integration. It also emphasizes the importance of progress on four cross-cutting issues: (i) gender equality; (ii) natural resources; (iii) the environment; and (iv) science, technology and ICT. Vision 2020 sets objectives and targets for Rwanda in 2020 that are in line with – and sometimes more ambitious than – the MDGs.

The EDPRS (2007-2012) is built around 3 flagship programmes: Sustainable Growth for Jobs and Exports, Vision 2020 Umurenge, which aims to accelerate the rate of poverty reduction by promoting pro-poor components of the national growth agenda, and Governance. In education and skills development, the emphasis is on increasing the coverage and the quality of nine year basic education, strengthening Technical and Vocational Education and Training (TVET), and improving the quality of tertiary education.

36. In recent years, excellent progress has been made in constructing a modern public financial management (PFM) system in Rwanda<sup>7</sup>. The introduction of the MTEF in 2001 has strengthened the links between policy and budgets and made the budget more transparent; the SMARTGOV<sup>8</sup> and cash budget systems have enabled Government to exercise greater control over expenditure and prevent the build up of excessive arrears

37. The Office of the Auditor General was established by law in 1998<sup>9</sup>, and was shifted by the 2003 Constitution from being under the executive and judiciary to reporting primarily to the Parliament. The National Tender Board was also introduced in the late 1990s. Subsequently, Law N° 12/2007 on Public Procurement introduced decentralisation of procurement responsibilities to budget agencies while the Rwanda Public Procurement Authority – which replaced the National Tender Board - retains the supervisory and regulatory roles and provides the technical and capacity building requirements. These reforms have led to a significant improvement in oversight.

38. Expenditures have generally been in line with budgets, and a policy of zero-tolerance on corruption has been implemented, through the active role of the Ombudsman office. The production of the first consolidated financial statements on the fiscal year 2006 was a major achievement.

39. The Law on State Finance and Property adopted in 2006 has involved a major decentralisation of PFM, from MINECOFIN to line Ministries and other budget agencies. Budget execution and the power to execute *virements* (transfers) has been decentralised to the Chief Budget Manager in

<sup>6</sup> The EDPRS is now in its second full iteration.

<sup>7</sup> The recently completed PEFA exercise qualifies Rwanda's PFM reforms as 'impressive given the circumstances, resources and capacities of the country', and 'remarkable'. Johnson M., Wynne A., Karamaga C., Nkera J., Sebudandi A. (2007).

<sup>8</sup> SMARTGOV is a computerised expenditure commitment and payment recording system. All ministries and most provinces are now part of the SMARTGOV network. Districts are in the process of being connected.

<sup>9</sup> Law no. 05/1998.

each Budget Agency. This allows increased ownership by line ministries of their budget and budget execution process, as well as reducing the time needed for payments to be approved.

40. Finally, a new format was introduced for the Finance Law in 2008, ensuring improved transparency and visibility. It now presents a three year perspective and moves towards integration of the recurrent and development budgets by presenting them together under each programme. Presentation of revenues was also enhanced allowing a clear overview of planned SBS and GBS funding. It should also be noted that Rwanda is aligning its budget cycle with the East African Community, and will therefore have a six month budget in January-June 2009, following which the budget year will start in July.

## 2.2. Sector Context

### **SQ1.2: How have sector processes, institutions, accountability and service delivery outcomes evolved prior to and during the provision of SBS?**

41. This section provides an overview of how the education sector has evolved since 2000. Annex 2a) provides more detailed analysis and data.

#### ***Education inputs, outputs and outcomes***

42. Thanks to its policy of fee free primary education that started in 2004, Rwanda has achieved an impressive growth in net enrolment rate in primary, from 73% in 2000 to 96% in 2007, which represents an additional 674.000 children in school every year.

43. Nevertheless, it has not been possible to provide the inputs necessary to maintain or improve quality standards to match up with the surge in the number of pupils. The pupil:teacher ratio has increased from 51 in 2000 to 74 in 2007, and the number of pupils per class has increased from 64 to 70 over the same period despite use of teacher double-shifting in primary 1 to 3. Teacher recruitment has been limited, whilst expenditure on classroom construction only accelerated since 2006. Accordingly, drop out and repetition rates in primary have remained stable over the past few years at high levels of respectively 14% and 18%. This represents a high degree of inefficiency, putting significant strain on the system as outlined by the 2007 PER: “low proportions of the initial intake complete the six years [of primary], making for an extremely ineffective and inefficient use of resources”; “the cohort analysis shows that for every student who completes the six grades, over 14 student-years have to be taught”.

44. Following the strong improvements in access to primary education, the main challenges are therefore for Government to ensure that pupils now benefit from a quality education, which implies in particular ensuring adequate teacher recruitment, motivation and management, providing sufficient school material and textbooks, and scaling up school construction.

45. Enrolment rates in secondary education remain low at 13% NER, despite doubling since 2001. The gross enrolment rate at tertiary level is 3.2%, which is regionally comparable. The number of students in the eighteen higher learning institutions, six of which are publicly funded, increased from 10,000 in 2002 to 27,787 in 2005 and more than 40,000 in 2007. The suppression of lower secondary education fees and the recent Government focus on 9-year basic education for all – as well as the greater numbers of pupils completing primary school – represent a major challenge for GoR over the coming years, in scaling up the provision, quality and relevance of secondary education and more broadly of post-basic education as a whole.

46. It should also be noted that there is an absence of information on the quality of education in Rwanda, as the 2007 PER points out: “Rwanda has no comparative, objective assessment of learning achievement at any level of education to show the extent to which students are achieving the curriculum learning goals or their achievement compared with children at similar levels in other countries”. Nevertheless, in terms of final outcomes, Household Survey Data (EICV2 2006) data

shows that approximately two-thirds of people aged 15 and over declare themselves to be literate. The overall literacy rate for 15-24 year olds is some twelve percentage points higher than that for the population as a whole. This increase does indicate improved literacy rates over time, and that education policies are having an impact on literacy levels.

47. Finally, the number of people holding a tertiary education diploma in Rwanda remains strikingly low, and GoR faces the challenge of improving access to universities while keeping a limit on the share of higher education in the education budget.

**Table 3: Evolution of Service Delivery Inputs, Outputs and Outcomes over Time**

	2000/01	2001/02	2002/03	2003/04	2005	2006	2007
<b>PRIMARY EDUCATION</b>							
<b>STUDENTS</b>							
Gross Enrolment Rate	99.9%	103.7%	128.4%	130.8%	137.3%	145.3%	151.9%
GER Boys	101.9%	105.8%	129.0%	130.6%	136.7%	143.4%	151.3%
GER Girls	98.2%	102.3%	127.8%	131.0%	137.8%	147.2%	152.5%
Net Enrolment Rate	73.3%	74.5%	91.2%	93.0%	93.5%	95.0%	95.8%
Completion Rate	24.2%	29.6%	38.1%	44.9%	46.7%	51.7%	52.0%
Transition Rate	37.0%	43.0%	45.0%	60.8%	58.3%	59%	
Repetition Rate	31.8%	17.2%	20.6%	18.8%	15.8%	18.1%	
Drop out Rate	14.2%	16.6%	15.2%	14.0%	14.6%	14.3%	
<b>TEACHERS</b>							
Head and teachers	28,698	26,024	27,319	28,254	29,033	30,637	31,037
Teacher Student Ratio	51	58.9	64.5	66.9	69.0	70.9	74.0
<b>Schools</b>							
Schools	2,142	2,172	2,203	2,262	2,295	2,323	2,370
Classroom	27,339	27,735	28,806	29,385	29,748	30,434	30,737
<b>SECONDARY EDUCATION</b>							
<b>STUDENTS</b>							
Gross Enrolment Rate		11.2%	13.4%	15.4%	16.6%	18.4%	20.5%
Net Enrolment Rate		6.5%	10.2%	10.6%	9.0%	10.1%	13.1%
Repetition	14.0%	9.6%	9.2%	9.8%	8.7%	7.7%	
<b>TEACHERS</b>							
Total public+private	5,453	6,329	7,058	7,750	7,610	7,818	12,103
Qualified Teacher student Ratio	52.1	47.8	49	51.5	55.5	58.7	41.3
<b>Schools/ Classrooms</b>							
Total public+private	376	393	405	504	553	579	643
<b>LITERACY</b>							
Literacy level (%)	71	n/a	n/a	n/a	n/a	74	n/a
Literacy level (% of 15 - 24 year old)	74	n/a	n/a	n/a	n/a	77	n/a

Source: MINEDUC, 2008 report to donors; EDPRS

### **Education budget**

48. The Education sector budget has been following an upward trend since 2002, in absolute terms, and as a percentage of GDP and the total budget. A major increase took place in 2005: the recurrent education budget grew from 11% of total recurrent expenditure to 20% in 2006, corresponding to an increase by 93% of the recurrent education budget and by 62% of the total education budget. This share has been maintained since then, although the education budget is now starting to stabilise around 15% of the total budget, and 4-4.5% of GDP.

**Table 4: Evolution of the Total Education budget over Time**

<i>in million rwf</i>	2002	2003	2004	2005	2006	2007 budget	2008 budget
Total recurrent budget education sector	17.405	21.754	23.302	44.995	55.819	71.079	82.557
<i>central level</i>	16.281	20.316	21.827	25.420	33.186	37.517	38.119
<i>decentralised level</i>	1.124	1.437	1.476	19.575	22.632	33.562	44.438
Total development budget education sector	n/a	7.796	9.521	8.273	10.002	19.738	18.648
<i>internally financed</i>	n/a	574	928	2.991	3.508	12.957	18.648
<i>externally financed</i>	n/a	7.221	8.594	5.281	6.495	6.781	0
<b>Total education budget</b>	<b>n/a</b>	<b>29.551</b>	<b>32.824</b>	<b>53.268</b>	<b>65.821</b>	<b>90.817</b>	<b>101.205</b>

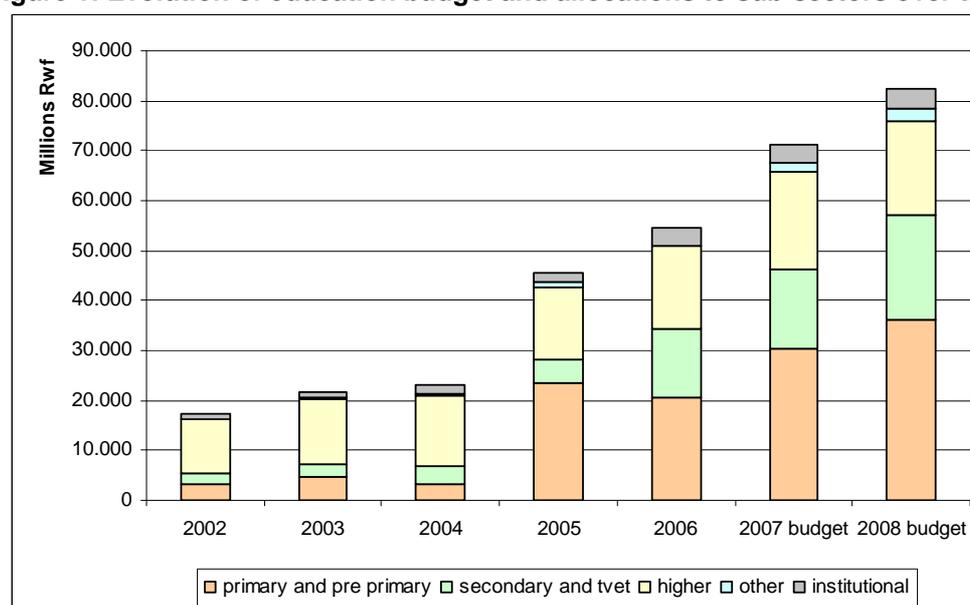
Recurrent education budget as a % of total recurrent expenditure*	n/a	9,7%	11,0%	18,6%	19,8%	20,7%	20,0%
Total education budget as a % of total budget**	n/a	12%	10%	14%	17%	17%	15%
Total education budget as a % of GDP***	n/a	3,3%	3,1%	4,0%	4,2%	5,0%	4,4%
% of the education budget spent at decentralised levels	6%	7%	6%	44%	41%	47%	54%
Proportion of Development budget internally-financed	n/a	7%	10%	36%	35%	66%	100%

Source : MINECOFIN finance law and budget execution reports

Notes: development budget is not actual but budget (lack of reporting on development budget execution); for the recurrent budget, data is actual (disbursements recorded in SMARTGOV), except for 2007 and 2008

\*based on budget figures for 2003 and 2007, 2008, on actual figures for the rest; \*\* based on budget figures; \*\*\* nominal - source IMF

49. The share of primary and pre-primary has increased significantly from a low of 18% of the total budget in 2004 to 43% in 2007. This has occurred mainly through a major increase in the capitation grant and construction expenditures – both of which closely related to the policy of fee free primary education. The share of secondary education has also increased from 15 to 27% of the total budget following the suppression of school fees in lower secondary education. In parallel, the share of higher education has been divided by two, from 49% of the total education sector budget to 24%. The target set by MINEDUC (ESSP) is to reach 50% of the recurrent education sector budget going to primary education by 2012. Finally, key budget lines on access to quality basic education (capitation grant, textbooks, teacher training, school construction) have increased at a much higher rate than the overall education budget since 2005. Only teacher salaries have increased at a very moderate rate.

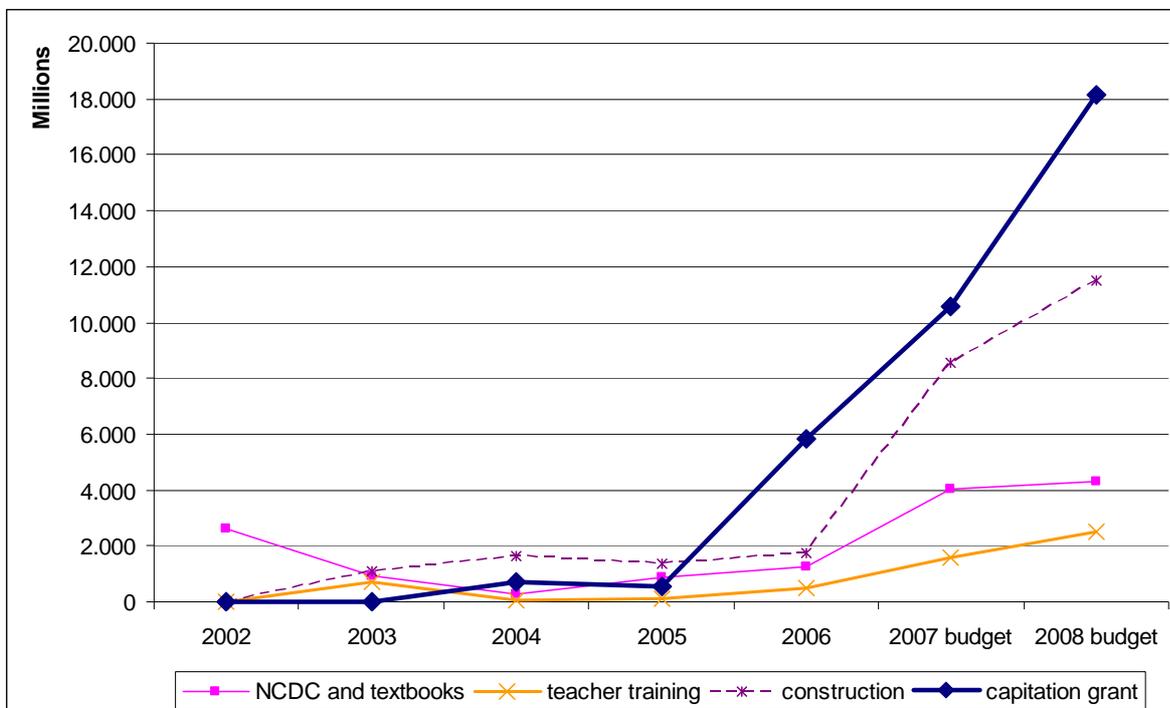
**Figure 1: Evolution of education budget and allocations to sub-sectors over time**

50. The Education sector budget is composed of the MINEDUC budget (except science and technology which was included under MINEDUC until 2007), and the decentralised education funding at the level of Provinces (until 2007) and of Districts (since 2007)<sup>10</sup>. It is important to note that none of these transfers are actually transferred to the Districts accounts. Teachers salaries are paid directly to teachers' accounts, and capitation grant and school feeding are paid directly to schools' accounts. The Districts' role is to establish pay lists for teachers, to transmit information on number of pupils and teachers per school to MINEDUC in order to calculate the amounts for each school, and since 2008 to launch the process for payment of quarterly transfers to schools and monthly salary payments to teachers.

51. The education budget has increased in visibility and transparency over the years, with an improved alignment with the ESSP priorities and sub-sectors. Amounts budgeted for each sub-sector identified in the ESSP are now clearly separated in the budget and aligned with the annual work plan, allowing a comparison between budget and specific objectives for the sector.

52. It should nevertheless be noted that significant amounts spent in the education sector do not appear in the education sector budget in the National Finance Law nor in the budget execution reports: amounts spent on education by the Common Development Fund (appear under MINALOC-CDF). Amounts spent on education by FARG (appear under MINALOC – FARG); amounts spent on education by Districts financed with the block grant or Districts' own revenue; amounts collected directly and spent by education semi-autonomous agencies and higher learning institutions. The 2009 budget presented to Parliament for the first time contains in annexes information on revenues collected by semi-autonomous agencies and higher learning institutions (fees, donor projects, etc), therefore providing a more complete picture of the amounts spent in the education sector overall. The total amount collected directly by these institutions (therefore not included in the national Finance Law) in 2008 is estimated at rwf7.3 bn, which represents 7.2% of the total education budget<sup>11</sup>.

**Figure 2: Evolution of key education budget lines (2002-2008)**



<sup>10</sup> The second phase of the decentralisation process shifted the responsibilities from Provinces to Districts, in parallel with a reorganisation leading to a reduction in the number of Districts from 106 to 30

<sup>11</sup> MINECOFIN (2008)

53. Regarding budget execution, a Public Expenditure Review (PER) carried out in 2007 noted ‘Total execution of the budget is now much closer to budgeted figures than in the past’. This illustrates an improved capacity for planning and budgeting by MINEDUC. Although the overall budget execution is good (98% in 2007), there are variations between programmes and sub-programmes and particularly on teachers’ salaries. Overspending on higher education in 2003, 2004 and 2005 has been reined in, in the recent years. Nevertheless, current information on budget execution represents information on disbursements by central government, and does not (yet) present information on actual expenditure (for example budget execution of district transfers or transfers to semi-autonomous agencies such as HEI imply that money has been transferred to these institutions, but information is not provided yet on whether and how this money has been spent). Improvements on reporting on actual expenditures should occur in the coming years with the strengthening of the accounting systems and reports.

### ***Education policy framework***

54. Following the genocide of 1994, the education sector in Rwanda entered a state of emergency reconstruction of sector institutions and emergency donor support. From 1997 onwards, key institutions in the sector were set up. In 2003, MINEDUC embarked on the development of a Sector Wide Approach, starting with the development of the Education Sector Policy. Central to this was the policy of fee free primary education which started in 2004. The ESP was followed by the development of the Education Sector Strategic Plan (ESSP), Long Term Education Strategy and Financial Framework (LTSFF) and the signature of the Partnership Principles for Support to the Rwanda Education Sector.

#### **Box 3: Education Sector Policies and Plans**

- Education sector policy (2003): sets the overall objectives and priorities of the education sector
- Education sector strategic plan (ESSP): the first plan was designed in 2003 (2003-2008), and it was then updated on a yearly basis (the latest being 2008-2012). It outlines key education policies and activities to be carried out over the coming five years.
- Long term education strategy and financial framework (2006-2015) (LTSFF) defines the long term (10 years) objectives and targets and financial framework, identifying in particular the financing gap in order to reach the long term objectives. The two major objectives of the LTSFF are 9 year basic education and science and technology with a particular focus on ICT. MINEDUC intends to revise the LTSFF in 2009, along with the ESSP.
- Education MTEF: outlines the allocation to each education sub-sector over the coming three years. It is used as a planning and management tool, and is coordinated by the Planning Department in MINEDUC.
- Education budget and annual work plan: detailed outline of the activities and budget for the coming year. The education budget covers the Ministry of Education and central government transfers to autonomous and semi-autonomous agencies (universities, National Curriculum Development Centre, National Examination Council, etc). In addition, the education sector budget covers all earmarked transfers to districts and schools in the field of education.
- A series of specific sub-sector policies have been developed over the past few years – 12 different policies are currently in process or recently adopted.

55. Planning for the education sector fits within the overall framework of Vision 2020 and the EDPRS, as well as within the international education objectives. Donors have agreed to use these documents as a basis for their support to the education sector, and monitoring progress towards common objectives. Recent plans for fast-tracking the nine year basic-education strategy have led to a de facto revision of the ESSP targets, which has not yet been taken into account in the 2008-2012 ESSP and is considered by donors as a potential modification to the basis of the partnership. This should represent one of the main points of discussion during the preparation of the 2009-2013 ESSP.

56. A focal point for monitoring sector performance is the annual **Joint Review of the Education Sector** (JRES). The main objectives are to discuss education sector performance over the past year, main challenges and how to address them over the coming years. The first JRES as such was held in 2003 and has been held annually since then. The review is opened to Government Ministries and agencies, donors as well as to participants from civil society, teachers, students, teachers associations, local NGOs. Finally, MINEDUC has started developing its EMIS (Education Management Information System), which should be operational as of 2009 and should allow timely and more accurate collection of information on school enrolment, teachers, school facilities, and all key education performance indicators. This should help improve the monitoring and management of the sector.

### ***Institutional Structure of the sector***

57. The draft Education Sector Strategic Plan for 2008<sup>12</sup> defines the responsibilities of different actors in the education sector. **MINEDUC** ‘sets policy, norms and standards; oversees the system; undertakes planning, monitoring and evaluation at the national level’. MINEDUC currently has 42 staff in total, down from more than 100 before it was restructured in 2005-2006. This made the Ministry very small by regional standards, and its capacity to manage and oversee sector developments remains extremely weak and dependant on a few individuals, in particular regarding teacher management and school construction, supervision of districts and schools, etc.

58. In line with the Decentralisation Policy, **Districts** have responsibility for service delivery and oversight of schools, in coordination with the *Imirenge* offices. In particular Districts are required to develop a District Education Plan indicating their priorities and targets in the education sector. They have responsibility for preparing the pay list for teachers (transferred from MIFOTRA in 2007), launching the process for transfers from central government to schools and teachers (capitation grant, school feeding, teacher salaries) every quarter, monitoring school use of funds and results, managing school construction in the district in collaboration with MINEDUC. Finally Districts are required to sign “performance contracts” (*imihigo*) with each head master and evaluate performance regularly. District Mayors also sign “performance contracts” with the President of the Republic, for which performance is assessed every quarter. Districts monitor directly secondary schools, and rely on *Imirenge* for monitoring primary schools. Each District has an Education officer, and a Director for Education, Youth and Culture. Each *Imirenge* has an officer in charge of social sectors (including education).

59. **Schools** are “expected to have functional and effective school boards and parent teacher associations. They are expected to report their financial resources and expenditures with the school board members, local community and districts”. Headmasters are expected to sign performance contracts with each teacher, and assess their performance regularly. Each school is asked to develop a School Improvement Plan to outline its priority needs and planned activities over the coming years.

60. Several **semi-autonomous agencies** have been created to oversee specific issues in the education sector: the National Curriculum Development Centre (NCDC), the Rwanda National Examination Council (RNEC), the Inspection General of Education (IGE), the Teacher Service Commission (TSC), the Student Financing Agency for Rwanda (SFAR), the Council for Higher Education (CHE).

61. Finally, the **private sector** is becoming more and more active in particular at the level of secondary education, TVET and higher education, with the strong support of MINEDUC.

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<sup>12</sup> MINEDUC (2008b)

## ***Influence on Outcomes***

62. What influence have the changes in policy, education sector financing and systems had on sector outcomes and service delivery? No comprehensive evaluation exists, yet it is possible to make some observations as to what have been the major influences on the quality of service delivery outcomes.

63. The policy on fee-free primary and lower secondary education has clearly led to a significant increase in access. Concomitantly, the strong movement towards greater decentralisation of the education budget directly at school level has brought about significant increases in flexibility at the level of service providers. For example an ability to hire contractual teachers, enhance teacher motivation through bonuses, ensure timely provision of teaching material, which are all key elements in improving the quality of education. MINEDUC also outlines the increases in school construction (number of classrooms constructed per year increasing steadily over the past few years).

64. In parallel, the clear trend of improving PFM systems – in particular the decentralisation of budget execution to budget agencies, the increased predictability in the availability of funds, the more timely payment of teacher salaries and the progressive definition of a fiscal decentralisation framework have all led to more efficient service provision at school level.

65. An evaluation is on-going to assess the impact of the scheme for hiring contractual teachers through the capitation grant at school level on teacher motivation and quality of teaching.

66. Despite the limited amount of evidence at hand, in particular on learning achievements, it is fair to say that Government policy choices, the increasing education sector budget – and in particular primary education budget – and strengthened PFM systems have allowed a strong increase in access to primary and lower secondary education. These elements have also led to an improvement in a key set of sector outputs such as number of classrooms available, textbook availability, and availability of teaching material at school level. Nevertheless, other elements essential to improving quality of education are still in progress, such as the increasing number of teachers, enhancing teacher training, revising the curriculum, and improving the efficiency of the overall education budget and of school-level monitoring and oversight.

## **2.3. Context for External Assistance**

**SQ1.3: What has been the environment for external assistance at the national and sector level?**

### ***Aid levels and modalities***

67. Following the 2003 presidential elections and vote of the new constitution, as well as increased regional stability, total ODA to Rwanda increased significantly. In 2007, ODA represented roughly 26% of GDP. In the budget, ODA represents slightly more than 50% of total revenue.

**Table 5: ODA flows**

<i>(in mn USD current)</i>	<b>2002</b>	<b>2005</b>	<b>2006</b>	<b>2002-2006</b>
ODA and official aid	354	571	585	+65%
% of GDP	22	24	20	
Net ODA per capita	40	62	62	+55%

Source: MINECOFIN – Presentation at Development Partners Meeting Nov. 2008

68. The Rwanda Aid Policy was adopted in 2006 and sets out clear priorities for the Government of Rwanda with regard to aid management and coordination. In particular, it defines as its preferred aid modalities general budget support, and sector budget support.

69. **Budget Support** (general and sector) represents approximately 50% of Rwanda's recurrent budget. In 2008, budget support accounted for approximately 38% of total ODA<sup>13</sup>. General budget support increased significantly in 2004 and 2005, as illustrated in Table 6. Currently, seven donors provide General Budget Support to Rwanda (EC, World Bank, ADB, Netherlands, Germany, Sweden and UK)<sup>14</sup>. Since 2006-2007, **sector budget support** has picked up in the education and health sectors, and is expected to start in several other sectors in the coming years (transport, justice, rural development and agriculture, decentralisation). Overall, the share of SBS in the total amount of budget support has increased steadily since 2006, to reach nearly 50% in the 2009/2010 budget.

**Table 6: Budget Support to Rwanda 2003-2012 in Finance Laws**

In Mn USD	2003	2004	2005	2006	2007	2008	2009*	2009/10	2010/11	2011/12
GBS (grants excl. HIPC)	59,4	89,1	144,2	104,6	225,0	255,7	28,3	130,8	304,1	219,5
GBS loans	28,8	116,2	26,1	6,4	3,8	0,0	0,0	0,0	0,0	0,0
HIPC	24,4	38,0	40,8	21,9	9,0	6,1	0,0	0,0	0,0	0,0
<b>Total GBS</b>	<b>112,7</b>	<b>243,3</b>	<b>211,0</b>	<b>132,8</b>	<b>237,9</b>	<b>261,9</b>	<b>28,3</b>	<b>130,8</b>	<b>304,1</b>	<b>219,5</b>
SBS education	1,9	1,7	0,0	10,8	44,4	87,0	4,8	60,0	6,5	0,0
SBS other sector	0,0	0,0	0,0	0,0	0,0	34,5	38,0	68,4	44,9	35,6
<b>Total SBS</b>	<b>1,9</b>	<b>1,7</b>	<b>0,0</b>	<b>10,8</b>	<b>44,4</b>	<b>121,4</b>	<b>42,8</b>	<b>128,4</b>	<b>51,3</b>	<b>35,6</b>
<b>Total GBS + SBS</b>	<b>114,5</b>	<b>245,0</b>	<b>211,0</b>	<b>143,6</b>	<b>282,3</b>	<b>383,3</b>	<b>71,1</b>	<b>259,1</b>	<b>355,4</b>	<b>255,1</b>
<i>SBS as a % of total</i>	<i>1,6%</i>	<i>0,7%</i>	<i>0,0%</i>	<i>7,5%</i>	<i>15,7%</i>	<i>31,7%</i>	<i>60,2%</i>	<i>49,5%</i>	<i>14,4%</i>	<i>14,0%</i>

Source: Finance Laws (corrected for 2003-2006 in order to show Sector Budget Support separately)

\* 2009 corresponds to the 6-months mini-budget in transition towards the July/June fiscal year

### **Aid coordination mechanisms**

70. Mechanisms for Aid Coordination have evolved at the national and sector levels. The **Development Partners Coordination Group** (DPCG) is the coordination structure at the highest level in Rwanda<sup>15</sup>. Once a year – and from 2008 onwards every other year, GOR organises the **Development Partners Meeting** (DPM), which is a high level forum bringing together donor representatives from headquarters and representation at ministerial level from the Rwandan Government.

71. The **Budget Support Harmonisation Group** (BSHG) was formed in 2003, through the signature of the Partnership Framework for Harmonisation and Alignment of Budget Support (revised in 2008). The BSHG comprises of all budget support donors and potential budget support donors as observers<sup>16</sup>. It meets quarterly, the two main meetings being the **Joint Budget Support Reviews** that take place in April and September each year. The **Partnership Framework** defines the framework for coordination and monitoring of budget support in Rwanda: respective commitments of donors and government, reporting requirements, performance monitoring through the CPAF (Common Performance Assessment Framework) “which summarizes Government performance in the implementation of the EDPRS”, the DPAF (Donor Performance Assessment Framework) “which summarizes donor performance in adhering to the various commitments related to the aid effectiveness agenda”, and the joint governance assessment, conditions for participation to the Budget Support Harmonisation Group, dispute resolution mechanism, etc.

<sup>13</sup> GoR-Donors (2008b).

<sup>14</sup> Source : 2008 revised Finance Law.

<sup>15</sup> Aid effectiveness report, p. 9.

<sup>16</sup> Current members of the BSHG are the World Bank, DFID, the European Commission, the African Development Bank and Sweden. Germany participates as observer.

72. Finally a system of **clusters**<sup>17</sup> (joint government-donors sector working groups) and joint sector reviews ensure coordination at the sector level. There are nine active clusters: Justice, Rural Development, Private Sector Development, Infrastructure, Health, Education, Decentralisation, HIV-AIDS, Capacity Building and Public Sector Reform. SWAps have been developed in education, health, and are in progress in agriculture, justice and transport sectors, as well as on decentralisation. Associated **Joint sector reviews** are organised in sectors such as health, education, agriculture, justice, and should normally take place in March-April each year. The education sector review has so far been the only one to take place regularly, before June, each year.

### ***Education coordination structure***

73. Donor coordination in the education sector is very well organised and more institutionalised than in other sectors. DFID is currently the **lead donor**, and has been since 2003. The lead donor co-chairs, with MINEDUC, the quarterly **education cluster meetings** with the PS MINEDUC, to which all donors and some major NGOs are invited. The agenda for these meetings is defined jointly by Government and donors. In addition to the cluster meetings, some **thematic or sub-sector working groups** have been set up, which focus on specific issues such as girls education, TVET, etc. Recently, it was proposed to add a “**budget**” **working group** – open to all donors – which would focus on discussing budget-related issues such as budget execution, transfers to districts, fund management at school level, etc. Discussions on budget issues have so far taken place mainly in the **Joint Budget Support** review, to which donors providing GBS and SBS participate. Donors have set up an **education donor coordination group** that usually meets ahead of cluster meetings in order to coordinate donor positions on specific issues or share information on donor missions, studies, etc.

74. As mentioned earlier, once a year a **Joint Review of the Education Sector** (JRES) is held, usually around April (month four of the (current) budget year). The review is open to all bilateral and multilateral donors, Government Ministries and agencies, as well as to participants from civil society, teachers, students, teachers associations, local NGOs. Delegates from donor headquarters also attend, as well as participants from other countries. During the Joint Review of the Education Sector, discussions focus in particular on specific “**priority action points**” on which government presents an update on progress<sup>18</sup>. Discussions then lead to an update of the “priority action points” to be monitored in view of the next meeting. Early on there were a large number of action points which proved difficult to monitor. Effort has been made on the donor side to reduce the number, and they decreased from 68 in 2005 to 10 in 2007. The last Joint Education Sector Review held in 2008 defined 14 “priority action points”.

75. In 2006, government and donors signed a Memorandum of Understanding defining common Partnership Principles. By the time of writing, it had been signed by 10 of the 15 development partners<sup>19</sup>, and the signatories were a mix of project and budget support donors.

<sup>17</sup> GOR/DP (2005).

<sup>18</sup> Annex 3 provides a list of priority actions agreed at the JRES since 2005.

<sup>19</sup> DFID, VVOB/Belgium, SIDA, UNICEF, GTZ, World Bank, APEFE/Belgium, Japan, Belgium and Canada.

**Box 4: Memorandum of Understanding between the government of Rwanda and Development Partners regarding Partnership Principles for Support to the Rwanda Education Sector**

The objective of this MoU is to set out a common approach agreed between the Government and Development Partners for support to the Education Sector in Rwanda, within the framework of the ESSP

- The ESSP provides the overarching framework for a sector-wide approach to the development and delivery of education services in Rwanda

The six Partnership Principles are:

- Aligned and harmonised planning and resource allocation
- Harmonised external financing modalities
- Harmonised policy dialogue, consultation and information sharing
- Harmonised systems
- Aligned and harmonised approach to capacity building
- Harmonised performance monitoring and review.

76. Overall, donor-government dialogue in the education sector is very open, based on mutual trust and respect, and well structured. Terms of Reference have been drawn up for each forum and for the role of the lead donor. This has been made easier by the fact that there has been general agreement on the direction of policy over most of the last decade. However, recent divergent opinions concerning the use of double shifting are likely to test the partnership.

***External support to the education sector***

77. Before 2000 and up until 2005, donor support to the education sector was mostly in form of projects. There were several major projects from multilaterals (WB, ADB), and multiple projects from bilaterals. An assessment carried out in 2005<sup>20</sup> observed: “the Project approach is falling far short of meeting ESSP needs. Large project implementation unit (PIU) based projects have performed relatively poorly [...]. There are too many small projects that may not reflect GoR priorities, do not directly fund ESSP programmes, and have high costs, making them difficult to scale-up or sustain. Donor commitments have short time-horizons”.

78. The challenges posed by the multiplicity of projects before 2006 were underlined by a number of this study’s interlocutors from Government: duplication, delays, high overhead costs, lack of accountability to MINEDUC management and lack of predictability in particular with regard to the requirement to ask for ‘non-objection’ from HQ for some donors, lack of alignment with national priorities, reporting burden, difficulty to manage a budget with many difference sources of financing. This is confirmed by the study on Improving the Provision and Management of External Support to Education<sup>21</sup>, which notes “*the two large development bank projects in education have performed poorly [...] with procurement stalled while non-objection certificates or other decisions were obtained from headquarters*”. At that time the donor group was fragmented, scattered, and project support donors were each concerned exclusively with their specific area of interest and project implementation. This resulted in high transactions cost to MINEDUC staff in terms of managing different evaluations missions and reviews for each project. Delays in project implementation – leading to many project extensions – affected sector performance.

79. The problem of project aid was acknowledged by 2000, and there has been a gradual shift from projects to policy focused budget support instruments. In 2000, DFID introduced an “education window” in their general budget support programme, in order to enhance the focus on the education sector and support the development of the education strategic plan. In parallel, DFID provided intensive TA and capacity building support with the objective of supporting government to develop sector and subsector policies, a costed education strategic plan and a credible MTEF, through its Rwanda Education Sector Support Programme (RESSP). Also in the early 2000s, a few donors started organising joint education sector missions (UNICEF, Sweden, UK, DFID), and there

<sup>20</sup> Foster, Ndaruhutse & Virtue (2005)

<sup>21</sup> *ibid*

were more coordination efforts around the Education For All initiative. SIDA started providing sector budget support to education in 2002, in silent partnership with DFID. In 2006, at the same time of the finalisation of the LTSFF, the revision of the ESSP and the agreement on Partnership Principles, the Joint Education Sector Support programme<sup>22</sup> (JESS) was set up, which consists of joint sector budget support and a separate capacity building pooled fund. The number of donors providing sector budget support subsequently increased progressively to reach seven in 2008, including the Fast Track Initiative's Catalytic Fund, DFID, SIDA, Netherlands, ADB, Belgium and CIDA (expected to disburse in 2009).

80. Regarding technical assistance and capacity building, the sector has moved from a situation where the *“Government has limited control and is only imperfectly aware of the available budget and therefore of the opportunity cost of TA proposals, many of which are initiated by the donors and their agents rather than responding to Government requests. [...] There is a disproportion between the number of donor-funded TA inputs and Government capacity to engage and to implement recommendations. [...] There is a risk of overlap and duplication with several donors supporting TA in related areas, and no formal process to coordinate other than occasional donor group meetings and the need for formal approval by an overloaded Secretary General (SG)”*<sup>23</sup> to a more coordinated and transparent process, under the leadership of government. The capacity building pooled fund set up in 2006, managed by a Steering Committee chaired by MINEDUC, has been instrumental in coordinating and scaling up donor support for capacity building at all levels of the education sector. But it only started implementation in 2007.

81. Table 7 below presents an overview of financing received by the education sector since 2005. The proportion of SBS has risen from 0% to 90% of total education funding between 2005 and 2008. Based on current commitments, this share is expected to decrease to 67% in 2009/2010. This is mainly due to a lower planned FTI funding in 2009/10 (not yet negotiated) and no information on further FTI support after that date. As often noted, this information underlines the lack of information on long term commitments of SBS.

**Table 7: Mix of Aid Modalities to the Education Sector over Time**<sup>24</sup>

<i>Million USD</i>	2005	2006	2007	2008	2009	2009/10	2010/11	2011/12
PROJECTS	27,9	27,7	20,2	8,9	27,7	26,8	22,8	15,0
SBS (type 1 and 2)	0,0	13,3	32,4	89,2	8,4	60,0	6,5	0,0
Capacity building fund	0	0	0	0	2,6	2,3	0,4	0,4
<b>TOTAL SUPPORT TO EDUCATION</b>	<b>27,9</b>	<b>41,0</b>	<b>52,6</b>	<b>98,1</b>	<b>38,7</b>	<b>89,1</b>	<b>29,7</b>	<b>15,4</b>
<i>SBS in % of total external support to education</i>	0,0%	32,4%	61,6%	90,9%	21,7%	67,4%	21,9%	0,0%
<i>SBS in % of total education budget</i>	0%	11%	19%	48%				

Source: PER 2007, corrected information from November 2008 on actual SBS disbursements until 2008 and on projects. Planned SBS disbursements drawn from 2009-2012 draft Finance Law

Note: Not all projects indicated above appear in the National Finance Law

82. As of 2009, MINEDUC expects to receive no more support in the form of major projects. Remaining projects will be in support to other institutions in the sector, such as an ADB project in support to KIST University, recently approved. Thus, there has been a near complete paradigm shift in the provision of aid to the sector.

<sup>22</sup> GOR – Donors (2006)

<sup>23</sup> Foster, Ndaruhutse & Virtue (2005)

<sup>24</sup> For the purpose of this study, the table focuses on aid modalities which provide support specifically to the education sector, therefore does not include GBS nor a share of GBS corresponding to the share of the education sector in the national budget

### 3. The Key Features of SBS and its Effects on the Quality of Partnership

#### 3.1. The Key Features of SBS Provided

<b>SQ2.1: What are the key features of the SBS that has been provided?</b>
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83. This section presents an overview of SBS provided to the Rwanda education sector, by providing information on the types of SBS provided; the level and predictability of SBS funding; financial management arrangements; earmarking and additionality; predictability; conditionality and dialogue; future evolution of each of these programmes. *In complement to this section, an overview of the various types of SBS provided in the education sector is provided in the inventory in Annex 3.* This section also examines the effect SBS has had on the quality of partnership between donors and the GoR in the education sector.

#### **Types of SBS in the Rwandan Education Sector**

84. For the purposes of the overall SBSIP study<sup>25</sup>, Sector Budget Support is defined as those aid programmes where:

- *Aid uses the normal channel used for government's own-funded expenditures. Aid is disbursed to the government's finance ministry (or "treasury"), from where it goes, via regular government procedures, to the ministries, departments or agencies (MDAs) responsible for budget execution.*
- *The dialogue and conditions associated with the aid is predominately focused on a single sector.*

85. This case study is not limited only to aid programmes meeting both these criteria, but also covers hybrids which display some or all the features of SBS. In this context, three different types of aid programmes which support the education sector in Rwanda will be the focus of this study:

- (1) **GBS with an Education Window.** These programmes consist of general budget support programmes which have a specific tranche of non-traceable budget support earmarked to the education sector, as provided by DFID between 2000 and 2006, and SIDA from 2006<sup>26</sup>.
- (2) **Sector Budget Support.** These are programmes of non-traceable budget support earmarked to the education sector, or subsectors and budget lines within it. It is the only one of the three types defined here which meets the two criteria above – and is considered conventional SBS. This was provided by Sweden from 2002-2006, and from 2006 onwards by several donors coordinated within the context of the JESS.
- (3) **Support to the capacity building pooled fund,** directly through traceable, earmarked support in the context of the JESS. This has been provided by UNICEF in the form Harmonised Approach to Cash Transfer (UN-HACT). Although it uses several government procedures it is not disbursed to Treasury but directly to a MINEDUC account.

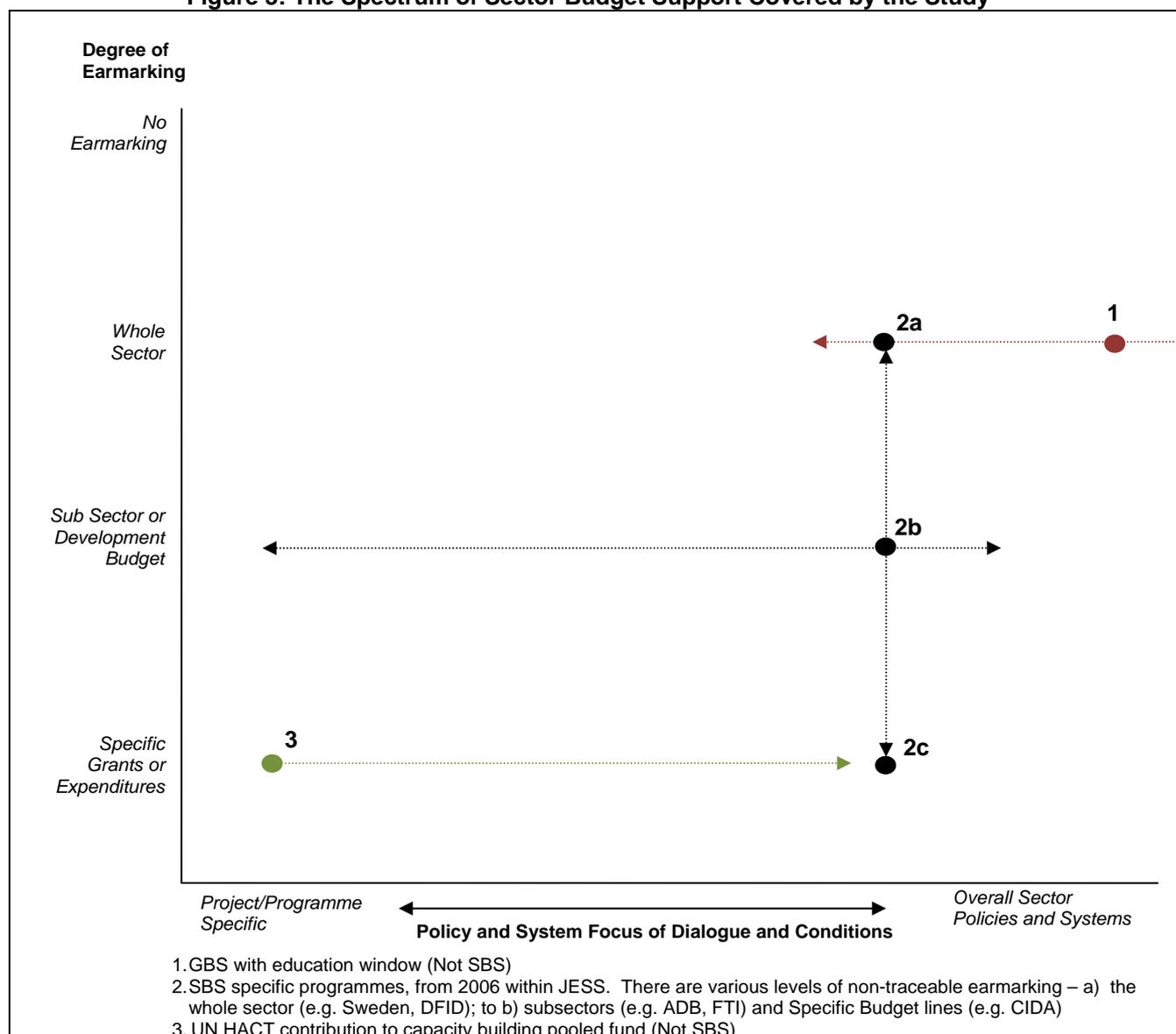
86. Figure 3 below presents the overall spectrum, according to the level of discretion of funding and the focus of policy dialogue and conditions. Types 1 and 3 cannot be considered as Sector

<sup>25</sup> See SBSIP inception report p7.

<sup>26</sup> For programmes considered as type 1, the programme as a whole covers more than one sector. Nevertheless the "education tranche" (also called "education window") is linked exclusively to education conditionalities and indicators. Other GBS programmes (EC, WB) are not considered in this type 1 typology, because despite the fact that they include education conditionalities and indicators among others, their disbursements are related to a wide range of sectors and never to the education sector alone.

Budget Support in the conventional form, but as hybrid forms that can be of interest in the context of this study.

**Figure 3: The Spectrum of Sector Budget Support Covered by the Study**



87. Table 8 illustrates the evolution of each donor in the type of SBS provided over time.

**Table 8: Evolution of SBS per type over time**

Provision of SBS per type	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK	1	1	1	1	1	1	2	2	2
Netherlands								2	2
ADB								2	2
Belgium							2	2	2
Canada									2
Sweden			2	2	2	2	1	1	1
Fast Track Initiative (FTI)								2	2
UNICEF								3	3

### ***The Evolution of SBS and its Objectives***

88. DFID is mentioned by most interlocutors as having been the first donor to provide SBS to education. However this was actually a “window” in a general budget support programme, which took the form a tranche of the broader instrument specifically linked to education sector indicators and conditions. Apart from these indicators and conditionalities, the UK/Rwanda programme aid grant 2000/2003 it was only loosely earmarked to the education sector, with no additionality requirements. This was accompanied with separate project support to the education sector focused on capacity building, and strong policy dialogue and support to develop costed education strategic plans. Other donors interested in the education sector (EC, World Bank) were providing general budget support which covered the education sector among others, but only DFID had a separate specific education “window”.

89. More conventional Sector Budget Support (Type 2), which focused exclusively on the education sector, started in 2002 with SIDA. The SIDA programme aimed to support the education window of the DFID programme. The objectives of the programme were “to increase the level and the effectiveness of Rwanda’s expenditure on poverty reduction in education”.<sup>27</sup> The main reason for SIDA to provide sector budget support instead of general budget support was related to headquarter regulations which implied that only the Swedish Ministry of Foreign affairs could provide general budget support. SIDA was therefore constrained to provide sector budget support if it was to use the budget support aid modality, until 2006 when HQ regulations changed and it was able to shift to general budget support, keeping nevertheless a specific focus on education through an ‘education tranche’.

90. In 2006, DFID decided to move toward a specific sector budget support programme, in addition to their on-going general budget support programme. Two elements were instrumental in DFID’s decision to set up a separate Sector Budget Support operation for education in Rwanda:

- (i) The situation in Ethiopia where general budget support was suspended in 2005-2006 for political reasons<sup>28</sup>, outlining the inherent risks of general budget support in terms of volatility and link to political conditions;

A report commissioned by DFID on the management of external aid to the education sector in Rwanda came out and outlined very clearly the need for enhancing donor coordination and developing a new aid modality, better aligned with government systems and policies (see

- (ii) Box 5). The report included a draft for the JESS.

**Box 5: Justification of the move to Sector Budget Support, in study on Improving the provision and management of external aid in education sector, 2005**

“Parallel donor projects give little emphasis to the wider policy and reform environment, but decide in detail how the donor funds will be used, with the management control in donor hands and by-passing government systems. [...] If projects are not part of a wider agreement on how funds will be used, they carry a greater risk of indirectly funding some purpose that donors may not approve of. [...] ownership and sustainability are likely to be poor [...]

[GBS] has proved vulnerable to interruption for political reasons, and is not feasible for all donors. It also does not address the specific education sector problem that planning for the school year and for longer-term system development is difficult when the level of resources is unpredictable, and when timing is often too late to be well used. GBS must continue to provide a major share of support to Rwanda, but we recommend that it be complemented by a sector-specific instrument to help bring in additional donor support, and to address some of the sector-specific issues.

Our key recommendation on funding modalities is therefore to develop a mechanism for pooled funding of the sector via the budget.”

<sup>27</sup> Agreement between the government of Sweden and the government of Rwanda regarding budget support linked to the development of the education sector (2002).

<sup>28</sup> [http://www.odi.org.uk/media/newsreleases/2006/Donor\\_tough\\_choices\\_Ethiopia.html](http://www.odi.org.uk/media/newsreleases/2006/Donor_tough_choices_Ethiopia.html)

“The very broad coverage of the policy matrix [to assess GBS disbursements] means that judgements on whether and at what level to commit and disburse funds depend on an overall assessment in which progress in the education sector is just one element. GBS may be interrupted for reasons unconnected with performance in education, but with implications for the availability of funds for financing the ESSP; conversely, good or bad performance in education may have very limited impact on whether funds are released”.

“The ambitious targets of the ESSP require Government to commit itself to long term recurrent obligations to teacher salaries, [...] capitation grants for schools. It is dependent on long term access to donor resource to enable these programmes to be executed and sustained”

91. The objectives of DFID’s move as stated were to *“introduce and build confidence in a new modality; to attract much needed budget support from agencies unable to do general budget support; to provide timely releases at the beginning of the school year – to help address weaknesses in GoR’s cash management systems, and strengthen PFM at line ministry level; and finally to open the way for scaling up support to the sector, accelerating progress towards the education and gender MDGs”*<sup>29</sup>. It is clear from all the interviews carried out for this study that this move by DFID did indeed foster the interest of other donors to provide SBS (ADB, NL, Belgium, CIDA). In addition the development of an adequate sector policy framework and institutionalised education sector review also enhanced the confidence of other donors to move from project to SBS modality.

92. Following the signature of the Partnership Principles in April 2006, the **Joint Education Sector Support (JESS)** was finalised in 2006. The JESS aimed to coordinate and provide a framework for sector budget support to education and set up a parallel capacity building pooled fund. The objectives of the pooled fund for capacity building was both to ensure better coordination of all donors providing capacity building support to the Ministry of Education and other education institutions, and to help bring some non-budget support donors on board by putting their financing on budget via the coordinated pooled fund. Belgium, ADB, Netherlands (and later on Canada) decided to join and provide support to the JESS through sector budget support.

93. UNICEF was able to contribute to the capacity building pooled fund through a new modality developed in the framework of the One UN initiative called the HACT (Harmonised Approach to Cash Transfer). This modality corresponds to traceable earmarked support channelled directly to the pooled fund account. It is therefore not channelled via the treasury. This helped UNICEF bring some of its aid on budget and on plan, and was made possible because of this positive environment, and of PFM assessments carried out in the context of other SBS programmes.

94. Finally the shift by bilateral donors to SBS in turn greatly influenced the decision of FTI to support Rwanda through SBS, based on a recommendation by local donors. In fact, “influence” on other donors is cited by some SBS donors as one of the main objectives of providing sector budget support. Rwanda is only one of two countries receiving FTI Catalytic Fund support in the form of SBS. The FTI Catalytic Fund sector budget support started in 2007, with the objective of providing a ‘catalytic support’ which would attract new donors to the sector and cover the financing gap identified in the LTSFF.

### ***The Level of SBS Funding and its Predictability***

95. The following table presents the total amount of SBS provided to Rwanda following the three types identified above.

<sup>29</sup> DFID presentation to the SIDA seminar on SBS/GBS, Jo Bourne, 2006.

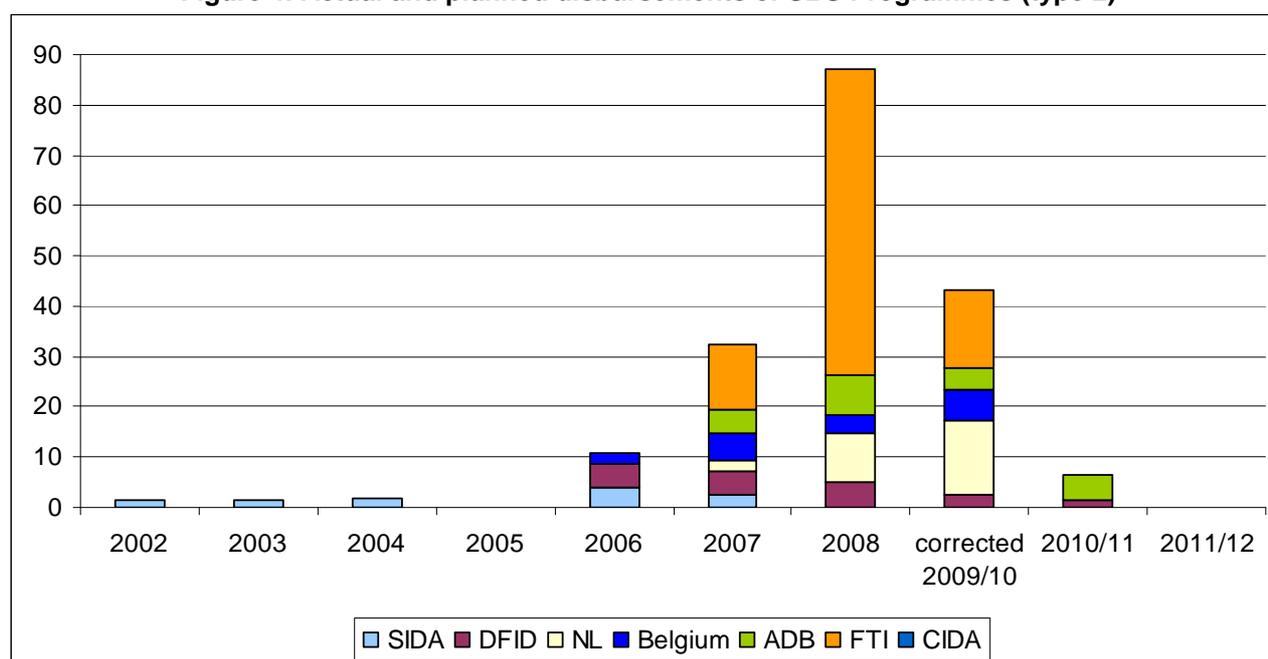
**Table 9: Actual and Planned Aid Disbursements by Type**

Type (mn USD)	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. GBS with Education Window (DFID 2000-2005; SIDA 2006-2008)	6,1	10,1	7,5	8,2	n/a*	n/a*	4,1	2,5	2,5
2. SBS			1,5	1,5	1,9	0,0	6,7	29,9	87,6
3. UNHACT and other support to capacity building pooled fun (DFID & CIDA) (actually disbursed)								2,3	
<b>TOTAL</b>	<b>6,1</b>	<b>10,1</b>	<b>9,0</b>	<b>9,7</b>	<b>n/a*</b>	<b>n/a*</b>	<b>10,8</b>	<b>34,7</b>	<b>120,1</b>

Source: Donor disbursement information, Capacity building pooled fund mid term review. Actual disbursements except for 2008.

\* data on DFID GBS education window disbursements unavailable for 2004 and 2005

96. It should be noted that FTI resources represented in 2007 and 2008 respectively 40% and 70% of the total amount of SBS (type 2).

**Figure 4: Actual and planned disbursements of SBS Programmes (type 2)**

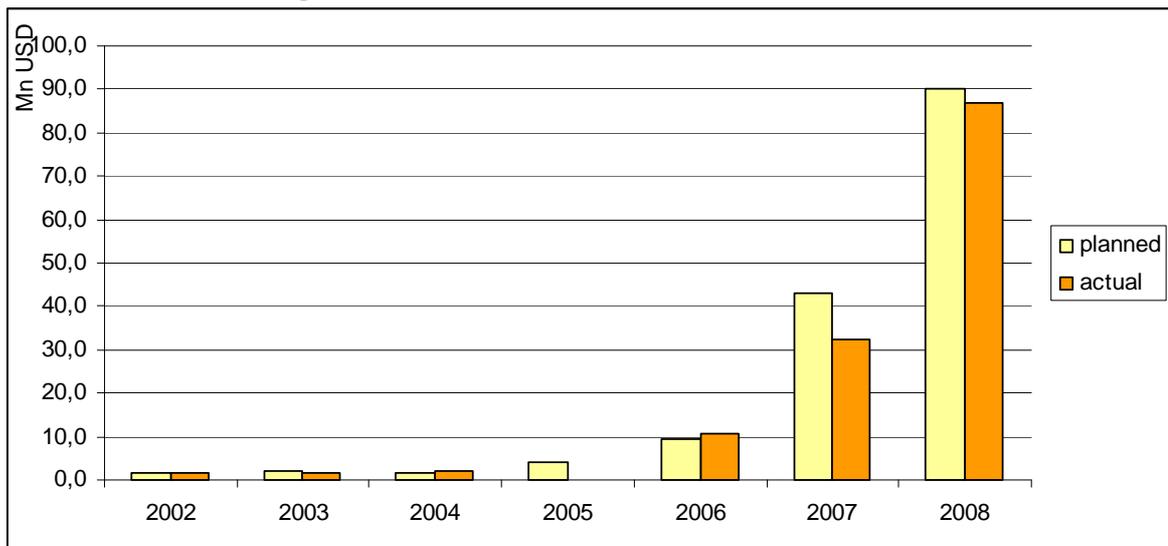
Note: the year 2009-2010 was adjusted to provide comparable trends: the 6 months of the 2009 mini-budget were combined with the 2009/2010 budget and proportionally adjusted to a 12 months period

97. In terms of **short term, in-year predictability**, the JESS foresees specific arrangements in order to 'avoid the need for interrupting disbursements by sharing potential problems at the time they arise', and specifies that 'SBS disbursement will not be withheld in-year'. The JESS also proposes to 'front-load' disbursements, by disbursing overall 60% of the yearly amount in the first quarter, and 40% in the third quarter.

98. However, there have been significant in-year variations in SBS disbursements. Main sources of unpredictability are late signature of agreements and administrative delays. In 2007 in particular, ADB, Belgium and NL agreements were signed too late within the year to be included even in the revised Finance law. Delays with processing the disbursement requests for the second tranche of the FTI resulted in a late disbursement early 2008.

99. The alignment of the timing of donor SBS commitments to allow inclusion in the budget has improved over the years, thanks to experience and a consistent message from Government that information on SBS as well as GBS future disbursements needed to be provided in time for inclusion in the budget and fiscal framework. Following some initial difficulties with newly signed programmes, things improve when programmes are on-going.

Figure 5: Planned vs. actual disbursements



100. On the **longer term predictability**, donors acknowledge that the education sector, by the nature of its budget mainly composed of recurrent expenditure (teacher salaries, capitation grants), is even more dependent on long term predictable aid than other sectors.<sup>30</sup> This was one of the reasons underpinning the development of the LTSFF which provides a 10-year framework. Yet, Figure 4 shows that type 2 SBS projections tail off over the medium term. This illustrates that longer term predictability of SBS is far from assured. Quite a few SBS programmes currently ongoing are of a short duration: CIDA, SIDA, Belgium and FTI programmes have a duration of two years or less. This – in particular the FTI programme given its significant amount – has not provided GoR with sufficient long term predictability. There is also a possibility that some donors currently supporting the education sector through SBS (Canada, Belgium, Sweden) or projects (World Bank) may move out of the sector, mainly in relation with the division of labour exercise<sup>31</sup>.

101. Nevertheless, some donors (DFID, EC, NL) and government representatives, have outlined the potential attractiveness of SBS in order to ensure a more predictable, or less **volatile**, form of budget support. Indeed, one of the key differences between SBS and GBS in particular for bilateral donors, is that it is not directly linked to political conditionalities, and easier to justify continuing in a period of political troubles due to its sector-specific focus. This was outlined in particular in a context of current potential political tensions with questions over the involvement of Rwanda in DRC, when despite the suspension of two donors' GBS disbursements (Sweden and Netherlands) no SBS programmes have been suspended.

102. It should however be noted, that only one SBS programme (NL silent partnership with DFID) mentions clearly the issue of political tension: *"if a political situation in Rwanda should arise, which in the opinion of the Minister and DFID could negatively affect the attainment of the Goal and Objectives of the ESSP and the Arrangement [...] each donor reserves the right to withhold or suspend further disbursements to GoR from its contribution with immediate effect as well as to terminate this arrangement upon four months written notice"*<sup>32</sup>. Partnership agreements between CIDA and DFID also mention *'respect for human rights, democratic principles, the rule of law and good governance will form the basis of the cooperation and constitute essential elements of this Arrangement'*.

<sup>30</sup> As outlined in the study on Improving the Provision and Management of External Assistance to Rwanda - Foster, Ndaruhutse & Virtue (2005).

<sup>31</sup> Council of the European Union (2007).

<sup>32</sup> DFID-NL silent partnership agreement

103. Finally one particular risk on predictability in SBS to education in Rwanda is the very specific situation whereby four donors (Canada, Sweden, Netherlands and Belgium) have linked their support to DFID's, through 'silent partnerships', 'delegated cooperation', or other form of agreements. This joined up approach bears some risks that should be carefully managed both by donors and by government:

- a suspension of DFID SBS would almost automatically lead to the suspension of other donors' SBS;
- if DFID was to move out of the education sector, for any reason, it would jeopardise the provision of SBS by other donors;
- the SBS donor group is reliant on a small number of people and their opinions, which may be subjective. This in particular is accentuated by the lack of objective criteria to assess government disbursement, replaced by a subjective assessment of "overall satisfactory performance".

#### Box 6: Earmarking, Traceability and Additionality

**Earmarking** is a requirement that all or a portion of a certain source of revenue, such as a particular donor grant or tax, be devoted to a specific public expenditure. The *extent* of earmarking can vary. It involves the *ex ante* assignment of funds to a particular purpose and can range from the very broad and general to the narrow and specific.

**Traceability** refers to whether donor funds are separately attributable to a specific use. Funds are either traceable, or not:

- (i) **Traceable**, whereby allocation, disbursement and spending of funds is via specified and separately identifiable budget lines. This bypasses the normal procedure by which revenue is pooled with all other revenue in a general fund and then allocated among various government spending programmes. *De facto*, a traceable aid instrument must involve a degree of earmarking, although this may be very broad - this is often referred to as *real earmarking*.
- (ii) **Non traceable**, whereby external funding is not identifiable by separate budget lines. If earmarked, the allocation of funds is justified against budget allocations to pre-agreed institutions or budget lines, and is pooled with other government revenues in the general fund. When non traceable SBS is accompanied by earmarking - this is often referred to as *notional earmarking*.

These two dimension combine to form three main types of SBS funding:

	<b>Earmarked</b>	<b>Un-earmarked</b>
<b>Non Traceable</b>	Non-traceable Earmarked SBS	Un-earmarked SBS
<b>Traceable</b>	Traceable Earmarked SBS	

**Additionality** refers to requirements from the donor that the provision of external funding earmarked to a set of expenditures leads to an increase in total expenditure allocations to those expenditures. Additionality attempts to address the problem of fungibility, which arises because government resources can be substituted for aid resources. If aid finances any activity that the recipient would otherwise have financed itself, the resources that the recipient would have spent on that activity become available to finance something else.

Source: SBSIP Literature Review (Handley 2009)

### ***Earmarking, Additionality and Financial Management Arrangements***

104. The JESS specifies: ‘SBS will provide support earmarked for the education sector’, ‘SBS can only finance activities within the defined sector which are on-plan and on-budget’ and ‘education SBS resources are provided by development partners on the understanding that: (i) the total resource envelope budgeted for education will be increased to reflect the promised additional resources, and (ii) the funds provided will be ‘earmarked’ to ensure that key budgeted education sector expenditure are protected – i.e. the budgeted expenditures are funded on time and in full’. Nevertheless the JESS also recognises funds are fungible and additionality will be hard to demonstrate owing to the lack of a clear counterfactual.

105. Within the context of the JESS, there are therefore varying approaches to earmarking and additionality in different donor programmes, with the donors most used to providing support via project approaches indicating some kind of earmarking in their programme documents (ADB – to ICT, science and technology, CIDA – to “concrete outputs”, FTI – to basic education), while others don’t (DFID, SIDA, Belgium, Netherlands). GBS with an education window involves only very broad earmarking and no additionality. See Annex 3 for more details. Whilst funding in these programmes is therefore earmarked to some extent - either broadly to the education sector, or specifically to budget lines - it is not traceable in the government’s expenditure budget. Only UNICEF’s contribution is earmarked to specific activities financed by the capacity building pooled fund, and is traceable. There is, nevertheless, no clear mechanism defined as to how to assess earmarking and additionality in these programmes.

106. Regarding **financial management**, an SBS foreign exchange account has been opened by MINECOFIN at the National Bank of Rwanda. All SBS donors signatory to the JESS (type 2) transfer their disbursements into this account, except CIDA which transfers money to DFID which then transfers the money to the same account. At present, SIDA’s GBS programme, including its education tranche (type 1) are disbursed to the overall GBS foreign exchange account in the National Bank. UN-HACT (type 3) is earmarked to the capacity building fund and disbursed directly into the Capacity Building Fund’s bank account.

107. All programmes rely on government accounting systems and audit reports carried out by the Auditor General.

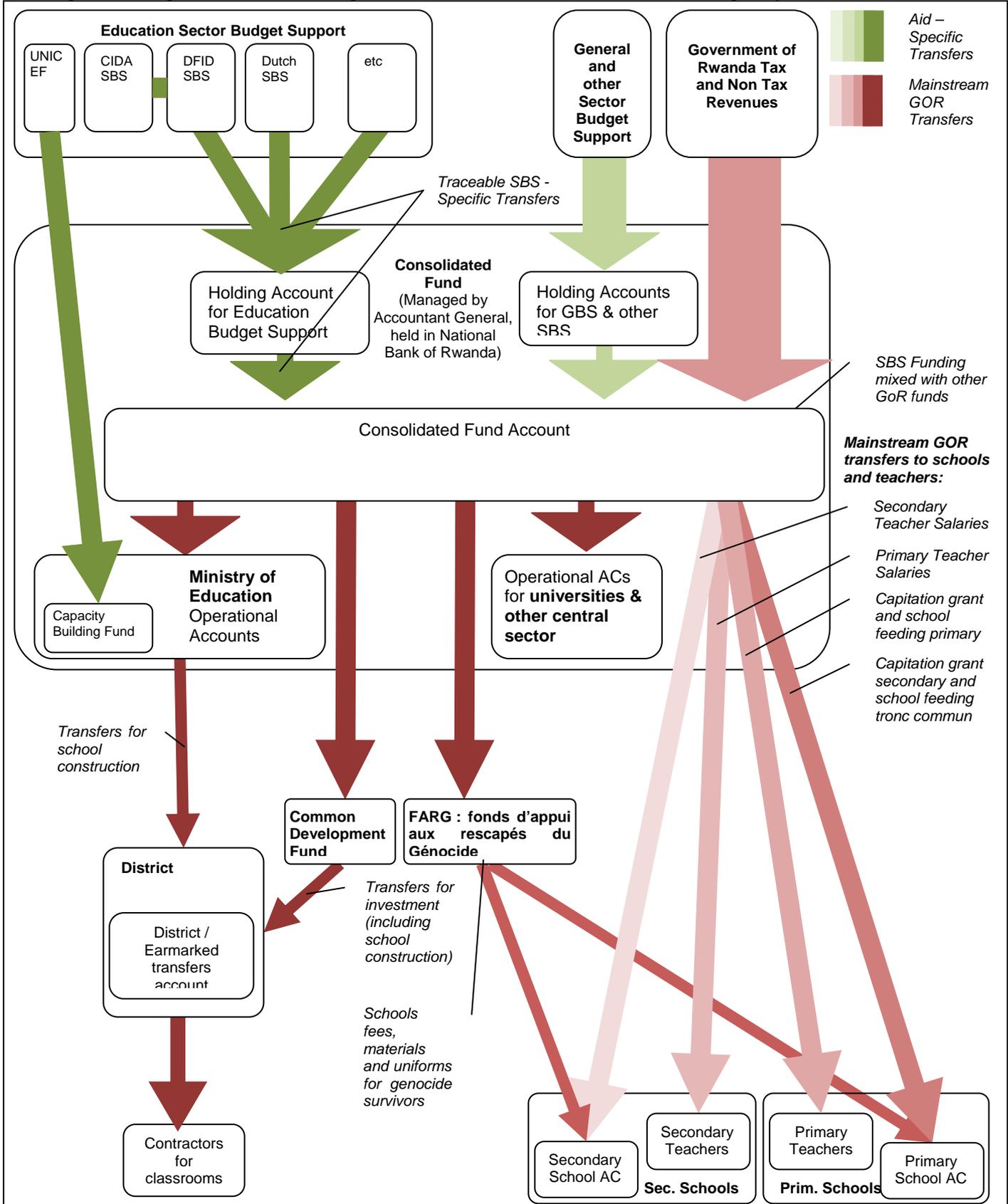
### ***Conditionality and dialogue***

108. SBS-related dialogue is carried out through an organised and institutionalised framework, for which detailed terms of reference have been drawn. Overall, there are no specific fora for discussion between SBS donors and Government. All fora (cluster meeting, joint sector review) are open to all donors including non-SBS donors. These fora are well aligned with the national budget and planning calendar both at national level and within MINEDUC. When needed, specific SBS meetings between SBS donors ensure coordination and information sharing.

109. All SBS programmes (type 2) and GBS with and Education Window (type 1) base their disbursements on an ‘overall satisfactory performance’ of the education sector as assessed in the JRES, and the satisfactory assessment of the alignment of the education budget with the ESSP. All donors use the JRES, draft budget and MTEF and assessment of performance over the past year as a basis for their evaluation of government performance in education.

110. There is however no precise definition of what ‘overall satisfactory performance’ means. It is not specified whether it is an assessment of progress on ‘priority actions’ defined at the JRES; the indicators and targets in the ESSP log frame; or the EDPRS policy matrix. This leaves a useful flexibility to take into account external and internal factors, but poses the risk of subjective, unpredictable decisions.

Figure 6: Diagram of SBS Funding Flows in the Context of Mainstream Budgetary Channels



111. Finally, there is no specific conditionality to UNICEF (type 3) support, apart from the use of funds in the capacity building pooled fund.

### **Links to TA/Capacity Building**

112. The links of the various programmes to capacity building have evolved over time. In the first half of the 2000s, DFID ran a TA and capacity building programme – the JESSP - alongside its GBS Education Window. Overall, most TA and capacity building initiatives lacked Government ownership and coordination.

113. Since 2006, Types (2) and (3) are explicitly linked to the provision of coordinated capacity building through the education capacity building pooled fund, within the overall framework of the JESS. The objective of the fund was to strengthen the capacity of the education system and management of that system. The pooled fund only really started implementation during the course of 2007.

114. The pooled fund is under the responsibility of MINEDUC. It was set up to finance activities defined by MINEDUC in its Annual Capacity Building Action Plan (required specifically for the operation of the fund). The use of the funds in the pooled fund follows entirely national budget execution procedures. It should nevertheless be noted that the Education Sector Capacity Building Pooled fund is (erroneously) not yet included in the MINEDUC budget. In order to improve the efficiency of the fund, a steering committee has been set up to provide guidance on the priorities and needs in terms of capacity building and financial management of the fund. At the time of writing this steering committee has not met very often, but aimed to increase the frequency of its meetings to once every two weeks. It is chaired by SG MINEDUC and all contributing donors are invited to participate.

#### **Box 7: Extract from the Mid-Term evaluation of the Education Capacity Building Pooled Fund**

**Good work has been done** to lay the foundations of the Fund and its associated Plan, through a series of consultancy missions. Good efforts have been made to introduce ideas of change management and contemporary approaches to capacity building. **Yet this fund is not to date yielding the results hoped for**; its potential seems not to be understood by all, there is a degree of uncertainty about what it can and cannot support and so far the pace of activity and take-up of opportunities is relatively slow. [...]

[...]There is **need for some remedial action to strengthen the existing planning, budgeting and monitoring practice**. Currently, expenditures for the Fund are authorised by the Secretary-General (SG) and the Director for Finance and Internal Resources (DFIR) and processed by the Accountant without involving the staff from the Capacity Building function. As a result, the team of two with immediate responsibility for the ESCIDP do not always know what has been approved and what the Fund is being used for. The review found that some activities not included on the annual plan have been paid for from the Fund."

**Table 10: Update on Capacity building Pooled Fund as of mid term review**

Donor	Contribution planned	Actually disbursed	Funds used	Remaining balance (as of mid 2008)
DFID	2,874.95 mn rwf	958.32 mn rwf	412.66 mn rwf	889.28 mn rwf
UNICEF	135.00 mn rwf	343.62 mn rwf		
CIDA (end 2008)	245.25 mn rwf	0		
Total	3,255.20 mn rwf	1,301.94 mn rwf		

Source: Capacity Building Pooled Fund Mid term review updated as of November 2008

### **Harmonisation and Links to other Aid Modalities**

115. SBS is managed in the context of the SWAP and the coordinated dialogue and review processes mentioned in section 2.3. As mentioned above, dialogue is conducted through the lead donor, DFID. In addition, four donors have set up some kind of cooperation mechanism with DFID, the lead donor, with the objective to minimize transactions costs for Government, and help donors that have no or little capacity to manage an SBS programme and associated policy dialogue.

- Belgium has seconded an education advisor to DFID, who is in charge of carrying out the policy dialogue and assessment of conditionalities for both institutions.
- SIDA has also signed a “silent partnership” agreement with DFID, by which DFID is in charge of carrying out the day-to-day policy dialogue and assessments. SIDA HQ participates in the annual JRES, before which DFID provides a report on key issues for discussion. Nevertheless the assessment of Government performance and the decision to disburse are taken by SIDA itself. SIDA has no education-specific staff in its local representation, and is represented by its economist during education donor meetings.
- CIDA has signed a “delegated cooperation” agreement with DFID, whereby DFID endorses the main responsibility for fund management and relations with GoR. Nevertheless, CIDA commits to “actively participate” in the education cluster and JRES meetings, as well as any joint review or evaluation missions. Although it requires DFID’s assessment of the ESSP performance and financial management as part of its disbursement decision, CIDA clearly maintains its capacity to assess GoR performance separately from DFID (and therefore take a different disbursement decision). CIDA has one education advisor in its local representation.
- Netherlands has signed an agreement with DFID whereby DFID will lead the policy dialogue, while Netherlands will participate in all cluster and education donor meetings. Netherlands retains a separate decision on disbursements, based on both assessment by the Dutch embassy and a report by DFID.

116. Out of the eight donors providing SBS to Rwanda, four also provide GBS in addition (NL, Sweden, UK and ADB). The following boxes present some elements on the articulation of the links between GBS and SBS, first from the Evaluation of General Budget Support, then from the MoU on the provision of budget support to Rwanda.

**Box 8: Extract from the Evaluation of General Budget Support – Rwanda country report (2006), on the link between GBS and SBS**

“Thus far, Partnership GBS has also had little effect on the alignment of other aid modalities with government cycles, although it is presumably PGBS which has stimulated IPs’ interest in sector budget support/basket funding modalities, stemming from a perception that providing “flexible” assistance gives them a seat at the policy table. Moreover, by working through government systems, PGBS has helped make them better understood, thereby enhancing non-PGBS IPs’ confidence in at least some aspects of those systems”

**Box 9: Extract from the MoU on the provision of budget support to Rwanda – on the place of sector budget support donors in the budget support coordination**

“A sector budget donor focuses dialogue on progress and a result achieved at the sector level, and engages in dialogue with the Government on the allocation of budgetary resources to the sector on the understanding that final budget allocations are the subject of a parliamentary decision.[...]Sector budget support must be disbursed through the Government’s Single Treasury Account. The monitoring and performance management of sector budget support programmes will go beyond the CPAF, but will nevertheless be harmonized around a common sector performance assessment framework. [...] [...] Those partners providing only sector budget support are granted the status of sector member of the BSHG, recognising the need to focus dialogue between the Government and that donor around sector-specific performance issues. Sector members are invited to participate actively in all discussions relating to performance in the sector for which budget support is provided. Such a member also participates in dialogue

around broader governance, PFM and macro-economic management issues only insofar as these issues impact on performance in the given sector.”

117. Some GBS programmes also involve conditions relating to education. The process for defining and selecting these conditions does not involve coordination with SBS donors, thereby resulting in potential lack of coherence or lost opportunities for synergies. For example, the World Bank (its general budget support programme the PRSG focuses among other sectors on education) follows a parallel track for selecting its priority actions in the sector.

118. Other donors provide project support alongside SBS. Interviewees agree that overall, project support and funding arrangements for TA and Capacity building have become increasingly harmonised within the sector. For example, the Netherlands’s support to higher education, which is implemented by NUFFIC through various projects, is being reoriented to ensure better alignment with government plans and priorities. In particular, Netherlands seeks to ensure coherence between the policy dialogue to which it participates as an SBS donor, and its project support to the education sector, by ensuring NUFFIC contributes to one of the key objectives of Government in the Higher Education sub-sector, which is to reduce the need for expatriate teachers. The Netherlands participation in TVET – in which most other donors participating provide project support – allows it to advocate for greater alignment with the government strategy, and for more transparency on actual donor support to the TVET sub-sector, thanks for example to the development of a development donor matrix.

119. Other project donors that cannot provide SBS, such as the US, participate to the sector coordination mechanisms, during which they may present plans of new projects to other donors. The strong sector coordination has for example been useful in ensuring new Global Education Alliance support to Rwanda was discussed *ex-ante* with key donors in the sector in order to ensure complementarity and alignment.

### ***Prospects for the future provision of SBS***

120. The future for SBS is uncertain, which has contributed to the lack of medium term predictability mentioned earlier.

121. Many donors involved in SBS to the education sector have mentioned that the “division of labour” exercise may influence the future of their support to the education sector. This exercise, launched and promoted at HQ level (EU Council resolution) and locally supported by GoR, sets limits to the number of sectors in which each donor should be involved in a specific country. Of the eight donors currently providing support to the education sector through SBS, three have identified the possibility of a shift to GBS (SIDA) or to another sector (CIDA to rural development, Belgium to focus on health) in the coming years. Although this potential evolution is related to HQ requirements, donors and government alike will need to discuss how this may impact the education budget. Donors recognise the value of this “division of labour” exercise, in terms of reduction of transaction costs. Nevertheless it should then be compensated by an increased amount of support by donors who remain in the education sector.

122. DFID will continue supporting the education sector at least until 2011/12, but is in any case looking at the possibility of another donor assuming the role of lead donor. ADB’s SBS programme finishes in 2010, with no clear indication of whether it will be continued. The current FTI Catalytic Fund support comes to an end in 2008 and future support will need to be negotiated and discussed with local donors and the FTI over the coming months. A bridging fund will be required for 2009, and a further 3 year programme from the Catalytic Fund for 2010-2012. This will depend not only on Rwanda’s capacity to show results and efficient use of the Catalytic Fund money, but also on the local donors’ assessment and recommendation to the FTI, and finally on the replenishment of the Catalytic Fund itself by contributing donors.

123. Other donors that provide support to the education sector through projects, like the World Bank, will not continue supporting the education sector, arguing that continuing support from FTI and new entrants to the sector (Canada) will provide sufficient support to the education sector (World Bank Country Assistance Strategy 2009-2012).

124. Finally, regarding new donors moving to SBS, the JICA local representation is currently in discussions with JICA headquarters on whether a move to sector budget support would be possible, and what would be the accountability and reporting requirements. JICA is currently looking to provide SBS support to TVET, as opposed to the whole education sector. The definition by MINEDUC of a costed TVET policy has proved instrumental in supporting this potential shift. JICA is currently providing support through SBS only in Tanzania (agriculture sector), but no decision on extending this pilot programme has been taken yet. The main issue at stake in the transition from project to SBS for JICA is the impossibility to report on specific activities carried out with SBS funds, therefore making it difficult – for now – to match the existing donor coordination mechanisms in country with HQ accountability requirements. Potential other donors that could be considered for support to the education sector – but have not expressed their intention to do so yet – would be Ireland, or Norway (which is expected to start supporting the health sector through SBS in 2009).

### 3.2. Derogations from Country Policies, Systems and Processes

**SQ2.2: To what extent have SBS inputs derogated from country policies, systems and processes, and are these a result of country specific concerns and/or headquarter requirements?**

125. Overall, SBS inputs have been well aligned with national systems and processes, whether financial (budget preparation, execution) or non financial (planning, M&E). In addition to alignment, there has been a clear willingness to move to greater harmonisation, leading to a reduction of transactions costs. Most donors recognise the usefulness of the Partnership Principles, JESS, and existing SBS donor coordination mechanisms to help local representations ensure additional HQ requirements are minimised (CIDA, JICA if they join, ADB).

126. There is nevertheless remaining potential for improving the alignment of the priority actions agreed upon in the JRES both with sector plans and the EDPRS monitoring framework. The priority actions were not, until now, part of the annual action plan of the ministry nor of the EDPRS matrix, but progress should be made on this issue in 2009. Another remaining issue is the alignment of GBS donors' education conditions (in particular the WB) with the sector processes. There do not seem to be clear reasons for these mis-alignments, other than inertia due to the existence of separate processes.

127. There also remain specific reporting requirements by the FTI and ADB, and a specific audit report for the FTI. Both FTI and ADB require separate reports following standard formats which implies that the reports from the JRES are not sufficient. Both of these derogations are mainly due to HQ requirements and standards. In terms of content, both reports require detailed information on budget execution and analysis of whether budget execution is aligned with the requirements of non-traceable earmarking for both programmes. Regarding the FTI, this report also needs to be up to date at the time of tranche disbursement, therefore requiring a specific update on budget execution information. The specific audit report by the FTI was due to the use of a standard format for "quick disbursing support" which was not specifically adapted to the provision of budget support. The FTI's new SBS modality, the Development Policy Operation (DPO), which Rwanda could request for the new cycle of funding (2010-2012) should allow better alignment of FTI requirements with existing mechanisms (use of JRES reports, no more requirement for a separate audit).

128. On the positive side, in a few instances these derogations from country processes have been judged useful in the long term by both donor and government interviewees. The preparation

of the LTSFF and progressive improvement of the ESSP, initially required as a basis for the JESS and FTI support, are seen by many as a major improvement in sector planning and analysis. Some interviewees outline the value of the FTI appraisal process (where the appraisal is carried out by the local donor group), in enhancing the quality of partnership between government and donors, and the relationship between donors. Although the requirement for a specific audit by the OAG of the SBS account led to unforeseen delays in disbursements, it is also seen as having contributed to strengthening trust in MINEDUC and GoR PFM management. With regards to the specific reporting on budget execution, although there again it lead to additional transactions costs, its format and degree of detail have been useful in getting MINEDUC on board with the kind of budget execution report that SBS donors would like to receive. Finally the JRES is an example where an initial derogation – the requirement for an annual review of sector performance as a means of agreeing future budget support disbursements – has become integrated into the annual budget cycle.

129. On the other side, donor requirements for improving the quality of the analysis (link between budget and activities, link with results, better coverage of district and semi-autonomous agencies actual expenditure, reporting on use of capitation grants), are fully aligned with requirements set out in the Organic Budget Law of 2006 and the MINECOFIN objectives. Nevertheless donors have tended to anticipate MINECOFIN requests and ask for formats and production of reports before guidelines and standard formats have been defined by MINECOFIN, without much MINECOFIN (National Budget Unit, Public Accounts Unit) involvement in the design of these formats.

130. Finally, UNICEF (as well as DFID and CIDA's) support to the Capacity Building Pooled Fund is financially earmarked to the pooled fund – therefore does not pass through the budget allocation process, although it does use the national budget execution procedures. The UN would not be able to shift to SBS directly, for many reasons (neutrality, added value, requirement to finance specific activities). Nevertheless UNICEF has been able to finance the trust fund which is a significant step forward and could lead the way for other UN agencies using the HACT modality in support of the education sector (in particular WFP). However, following recommendations of the Fund's mid-term review, some specific additional procedures may be added to the national ones, with the objective of ensuring specific accountability requirements are catered for: specific audit by the Office of the Auditor General, and an additional signature in the disbursement authorisation to ensure that all activities funded are in line with the pre-defined Capacity Building Action Plan.

### **3.3. The Effects of SBS on the Quality of Partnership in the Sector**

**SQ2.2: Has SBS contributed positively to the quality of partnership and reduction in transaction costs between development partners, the recipient government and civil society?**

131. Sector Budget Support to the education sector was scaled up in 2006, in concomitance with the adoption of the Rwanda Aid Policy. The two processes fed into each other and the JESS was one of the first attempts at implementing the Aid Policy at sector level. It fulfils some of the key Government objectives outlined in the Aid Policy: preference for un-earmarked budget support, alignment around national policies and review processes, reduced transaction costs, pooled project funds. Nevertheless, no lesson has been drawn so far from the experience of the education sector to feed into national level follow up on the Aid Policy (Aid Management Manual) or for other sectors in the process of developing a SWAp and a framework for Sector Budget Support.

#### ***Quality of dialogue***

132. According to most people interviewed for this study, sector budget support donors, and in particular DFID as lead donor, have been instrumental in setting up and maintaining an efficient donor-government coordination and dialogue.

133. MINEDUC has been a willing partner in the dialogue with donors. Government representatives interviewed all outlined the crucial importance of consultation and openness with donors, from the early stages of policy development, in order to ensure “donor ownership” of policies and strategic orientations in the sector, and build trust. There is a recognised trend for government to consult donors more, and take into accounts recommendations. Although all donors are consulted, this trend is linked to the closer relationship and trust built between government and donors, thanks to SBS.

134. Nevertheless, some donors interviewed still assert that consultation and transparency are insufficient, and cluster meetings not regular enough. Also MINECOFIN’s engagement is inadequate, despite it having a key role in the monitoring of the sector and negotiation of budget support and other aid programmes. Only the External Finance Unit (EFU) represents MINECOFIN during education cluster meetings and there is no representative from the National Budget Unit. There is only one employee responsible for budget support in the EFU (who is also the Director of the Unit). With the increase and multiplication of sector budget programmes in various sectors, it will become increasingly difficult for EFU to monitor adequately budget support issues without an increase in the number of staff working on this issue.

135. A particular area of concern is the recent Government decision to take some policy measures that will represent a major change in the ESSP objectives and targets. These changes have – mostly been too fast to allow tracking them they have also altered some priorities. For example the previous target to reach 75% transition rate from primary to secondary in 2015 has been fast tracked to reaching 100% in 2009. The recent proposal by MINEDUC to extend double-shifting across the board is seen by donors as a breach from previous targets defined in the ESSP and the EDPRS. Since all donor support and in particular SBS is based on the ESSP, this is perceived by donors as a potential threat to the overall donor coordination framework. The way this issue is managed both by Government and by education sector donors will be a test of both the strength of the existing partnership and of Government ownership.

### ***Transactions costs***

136. Clearly the fact that some donors shifted from project to sector budget support, plus the discipline of donors to avoid ad hoc and separate initiatives outside the existing coordination mechanism have contributed to a reduction in reporting requirements, separate missions and duplication. Some donors have mentioned the key role of the lead donor in ensuring that transaction costs are minimised. Indeed, the lead donor should ensure that as much as possible no separate donor requests are made of the Government outside existing coordination mechanisms, and that all studies or analytical work are as much as possible shared or coordinated.

137. It should be outlined that one of the major challenges of donors shifting from project to budget support is for government to strengthen its capacity to manage the increasing amounts of money passing through government systems. This implies considerable strengthening of staff motivation, quality and qualification notably at central level. As noted by the study on Improving the Provision and Management of external assistance to Education in Rwanda, “the introduction of a SWAp does not necessarily reduce the management burden on Government, and may in fact increase it if the added donor coordination costs are not offset by donors moving from project approaches towards more flexible aid forms using Government Procedures”. In addition, the SWAp process puts a heavy strain on some key high level persons in the Ministry (Secretary general, Director of Planning), which scattered projects with no sector coordination did not.

138. Donor projects often come along with well staffed, remunerated and qualified project implementation units. Transition from projects to sector budget support should therefore be carefully managed both by donors and by government in order to ensure that adequate staff is retained and motivated. This challenge in particular has been experienced in the education sector

when a significant number of donors financing school construction through projects shifted to sector budget support, therefore, putting a strong burden on the construction unit in MINEDUC.

139. Finally, some interviewees noted that in parallel with the shift to SBS a significant number of small, off budget – but very time consuming – projects has proliferated over the past few years. Examples given were projects supported by the private sector, or foreign universities. Although these projects are usually of small amounts, they consume a disproportionate amount of time for high ranking MINEDUC officials. Reasons for this proliferation given by donors interviewed were the fact that new donors in the education sector are more “project donors” (Korea, US), and support is being channelled through NGOs, the private sector and universities.

### ***Sustainability***

140. A noteworthy aspect of the existing donor coordination mechanism in the education sector in Rwanda has been its capacity to “survive donor turn-over”: to continue on a strong basis despite the departure of leading personalities from the donor side. One potential reason for this strength is the fact that the donor coordination structure was formalised through terms of reference (including terms of reference for the lead donor). An additional reason is that these terms of reference were revised and improved upon by incoming donor staff, which allowed a better ownership and understanding of the donor coordination mechanisms and objectives by the new comers.

### ***Lessons Learned***

141. There are several important examples of practice in the design of SBS in Rwanda which have had a positive impact on the partnership. These practices have both contributed to foster an increase in the provision of SBS and to ensure the modalities of SBS have addressed some of the key challenges in the management of external financing of the education sector:

- A gradual approach to building the structures for dialogue and conditionality in the sector helps build systems, processes and trust. The inclusiveness of these structures meant that other donors were able to participate, before making a move to SBS.
- The establishment of the annual JRES, although initially established as a result of the demands of donors, addressed an important gap in the monitoring of sector performance. It also served as a point for decision making on future support by SBS donors.
- The establishment of the Lead donor, and harmonisation around the lead donor, through the use of initiatives such as silent partnerships, has reduced transaction costs.
- The Partnership Principles and the JESS provided a framework which gave other donors further confidence to move to Sector Budget Support. The lead donor led by example by shifting to providing SBS type 2 through the JESS – as opposed to SBS type 1 it provided previously – helped legitimise these further.
- Both GBS with the Education Window and SBS use government systems in their entirety, with only loose requirements for additionality and non-traceable earmarking in the sector. This has minimised unnecessary derogations and transactions costs.
- The links to TA and capacity building in the design, firstly informally through a parallel DFID project, and subsequently through the Capacity Building Pooled Fund has meant that dialogue has been supported by assistance.

142. However there are a number of elements to the design and management of SBS which could be improved:

- The loose framework for conditionality, despite allowing flexibility, may result in problems especially if there is significant under performance or disagreement between government and donors in future. Also, the vulnerability of SBS to political and governance issues outside the sector is unclear. Furthermore, many donors have tied their disbursements to

the assessment of the lead donor, which increases the risk to the Government if that assessment is not favourable. A clearer framework is therefore needed.

- There is inconsistency between GBS conditions relating to the education sector and those associated with SBS. There is a need for SBS donors to link more closely with their GBS counterparts to ensure consistency in dialogue and conditions.
- Predictability, in particular medium and long term projections for SBS is poor. Given the scale of SBS resource transfers with the arrival of the FTI, the consequences of a drop in SBS resources in the future would be far more significant. Donors should be prepared to make long term commitments to the sector.
- Donor technical capacity for policy dialogue needs strengthening, especially as it moves from broad policies to the implementation of those policies.

Similarly the capacity of MINECOFIN to engage in the sector dialogue structures needs to be enhanced.

## 4. Sector Budget Support and its Effects in Practice

### 4.1. SBS and its influence on Sector Policy, Planning, Budgeting, Monitoring and Evaluation Processes

**SQ 3.1: What has been the influence of SBS on sector policy, planning, budgeting, monitoring and evaluation processes, and what are the constraints faced and lessons learned in practice?**

#### *SBS alignment with and contribution to policy and planning processes*

143. **The move to SBS** (type 2), in particular through the JESS from 2006 onwards, **has both contributed to and depended on the development of a sector wide strategy and realistic costing exercise**. The development of a credible costed strategic plan (LTSFF) has been mentioned by many donors (DFID, ADB, FTI) as the key document allowing the shift to SBS. It was also a key requirement to access to the FTI financing. The LTSFF in particular provided an initial assessment of the financing gap and cost of achieving the objectives set out for the education sector, on which the JESS is based. Nevertheless, the fact that the LTSFF provides a framework on the long term (10 years 2006-2015), although considered useful by donors, has not been used in order to frame the design of SBS programmes – or improve their long term predictability.

144. The development of the education policy framework was supported by various capacity building projects and by the nascent education sector policy dialogue. During this period (2000-2005), DFID and SIDA were supporting the education sector through budget support (respectively GBS with education window and silent partnership with DFID), and the DFID JESSP provided capacity building and TA support for the development of the policy framework.

145. In addition, despite the fact that the education SWAp was formally set up in 2003 around the Education Sector Policy, several government representatives interviewed outlined the **benefits of the SBS approach to broaden the focus of the discussion and include all levels of the education sector**. Non-SBS donors interviewed also recognise that the focus of SBS-related policy dialogue and conditionality on the overall sector policy and performance has contributed significantly to the quality and inclusiveness of the planning process and coordination meetings discussions. Besides, the regular and systematic requirement by SBS donors for plans and budgets to be prepared ahead of the JRES clearly put pressure on MINEDUC to start planning ahead. It also makes these arrangements more institutionalised.

146. Increasingly, government has pro-actively chosen to consult and work together with donors during the drafting of key policies in the education sector (TVET, Girls education, etc). These consultations have taken place during the cluster – or thematic working groups meetings. Many interviewees attribute this tendency to the **willingness of Government to associate donors with policy making as early on in the process as possible, in order to build trust and confidence, in particular with SBS donors**. Although it is difficult to assess the influence of donors on these policies, it can be assumed that a more inclusive process for policy making should have led to improved policies.

147. Finally, SBS also had an indirect influence on government planning process. In order to foster a sector-wide integrated approach coordinated with project donors, Government has decided to develop costed policy and strategies in sub-sectors where mainly project donors operate so far: ICT and TVET, with the objective of providing a framework for a potential move to SBS. This influenced not only other sub-sectors in the education sector but also other sectors in GoR such as health, agriculture, justice and transport.

**SBS alignment with and contribution to budgeting, monitoring and reporting processes**

148. Overall there is a clear effort by SBS donors (types 1, 2 and 3) to align with national processes for budgeting, reporting and monitoring performance.

149. The following table outlines the different reports and documents required by various SBS donors. **The vast majority of reports required is aligned with national processes**, except for some specific FTI requirements. It is also interesting to note that various donors rely on reports produced by DFID, the lead donor.

**Table 11: SBS reporting requirements**

Reports required for SBS monitoring	DFID	Belgium	NL	CIDA	FTI	ADB	SIDA	Alignment with national processes
Draft budget	X		X			X	X	Yes
Adopted Education budget	X	X	X	X	X	X	X	Yes
MTEF	X		X				X	Yes
Budget execution report	X		X	X	X		X	Yes
Annual Work Plan for the following year				X	X	X		Yes
JRES aide memoire	X	X	X	X	X		X	Donor – Government coordination document
PERs and PETS							X	Study report
Progress report of the PRS/EDPRS							X	Yes
Annual progress report of the ESSP			X				X	Yes
Annual progress report of PFM reform							X	Yes
Annual consolidated financial accounts							X	Yes
Annual report by the Auditor General	X			X	X		X	Yes
Audit of the education sector by Auditor General					X			Specific audit required
Specific report on education budget implementation and workplan					X			Specific report produced
DFID analytical report of ESSP		X	X	X			X	DFID/consultant report
DFID assessment of financial management				X				DFID/consultant report

150. With regards to the **review process**, the JRES has become a key step in the national budgeting process and strongly led by MINEDUC. The crucial role of the JRES is outlined in the National Planning and Budgeting Guidelines and in the Budget Manual for Budget Agencies issued by MINECOFIN. The 2007 PER<sup>33</sup> nevertheless notes “the current annual review with the donors should be internalised as a Ministry review to which the donors are invited, rather than as an externally driven process, which inherently lacks sustainability”. The JRES usually takes place in time to allow donor commitments for the following year to be included in the budget preparation, although not in time for the definition of the initial (indicative) ceilings by MINECOFIN. Yet, no representative from the National Budget Unit participates in the JRES or education cluster meetings. MINECOFIN is represented by the External Finance Unit which is not involved directly in budget preparation. This makes it more difficult for MINECOFIN to take into account issues discussed in the JRES during budget preparation.

151. The JRES usefully focuses on analysing past performance, drawing lessons and defining priorities for the coming years. MINEDUC reports on results in terms of outputs and outcomes, and budget execution in its annual report of the ESSP. As outlined by donors, there nevertheless still remains scope for improvement in these reports: providing more details on the link between budget execution, implementation of activities, and results achieved; and comparison of objectives set with actual performance in any of the performance reports. It is in GoR’s interest to provide sufficiently detailed and credible information in order to build trust and avoid potential donor demands for excessive earmarking and high number of detailed conditionalities. In addition, these demands from donors on improved quality of reporting are in line with the requirements of MINECOFIN,

<sup>33</sup> MINEDUC (2007a).

based on the new Organic Budget Law<sup>34</sup> (article 72), which specifies that all Budget Agencies should prepare a budget execution report, outlining results achieved and explaining performance, making the link between financial and non financial performance. Both donors and MINECOFIN are therefore pushing for improvements in the same direction for reporting issue.

152. Regarding the **alignment of SBS conditionalities and review with the national review process**, SBS donors (type 1 and 2) use the JRES in April as the main instrument to assess government performance in order to take disbursement decisions for the following budget year. The 'priority actions' monitored in the JRES should, in principle, be drawn from existing plans (e.g. the ministry annual workplan which in turn should be linked to the ESSP) and be aligned with other monitoring instruments such as the EDPRS monitoring framework (CPAF and EDPRS matrix). However this has not been the case. Meanwhile a reduction in the number of priority actions over time should make alignment (as well as monitoring and reporting) much more straightforward. Yet, out of the 14 'priority actions' defined at the 2008 JRES, none of them are drawn from the 2008-2012 ESSP National Education Policy Strategy and Guidelines Matrix or list of outputs, nor from the Annual workplan of MINEDUC. The matrix itself contains 19 performance indicators, 16 policy indicators (for 2008), and 56 outputs. Donors are expecting an improvement in this situation in 2009, and the 2008 JRES priority actions should be included in the 2009 MINEDUC Annual workplan.

153. GBS policy conditions relating to education are often different from those associated with SBS (type 1 and 2). Although this is not a problem per se, more effort could be put by SBS and GBS donors to ensure complementarity and consistency across these conditions, in particular when they are drawn from different sets of documents. In contrast to the JRES' prior actions GBS-related policy conditions are better aligned to both the EDPRS and the sector's own policies and plans. For example, the World Bank PRSG 4 (2008) is linked to the 'development of a teacher management policy to provide a framework for improving the supply of well trained and qualified teachers' in the education sector. This is not part of the JRES 2007 nor the 2008 priority actions. However unlike JRES priority actions, it is drawn from the ESSP National Education Policy Strategy and Guidelines Matrix 2008-2012 and is part of the priority actions that are also included in the EDPRS summary policy matrix. EC performance indicators that are used to monitor its GBS programme (used as conditionality for the variable tranche) are also drawn from the ESSP monitoring framework.

154. Finally, dialogue between government and donors on the education sector budget is usually held during the Joint Budget Support Review in September. Most SBS donors – and GBS donors with a particular interest in education such as the World Bank and the EC - participate. Since 2008 a specific education budget meeting is held in addition, just before the JBSR (September). MINEDUC presents the draft budget and MTEF to donors, and provides them the opportunity to comment, in particular on intra-sectoral allocations. There is, however, no formal coordination mechanism whereby education budget support donors receive information on the overall progress in PFM and recent budget reforms that could impact on the education sector. As a result, they lack information on the latest developments that they could build on in the education sector (for example the requirement for an annual PER, improvements in budget execution reports required in the new OBL, latest developments on fiscal decentralisation). As outlined by some donor interviewees, this may be due in part to the fact that for most donors providing GBS, it is seen as yet another "sector of intervention" rather than as a cross cutting instrument that should benefit from and feed into all other sector programmes or projects in which the donor is involved.

### ***SBS influence on resource allocation***

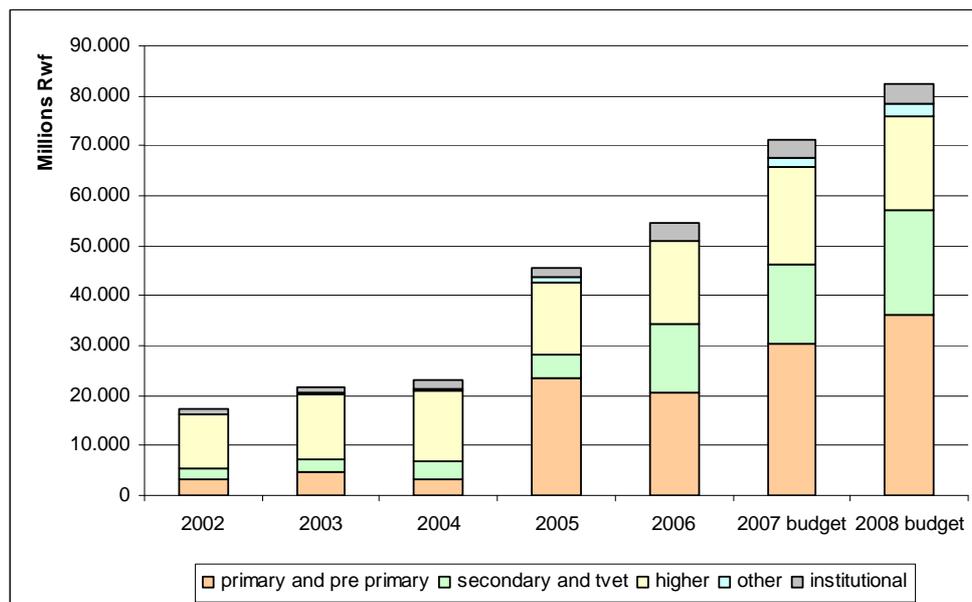
155. Whilst SBS (type 2) represented only a small share of external financing between 2002 and 2005, since the start of the JESS 2006 it has risen steadily from 32% in 2006, to over 90% of

<sup>34</sup> GoR (2006a).

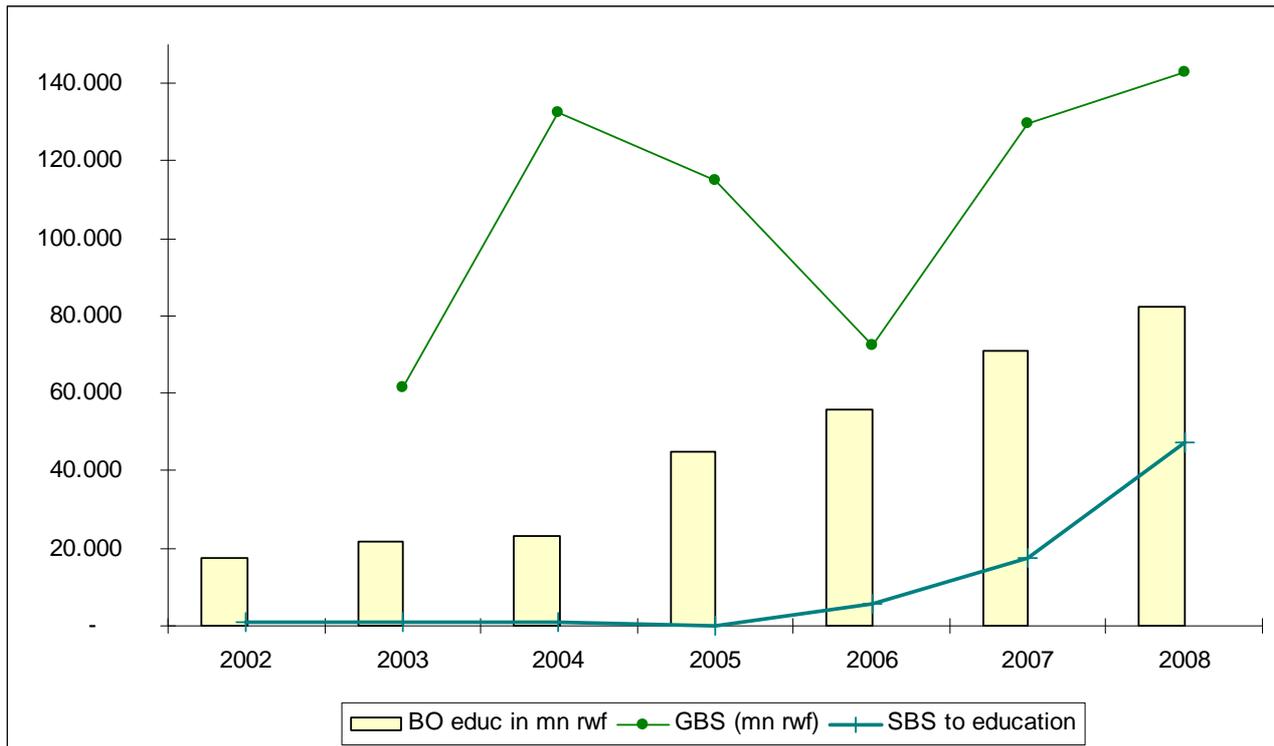
external financing earmarked to the Education Sector. The share going to projects has correspondingly decreased. Over the same period, SBS has risen from 11% to 48% of the total education budget. Over the same time there have been significant GBS flows as well. This shift from project to budget support modality by several donors, combined with the use of non-traceable earmarking has greatly enhanced the government’s discretionary power over the use and allocation of its budget.

156. It is nevertheless important to note that the biggest increase in the budget of the education sector took place in 2005, prior to the significant increase in the provision of SBS. This shows that the government has increased funding over and above SBS, and broadly met additionality requirements. Over the same period there has been significant realignment of sector budget allocations towards Primary Education and away from tertiary, whilst the key budget lines within primary have expanded rapidly. This is very much related to the dialogue between donors (in particular SBS donors) and Government during the JRES, as well as to the non-traceable earmarking (in particular of the FTI) on non-wage primary education expenditures.

**The policy dialogue and conditions agreed during the JRES and JBSR associated with both SBS and SBS and GBS have been most influential in these reallocations. It is no coincidence that all SBS programmes specify alignment of the annual budget with the ESSP as one of the disbursement triggers. Whilst no clear criteria is defined as to what that means exactly or how it is assessed, donors – and in particular SBS donors - have frequently emphasised the need to “rebalance the education budget towards primary education” over the years. Figure 1: Evolution of education budget and allocations to sub-sectors over time**



157. Figure 1 shows how the share of the education budget going to higher education has been consistently decreasing over time, while that of primary education has been increasing. In addition, Government has recently taken the decision to allocate resources to higher education institutions on a unit-cost basis (2009 budget), which addresses a constant donor concern and should make higher education expenditure more efficient.

**Figure 7: Evolution of education sector budget, GBS, and Education SBS**

158. MINECOFIN officials mentioned the influence of the costed Long Term Strategy and Financing Framework (LTSFF) as a guide for budget allocations to education (both to the sector and intra-sectoral). The LTSFF was used because it provided an overall financing framework linked to a clear strategy and objectives, endorsed by education donors and serving as a basis for the FTI grant (representing 8% of the total recurrent budget in 2008).

159. There are clear examples of where major donor concerns were taken into consideration during the finalisation of the education budget. Many government interviewees have mentioned the “protected areas” of textbooks, school construction, capitation grant and teacher salaries. In their views these are the main areas of donor interest that need to be protected both during budget preparation and during budget execution.

160. It should nevertheless be noted that significant amounts spent in the education sector do not appear in the education sector budget in the National Finance Law nor in the budget execution reports. Amounts spent on education by the Common Development Fund (appear under MINALOC-CDF); amounts spent on education by FARG (appear under MINALOC-FARG). Amounts spent on education by Districts financed with the block grant or Districts’ own revenue; amounts collected directly and spent by education semi-autonomous agencies and higher learning institutions. The budget presented to Parliament for the first time contains in annexes information on revenues collected by semi-autonomous agencies and higher learning institutions (fees, donor protects, etc.), therefore providing a more complete picture of the amounts spent in the education sector overall. The total amount collected directly by these institutions (therefore not included in the national Finance Law) in 2008 is estimated at rwf7.3 billion, which represents 7.2% of the total education budget.

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162. Figure 2 provided an illustration of the evolution of key education budget lines. They have clearly increased more noticeably than the overall education sector budget, in particular during the last three years. Figure 7 illustrates how the capitation grant, which is also one of the donors priority areas of concern, increased significantly between 2005 and 2006, one year before the significant increase in SBS to the education sector, but continuous increases have been maintained since then.

163. The donor shift from projects to sector budget support aid modality has also helped rebalance the recurrent/investment composition of the education budget. In particular, it has allowed consideration of the recurrent implications of investment expenditures, in a way that project aid did not support as much in the past. This point was emphasised by MINEDUC interviewees. A concrete example was given by the Director of Construction in MINEDUC, whereby the increase in sector budget support has enabled MINEDUC to provide schools with transfers for school maintenance (through the capitation grant), which did not happen in the past despite significant amounts being spent through projects on school construction. Although he recognised that further efforts are required to increase maintenance expenditure and provide further guidance to schools, the Director felt that this was a very significant and positive outcome of donors' shift to SBS.

164. Despite concern from donors in the sector, one area of the budget which has not seen significant increases has been teachers' salaries. GoR has decided to keep the increase in the total amount of teacher salaries at 3% per year, in line with the overall requirement in the IMF programme to keep increases in the total civil service wages at 3% per year. This puts a clear limit on both increases in salaries and on the number of teachers. However, it appears that this may be an overly strict interpretation of the IMF conditions, which might allow increases in service delivery staff. The IMF does not participate in education sector discussions, and the issue of a potential increase in teacher payroll remains a contentious one between MINEDUC and MINECOFIN.

165. Finally, it is important to note that the lack of reliable medium term and long term projections of SBS described in section 3.2, undermines the ability of MNECOFIN to provide realistic MTEF ceilings to the sector. Furthermore, according to MINECOFIN interviewees, a halt in the education SBS and in particular in the FTI support, would clearly impact on the education sector budget, but would potentially more impact on the rest of the national budget, due to the fact that education is clearly a government priority and education expenditure are mostly of a recurrent nature, therefore more difficult to decrease suddenly.

### ***Lessons learned***

166. There are several areas of where SBS has had a positive influence on policy, planning, budgeting reporting and monitoring in the education sector:

- The establishment of a clear framework of policy and costed strategic plan before the wholesale shift towards SBS was crucial. Once the framework was established, this allowed a shift to SBS, and enabled the dialogue to focus on addressing financing gaps and aligning resources towards the policy framework.

- The complementary use of project support to assist in the development of the policy framework, and was underpinned by the dialogue associated with GBS with a specific Education Window (type 1) was important.
- The emergence of the JRES as a focal point for monitoring sector performance was important. This has allowed a harmonised process of SBS donors' assessment of government performance, thereby reducing transaction costs significantly. The substance has also improved over time, and there has been a reduction of priority actions to a manageable number which will help focus the dialogue and reporting.
- The timing of the JRES has allowed – in general – information on future SBS disbursements to be provided in time – although not early enough to be included in initial budget ceilings.
- The magnitude of the shift towards SBS, combined with the use of non-traceable earmarking and additionality<sup>35</sup> helped ensure that budget allocations continued to increase, but that GoR had increased flexibility in resource allocation.
- Dialogue has played an important role in intra-sector resource allocation, and the donor's focus on a few issues such as the share of primary education and key primary education budget lines, has meant that this dialogue has had a significant impact.

167. A number of issues, however, mean that SBS has not been as beneficial as it could have been:

- As has been acknowledged by donors in the sector, the priority actions at the JRES need to be better aligned with the EDPRS, the ESSP log frame and policy matrix and Annual Workplans. In addition the conditions associated with SBS should be consistent with those for GBS. This should be anchored in a streamlined process of sector reporting, which includes the principle of reporting against previous objectives.
- Reporting on budget execution remains weak. Areas where improvement is needed include: in particular (i) linking expenditure with activities and outputs; (ii) reporting on actual expenditure as opposed to disbursements; (iii) reporting on use of capitation grants and transfers to districts and schools. This would improve the quality of the analysis on which budget preparation is based and would also contribute to enhance transparency and confidence of existing and future SBS donors.
- The link between the JRES and JBSR is unclear, especially in terms of dialogue relating to the budget. A suggestion would be for the JBSR to focus on cross-cutting cross-sector issues, and for the JRES to be the place where education budget, education budget execution, and education PFM-related issues are discussed. It would imply the economists from donor agencies would need to participate much more actively to the JRES. It would also imply ensuring the timing of the JRES and JBSR is well coordinated in order to ensure GBS donors do not need to replicate this discussion in the JBSR in order to satisfy their disbursement conditions.
- Unreliable medium term projections for SBS undermines the ability of MINECOFIN to prepare credible MTEF ceilings for the education sector. This needs to be addressed.
- Whilst increases in budget lines have been impressive, there has been no corresponding increases in the teacher wage bill – either to address issues of low teacher remuneration directly, or to fund increases in the number of teachers so as to improve pupil to teacher ratios.

<sup>35</sup> MINECOFIN interviewees expressed concern that the multiplication of SBS programmes in support to various sectors (up to 8 sectors expected to receive SBS in 2009/10), combined with the fact that donors in other sectors have a much more restrictive approach to earmarking and additionality, definitely restricts the Government's discretion power on budget allocations.

- In addition, there is need to shift dialogue with GoR away from increasing the education budget and specific budget lines, to allocating and spending existing sector resources more efficiently.
- Dialogue would benefit from improved participation of MINECOFIN in the JRES, in particular with participation from the budget unit on budget issues.

#### 4.2. SBS and its Influence on Sector Procurement, Expenditure, Accounting and Audit Processes

**SQ3.2 What has been the influence of SBS on Procurement, Expenditure Control, Accounting and Audit Systems at the Sector Level, and what are the constraints faced and lessons learned in practice?**

##### ***SBS: use of and support to national PFM system***

168. There have been improvements to PFM overall and in particular in the education sector. Some interlocutors attribute this positive evolution in part to the increasing proportion of SBS, and the related increasing demand from budget agencies on the national PFM system. The degree to which these improvements can be attributed to SBS is debatable. Given the stronger involvement and support of GBS (and SBS type 1) donors to the strengthening of PFM systems overall, it is most probable that many of these improvements are related to the overall GBS dialogue rather than SBS. Nevertheless, as outlined below, it seems that despite the relatively low focus of overall sector dialogue on sector PFM issues, most issues raised by SBS donors have been or are in the process of being addressed.

169. As recognised by many SBS donors, the follow-up of sector-PFM issues is the weak point of the current donor-government dialogue, mainly because of the lack of PFM experts in the donor group and weak coordination with the economists following the GBS PFM dialogue. In terms of conditionality and policy dialogue, SBS type 1 has had more focus on overall PFM reform. SBS type 2 has had a limited focus on sector-PFM issues so far (see annex 6), but this should increase with the recommendations from the 2007 PER, FTI audit, and upcoming PETS. SBS type 3 has had less focus on sector PFM reforms, but is based on an assessment of overall and education specific PFM performance. This is clearly an area where SBS donors could improve their contribution.

170. Nevertheless, it should also be noted that most of the key SBS requirements on improving the management of PFM in the education sector have been implemented over the years (although often with a lag of a few years):

- Revising the format of the education budget (programmes and sub-programmes) in order to separate pre primary, primary, tronc commun and upper secondary, teacher training, technical education – 2005 JRES priority action, done in 2005;
- Defining and sending out guidance on the use of the capitation grant – 2005 JRES priority action, done in 2007;
- Carrying out a training for school head masters and intendants on school management – 2005, 2006, 2007 JRES priority action, done in 2007-2008;
- Linking the amount transferred to higher learning institutions to the number of students – 2005 JRES priority action, done in 2008 (for 2009 budget);
- Separating the capitation grant per topic – 2005 JRES priority action, done in 2008.

171. At a more general level, several studies were carried out between 2001 and 2005, which outline a series of weaknesses in the management of public finances related to the education sector. These studies were used by donors (SBS but also GBS donors) as a basis for dialogue with MINECOFIN and MINEDUC. The table in annex 2-b outlines progress to date on each of

these identified weaknesses. Out of 19 weaknesses identified by the author (since the 2003 PETS), seven have been addressed, good progress has been made on 10, and no progress has been made only on one (no information has been found on one of the elements).

172. In any case, all government representatives interviewed - in particular “users” of the Rwanda PFM system (schools, autonomous agencies, units in MINEDUC, districts) - outlined that the Government PFM systems (procurement, cash availability at the beginning of the year, rapidity of disbursements), has improved significantly over the past years. This may be a result of the commonly used justification for providing budget support: “improve the system by using it”, and the fact that Government’s and in particular MINECOFIN’s focus has shifted to improving the national budget and budget execution process. The fact that more and more donors shifted from parallel project financing to using government systems could have contributed to increasing pressure and necessity to ensure these systems work more efficiently. It is also a result of the Government’s commitment to – and the GBS donors close monitoring of and support of – PFM reform. In particular with the adoption of the new Procurement Law, the new Organic Budget Law, and the production of consolidated financial statements for the first time in 2007.

173. As a result, government representatives outline the significant improvement in the rapidity of the disbursement process (mainly linked to the decentralisation of the authority to approve payments to chief budget managers in each budget agency, resulting from the new Organic Budget law), the possibility to start executing the budget from the very beginning of the financial year, and the improvement of procurement processes. Interviewees at local level also mention the timeliness of transfers from central government, and the timeliness of payment of teacher salaries and earmarked transfers to schools and districts. They believe that this improvement over past years has had a very positive impact on teacher motivation, implementation of activities, and even as a consequence on pupil motivation.

174. Despite these improvements, delays during the year of the provision of SBS have put pressure on the government’s cash management system. Because SBS money flows into the national budget, the issue of predictability becomes more important. Indeed the consequences of late disbursements (for example the FTI disbursement in 2007 was delayed to 2008) are felt more directly at the level of the Ministry of Finance (missed IMF PRGF performance criteria, need to borrow and rising cost of financing, etc) than by the Ministry of Education, which continues executing its budget normally. For example, an agreement was reached between MINEDUC, MINECOFIN and education donors so that MINECOFIN would provide MINEDUC with the funds corresponding to the FTI disbursements in 2008 as of the beginning of the year, despite the fact that disbursements were delayed until the end of the year. This is a significant effort given that the FTI disbursement in 2008 represents 12% of the total education sector budget for that year.

### ***School-level financial management***

175. With the strong increase in amounts transferred directly from central government to schools, in particular with the significant increase in the capitation grant, more pressure has been put on improving the management of funds at school level by SBS donors in the dialogue.

176. A training course was carried out in 2007 and 2008 for school directors, ‘intendants’, district education officers and directors on school management, which includes a module on budget preparation and execution, financed by the capacity building pooled fund. Clear directives have been sent to schools on disbursement procedures (for example disbursements in primary schools require the signature of the school director, the president of the parent-teacher association, the treasurer of the parent-teacher association and a teacher), and budget preparation mechanisms (budget must be approved by the Parent Teacher Association). Further training is planned for Parent Teacher Associations, on their role in managing and monitoring the use of the schools’ budget.

177. Furthermore, in 2007 internal auditors were placed in each district, with the specific responsibility to oversee schools' financial management. Inspectors have also been placed by the Inspectorate General in each province in 2008, in order to oversee the implementation and respect of education standards. Finally, districts and *umurenge* have been given clear responsibility to oversee school management and performance, in particular through school visits and the signature of performance contracts with headmasters.

178. The PER outlines that “the great majority of schools [surveyed] at both primary and secondary level claim to have most of the requirements in place – they have bank accounts, PTAs, [...] and prepare action plans and budgets”. Nevertheless, the PER 2007 also outlines the lack of capacity in Districts and at MINEDUC level to analyse schools' budget execution reports (with an average of approximately 100 schools per district and only one education officer).

### **Lessons learned**

179. There are three main areas of practice with positive effects that can be identified:

- Firstly, the use of PFM systems by SBS, as well as UN-HACT. With over 90% of external assistance, and therefore over 95% of sector resources using government systems, the focus of the sector has shifted towards improving these systems. This represents a clear improvement over the situation prevailing in 2000 and the challenges related to the management of predominantly project-based external assistance.
- The second instrumental practice has been the complementarity of GBS and SBS. GBS has allowed donors to support improvements in overall PFM and government resources, which have then allowed a more efficient use of SBS resources. This would not have been possible with SBS alone.
- Thirdly the sector has focused on improving financial management at the service delivery level, using the capacity building pooled fund, thereby addressing sector level PFM issues which are beyond the reach of crosscutting reforms.

180. Although the experience has been generally positive, it is clear that in-year unpredictability, both in terms of the quantity and timing of SBS disbursements has a detrimental effect on MINECOFIN's cash management, and therefore reliability of the budget.

### **4.3. SBS and its Influence on the Capacity of Sector Institutions and Systems for Service Delivery**

**SQ3.3: What has been the influence of SBS on Sector Institutions, their Capacity and Systems for Service Delivery and what are the constraints faced and lessons learned in practice?**

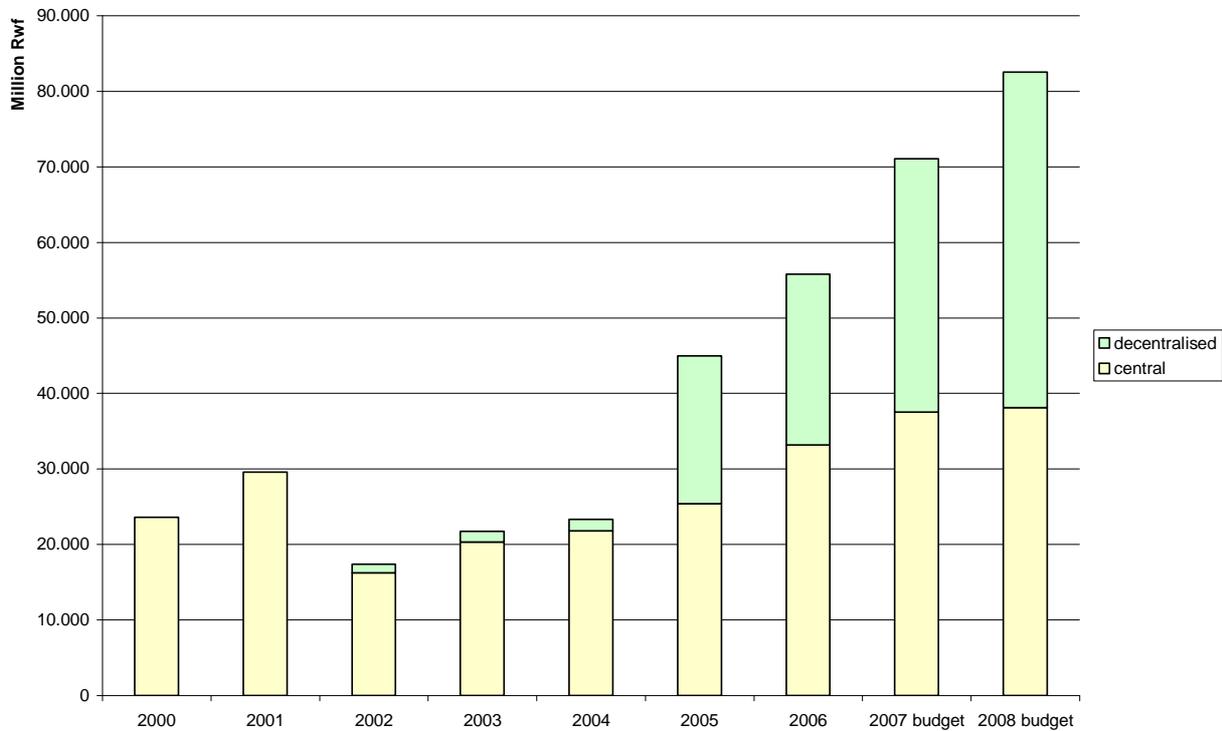
#### ***Use of government systems for funding sector institutions and service delivery***

181. Sector Budget Support has largely used government systems for financing sector institutions and service delivery. SBS funding (type 1) alongside GBS (type 2) is channelled to central budget agencies in the sector in the conventional manner. The only creation as a result of JESS at the centre is the Capacity Building Pooled fund, which will be separately identifiable in the budget. A further derogation is that UN-HACT (type 3) funding is channelled directly to the Pooled Fund Account, and not via the treasury.

182. As shown in Figure 8, the amounts being transferred directly to the decentralised level for service delivery have grown very quickly over the past four years, to reach 44% of the total education budget in 2008. SBS funds, like other government resources, flow to service delivery entities through earmarked transfers to districts. The capitation grant is transferred directly to schools' accounts, along with school feeding. Teachers' salaries are paid directly to teachers'

accounts. The same guidelines (Norms and Standards, Directive for the use of the capitation grant, school construction guidelines, etc) are used for the whole of the national budget.

**Figure 8: Proportion of the recurrent education budget going to decentralised level**



183. One issue that has emerged is with regards to the alignment with national systems is the need to streamline financing for school construction. The shift of some key donors from school construction projects to sector budget support has led to the increase in the construction budget. Construction is the responsibility of decentralised levels, and the Common Development Fund, set up in 2003, is supposedly in charge of coordinating all investment financing in districts and local administrations. Yet classroom construction is neither channelled via the CDF, nor is it treated as a conventional earmarked transfer to districts. Instead it remains in the MINEDUC budget and not under the district budgets in the National Finance Law, despite the fact that the money is transferred directly from MINEDUC to Districts accounts.

184. The Districts visited for the study therefore, had four different sources of financing for school construction: MINEDUC budget, CDF, and two donor projects (that were in the process of closing down) – requiring four different types of financial reporting. The CDF and the construction unit in MINEDUC carry out overlapping work: CDF has decentralised specialised staff in each province to support districts with procurement procedures, for assessing on-going construction works, etc, and MINEDUC has just posted five engineers in provinces to carry out the same task. There appears to be no contact between the two entities. The current overlap between MINEDUC, CDF and project school construction financing (let alone NGO and other donor projects) makes an equitable distribution of funds among Districts more difficult to achieve.

185. Why has this situation emerged? One reason for MINEDUC to keep a separate budget for school construction outside the CDF may be ‘visibility’, and the need to show donors the amounts going to construction each year, since the CDF only appears as one line in the budget. Another reason for this may be to (i) to ensure that the money is actually used by Districts for construction and not for something else; (ii) to avoid accumulation of cash in district accounts. Discussions are

currently on-going at MINECOFIN level to decentralise both the school construction line in MINEDUC's budget and the CDF to Districts' budgets in the National Finance Law.

### ***Approach to Capacity Building of Sector Institutions in the Sector***

**186.** Prior to 2006 TA and Capacity Building associated with SBS focussed on strengthening the policy and planning framework, and not the institutions themselves. Yet, as it flows through the national budget and is disbursed directly in the national Treasury, SBS provided by donors to the education sector makes use of national processes and institutions from the central government level (MINECOFIN, MINEDUC) to the semi-autonomous agencies which provide services for the education sector (NCDC, NEC, IGE) and the local government entities (Districts, Imirenge), down to the service providers (schools, universities). SBS flows all the way from the national Treasury to all of these institutions in a similar way to national resources (see Conditionality and ***dialogue***

187. SBS-related dialogue is carried out through an organised and institutionalised framework, for which detailed terms of reference have been drawn. Overall, there are no specific fora for discussion between SBS donors and Government. All fora (cluster meeting, joint sector review) are open to all donors including non-SBS donors. These fora are well aligned with the national budget and planning calendar both at national level and within MINEDUC. When needed, specific SBS meetings between SBS donors ensure coordination and information sharing.

188. All SBS programmes (type 2) and GBS with and Education Window (type 1) base their disbursements on an 'overall satisfactory performance' of the education sector as assessed in the JRES, and the satisfactory assessment of the alignment of the education budget with the ESSP. All donors use the JRES, draft budget and MTEF and assessment of performance over the past year as a basis for their evaluation of government performance in education.

189. There is however no precise definition of what 'overall satisfactory performance' means. It is not specified whether it is an assessment of progress on 'priority actions' defined at the JRES; the indicators and targets in the ESSP log frame; or the EDPRS policy matrix. This leaves a useful flexibility to take into account external and internal factors, but poses the risk of subjective, unpredictable decisions.

190. Figure 6). This has also put an additional strain on the existing systems in terms of human resource and the necessary environment to allow efficient work.

191. An example has been given by the Director for Construction in MINEDUC. When construction was mainly financed through projects<sup>36</sup>, Project Implementation Units provided well qualified and well paid staff to monitor construction. The Construction Unit only had, and still has two permanent staff, including the Director. Nevertheless the shift from projects to sector budget support has led to a very significant increase in the share of the national budget going to construction. This has led to the recruitment in 2008 of five contractual engineers to work in each Province and Kigali city to provide support to Districts in managing school construction. Although it has taken a few years for this capacity strengthening of the Construction Unit to take place, it has allowed it to scale up construction effort and improve management and oversight of districts by MINEDUC – therefore improving the efficiency of the use of national resources and SBS.

192. The capacity building pooled fund was established to help strengthen sector institutions. Early on it has focused on strengthening capacities of decentralised levels and schools, in particular financed a training of all head teachers on school management, and the development of a school management guidebook, both of which were judged of crucial importance both by Government and by Donors. Also the five engineers working in the provinces are financed by the fund. Nevertheless, it should be noted that a Government-wide capacity building agency was created by Government in 2005 with the support of the World Bank and various other donors, with the mandate of “spearheading capacity building of the human resources and institutions in the country”. The creation of a separate capacity building pooled fund in the education sector both allows MINEDUC to have better ownership and responsibility over the use of the fund, but also creates a separate mechanism and potentially undermines the responsibility of this agency to coordinate support to capacity building across government.

193. Finally in addition to formal capacity building initiatives, some donors have mentioned the usefulness of “informal capacity building” through policy dialogue and very close donor-government relation.

### ***MINEDUC and Central Agencies***

194. The capacity of the MINEDUC has remained weak despite the extra demands laid upon it and the formal and informal capacity building and technical support provided. The 2007 PER noted the following with respect to the human resources in MINEDUC: *“MINEDUC is one of the smallest ministries of education anywhere, with only 40 posts including the two ministers. Decentralization, and devolution of functions and posts to [semi-autonomous agencies], have left it with the bare minimum of staff for its responsibilities. [...] MINEDUC has three departments: it’s Department of Policy and Planning has 21 of the ministry’s 40 posts”*. Formal and informal capacity building is unlikely to be effective in an institution which does not have adequate manpower.

195. The recent Functional Review and Institutional audit of MINEDUC, quoted in the mid term review of the capacity building pooled fund says: *“staff shortages in the Policy, Planning and Capacity Building Unit are being compensated for by project staff and technical assistance, but this is unsustainable and masks the lack of capacity only in the short term [...] it is very doubtful whether the Ministry has sufficient resources to oversee the Education Strategy – this burden appears to fall almost entirely on the Director of Planning at present”*. The World Bank CAS further notes *“The drastic reduction in public sector staffing has limited the number of people available to supervise, analyze and implement as well as to learn. [...] While the Government has put in place a large number of agencies as part of its outsourcing strategy, moving implementation away from central ministries, the relationship between ministries and agencies remains undefined. This has*

<sup>36</sup> World Bank Human Resource Development Project, ADB Education III project, Belgium CREP project

*generated overlapping mandates, weak supervision and management of agencies by their ministries”.*

196. The key issue with strengthening the capacity of the Ministry and local government levels lies with the civil service policy. Nevertheless, civil service reforms in the past few years (2005-2006) have mostly led to a streamlining of the number of civil servants (and a significant increase in salaries – except for teachers). This has led to staff in the Ministry of Education going down from approximately 200 to 42 today. Another civil service reform is currently on-going, but all of the donors interviewed expressed their reluctance to get involved directly in this issue which is judged more of a “sovereignty” issue. There have not been discussions with education donors on the potential impact of the upcoming civil service reform on MINEDUC, or decentralised actors in the sector.

197. Given the staffing numbers are concentrated on policy and planning, the management of the education system falls short. One practical implication is the capacity of MINEDUC to manage the teachers. Unsurprisingly, figures on teachers per district are still un-reliable and an audit of the teacher payroll remains to be carried out. Although the teacher payroll increases by 3% every year, MINEDUC has no reliable information on teacher supply and demand per district, nor basic teacher management information. This has major implications on equity and efficiency in the sector.

198. The main risks with a weak capacity in the Ministry of Education are difficulties in implementation of planned activities, but also the reliance on a very small number of key individuals for the dialogue with donors and ensuring a coherent and comprehensive planning, budgeting and reporting by the Ministry. The departure of one of these key individuals could compromise the quality of the donor-government partnership if not anticipated by Government.

### **Local Governments**

199. The high increase in education-related transfers to local governments (although most of them are directly transferred to school and teachers’ accounts) has led to an increasing work load for district and *umurenge* officials.

200. In order to manage this increasing workload, GoR is currently carrying out a functional review of Government, leading to a major reform of public service. District staff are expected to increase as well as *umurenge* staff. With regards to education, it is expected that there will be one member of staff dealing exclusively with education issues at *umurenge* level (instead of one person in charge of all social sectors, health, education, culture, sports and vulnerable people). At district level, districts have already been allowed to recruit one additional person to deal exclusively with teacher salaries (pay lists, control, financial management).

201. An interesting example of positive practice has been developed by Belgian cooperation. The CREP primary school construction project somehow prepared the move to sector budget support, by strengthening existing systems at local level to manage efficiently school construction. CREP financed engineers in each of the nine districts it supported, to monitor and manage school construction. It also contributed to strengthening districts’ capacity in managing public procurement and tendering procedures, since the money for school construction was transferred to the Districts and used following national procedures. Specific training was provided to District staff.

202. Finally, in order to improve school management and respect of standards and norms, MINEDUC is increasingly relying on a strengthened Inspectorate General (decentralised at Province level since 2008), and on a stronger role for Parent Teacher Associations. Specific training is in preparation to ensure effective PTA involvement in school management and oversight.

### **Teacher motivation**

203. An important issue, outlined by the Head of the upcoming Teacher Service Commission, is that Sector Budget Support and the subsequent increase in the education budget have allowed significant improvements in teacher management and teacher motivation at the school level, financed through the capitation grant.

- The hiring of contractual teachers, managed at school level through the capitation grant, has greatly facilitated the hiring of replacement teachers. An impact evaluation study is currently being carried out by the World Bank on the performance and motivation of these teachers.
- The provision to each teacher of an allowance (“bonus”) of 12.500 rwf has provided a significant increase in teachers’ income. Initially thought as a tool to remunerate good performance, it has finally been decided that this allowance would be granted to all teachers in an equitable manner, in particular due to the fact that teacher salaries had not been increased along with other civil servants’ salaries during the civil service reform a few years ago.
- 15% of the capitation grant is earmarked for school-based continuous professional development of teachers. Although more guidance for schools is needed in the use of this amount, it is a good tool to provide on the job training for teachers.
- Setting up of teacher credit cooperatives. The government established the Mwalimu Savings and Credit Cooperative Organisation (SACCO) in 2007 and provided Rwf 1.2 billion for the acquisition of fixed assets and to fund other start-up costs. The aim of SACCO is to provide teachers with subsidised credit which is to be used primarily for income-generating activities. Currently, 82% of teachers are members.

204. The provision of SBS by donors has provided a sustainable source of financing, therefore allowing GoR to implement this policy which project aid could not have allowed.

205. Interviews at school level have shown that improved timeliness of salary payment and capitation grant transfer (making teaching and learning materials more readily available) have improved teacher motivation. Nevertheless this contradicts the findings of a recent study on Teacher Motivation and Incentives in Rwanda, which states: *“almost 40% of teacher respondents at publicly funded schools agreed with the general statement that ‘teachers at my school are increasingly de-motivated’, which is worryingly high.”* It also notes that *“teacher commitment is generally higher than might be expected given poor pay, difficult working and living conditions and limited opportunities for professional development”*.

206. However many of the achievements of the capitation grant with respect to improving the motivation of teachers, reflect a broader failure to address the problems of low teacher remuneration as well as professional support. The study further indicates that *“the total net basic income of the A2 primary school teacher is around Rwf40,000 (US\$73) per month, which is far below a living wage let alone the standard of living expected for a professional level civil servant. The recently introduced ‘annual performance bonus’ for primary school teachers of Rwf12,500 per month has increased net pay by around one-third. [...] In real terms, teacher pay has declined precipitously since the late 1980s. [...] There is no realistic prospect of sizeable pay increases (in real terms) for teachers in the foreseeable future. This highlights, therefore, the importance of trying to improve non-salary material benefits for teachers as well as enhancing more intrinsic, non-material motivators, in particular pre-service teacher education, continuous professional development, improved teacher management, and greater professional solidarity and support.”*

207. Overall, it remains necessary to strengthen teacher management and development, as well as teacher training. This is one of the main leverages to improve quality of teaching, on which both donors and Government have agreed to focus over the coming years. The creation of the Teacher

Service Commission has been a first step in that direction, along with the decision to carry out a study on teacher motivation and incentives.

### ***Lessons learned***

208. There several elements of practice which have had positive effects:

- The use of government systems by SBS has meant that the capacity demanded from staff within sector institutions relate to their core roles in the education system.
- In particular, channelling funds to schools via the capitation grant has meant that schools have been empowered to improve their own capacity.
- The fact that MINEDUC has had to engage in policy dialogue and manage policy processes has helped to build the capacity of the planning directorate in recent years.
- The establishment of a capacity building fund alongside the provision of SBS is potentially good practice. Nevertheless, ownership of the arrangement by MINEDUC needs to be established, and arrangements to ensure that capacity building is well directed towards institutional needs and systems development need to be established. In addition, Government efforts to coordinate capacity building initiatives across government through a specific Government agency should not be undermined.
- In addition parallel donor projects can also help with the strengthening of capacity and institutions, for example in particular the development of guidelines or provision of training. This helps with the effective use of SBS resources.

209. However, overall the record of SBS in contributing to stronger sector institutions is less positive than in other areas. This is partly unsurprising, as early focus rightly was placed on establishing a clear policy framework, however the following lessons and recommendations can be made:

- The dialogue has not engaged much in civil service reform issues, yet re-structuring exercises have had a huge impact on the institutional capacity of MINEDUC, in particular. However the size and structure of MINEDUC, central agencies, and the management of teachers are all central to the delivery of education.
- Technical assistance has focused more on the preparation of policies, laws, guidelines and systems than the strengthening of systems and civil servants capacity within institutions. Training has also not been well targeted. TA and capacity building needs to be better targeted towards supporting civil servants at all levels to carry out their specific roles in the education system.
- Whilst the capitation grant has helped teacher motivation, this reflects a failure to address issues relating to teacher pay, management, and professional support more directly. These now need to be addressed.

## **4.4. The Influence of SBS on Domestic Ownership, Incentives and Accountability in the Sector**

**SQ3.4: What has been the Influence of SBS on Domestic Ownership, Incentives and Accountability in the Sector, and what are the constraints faced and lessons learned in practice?**

### ***SBS and ownership***

210. As mentioned by some donors interviewed, “ownership is not a problem in Rwanda”. Some donors mention as an issue the fact that new policy orientations come sometimes without adequate previous assessment of potential impact or cost implications, but none mention the potential lack of ownership. According to Government interviewees, the main issue with the 12

different sub-sector policies drafted over the past few years is the capacity to implement and monitor, not the degree of ownership.

211. In any case, both government and donor respondents assess SBS as having a positive impact on government ownership, thanks to the flexibility in the use of the money, and the full alignment with government priorities.

212. MINECOFIN interviewees outline the greater flexibility in ensuring budget allocations are aligned with Government priorities. MINEDUC interviewees also outline the easier management of the budget, leading to better execution rates, and the possibility to improve the balance of allocations between recurrent and investment expenditures, in particular in order to cater for the recurrent cost of investments, such as school maintenance. This flexibility is particularly linked to the fact that SBS donors in the education sector have chosen non-traceable earmarking as opposed to traceable earmarking of their budget support programmes. Similarly, the perceived higher degree of fungibility of SBS funds is counterbalanced by a close monitoring of the education sector budget as a whole, as opposed to any constraining requirements for additionality, or for MINECOFIN to issue a statement of additionality as was initially proposed. The existence of the JESS, the Partnership Principles, and strong leadership from DFID has helped ensure this.

213. As mentioned at school and district level, the improved efficiency and timeliness of central government transfers over the recent years, as well as the increased amount of capitation grant received directly at school level, have strongly contributed to improved motivation and commitment of teachers and school management.

214. Regarding school construction, the shift from project-funding to increased government funding allows improved transparency on which schools are being built where, and improved ownership at district level.

### ***Incentives and accountability***

215. SBS, by providing financial support through the normal budget process, has contributed to building and strengthen national accountability systems: from MINEDUC to MINECOFIN, from Government to Parliament and the Office of the Auditor general, from Government to its citizens. The shift of some donors from project support to SBS strengthens the Parliamentary oversight of the budget, by increasing the proportion of resources on which Parliament has a discretionary power.

216. In addition, within MINEDUC, it strengthens the accountability and management lines, since it does not create inequalities between staff. One of the main downsides of projects mentioned by a few MINEDUC interviewees is the fact that project managers – because they consider themselves as donor employees – are more answerable to their donor than they are to the line management in the Ministry, which creates tensions and inefficiencies.

217. One of the main instruments set up within government to strengthen accountability is the *imihigo*, or performance contracts. Each Minister and District Mayor signs a performance contract with the President. In turn, Directors sign performance contracts with their Minister. At the District level, District mayors sign performance contracts with all school head masters, who in turn sign performance contracts with each teacher. This mechanism has – according to many interviewees – contributed to strengthening the internal accountability mechanisms.

218. Efforts are now underway to strengthen accountability towards civil society and beneficiaries. MINEDUC directives for example provide clear guidance on the role of Parent Teacher Associations in the management and approval of school budgets and expenditure. Training is planned for 2009 for all Parent Teacher Associations on how to deal with this responsibility. MINECOFIN is working on improving the transparency of the budget process, by

issuing a Citizen’s guide to the budget. Other initiatives are on-going with civil society to foster more interest in the use of the national budget, in particular at decentralised level, and to encourage transparency and better understanding of the budget process.

219. Regarding internal accountability mechanisms, SBS donors have made a commendable effort to align with existing internal accountability channels such as the budget preparation and reporting. Alignment with other internal accountability and performance monitoring mechanisms such as the Annual Work Plan (reports on implementation are made annually at the “Akagera Retreat” to the President and Prime Minister) and the Performance Contract (reports are made quarterly to the President) remains a challenge for coming years.

220. The very strong accountability of MINEDUC to “its donors”, through the JRES, the constant interaction with the lead donor, and high responsiveness to donor demands on reporting or issues for discussion may sometimes pre-empt accountability to MINECOFIN on budget reporting issues. This has occurred particularly over the past few years as things have been moving very fast with the implementation of the new Organic Budget Law requirements, and the production of the first consolidated financial statements. For example, despite the fact that article 72 of the Organic Budget law requires each Ministry to submit annual budget execution reports linking budget execution and performance to MINECOFIN, this has not yet been done by MINEDUC (nor by any other Ministry). While MINECOFIN is still in the process of developing guidance on the format and content of this report, donors have defined and obtained such detailed budget execution reports from MINEDUC (in particular the reports for FTI), linking budget execution with activities and results.

221. On one side this is positive, since MINEDUC is therefore more prepared to report adequately on budget execution, including making the link between budget and performance. In some ways, thanks to constructive pressure from SBS donors in particular, MINEDUC is the first ministry to have produced such a report. Nevertheless, it would be useful for SBS donors to be better informed on MINECOFIN plans and ensure in the future, when MINECOFIN guidance is issued, SBS reporting requirements are aligned with internal GoR reporting requirements.

222. Finally, an important test of the strength of the partnership developed in the education sector is coming up with the discussion on the issue of double shifting. MINEDUC sees the recent proposal to extend double shifting as a necessary step to reduce the pupil:teacher ratio and to address the need to significantly increase the number of teachers. Donors are concerned that this questions the basis on which the partnership has been built: jointly agreed objectives set out in the ESSP and in the EDPRS, which include the progressive scaling down of double shifting.

### **Lessons**

223. The following areas where SBS has had a positive influence include:

- The use of government systems in the provision of SBS and minimal parallel requirements of SBS, has raised the profile of domestic accountability processes, whether within the executive or parliamentary oversight.
- The JRES is one noteworthy exception, where donor demands, have filled a gap in the accountability cycle with respect to discussions on overall sector performance.
- The use of non-traceable earmarking, instead of traceable earmarking, meant that there is greater ownership of budget allocations and annual workplans within the sector, as the government maintains discretion over the budget. Influence is exercised through the dialogue, instead.

224. However the progress made in ownership and accountability is work in progress, and is fragile.

- Although the sector policies and government-donor coordination mechanism is well entrenched, and documented through signed MoUs and agreements, it is vulnerable to changes in management, such as the one that happened in MINEDUC in 2008. Donors always need to be prepared to convince new managers of the advantages of the SWAp and SBS approaches, rather than assume that a new staff member will automatically own what has gone on before.
- Within the framework that has been established, as mentioned in the previous section, there is still need to streamline reporting processes within the sector, align them with sector plans and strategies, and minimise parallel requirements from donors which still exist.
- Finally coordination of SBS and GBS dialogue to help ensure that sector reforms are consistent with and do not pre-empt MINECOFIN/Central reforms.

## 5. The Effectiveness of SBS and the Conditions for Success

### 5.1. The Main Outputs of SBS

**SQ4.1: What are the main contributions that SBS has made to the improvement of sector policy processes, public financial management, sector institutions, service delivery systems and accountability?**

225. From the above analysis, the main contributions made by SBS to sector policy processes, public financial management, sector institutions, service delivery systems and accountability are the following:

- Improved quality of policies, planning, costing, with most progress being made in the first half of the 2000s. Such improvement was required by donors to make the move to type 2 SBS, and was supported by specific TA and dialogue through GBS with specific education window.
- Improved budgeting, reporting and monitoring in the sector, supported through policy dialogue, conditions and the provision of technical support linked to the provision of SBS. The use of national systems and alignment with national budgeting and reporting systems by SBS donors have been instrumental, in particular via non-traceable earmarked support as well as the use of reports produced for the purpose of the JRES as the basis of disbursement. Nevertheless, there remains room for improvement in sector and budget reporting and performance analysis, and improved coherence in the dialogue and conditions between SBS and GBS.
- Increased funding for service delivery in the sector, including: a reorientation towards and a scaling up of funding to primary education; an increased budget overall and for key budget lines such as capitation grant, textbooks, construction. The significant increase in GBS and subsequent very significant increase in SBS (thanks to FTI support) were instrumental in supporting this evolution. This was underpinned by increased GoR discretion on budget allocations, made possible through requirements of additionality and non-traceable earmarking. More importantly the policy dialogue in the context of the JRES and the budget process also helped to influence intra-sector allocations, which importantly included MINECOFIN.
- The use of government systems by sector budget support and the wholesale shift to SBS by donors, combined with improvements in PFM across government which was supported by GBS, led to a strengthening of overall PFM in the sector and increasingly reliable funding. In addition, there was a progressive focus on support to improved school financial management and planning. However, the in-year unpredictability of SBS disbursements continues to make MINECOFIN's management of budget disbursements more difficult.
- The capacity of service delivery institutions and systems for service delivery has been tested by the use of government systems. The capacity building fund is also potentially good practice, but it is not automatic that it will be government owned, or that funding will be channelled to capacity and systems gaps. It is now usefully focusing on system and capacity gaps at the local level. Finally the capitation grant has provided significant additional funding which has helped increase teacher motivation and enabled the hiring of contract teachers – which is empowering schools to strengthen themselves. SBS has nevertheless yet to contribute to significant strengthening of institutions. The dialogue associated with SBS has steered clear of public sector reforms, which have left MINEDUC with currently only 42 staff.
- Regarding accountability processes, SBS has strongly contributed to minimising parallel accountability requirements and one early derogation – the donor demand for the establishment of the annual Joint Review of the Education Sector – has actually had a

positive result in filling a gap in the sector's own monitoring and review processes, thereby strengthening accountability. The channelling of SBS through the education budget to decentralised entities and schools, in parallel with the increasing decentralisation of the education budget, have helped to strengthen internal accountability mechanisms between MINEDUC and decentralised levels. However domestic accountability processes remain weak and continued efforts are needed to support their strengthening and minimise parallel accountability requirements.

226. When looking at the overall assessment framework (see Annex 1), the weakest dimension has probably been the contribution to building capacity of institutions at various level. Although it has undeniably contributed to a stronger capacity to plan and prioritise at MINEDUC level, and to manage funds efficiently at decentralised level, through increased funding and training, the provision of SBS over the past years has taken place in parallel with civil service reforms leading to – according to recent studies – a weakening of the capacity of the Ministry. At the service delivery level, teacher recruitment has been slowed by the 3% limit adhered to by the government.

227. As intimated earlier, some derogations from country systems associated with SBS have had positive effects – such as the requirements for the establishment of the JRES and a costed plan for the sector. However others, such as the requirement for separate financial reports for FTI and ADB, have not added value, but have added to transactions costs. This has undermined the efficiency of SBS in achieving results.

228. Finally, it is interesting to note that the main increase in the education sector budget and some key budget lines such as capitation grant came in 2005, i.e. before the start of the negotiation of the JESS and significant increase in provision of SBS which took place in 2007. This may be in part due to the significant increase in GBS that took place in 2005, and the relatively higher amounts disbursed annually in GBS. Furthermore, it should be noted that overall, the shift of an increasing number of donors to SBS was concomitant with a strong increase in external financing of the education sector. Nevertheless, this is due to the arrival of new donors (FTI, CIDA) rather than an increase of funding from existing education sector donors.

## 5.2. The Sector Outcomes Influenced by SBS

**SQ4.2: Have the improvements in sector systems and processes to which SBS has contributed, had a positive influence on sector service delivery outcomes, and are they likely to do so in future?**

229. The GBS with an Education Window and SBS provided in the first half of the 2000s contributed to gradual improvement in literacy rates, however this contribution was largely through its influence on the policy framework, which in turn has allowed the dramatic transformation of the sector since 2006, and subsequent shifts in resource allocation.

230. The policy to abolish school fees has clearly led to dramatic increases in access to primary education. At the beginning of SBS in 2000 there were less than 1.5m children enrolled in primary education, and by 2007 there were over 2.2m. This achievement has in turn led to increased challenges to maintain and improve quality. The dramatic increases in the capitation grant supported by SBS have helped schools deal with this. Interviews at District and school level have all outlined the importance of the capitation grant in improving school infrastructure and maintenance, through small rehabilitation works, building of latrines, water tanks, timely and adequate provision of teaching material, purchasing of small cattle for teacher and student motivation and income generation, rehabilitation or installing of electrical installation, building of fence around schools, building of sports playground. According to interviews with MINEDUC representatives and school directors, increased SBS has also allowed improved teacher motivation, through the provision of an “allowance” to each teacher; and improved pupil:teacher ratio thanks to the hiring of nearly 2000 contractual teachers. An impact assessment is on-going on

the latter. With regards to school construction, interviewees have outlined the improved efficiency and transparency of classroom construction allowed by the shift to SBS.

231. Most if not all interviewees recognise the influence of SBS since 2006 on the capitation grant, teacher allowance, school construction and provision of textbooks will certainly have an influence on education outcomes. Some key policies such as strengthening teacher training, hiring contractual teachers, increasing the capitation grant and increasing the number of schools built have been made possible – according to many interviews – thanks to the provision of additional resources through SBS. They are key to addressing some of the key challenges for the education sector in recent years and in particular the Government and donor’s objective to maintain a quality basic education while dealing with strongly increased enrolment rates and number of pupils.

232. SBS – combined with GBS - has also had a strong influence on the efficiency of the education sector management and major bottlenecks in sector public finance management are being addressed: availability of funds, budget execution procedures, fiscal decentralisation and associated reporting and monitoring, budget transparency, etc.

233. All these factors mean that there should be a significant impact on primary education. However there is an urgent need to address the numbers and quality of teachers if the impact is to be maximised. Furthermore there is likely to be a time lag, for the improvement of post primary education, as the implementation of the associated policies have yet to gain pace.

## 6. Conclusion

<b>Primary Study Question:</b>	<b>How far has SBS met the objectives of partner countries and donors and what are the good practice lessons that can be used to improve effectiveness in future?</b>
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### *Meeting Objectives*

234. The overall conclusion from the study is that the modalities and form of SBS to the education sector in Rwanda have had significant effects on the quality, efficiency and effectiveness of the education sector in Rwanda. In this respect the objectives of the GoR and donors are being met.

235. SBS has contributed to improved education outcomes through improved planning and budgeting, increased budget allocations overall and to key budget lines, strengthened sector coordination mechanisms and open dialogue, support to existing government institutions and accountability mechanisms.

### *Lessons Learned and Recommendations for Improvement*

236. The previous sections have set out the effects of SBS in detail. The table below provides a summary of the positive and negative effects identified throughout the Rwanda case study.

**Table 12: Summary of Practices with Positive and Negative Effects**

<b>Domain</b>	<b>Practice with positive effects</b>	<b>Practice with negative effects</b>
<b>Sector policy, planning, budgeting, monitoring and evaluation</b>	<ul style="list-style-type: none"> <li>✓ Establishment of a clear framework of policy and costed strategic plan required as a basis for SBS</li> <li>✓ Establishment of the annual JRES</li> <li>✓ Reduction of priority actions monitored in the JRES to a manageable number</li> <li>✓ Signature of the Partnership Principles and JESS</li> <li>✓ Lead donor shift to providing SBS type 2 through the JESS – as opposed to SBS type 1 it provided previously</li> <li>✓ Magnitude of the shift towards SBS – in particular thanks to FTI support</li> <li>✓ Loose requirements for additionality and non-traceable earmarking in the sector, combined with focus in donor-government dialogue on intra-sector resource allocation, and on a few issues such as the share of primary education and key primary education budget lines</li> <li>✓ Timing of the JRES in line with the budget cycle.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Process of sector reporting could be further streamlined</li> <li>✗ Donor technical capacity for policy dialogue needs strengthening, especially as it moves from broad policies to the implementation of those policies</li> <li>✗ Need for SBS donors to link more closely with their GBS counterparts to ensure consistency in dialogue and conditions</li> <li>✗ Weak participation of MINECOFIN in the JRES, in particular no participation from the budget unit on budget issues. The capacity of MINECOFIN to engage in the sector dialogue structures needs to be enhanced</li> <li>✗ Need to shift dialogue with GoR away from increasing the education budget and specific budget lines, to allocating and spending existing sector resources more efficiently.</li> </ul>
<b>Procurement, expenditure, accounting and audit processes</b>	<ul style="list-style-type: none"> <li>✓ Use of non-traceable earmarking and additionality</li> <li>✓ Use of PFM systems by SBS (all types) implies over 95% of sector resources are now using government systems.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Loose framework for conditionality</li> <li>✗ Vulnerability of SBS to political and governance issues outside the sector is unclear</li> <li>✗ Many donors have tied their disbursements to the assessment of the lead donor</li> </ul>

Domain	Practice with positive effects	Practice with negative effects
		<ul style="list-style-type: none"> <li>✗ In-year unpredictability, both in terms of the quantity and timing of SBS disbursements</li> <li>✗ Unreliable medium term projections for SBS.</li> </ul>
<b>Capacity of sector institutions and systems for service delivery</b>	<ul style="list-style-type: none"> <li>✓ Channelling funds to schools via the capitation grant</li> <li>✓ MINEDUC has had to engage in policy dialogue and manage policy processes.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Ownership of the capacity building pooled fund by MINEDUC needs to be strengthened, and arrangements to ensure that capacity building is well directed towards institutional needs and systems development need to be established.</li> <li>✗ The dialogue has not engaged much in civil service reform issues, yet restructuring exercises have had a huge impact on the institutional capacity of MINEDUC</li> <li>✗ Whilst the capitation grant has helped teacher motivation, this reflects a failure to address issues relating to teacher pay, management, and professional support more directly.</li> </ul>
<b>Domestic ownership, incentives and accountability</b>	<ul style="list-style-type: none"> <li>✓ Use of government systems in the provision of SBS and minimal parallel requirements of SBS</li> <li>✓ Use of non-traceable earmarking, instead of traceable earmarking</li> <li>✓ Coordination of SBS and GBS dialogue to help ensure that sector reforms are consistent with and do not pre-empt MINECOFIN/Central reforms.</li> </ul>	
<b>Partnership &amp; aid management</b>	<ul style="list-style-type: none"> <li>✓ Gradual and inclusive approach to building the structures for dialogue and conditionality</li> <li>✓ Establishment of the annual JRES as a focal point for monitoring sector performance</li> <li>✓ Establishment of the Lead donor, and harmonisation around the lead donor, through the use of initiatives such as silent partnerships</li> </ul>	

237. In summary, SBS has been successful in the following areas:

- *Overall Design and Implementation:* institutionalised structures for dialogue and conditionality in the sector contributed to build systems, processes and trust, and bring all donors on board. In particular, Partnership Principles and JESS provided a framework which gave other donors confidence to move to Sector Budget Support in a harmonized way. The establishment of the annual JRES also addressed an important gap in the monitoring sector performance and contributed to increased trust and transparency. In addition, the role of the lead donor was essential in leading by example and bringing new donors on board. Finally, loose requirements for additionality and the use of non-traceable rather than traceable earmarking have minimised unnecessary derogations and transactions costs.

- *Resource allocation:* SBS had strong effects on sector resource allocations through the aforementioned use of non-traceable earmarking and additionality as a tool for influencing overall sector resource allocations through negotiations with the Ministry of Finance and Ministry of Education.
- *Planning, Budgeting and Reporting:* The establishment of a clear framework of policy and costed strategic plan before the wholesale shift towards SBS was crucial. This allowed a shift to SBS, and enabled the dialogue to focus on addressing financing gaps and aligning resources towards the policy framework. The emergence of the JRES as a focal point for monitoring sector performance also allowed a harmonised process of SBS donors' assessment of government performance, thereby reducing transaction costs significantly. The magnitude of the shift towards SBS helped contribute to increasing budget allocations.
- *Financial Management:* the sector has focused on improving financial management at the service delivery level, using the capacity building pooled fund, thereby addressing sector level PFM issues which are beyond the reach of crosscutting reforms. GBS has allowed donors to support improvements in overall PFM and government resources, which have then allowed a more efficient use of SBS resources. This would not have been possible with SBS alone.
- *Institutional Capacity and Service Delivery Systems:* The use of government systems by SBS has meant that the capacity demanded from staff within sector institutions relate to their core roles in the education system. The establishment of a capacity building fund alongside the provision of SBS is potentially good practice. However, it should be recognised that the capacity building fund can only complement and support the overall civil service reform and Government's own efforts to strengthen the capacity of MINEDUC, local governments and schools. Arrangements need to be established to ensure that capacity building initiatives funded through the pooled fund are well directed towards institutional needs and systems development, and are adequately coordinated with other capacity building efforts across Government.
- *Accountability:* The use of government systems in the provision of SBS and minimal parallel requirements of SBS, has raised the profile of domestic accountability processes, whether within the executive or parliamentary oversight. The use of non-traceable earmarking, instead of traceable earmarking, meant that there is greater ownership of budget allocations and annual workplans within the sector, as the government maintains discretion over the budget. Influence is exercised through the dialogue, instead.

238. However, there remain areas where opportunities have been missed, and greater gains can be made in future:

- The Rwanda case shows the complementarity between GBS and SBS - combined they strengthen their contribution towards improved predictability of sector funding, and overall impact on the sector. This means that SBS without GBS or GBS without SBS would most probably have had a much less significant impact on the education sector. In the Rwandan education sector, the added value from this combination could be enhanced by better information sharing and coordination between GBS-related dialogue and SBS-related dialogue, both in terms of donor involvement and in terms of government (MINECOFIN and MINEDUC) involvement.
- The second important lesson is that all efforts to use government systems and to build human and institutional capacity require government-wide reforms in order to take into account the specificities of the education sector and provide an adequate framework for management and implementation of education policies. A stronger link between cross cutting reforms such as civil service reforms, PFM reforms, and initiatives to strengthen internal accountabilities is essential. Donors have a role to play in that respect, by strengthening the dialogue and interaction between donors involved at sector level and at central level (including within donor agencies).

- Finally, the lack of long term predictability of funding to the education sector remains a major constraint to enhancing further the performance of the sector. This is due to both the lack of long term commitment by some donors in particular the FTI, and the potential reduction in the number of donors supporting the education sector in coming years. This shift is mainly a result of the “division of labour” which is not (so far) compensated by an increase in support of donors who would stay in the education sector.

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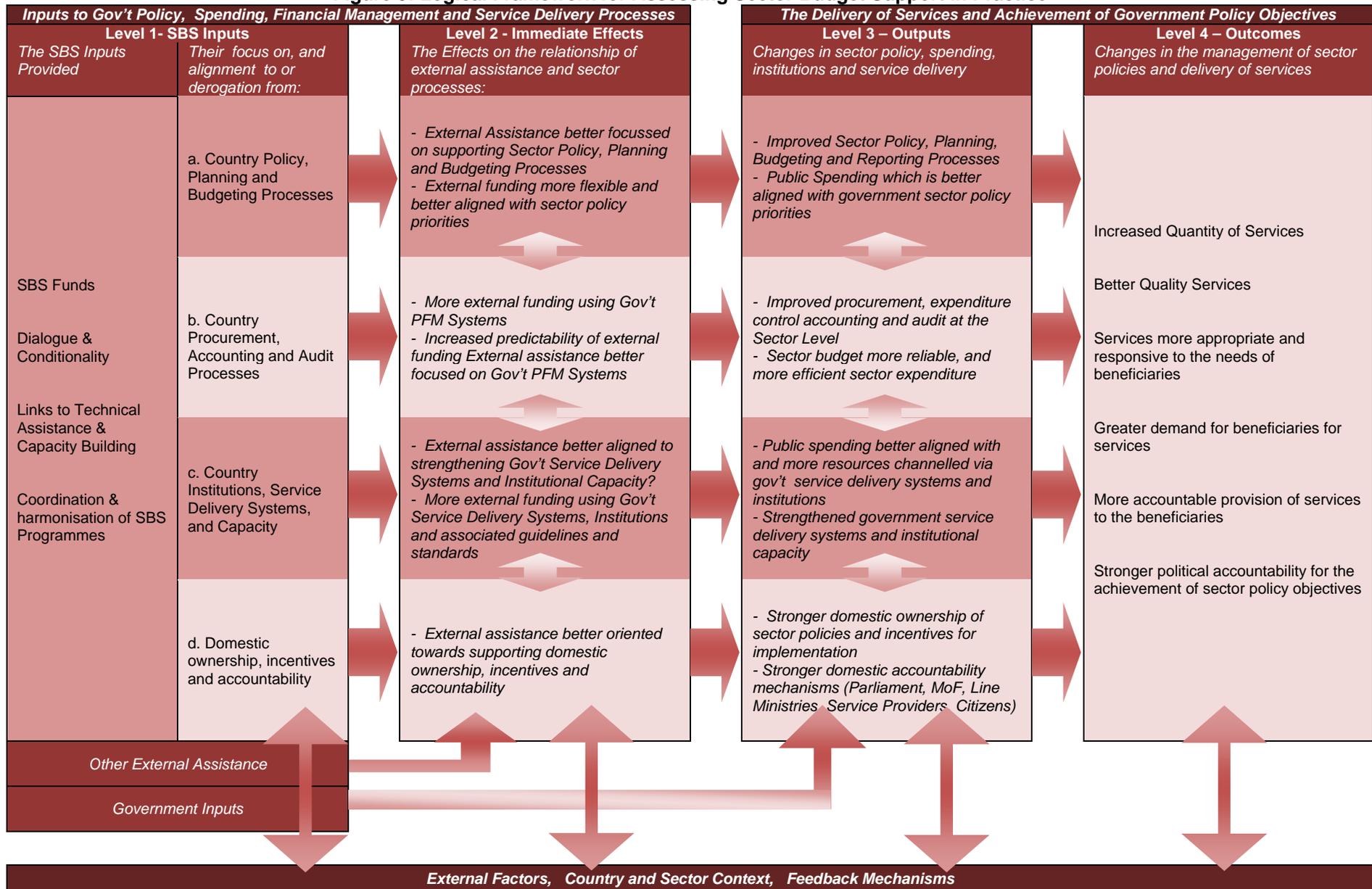
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## Annex 1 – Assessment Framework and Summary Findings

Figure 9: Logical Framework for Assessing Sector Budget Support in Practice



## a) Context in which SBS has been provided

	Country context	Sector context	Aid management context
<p><b>Rwanda Education 2000</b><sup>37</sup>-</p> <p>SBS “early comer” and significant influence on SWAp</p>	<p><u>Policy</u>: Vision 2020, 2<sup>nd</sup> Economic Development and Poverty Reduction Strategy (EPRDF) (2007-12)</p> <p><u>Growth</u>: Post-1994: rebound growth to 2000, stabilisation 2001-06; growth still strong but high population growth rate</p> <p><u>Poverty reduction</u>: Slow progress (60% in 2000; 57% in 2005/6); rural poverty 67%; high and increasing inequality</p> <p><u>Institutional context</u> (unitary country):</p> <p>Decentralisation policy (2000), gradually implemented with local elections, territorial restructuring (fewer districts), transfer of staff, large-scale (but little local discretion) fiscal decentralisation all in 2006.</p> <p>Civil Service Reform (CSR) 1<sup>st</sup> phase leading to very small central government and capping staff recruitment/salary increases. Strong capacity constraints, including owing to few educated staff, very small size and staff turn-over.</p> <p>Strong within-executive accountability mechanisms (performance contracts at all levels of the executive including districts and service delivery); annual government review retreat; annual National Dialogue); strengthened role of Parliament.</p> <p>High political attention to service delivery and accountability for this.</p> <p><u>PFM</u>: Continuous PFM reform and excellent progress (MTEF 2001; greater control over budget spending; major budget devolution to Budget Agencies 2006; new three-year perspective budget format 2008). Major</p>	<p><u>Policy/plans/M&amp;E</u>:</p> <p>Post-1994 emergency → 1997: Move to post-conflict policy development → 2003: start of SWAp, development of Education Sector Policy; First policy focus (2003) = fee free primary education; 12 policies in process/recently adopted</p> <p>Long-Term Strategy and Financing Framework (LTSFF) (2006-2015) priorities to 9-year basic education (recent fast-tracking plan), and sciences and technology with ITC focus; Education Sector Strategic Plan (ESSP) (2006-2010) then annually updated and rolled out; Sector MTEF; Annual budget and work plan</p> <p>Joint Review of Educ Sector annually since 2003</p> <p><u>Spending levels</u>: Upward education budget (absolute and GDP/ budget shares)</p> <p>Major increase over 2005/6 (+93% recurrent budget; from 11% to 20% recurrent share, constant since)</p> <p>Massive re-orientation of education budget to primary (18% in 2004 to 43% in 2007) and secondary (15 to 27%). Sharply increased funding to schools and districts (though earmarked).</p> <p><u>Sector results</u>:</p> <p>Pre-SBS: Rebound/recovery</p> <p>Fee free policy → Primary NER up from 73% in 2000 to 96% in 2007; Decline in proxy quality indicators (PTR, PCR), high and stable drop-out and repetition rates; Gender parity in attendance, but not on exam scores.</p>	<p><u>General aid trends</u>:</p> <p>ODA sharply up: In 2007, aid is 26% GDP and 50% budgeted revenue.</p> <p>Aid Policy (2006) states GBS then SBS as preferred modalities; BS = 50% recurrent budget; in 2008 BS = 38% ODA; GBS increase 2004-5; SBS picking up since 2006/7 (education and health), representing 50% BS in 2009/10, expected to further increase.</p> <p>Elaborate overall, BS, and ‘cluster’ dialogue architecture, with related joint review mechanisms. Overall PAFs for both Government of Rwanda (GoR) and donors. Formal SWAps in education and health, and progress in 4 other sectors (including decentralisation).</p> <p><u>Aid to education</u></p> <p>Most institutionalised and organised SWAp; MOU (2006, 10 of 15 sector Development Partners/DPs); Joint review monitoring progress (agreed priority action matrix).</p> <p>SBS (7 DPs in 2008) introduced as a shift from fragmented project support, alongside increased joint donor work and intensive TA/CD support to develop sector policy (and roughly at the same time as GBS). GBS includes attention to education sector (e.g. WB PRSC, EC variable tranche conditions).</p> <p>Most recent development = CB pooled fund (2007)</p> <p>As of 2009, the Ministry of Education expects to receive no more support in the form of major projects → Near complete paradigm shift in the</p>

<sup>37</sup> This is the start of GBS education window in DFID programme. Non-traceable earmarked BS started in 2002 and strongly took off in 2006.

	Country context	Sector context	Aid management context
	constraint: lack of qualified accountants. Reporting/control still weak (PEFA 2007).	Doubling since 2000 though still low secondary enrolment (13% NER); GER 3ary = 3.2%.	provision of aid to the sector (including FTI = SBS). In 2008 SBS was 90% sector aid.

## b) Nature of the SBS Provided

	Main Types:	Timescale:	Donors:
Rwanda Education	GBS with Education Window;	2000 -	DFID (up to 2005), SIDA (since 2006)
	Joint Education Sector Support (JESS)	2006-	DFID (since 2005), Netherlands, Belgium, ADB, CIDA, FTI (since 2007). <i>NB SIDA provided similar SBS 2002-2005</i>
	UNHACT contribution to capacity building pooled fund (hybrid – not SBS)	2007-	UNICEF

	Funds and Financial Management	Dialogue and Conditions	T/A and Capacity Building	Harmonisation and Links to other Aid Instruments
Rwanda Education	<p><u>Funding Level:</u> <b>Low to Moderate</b> (less than \$11m p.a) between 2000 to 2006. Then <b>High</b> (increasing to \$35m in 2007 and \$120m in 2008)</p> <p><u>Earmarking:</u> From 2000, GBS with Education Window totally <b>unearmarked</b>. From 2002 JESS <b>non-traceable earmarked to the whole sector</b>. From 2007, the majority of SBS in this form, and some loose <b>additionality</b> requirements which vary across donors.</p> <p><u>Tracking:</u> <b>No specific tracking of SBS</b> funds through the budget once transferred from holding account. Exception is Capacity Building Pooled Funds, which are separately identifiable, and to which UNHACT funds are transferred directly.</p> <p><u>Cash Management:</u> Education budget disbursed in accordance with normal</p>	<p><u>Dialogue Structures:</u> Dialogue conducted in the context of the SWAP structures, and no specific SBS fora exist. SWAP structures are formalised in the JESS MoU.</p> <p><u>Conditionality Framework:</u> SBS disbursements all based on a satisfactory performance as assessed during the Joint Review of the Education Sector (JRES). However, there is no precise definition of what this means (whether prior actions are agreed at the JRES or . No specific conditions of UNHACT bar use of funds on capacity building.</p> <p><u>Focus:</u> Dialogue and conditions cover the entire sector, although some bias towards basic education.</p> <p><u>Derogations:</u> No derogations from existing SWAP dialogue structures</p>	<p><u>Part of SBS Instruments:</u> A TA/CB pooled fund an explicit part of JESS, supported by SBS and UNHACT. Linked to MINEDUC Annual Capacity Building Action Plan. Its implementation has been slow, however.</p> <p><u>Links to other initiatives:</u> First half of 200s DFID ran a parallel TA and capacity building project alongside its GBS Education Window.</p>	<p><u>Harmonisation:</u> JESS provides a harmonised framework for providing SBS. Within this framework delegated partnerships, joint working, and agreed division of labour amongst donors exist.</p> <p><u>Links to Project Funding in the sector:</u> Some SBS donors provide parallel projects. Links and efforts to align project aid made in the context of the SWAP.</p> <p><u>Links to GBS:</u> GBS includes education conditions. Yet there is little apparent coordination with SBS donors – and different priority actions are often selected for GBS.</p>

	<b>Funds and Financial Management</b>	<b>Dialogue and Conditions</b>	<b>T/A and Capacity Building</b>	<b>Harmonisation and Links to other Aid Instruments</b>
	<p>budgetary procedures, with no special disbursement procedures for SBS.</p> <p><u>Use of Gov't FM Systems:</u> <b>Mostly reliant</b> on government financial management systems, bar audit. FTI and ADB require parallel financial reporting. FTI requires a separate audit, whilst the Office of the Audit General required to audit of the holding account.</p> <p><u>Derogations:</u> Main derogations relate to parallel reporting and audit requirements (FTI, ADB) arising from HQ concerns.</p>			
	<p><b>Effects on Partnership</b></p> <p><u>Quality of Dialogue:</u> SBS, through dialogue, has contributed to the establishment and maintenance of an efficient dialogue and coordination structure, through a gradual and inclusive approach. The JRES is an important focal point for monitoring sector performance. However, there is some dissatisfaction with consultation and transparency, and frequency of meetings. Ministry of Finance involvement inadequate.</p> <p><u>Transactions Costs:</u> Joint working in the context of SBS and the SWAP, combined with a strong lead donor, has helped reduce the burden on MINEDUC. However the increased use of government systems increases the demand on government capacity to manage those systems. Parallel projects still exist and consume a disproportionate time for MINEDUC officials.</p> <p><u>External Factors:</u> Government has recently made some policy decisions outside the context of the SWAP, which deviates from the strategies in the ESSP. This is perceived as a threat to the overall coordination framework as JESS is tied to ESSP implementation.</p>			

## c) The Effects of SBS in Practice

## i) Policy, Planning, Budgeting, Monitoring, Evaluation and Expenditure

	<b>Inputs</b> SBS funding is on budget, is aligned with government policies and is reported on using government systems. Focus (TA/CD, dialogue, conditions) on sector policy, planning, budgeting, monitoring and evaluation processes?  <i>Derogations: why, justified, temporary?</i>	<b>Effects</b> External funding more flexible and better aligned with sector policies overall; assistance better focused on supporting sector policy, planning and budgeting processes.  <i>Effects of derogations</i>	<b>Outputs</b> SBS contribution to: <ul style="list-style-type: none"> <li>▪ Public spending is better aligned with government sector policies.</li> <li>▪ Improved Sector policy, planning, budgeting and reporting Processes</li> </ul> <i>How do derogations affect outputs?</i>
<b>Rwanda Education</b>	<b>Contextual factors:</b> Complementary use of project support to assist in the development of the policy framework, underpinned by the dialogue associated with SBS type 1; significant increase in GBS in 2004 – 2005; evolution of a relatively strong national planning and budgeting framework. In recent years the Ministry of Education has begun to take policy decisions internally, and outside the context of the dialogue structures. There have been significant increases of domestic revenues and GBS over the study period, and the biggest increases in the Sector Budget occurred in 2005, prior to the significant increases in SBS. Total civil service salary increases have been capped at 3% a year, the result of a strict interpretation of IMF conditions.		
	<u>Policy And Planning:</u> Early SBS (GBS with Education Window) was used as a platform for dialogue on overall sector issues and the broader establishment of sector policies and plans and associated SWAP processes. Their development was supported by TA through parallel project processes, but linked through the dialogue. The mass move to SBS under JESS depended on the prior establishment of these SWAP, and has subsequently contributed to their development.  Conditions relating to SBS require that key policy and planning documents are prepared ahead of the JRES. The FTI required the LTSFF to be prepared, as a condition for accessing funding.  SWAP dialogue structures are broad and inclusive and SBS related policy dialogue has focused on overall sector policy and performance. SBS dialogue and TA associated with has supported the development of	Overall sector dialogue and associated conditionality is more focused on policies and plans as a result of the shift to SBS, including where project support still prevails. The focus in on both the substance of policy, and the timely production of policies and plans in the context of policy processes.  Sector TA and	SBS inputs – both in terms of dialogue, conditions and TA have helped the Government of Rwanda develop a clear policy and planning framework across the whole sector, including areas where projects still are the predominant aid modality.  Conditions in the context of SBS have helped ensure that policies and plans have been developed on a timely basis.  Sector policy processes have involved consultation. There is a willingness by the government to be open and consult with donors in policy making early on, although some policy decisions have begun to be made internally, as the government becomes more self confident.

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
	<p>plans in areas where project support predominates – e.g. ICT and TVET.</p> <p>Whilst donor capacity to dialogue on overall policies has been adequate, it may not be adequate for policy implementation.</p>	<p>capacity building has been focused on strengthening Policy and Planning.</p>	
	<p><u>Budgeting, Monitoring and Reporting:</u> In terms of SBS conditions, the vast majority of reports required are aligned with national procedures (e.g. budget documents, execution reports; ESSP progress reports, accounts).</p> <p>The JRES in April is used as the main focal point for reviewing past performance, using the annual report of the ESSP, which covers outputs and outcomes and budget execution. The ESSP includes a matrix of performance indicators and outputs. Dialogue is used to push for improvements in reporting on ESSP and budget execution.</p> <p>Prior actions are agreed and their implementation monitored at the JRES. Over time the number of priority actions has been reduced and is more focused, however they are not aligned to the ESSP matrix or Annual Workplan. GBS policy conditions are inconsistent with those associated with SBS.</p> <p>The joint budget support review in September involves more dialogue on budget allocations, although SBS donors participate, this is not clearly linked to the JSER, and there is little systematic feedback on PFM issues into the sector dialogue.</p> <p>The JRES is used as the basis for provision of indicative SBS commitments, although early enough</p>	<p>Overall sector dialogue and associated conditionality is more focused on monitoring overall performance against policies and plans, and improving the quality of those documents, although some actions are outside the formal reports and workplans.</p> <p>Dialogue on the budget is held at the joint budget support review, and is less well anchored in sector processes, and most dialogue is in the context of the.</p>	<p>The JRES has become a key step in the national budget process for reviewing past performance, drawing lessons, and setting priorities for future years. Reporting on implementation has improved over time, with the Annual Report on ESSP performance and budget execution reports, however there remains scope for improvement, including the link between results, activities and expenditures. There are however concern about its sustainability and externally driven nature. MINECOFIN is involved in the sector dialogue; however the involvement is from the External Finance Unit, and not from the planning or budget units.</p> <p>The role of sector dialogue structures in the budget formulation process is less clear.</p>
	<p><u>Sector Expenditures:</u> SBS has risen from only being a small share of external financing early on (32% in 2006) to over 90% in 2008. SBS has risen from 11% to 48% of the sector budget over the same period. This</p>	<p>SBS, additionality requirements and a relative shift by donors away from</p>	<p>SBS funds and associated additionality requirements have contributed to the increases in budget allocations since 2005 – the recurrent budget has increased by 93%.</p> <p>SBS dialogue has supported the realignment of the sector</p>

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
	<p>represents a shift from project support.</p> <p>SBS has been non-traceable and earmarked to the education sector, with some to non-wage primary education (in particular FTI). There are broad requirements for the additionality of SBS.</p> <p>SBS programmes specify alignment of the annual budget with the ESSP as a disbursement trigger, although this is not clearly defined. Sector dialogue on the budget is the main instrument for influencing sector resource allocation. SBS donors have noted the need to “rebalance the education budget towards primary education” over the years.</p> <p>Whilst information on SBS is given at the JRES, early in the budget process which allows for inclusion in the budget process, it is not early enough to be included in the initial budget ceilings. There is a lack of reliable, medium and long term resource projections for SBS.</p>	<p>parallels project funding resulted in a large increase in flexible external funding channelled to the sector.</p> <p>Non-traceable earmarking focused on recurrent and primary education spending, which was broadly in line with government policy priorities, although this is not specifically defined.</p> <p>External funding projections provided in time for the annual budget, but not the MTEF. MT projections for external assistance are unreliable.</p>	<p>budget towards primary education over the same period. It has influenced allocations to areas such as textbooks, school construction, the capitation grant and teacher salaries. Concern raised about the efficiency of tertiary education in the SBS dialogue has also had an effect, with government recently deciding to allocate funds on a unit cost basis.</p> <p>The shift from project support has enabled the MINEDUC to budget for the recurrent implications of investments – e.g. school maintenance.</p> <p>There has been limited influence of SBS is the allocations to teachers salaries – increases in the total budgeted for has been kept at 3% a year, in line with the overall cap on civil service salaries.</p> <p>Whilst the inclusion of SBS allocations in annual budget helps improve its credibility, the MINECOFIN is unable to provide realistic short and medium term budget ceilings early on in the budget process.</p>

## ii) Procurement, Accounting and Audit

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
	<p>SBS funding uses government expenditure control, accounting and audit processes.</p> <p>Focus (TA/CD, dialogue, conditions) on strengthening government expenditure control, accounting and audit processes at the sector level?</p> <p><i>Derogations: why, justified, temporary?</i></p>	<p>External funding uses government FM systems more and is more predictable; assistance better focused on gov't FM systems.</p> <p><i>Effects of derogations</i></p>	<p>SBS contribution to:</p> <ul style="list-style-type: none"> <li>▪ Improved sector procurement, expenditure control, accounting and audit at the sector level;</li> <li>▪ Sector budget more reliable and sector expenditure more efficient.</li> </ul> <p><i>How do derogations affect outputs?</i></p>
<b>Rwanda</b>	<b>Contextual factors:</b> The major external factor has been the improvement to government financial management systems overall in Rwanda		

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
<b>Education</b>	which has been backed by strong government commitment, and supported through GBS.		
	<p>Relatively low focus of dialogue and conditionality on financial management issues; GBS with Education Window had more FM focus than JESS – between 2001 and 2005 various studies relating to aspects of PFM were carried context of the JRES, and implementation of recommendations monitored.</p> <p>Key education conditions including revising the format of the education budget; defining guidance for use of capitation grant; and training on school management. This was often supported by specific TA and training inputs.</p> <p>Overall, however there is an apparent lack of PFM expertise in the donor group and weak coordination with donor staff working on GBS.</p> <p>SBS funds use government cash management system. SBS disbursements have been delayed until later in the financial year.</p>	<p>As the share of SBS in total external funding has increased, so has the share of SBS using Government cash management, expenditure control, accounting and audit procedures.</p> <p>Although relatively little focus on gov't FM, external dialogue, conditions, TA and capacity building are predominantly focused on gov't systems.</p> <p>Effects on quality of donor FM dialogue and reliability of external finance less evident.</p>	<p>The main contribution of SBS to the improving sector financial management has been through the increased use of government systems, with over 95% of sector resources using them. This has shifted attention to strengthening those systems. In the context of GBS, overall government financial management has been improving, and therefore SBS has supported improvements at the sector level. This has meant that, overall, sector budgets are more reliable overall, execution is more timely, and efficient.</p> <p>Sector dialogue and conditionality, alongside diagnostic studies and associated TA and capacity building has supported sector specific improvements at the ministry and school level. There was progress on addressing almost all PFM issues identified at the sector level.</p> <p>The quality of these inputs may be undermined by the lack of FM capacity within the sector donor group, and a lack of complementarity from those involved in GBS.</p> <p>Late disbursements of SBS puts a strain on the overall government cash management process, as disbursements are made to education budget lines, even if SBS has not been received.</p>

### iii) Capacity of Sector Institutions and Systems for Service Delivery

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
	<p>SBS use of Gvt mainstream funding mechanisms and sce delivery institutions (structures, guidelines, standards)</p> <p>Focus (TA/CD, dialogue, conditions) on devt and strengthening of mainstream sce delivery institutions?</p> <p>Derogations: why, justified, temporary?</p>	<p>SBS contribution to focus aid (funds and other inputs) on govt sce delivery systems &amp; capacity</p> <p>Effects of derogations</p>	<p>SBS contribution to:</p> <ul style="list-style-type: none"> <li>▪ Increased <b>total</b> funds flows through mainstream govt channels for sce delivery, &amp; used within regular institutional sce delivery framework</li> <li>▪ Stronger sce delivery systems and institutions</li> </ul> <p>How do derogations affect outputs</p>
<b>Rwanda</b>	<b>Contextual factors:</b> Relatively well-managed decentralisation along recently and radically changed territorial demarcation; Civil Service Reform		

	Inputs	Effects	Outputs
<b>Education</b>	focusing on right-/down-sizing (very small Ministry of Education) and imposing constraints on teacher management (recruitment and salary structure); Continued and successful PFM reform including recent decentralisation of budget execution; Very large increase in sector budget, and within this, in flows to decentralised structures and to school level; 90% of sector aid is SBS in 2008; Education also a priority in large GBS programmes; High political attention to service delivery and accountability for this		
	<p>SBS fully uses government mechanisms to fund service delivery institutions at all levels and relies on government mainstream guidelines and standards, that it helps further develop and roll out through policy dialogue (e.g. development of Minimum Quality Standards among JRES priority actions) and CD (e.g. guidebook for and training of head teachers on school management).</p> <p>Early TA/CD, provided through parallel project funding linked to early SBS, supported policy and planning functions. Attention to service delivery functions and capacity needs (including financial management at service delivery levels) is getting stronger: e.g. training on school management through CB pooled funding; clarification of oversight mandates and deployment of staff (e.g. provincial inspectors, roles of districts and sub-districts) with SBS inputs in the form of attention in the JRES priority actions; recruitment of contract staff for school construction to make up for disappearance of PIUs. This attention needs to be maintained/ expanded as resource flows to service delivery levels have considerably expanded in the past few years.</p> <p>SBS funding supports the school capitation grant (as a key item in GOR budget) which is used to improve school and teaching staff conditions in various ways<sup>38</sup>. The necessity of improving teachers' conditions in order to improve teaching/learning quality is recognised (e.g. establishment of Teacher Service Commission, identified as a JRES priority action), but the effects of these actions are unclear thus far (see outputs).</p>	<p>In 2008 SBS is 90% of the aid flowing to the sector. Its systemic effect on how aid as a whole supports sector capacity for service delivery is therefore strong.</p> <p>One peculiar risk arises from the strong donor coordination through which several agencies largely rely on one, DFID, in the policy dialogue.</p> <p>Small projects have not disappeared and take time from Mineduc officials. Projects can also complement SBS/ help prepare the move (e.g. pre-SBS school construction project strengthening district procurement management capacity through financing engineers</p>	<p>Strong funding effects: even though quality was affected, SBS funding helped the system cope with the massive service delivery challenge arising from the fee free education policy; this is equally due to GOR prioritisation in resource allocation (capitation grant, school construction) as SBS is flexible and non-traceable.</p> <p>Strong systemic effects<sup>39</sup> of SBS on sector institution capacity, including at service delivery level (school), reinforced by other SBS inputs (training to the CB pooled fund). SBS-related CD efforts addressed PFM sector issues (e.g. school level FM) beyond the reach of the PFM reform, thus complementing it.</p> <p>The reliance of donors on DFID, reducing available expertise, limits the “informal CD” effects of the policy dialogue, precisely at a time when GOR and donor need greater capacity to engage around policy implementation.</p> <p>SBS contribution to enhancing school and teaching staff conditions (capitation grant) hides a failure to address systemic issues related to teacher management (a recent study found that 40% teachers were demotivated), on which there is not full clarity between Mineduc and Minecofin and between IMF and education donors.</p> <p>Mineduc capacity is hampered by its very small, CSR-dictated size (lack of manpower made up through TA, thus far weakly effective divestiture of functions to agencies). SBS/ sector donors failed to engage in a dialogue on how to address these systemic management issues, which in turn, affect negatively the provision of quality education (in particular, Mineduc's weak capacity of managing teachers and overseeing districts in this, affects negatively the school level).</p>

<sup>38</sup> Hiring of contractual teachers, allowance for all teachers, school-based Continuous Professional Development, setting up of teacher cooperatives.

<sup>39</sup> ‘Systemic’ effects are effects resulting from SBS use of GOR systems.

	Inputs	Effects	Outputs
	Explicit attention to CD (including use of TA) in the SBS design process led to establishing a capacity building pooled fund managed by MINEDUC, operationalised through annual CB action plans.	working at district level).	The CB pooled fund addressed past fragmentation, overlap, lack of ownership of CB/TA by Mineduc. Management arrangements need further strengthening to ensure greater Mineduc ownership and adequate prioritisation. The potential of the fund is restricted by the failure to address the systemic issues raised above. There has also been little link (thus far) with the GOR broader capacity building strategy and the agency (HIDA) in charge of implementing it.

#### iv) Domestic Ownership, Incentives, and Accountability

	Inputs	Effects	Outputs
	<p>How do SBS inputs support</p> <ul style="list-style-type: none"> <li>▪ Stronger ownership of policies (all levels) and incentives to implement them (any particular effort)?</li> <li>▪ Stronger domestic accountability<sup>40</sup>/avoid parallel requirements &amp; biasing accountability to donors (aid dialogue)?</li> </ul> <p>Derogations to domestic accountability systems: why, justified, temporary</p>	<p>SBS contribution to aid influence on ownership, incentives and domestic accountability</p> <p>Effects of derogations</p>	<p>SBS influence on ownership, incentives &amp; domestic accountability (stronger sense of responsibility &amp; demand for performance etc.)</p>
<b>Rwanda Education</b>	<p><b>Contextual factors:</b> Good convergence in GOR and donors' policy priorities; Strong internal accountability mechanisms (cascading performance contracts e.g. from school teachers up to the President; comparatively strong Parliament) underpinning high political attention to service delivery; Relatively well-managed decentralisation; Civil Service Reform (right-/down-sizing; constraints on teacher management); Continued and successful PFM reform including recent decentralisation of budget execution; Very large increase in sector budget (especially in flows to decentralised and school levels); 90% of sector aid is SBS in 2008; Education is also a priority in large GBS programmes.</p>		
	<p>SBS policy dialogue has been frank and based on mutual trust, and has survived change in donor agencies but it is highly vulnerable to change in senior GOR staff. It is open to all stakeholders including non-government ones (e.g. JRES).</p> <p>SBS funds fully use government PFM and service delivery systems, including budget allocation (non-traceable earmarking). Resources have increased and have been available more timely (e.g. school capitation grant, school construction at district level), thus providing an environment in</p>	<p>In 2008 SBS is 90% of the aid flowing to the sector. Its systemic effect on how aid as a whole supports ownership, incentives and domestic accountability is</p>	<p>Policy ownership is very strong, generally in Rwanda and in the sector (e.g. sector budget and key budget lines such as school capitation grant, started increase significantly before the large increase in SBS funding). SBS has supported this thanks to a respectful SWAp/SBS dialogue and policy convergence thus far, and full flexibility for GOR in using SBS funding. This will be put to the test with recently emerging policy divergence on double shift.</p> <p>SBS has strong systemic effects of strengthening</p>

<sup>40</sup> Understood as accountability to parliament, of sector spending agencies to Min Finance, of scc providers to sector ministry/LG, of scc providers to citizens, of LGs to sector ministries (within respective mandates)

	<b>Inputs</b>	<b>Effects</b>	<b>Outputs</b>
	<p>which it is meaningful to hold structures and people accountable.</p> <p>SBS reporting/accountability mechanisms [which are those of the SWAp as a whole (JRES, budget execution reporting), and were initially <i>derogations</i>] have addressed gaps in, and have been increasingly integrated with GOR systems (e.g. JRES and budget cycle). However, further progress is desirable (budget reporting for SBS donors in line with new Finance Law but preceding MINECOFIN's guidance; no alignment with GOR accountability tools such as Annual Work Plans and Performance Contracts; several weakly linked sector performance monitoring tools<sup>41</sup>).</p> <p>The link between GOR performance and SBS disbursement decisionmaking is flexible<sup>42</sup> which can also be seen as under-specification.</p> <p>At service delivery level, Mineduc relies on a strengthened inspectorate and a greater role for Parent-Teacher Associations to strengthen accountability for service delivery towards parents, pupils and communities. Training financed by the CB pooled fund is planned for all PTAs in 2009. EMIS development (ongoing) is among the JRES priority actions thus monitored in the SWAp/SBS dialogue.</p>	<p>therefore strong.</p> <p>It is intrinsically linked to the SWAp as a whole and its inputs, having helped develop it.</p>	<p>incentives and domestic accountability through its size, importance in aid flows, and high degree of alignment with domestic incentive/accountability systems. Timeliness and availability of resources have been a strong factor strengthening ownership and motivation at school and district level (further supported by the PFM reform-led decentralisation of budget execution resulting in greater ownership of their budget by line agencies). However as mentioned above, teachers' motivation remains a systemic outstanding issue.</p> <p>Incentives and accountability lines are clear as SBS use GOR ones. Among others, inequities among staff linked to PIUs have disappeared. However, strong sector accountability to donors may at times be in tension with domestic accountability, when alignment is not complete (e.g. donors pre-empting Minecofin budget execution reporting guidance).</p> <p>"Vagueness" in the SBS performance assessment system is an advantage and a threat at the same time (flexibility vs risk of subjective, unpredictable decisions).</p>

<sup>41</sup> These include a JRES priority action matrix; key education indicators in the ESSP; and the EDPRS (Rwandan PRSP) monitoring framework.

<sup>42</sup> Conditionality is about "satisfactory sector performance" as assessed at the JRES (not specifying which of the tools mentioned above are used/most important), and "alignment of the education sector budget with ESSP".

**d) The Outputs and Outcomes of SBS**

	<b>Main SBS Outputs Influencing Outcomes</b>	<b>Outcomes Influenced by SBS</b>
	Changes in sector policy, spending, institutions, service delivery systems and accountability influencing sector outcomes	Changes in the implementation of sector policies and delivery of services influenced by SBS
<b>Rwanda Education</b>	<p>Improved quality of policies, planning and costing, with most progress in the early 2000s, as a result of un-earmarked GBS and associated dialogue and conditions.</p> <p>Non-traceable earmarked SBS funds, combined with dialogue and conditions, have contributed to</p> <ul style="list-style-type: none"> <li>- A reorientation of education spending towards primary education</li> <li>- Increased funding in the sector channelled towards service delivery, in particular the capitation grant, teachers' allowances, school construction and provision of textbooks.</li> </ul> <p>In conjunction with improvements as a result of GBS, improved sector PFM system</p> <p>Number of teachers and quality of teachers has not been supported effectively by SBS</p>	<p>Increases in enrolment, as a result of shift in policy to which SBS contributed early on, has had the most dramatic effect on enrolment, and subsequent gradual increases in literacy rates.</p> <p>Subsequently, the main contribution of SBS has been towards maintaining and improving quality of primary education, including improving the motivation of teachers through capitation grants; increased availability of instructional materials, improved teacher training; increased and more efficient and transparent classroom construction.</p> <p>SBS, supported by SBS has also contributed to improvement in the efficiency of education spending, through improved value for money and transparency in classroom construction.</p> <p>However the number and quality of teachers needs to be improved.</p>

## Annex 2 – Country and Sector Data

### a) Core Country Data

Rwanda	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	SSA (2007)
Exports of goods and services (% of GDP)	6	5	6	6	9	9	8	8	10	10	10	10	34
GDP growth (annual %)	-	2	35	9	8	8	11	-	5	7	5	6	6
GNI per capita, Atlas method (current US\$)	350	220	260	260	240	220	210	200	210	250	280	320	951
GNI per capita, PPP (current international \$)	500	470	550	540	560	590	660	660	700	760	810	860	1,869
Gross capital formation (% of GDP)	15	13	15	17	18	19	18	19	20	22	20	21	22
Inflation, GDP deflator (annual %)	13	51	2	4	3	1	5	22	13	9	13	9	6
GDP (current US\$m)	2,584	1,293	1,989	1,931	1,735	1,675	1,641	1,777	1,971	2,379	2,869	3,339	847,438
Official development assistance and official aid (%GDP)	11	54	18	19	19	18	22	19	25	24	20	21	4
Official development assistance and official aid (current US\$m)	288	695	350	373	321	305	358	335	490	578	586	713	35,362
Revenue, excluding grants (% of GDP)	11	-	-	-	-	-	-	-	-	-	-	-	-
Total debt service (% of exports of goods, services and income)	13	20	17	26	24	10	11	14	11	8	10	3	5
Fertility rate, total (births per woman)	7	6	-	-	6	-	6	-	-	6	6	6	5
Population growth (annual %)	-	2	10	9	7	4	3	2	2	2	2	3	2
Population, total (m)	7	6	7	8	8	9	9	9	9	9	9	10	800
Income share held by lowest 20%	-	-	-	-	5	-	-	-	-	-	-	-	-
Poverty headcount ratio at national poverty line (% of population)	-	-	-	-	60	-	-	-	-	-	-	-	-
Agriculture, value added (% of GDP)	33	44	46	42	37	37	35	38	39	39	41	40	15
Primary completion rate, total (% of relevant age group)	37	-	-	27	21	22	27	35	35	-	-	-	-
Ratio of girls to boys in primary and secondary education (%)	-	-	-	98	96	98	-	99	100	102	-	100	-
Births attended by skilled health staff (% of total)	-	-	-	-	31	-	-	-	-	39	-	-	45
Contraceptive prevalence (% of women ages 15-49)	-	-	-	-	13	-	-	-	-	17	-	-	23
Immunization, measles (% of children ages 12-23 months)	83	84	78	78	74	69	69	90	84	89	95	99	73
Life expectancy at birth, total (years)	32	31	-	-	40	-	43	-	-	45	46	46	51
Malnutrition prevalence, weight for age (% of children under 5)	-	-	-	-	20	-	-	-	-	18	-	-	27
Mortality rate, under-5 (per 1,000)	195	192	-	-	189	-	-	-	-	183	-	181	146
Prevalence of HIV, total (% of population ages 15-49)	9	7	6	5	5	4	4	4	3	3	3	3	5
Roads, paved (% of total roads)	9	10	-	8	8	-	-	-	19	-	-	-	-
Improved sanitation facilities, urban (% of urban population with access)	31	32	-	-	33	-	-	-	-	-	34	-	-
Improved water source (% of population with access)	65	64	-	-	65	-	-	-	-	-	65	-	-

Source: World Bank Website – Africa Quick Query (2009)

## b) Sector Expenditure and Service Delivery Data

Figure 10: Evolution of Service Delivery Inputs, Outputs and Outcomes over Time

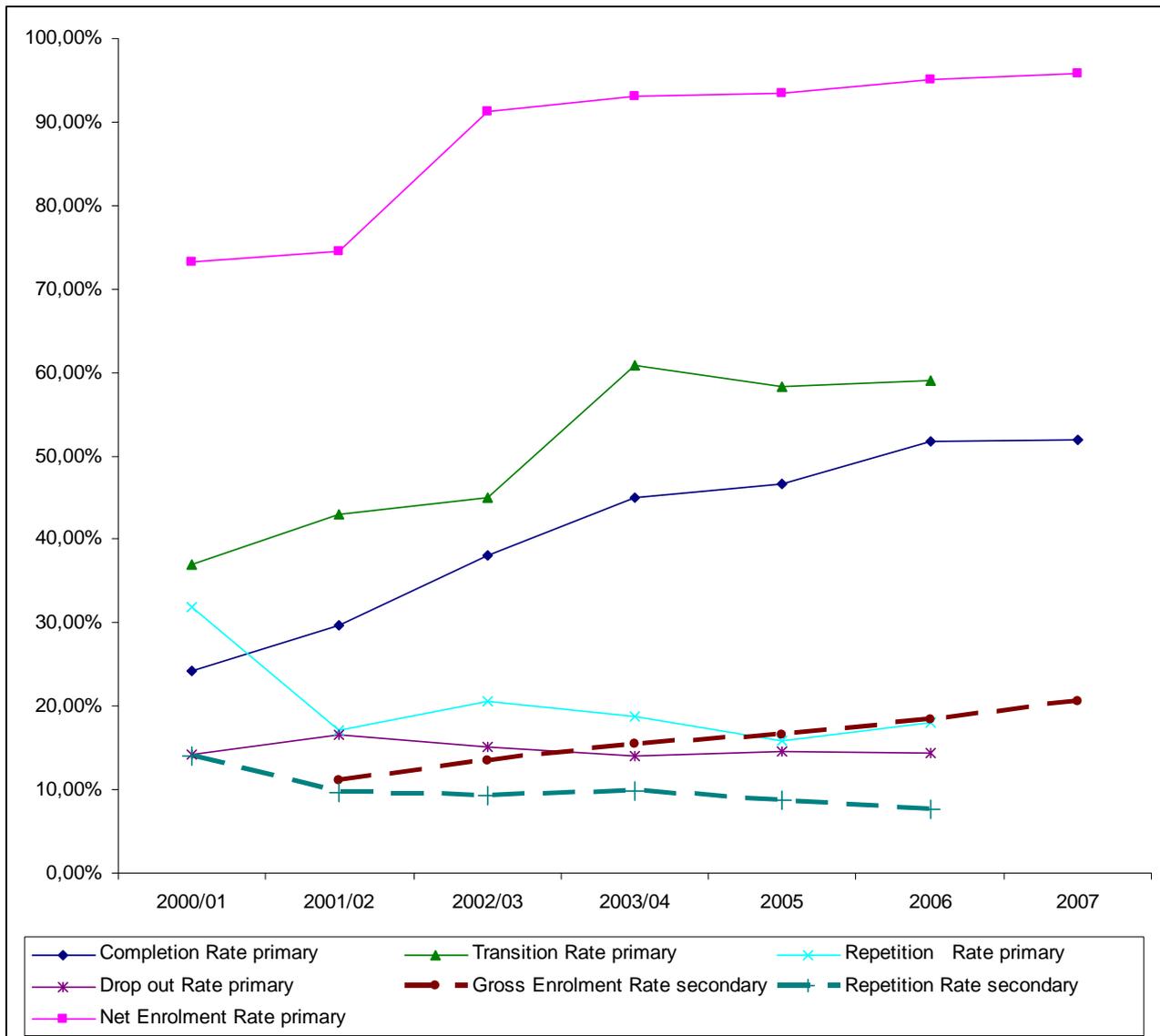
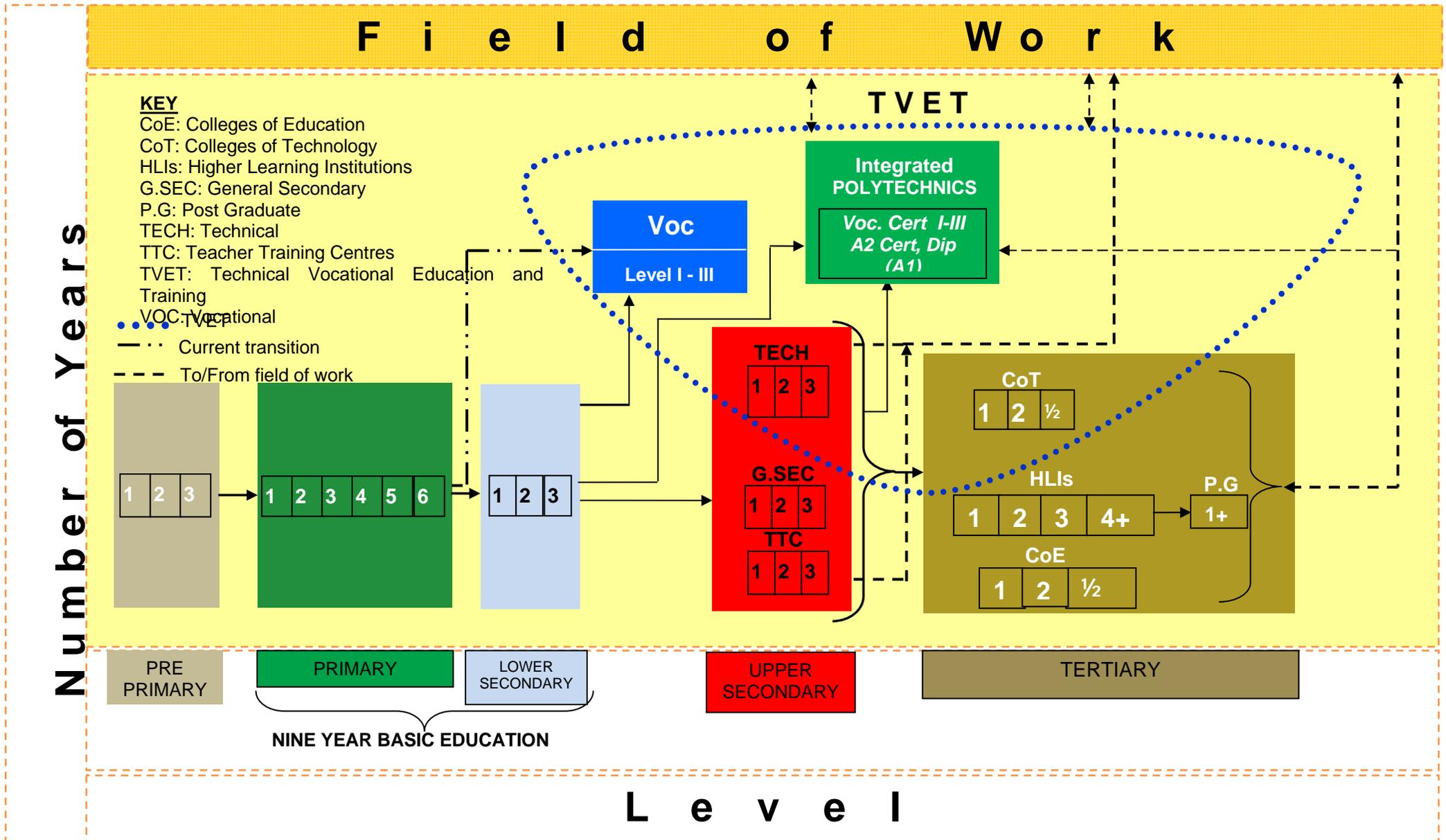


Table 13: Evolution of Service Delivery Inputs, Outputs and Outcomes over Time

<b>ENSEIGNEMENT PRIMAIRE / PRIMARY EDUCATION</b>							
	2000/01	2001/02	2002/03	2003/04	2005	2006	2007
<b>STUDENTS</b>							
Number of Students	1,476,272	1,534,510	1,636,563	1,752,588	1,857,841	2,019,991	2,150,430
% of Girls	50.0%	50.3%	50.5%	50.8%	50.9%	51.3%	50.8%
Gross Enrolment Rate	<b>99.9%</b>	<b>103.7%</b>	<b>128.4%</b>	<b>130.8%</b>	<b>137.3%</b>	<b>145.3%</b>	<b>151.9%</b>
GER Boys	101.9%	105.8%	129.0%	130.6%	136.7%	143.4%	151.3%
GER Girls	98.2%	102.3%	127.8%	131.0%	137.8%	147.2%	152.5%
Net Enrolment Rate	<b>73.3%</b>	<b>74.5%</b>	<b>91.2%</b>	<b>93.0%</b>	<b>93.5%</b>	<b>95.0%</b>	<b>95.8%</b>
NER Boys	72.9%	74.0%	90.1%	91.5%	92.2%	92.9%	94.7%
NER Girls	74.9%	74.9%	92.4%	94.5%	94.7%	97.0%	96.8%
Completion Rate	24.2%	29.6%	38.1%	44.9%	46.7%	51.7%	52.0%
Transition Rate	37.0%	43.0%	45.0%	60.8%	58.3%	59%	
Transition Rate Boys					61.8%	62.0%	
Transition Rate Girls					54.8%	55.3%	
Repetition Rate	31.8%	17.2%	20.6%	18.8%	15.8%	18.1%	
Drop out Rate	14.2%	16.6%	15.2%	14.0%	14.6%	14.3%	
<b>TEACHERS</b>							
Head and teachers	<b>28,698</b>	<b>26,024</b>	<b>27,319</b>	<b>28,254</b>	<b>29,033</b>	<b>30,637</b>	<b>31,037</b>
Number teachers only			25,360	26,192	26,944	28,474	29,059
% of Qualified Teacher	62.7%	81.2%	85.2%	88.2%	93.7%	97.6%	98.1%
Teacher Student Ratio	51	58.9	64.5	66.9	69.0	70.9	74.0
Qualified Teacher Student Ratio	82	72.6	70.3	75.8	73.6	72.7	75.4
<b>Schools</b>							
Schools	2,142	2,172	2,203	2,262	2,295	2,323	2,370
Classroom	27,339	27,735	28,806	29,385	29,748	30,434	30,737
Number of streams	39,045	33,771	33,259	34,421	36,175	38,619	39,543
<b>ENSEIGNEMENT SECONDAIRE / SECONDARY EDUCATION</b>							
	2000/01	2001/02	2002/03	2003/04	2005	2006	2007
<b>STUDENTS</b>							
Gross Enrolment Rate		11.2%	13.4%	15.4%	16.6%	18.4%	20.5%
Net Enrolment Rate		6.5%	10.2%	10.6%	9.0%	10.1%	13.1%
Repetition	14.0%	9.6%	9.2%	9.8%	8.7%	7.7%	
<b>TEACHERS</b>							
Total public+private	5,453	6,329	7,058	7,750	7,610	7,818	12,103
Teachers (public)	2,974	3,319	3,697	4,104	4,340	4,385	7,032
Teachers (private)	2,479	3,010	3,361	3,646	3,270	3,433	5,071
% of Qualified Teachers	49.7%	51.9%	52.1%	51.0%	51.8%	52.2%	53.4%
Teacher Student Ratio (public)	26.8	26.7	26.1	27.7	29.6	32.0	22.2
Teacher Student Ratio (private)	24.8	22.8	24.9	24.6	27.6	28.9	21.7
Qualified Teacher student Ratio	52.1	47.8	49	51.5	55.5	58.7	41.3
<b>Schools/ Classrooms</b>							
Total public+private	376	393	405	504	553	579	643
Public schools	186	185	190	286	337	356	405
Private Schools	190	208	215	218	216	223	238

Source: MINEDUC, 2008 report to donors

Figure 11: Rwanda Education Structure as illustrated in ESSP 2008-2012



**Table 14: Evolution of Education budget over Time**

<i>in rwf</i>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007 budget</b>	<b>2008 budget</b>
Total recurrent budget education sector	17.405.378.565	21.754.543.736	23.302.350.596	44.994.789.942	55.818.522.519	71.079.385.047	82.556.634.635
<i>central level</i>	16.281.007.161	20.316.830.261	21.826.618.774	25.419.823.971	33.186.443.425	37.517.385.047	38.118.977.708
<i>decentralised level</i>	1.124.371.404	1.437.713.475	1.475.731.822	19.574.965.971	22.632.079.094	33.562.000.000	44.437.656.927
Total development budget education sector	n/a	7.796.019.972	9.521.400.800	8.272.792.000	10.002.066.303	19.737.605.072	18.648.000.000
<i>internally financed</i>	n/a	574.592.205	927.900.000	2.991.392.000	3.507.550.000	12.956.605.072	18.648.000.000
<i>externally financed</i>	n/a	7.221.427.767	8.593.500.800	5.281.400.000	6.494.516.303	6.781.000.000	0
<b>Total education budget</b>	<b>n/a</b>	<b>29.550.563.708</b>	<b>32.823.751.396</b>	<b>53.267.581.942</b>	<b>65.820.588.822</b>	<b>90.816.990.119</b>	<b>101.204.634.635</b>

Recurrent education budget as a % of total recurrent expenditure*	n/a	9,7%	11,0%	18,6%	19,8%	20,7%	20,0%
Total education budget as a % of total budget**	n/a	12%	10%	14%	17%	17%	15%
Total education budget as a % of GDP***	n/a	3,3%	3,1%	4,0%	4,2%	5,0%	4,4%
% of the education budget spent at decentralised levels	6%	7%	6%	44%	41%	47%	54%
Proportion of Development budget internally-financed	n/a	7%	10%	36%	35%	66%	100%

Source : MINECOFIN finance law and budget execution reports

notes: development budget is not actual but budget (lack of reporting on development budget execution)

For the recurrent budget, data is actual (disbursements recorded in SMARTGOV), except for 2007 and 2008

Calculation of the total education budget is done adding the MINEDUC budget (without science and technology when it belonged to MINEDUC until 2007) and the education budget in Provinces or in Districts

\* based on budget figures for 2003 and 2007, 2008, on actual figures for the rest

\*\* based on budget figures

\*\*\* nominal - source IMF

**Table 15: Evolution of key education budget lines (2002-2008)**

(rwf)	2002	2003	2004	2005	2006	2007 budget	2008 budget
Capitation grant	0	0	714.646.707	556.105.889	5.841.726.453	10.573.000.000	18.134.585.474
Examination council	615.816.570	543.865.830	1.053.963.809	822.509.810	801.147.116	1.480.038.220	1.524.734.800
NCDC and textbooks	2.635.941.293	950.863.422	272.936.843	884.566.461	1.226.584.865	4.054.882.023	4.309.727.194
Inspection Generale	121.944.264	40.981.219	29.870.939	31.110.340	81.765.200	503.071.116	162.700.000
teacher training	2.017.635	727.756.250	47.632.754	85.577.200	495.211.656	1.568.422.248	2.484.728.600
Construction (internally-financed)	0	1.113.101.292	1.660.890.432	1.350.644.700	1.750.738.101	8.561.605.072	11.500.000.000
HIV – school health and environment	20.176.425	0	5.512.800	0	112.859.000	271.568.252	77.659.068
ICT S&T, solar pannels (includes investment expenditure)	0	0	0	0	0	1.577.975.532	5.405.000.000

**Table 16: Evolution of the Capitation Grant over the years**

	2004	2005	2006	2007	2008	2009-11
Basis of calculation – Primary	300rwf per pupil	1.000rwf per pupil	2.500rwf per pupil	5.300rwf per pupil	3.500rwf per pupil for school functioning (*); 12.500rwf per teacher ; 32.617+12.500rwf per contractual teacher; average of 7.114 rwf /pupil	3500rwf per pupil for school functioning (*); 12500rwf per teacher; 32617+12500rwf per contractual teache
Basis of calculation – Tronc commun			Boarding pupils: 21.000 rwf; Non boarding pupils: 11.000 rwf			
Total amount of capitation grant (mn rwf)	714,6	556,1	5.841,7 (of which 860.8 for tronc commun)	10.573,0 (of which 2.373,0 for tronc commun)	18.134,6 (of which 2.640,6 for tronc commun)	
As % of recurrent education budget	3,1%	1,2%	10,5%	14,9%	22,0%	
As % of total recurrent budget	0,3%	0,2%	2,1%	3,1%	4,4%	

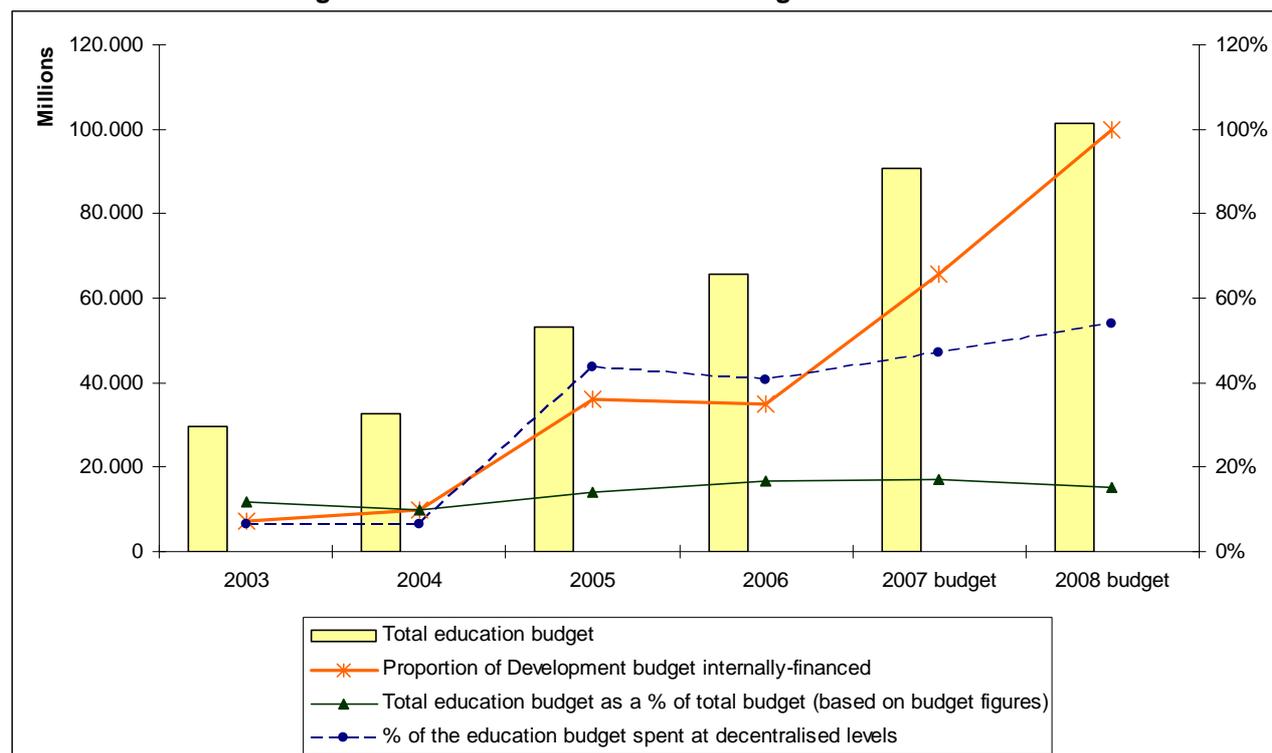
(\*) of which 50% should be used for teaching material, 35% for school rehabilitation and maintenance, and 15% for teacher training.)

**Table 17: CDF financing of the education sector**

(in rwf)	2003	2004	2005	2006	2007
Number of projects submitted to CDF in the education sector	0	0	16	17	38
Total amount of projects financed by CDF in education sector	0	0	349.382.913	443.217.044	1.010.172.720
Amount spent on construction in MINEDUC budget	1.113.101.292	1.660.890.432	1.350.644.700	1.750.738.101	8.561.605.072
% of total amount spent on construction spent by CDF	0%	0%	20.6%	20.2%	11.8%

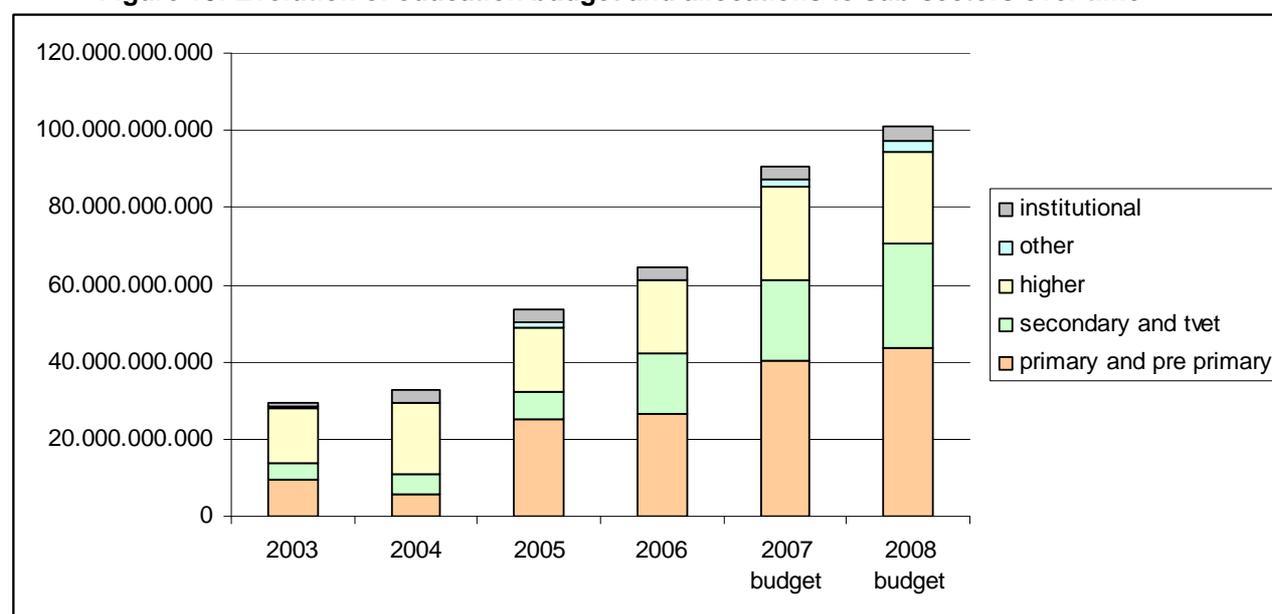
Source: CDF annual reports 2003, 2004, 2005, 2006, 2007 and Budget execution reports, MINECOFIN

Figure 12: Evolution of Education budget over Time



Source: MINECOFIN, Finance Law and budget execution data

Figure 13: Evolution of education budget and allocations to sub-sectors over time



Source: MINECOFIN, Finance Law and budget execution data

Table 18: Own revenues of semi-autonomous agencies and higher learning institutions

	2008 estimates (*)
Own revenues – semi-autonomous agencies (NEC, IGE, NCDC)	1.164.199.784
Own revenues – higher learning institutions	5.126.659.165
Donor support – higher learning institutions	1.062.279.115
<b>Total amount received by semi-autonomous agencies – not recorded in the Education sector budget</b>	<b>7.353.138.064</b>

Source: MINECOFIN – draft Finance Law submitted to Parliament – annex 6 on autonomous and semi-autonomous agencies , November 2008 - (\*) 2008 estimates are derived from the 2007 consolidated financial statements

## c) Progress in Education sector-PFM issues

#	Weakness identified	Study	Progress to date	Status
1	No possibility to identify separately upper from lower secondary expenditures "No separation of primary and secondary teacher salaries"	Foster 2005 (*)	- The Education budget (in MINEDUC and in Districts) now separates upper and lower secondary expenditures in two separate programmes. There are still some difficulties in improving the quality of this separation, in particular with regards to teachers salaries, as many teachers teach in both levels (see PER 2008 analysis of execution of teacher salaries)	
2	No reporting on schools or districts actual expenditures	Foster 2005 (*)	- Despite the strong increase in money transferred directly to schools and to districts, there is still no timely or systematic reporting on actual expenditures in the education sector. Budget execution as reported in budget execution reports still converts only disbursement of transfers from central government to schools/districts, but not how this money is actually spent. Nevertheless, remarkable progress has been made at national level with the production of the first consolidated financial statements in 2007 (on year 2006), and the design of the consolidated budgeting-accounting software Budgetmaster, which should start operating as of January 2009. Both tool will allow reporting on actual expenditures vs the budget, but remaining challenges include improving the coverage, reliability of this information, and allowing for a presentation of actual expenditures per programme and sub-programme, not only per nature of expenditure, which should allow a more qualitative analysis. The PER 2007 notes "to date there are no substantial monitoring systems in place to verify [whether schools prepare plans and produce budgets]" [...] "in terms of financial monitoring the situation is much worse, as there is not even a recording system for the various reports that [MINEDUC Planning Department] is supposed to monitor and analyse, let alone a system for evaluating the performance of schools against policy and strategic priorities."	
3	At central level, no reporting on actual expenditure but on transfers to public institutions accounts	Foster 2005 (*)	- Up until now, reporting on budget execution from SMARTGOV (present budget software), consists in reporting on transfers from the national treasury account to the autonomous and semi autonomous agencies' accounts (NCHE, NCDC, IGE, all universities, etc). There was no reporting on these entities actual expenditure, nor on their actual revenues (including revenues additional to state transfers). Similarly, execution of MINEDUC budget itself includes information on both direct execution and payment of suppliers, and transfers from the treasury account to the MINEDUC sub-account, with no further information on how that money is spent. As mentioned above, the production of consolidated financial statements since 2007, and setting up of Budgetmaster are both crucial steps in improving the quality of reporting on actual expenditure.	
4	"Difficult to obtain reports on HEI on actual use made of their budget funds"	Foster 2005 (*)	- Same issue as above. The production of the consolidated financial statements, including financial statements of HEI, should provide the requested information in the coming years. Nevertheless, it would require MINEDUC and National Budget Unit to collaborate with Public Accounts unit in MINECOFIN to ensure that the latter can provide information in a useful format and in a timely manner.	
5	"The budget lacks an 'output' dimension"	Foster 2005 (*)	- Although it is in the medium term plans of the National Budget Unit to move towards a presentation of the National Finance Law which would include information on key objectives and targets, at output and outcome level, this has not yet been possible. Nevertheless, all ministries do define activities and outputs in their detailed budget – but the latter does not appear in the National Finance Law. In addition, there is no ex post reporting on the	

			implementation of these activities and outputs in line with budget execution, nor is there a systematic link between these activities and outputs and the annual action plan of ministries. In MINEDUC, there has been a clear effort to ensure the link between the ministry's annual action plan and the detailed budget's output and activities.	
6	"An annual action plan is currently produced for internal GoR use, but it tends to be a lengthy cataloguing of proposed activities, and is not linked to the budget"	Foster 2005 (*)	– This is the case since the FTI request: the annual work plan linked to the budget is updated quarterly.	
7	"The budget lacks any comparison of the budget to actual expenditure in a previous year, making it difficult to discern trends without additional data collection and analysis"	Foster 2005 (*)	– In the 2008 National Finance law, the presentation has been improved in order to include the three years of the MTEF in all key annexes to the budget. The National Budget Unit's objective is to progressively include also information on the execution of the previous budget year, when issues of comparability of chart of account between years will have been solved (the Chart of Accounts was updated in 2007). The 3-year perspective improves the overview of the trends, although a remaining challenge is to improve the quality of the second and third year projections, and their use as a basis to prepare following years budget.	
8	"Lack of budget discipline, with HEI regularly exceeding budget ceilings"	Foster 2005 (*)	– "actual education spending has become much closer to the budget in recent years, indicating improved MINEDUC planning and management" (PER 2007)	
9	"spending departments cannot rely on receiving their approved budgets on time, nor can they be confident as to whether and when centrally procured items will arrive.[...] The unreliability of the budget makes it difficult for MINEDUC departments to implement their programmes on time, with the risk that teaching materials will be unavailable until late in the academic year"	PETS 2003 Foster 2005 (*)	– According to all government interviewees, this situation has improved drastically, mainly thanks to the new Organic Budget Law which introduced decentralisation of payment control: the chief budget manager of each budget agency (NCDC, IGE, NEC, etc) are responsible for controlling and approving expenditure within their budget agency, without having to request MINEDUC or MINECOFIN approval. In addition, cash management has improved in MINECOFIN, with the introduction of cash planning on a quarterly basis. All budget agencies are required to send a quarterly and annual cash plan to MINECOFIN at the beginning of each quarter. As a result, budget execution starts at the very beginning of the fiscal year, and procedures are much quicker than in the past.	
10	"procurement is centralised, with schools receiving support largely 'in kind', with the exception of the small capitation grant"	PETS 2003 Foster 2005 (*)	– An increasing part of the education budget is being transferred directly to districts and schools. In particular, management of teacher salaries have been decentralised to district level, and capitation grants provide a major support to school functioning and hiring of contractual teachers, transferred directly to schools. "Nearly half of recurrent education spending is not allocated to districts in the district budget" (PER 2007)	
11	"There is a lack of central information on how the teaching force is actually deployed"	Foster 2005 (*)	– The accuracy of information on teacher deployment (per district, primary vs secondary) is still an issue, as shown by budget execution of teacher salaries in 2007. Nevertheless, actions are being taken by MINEDUC, such as decentralisation of pay lists to district level, and potentially to school level in the coming years.	
12	Lack of reporting on expenditure of externally-financed	Foster 2005 (*)	– This is still an issue. The consolidated financial statements include donor-funded projects, but improvements are needed in the presentation of the information in order to allow analysis and link to	

	development budget		the budgeted amounts for each project.	
13	An annual PETS survey should be undertaken	Foster 2005 (*)	– A PETS is planned for 2009, but none has been carried out since 2004.	
14	Transparency “there appears to be some problems in sharing financial reporting with external partners”	Foster 2005 (*)	– Although there is still room for improvement, budget execution reports have been received in time over the past few years.	
15	Salary arrears and timeliness of salary payment for new or transferred teachers The salary processing system should be further decentralised; a computer system should be used; the capacity of personnel handling salaries should be increased	PETS 2004	The processing of teacher’s salary payment has been decentralised from MIFOTRA to Districts in 2008. In addition, Districts have been authorized to hire one person to be specifically in charge of managing teachers’ salaries. No specific software has been installed in Districts to manage teachers’ salaries, but the finalisation of the EMIS should provide tools to monitor teachers’ performance and management issues. Finally, the Teacher Service Commission has been created (law to be passed in the coming months), and will be responsible for managing teachers, providing strategic guidance to teachers training, motivation, etc.  Salary arrears?	
16	Commercial banks keep amounts due to National Treasury (for teachers that have retired or abandoned) – “it is recommended that a special audit on the sums to be returned to the public treasury by UBPR, UCT and other banks be carried out”	PETS 2004	n/a	
17	Delays in payment of capitation grant	PETS 2004	The capitation grant is now transferred to schools in a timely manner every quarter. Districts are in charge of processing the transfer of the capitation grant to school through the national budget software (Smartgov).	
18	The creation of a procedure manual to harmonise the utilisation of the capitation grant and a periodic audit on the usage of these funds	PETS 2004	A Directive has been issued by MINEDUC to primary and secondary schools in 2007 on the use of the capitation grant. This Directive sets out clearly how schools are to manage and use the capitation grant, and the role of Parent Teachers Associations in monitoring the use of the capitation grant. No specific audit of the use of the capitation grant has been carried out. The PER 2007 outlines “the recent survey of school financial management issues highlighted a need to give more guidance to schools on the use of these resources”.	
19	Higher learning institutions could become more efficient if they were financed by a system that gave them incentives to use resources better	PER 2007	The system recommended by the PER (HLI financing on a student-numbers based system) was implemented by MINEDUC as of the 2009 budget.	

## Annex 3 – Inventory of Sector Budget Support

### a) Details of Inputs by Type of SBS

This table provides a detailed description of SBS inputs provided in the country.

<b>SBS Input</b>	<b>SBS Type 2 – as of 2006 JESS (joint education sector support)</b>
<b>(i) SBS Programmes and their Objectives</b>	
Programmes Included (state donor)	DFID, NL, Belgium, CIDA, AFDB, [SIDA], FTI
What Were the Objectives of SBS Operations and how has this evolved over time?	<p>The purpose of the JESS is to “operationalise the ESSP”, by mobilising additional external financing to bridge the financing gap. Since the ESSP is revised annually, these objectives evolve annually. It defines the advantages of SBS as follows:</p> <ul style="list-style-type: none"> <li>– “mobilise additional resources to bridge the ESSP financing gap;</li> <li>– improve predictability of sector financing flows;</li> <li>– ensure funds are available early in the financial (and school) year to finance vital budgeted expenditures;</li> <li>– strengthen GoR education sector budgeting and financial management processes;</li> <li>– enable a closer and more supportive relationship between development partners and GoR in the education sector than would be possible or desirable in the context of GBS;</li> <li>– avoid transaction costs, management burden and inefficient service delivery of project approaches; and</li> <li>– encourage “project modality” donors to move up to a budget support approach, and possibly ultimately lead these donors towards non earmarked general budget support.”</li> </ul>
<b>(ii) Level of Funding and Arrangements for Predictability</b>	
Trends in the size of SBS agreements over time. (relate to table in part c of the inventory)	Differs between donors
Mechanism and timing communication of amounts for the next financial year and the medium term and their reliability in practice. (relate to table in part c of the inventory)	The JESS mentions that the overall disbursement pattern should be 60/40 (60% disbursements in the first quarter and 40% in the last quarter. Despite this, the bulk of some donor programmes has been disbursed in the last quarter of the year due to late (in-year) programme signature.
No. and timing of tranches within the financial year and their predictability in practice.	<p>In JESS: 2 tranches per year (Q1 and Q3). In specific programmes: mostly one tranche per year (ADB, CIDA, FTI)</p> <p>Disbursement should be frontloaded such that the overall ratio of Q1:Q3 contributions is approximately 60:40. In-year predictability: “failure to meet one benchmark will not mean automatic suspension of support [...] every effort will be made to avoid delaying disbursement within the course of the GoR fiscal year [...] persistent or systemic failure to achieve benchmarks, however, will lead to suspension of development partner</p>

<b>SBS Input</b>	<b>SBS Type 2 – as of 2006 JESS (joint education sector support)</b>
	<p>contributions”</p> <p>“Development partners and GoR will work together closely to avoid the need for interrupting disbursements by sharing potential problems at the time they arise”. The JESS defines a detailed procedure to be followed in case disbursement triggers are missed. It specifies that SBS disbursements will not be withheld in-year [...] unless there has been a fundamental breakdown. Provided a fundamental breakdown has not occurred, the following year Q1 disbursement will be withheld instead”</p>
<b>(iii) Earmarking, Additionality and Disbursement Channels</b>	
Route of channelling funds to treasury and thereafter to sector institutions (describe diagram in section b of inventory)	<p>Funds disbursed in a foreign exchange account denominated in USD, maintained by MINECOFIN at the Bank of Rwanda (BNR)</p> <p>“there is no “separate account” within the GoR system for SBS monies”</p>
Requirements for additionality of funds to sector budgets / programmes within the sector, if any.	<p>The JESS says: “Education SBS resources are provided by development partners on the understanding that [...] the total resource envelope budgeted for education will be increased to reflect the promised additional resources”.</p> <p>Nevertheless it recognises that “the increase will not be separately identified as “SBS” resources but simply as a larger GoR resource envelope for the sector combining domestic revenues, general and sector budget support”.</p> <p>It outlines that “it should be possible to demonstrate clear additionality to the education sector resource envelope for the first year of the JESS programme; i.e. by comparing the education sector budget before and after the inclusion of SBS [...]. For subsequent years SBS commitments should already be factored into the MTEF and budget ceilings by MINECOFIN; hence additionality will be harder to demonstrate owing to the lack of clear counterfactual [...] However additionality can be ensured further by utilising the ESSP and LTFF as a benchmark [...] Another solution would be for MINECOFIN to prepare an annual consolidated “statement of additionality” showing year on year increases in financing for the education sector over and above a base year, with annual increases analysed by financing source including SBS”.</p>
Arrangements for earmarking of funds to specific programmes in the budget and during budget execution	<p>The JESS clearly states that “SBS will provide budget support earmarked for the education sector”. Nevertheless the JESS remains unclear on the actual meaning of this “earmarking” (<i>speech marks original</i>): it says “SBS can only finance activities within the defined sector which are on-plan and on-budget”, but then it says a few lines below “SBS resources are fungible in the single treasury account with other GoR resources”</p> <p>It then goes on to say “the funds provided will be “earmarked” to ensure that key budgeted education sector expenditures are protected – i.e. the budgeted expenditures are funded on time and in full”.</p> <p>Table 3.1 of the JESS defines the composition of the education sector budget which is targeted by the JESS. Finally, it clarifies that “it will not be possible to track the expenditure of SBS funds separately from other public expenditure”</p>
<b>(iv) Conditionality and Dialogue</b>	
Nature of Underlying MoU/Agreement (this may be agreement specific or joint)	The JESS is signed by all partners, and each partner has its own programme memorandum in addition, or silent partnership/delegated cooperation agreement with another partner.
Nature and types of condition relating to	Pre-requisites (each year):

<b>SBS Input</b>	<b>SBS Type 2 – as of 2006 JESS (joint education sector support)</b>									
the sector	<ul style="list-style-type: none"> <li>– an agreed version of the ESSP with costings consistent with the long term financing framework</li> <li>– an agreed MTEF aligned and consistent with the ESSP including both recurrent and development budget</li> <li>– an annual operational work plan to operationalise the ESSP</li> <li>– an annual capacity building plan</li> </ul> <p>SBS triggers:</p> <table border="1" data-bbox="790 512 2045 1129"> <thead> <tr> <th data-bbox="790 512 1115 544"></th> <th data-bbox="1115 512 1585 544"><b>ESSP Performance</b></th> <th data-bbox="1585 512 2045 544"><b>Financial Management</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="790 544 1115 914">Q1 disbursement (decision taken in Q3 of previous year)</td> <td data-bbox="1115 544 1585 914">Satisfactory progress against key indicators in ESSP M&amp;E framework reported at the education sector budget/PRS workshop in September/October <i>Exceptional trigger for 2006 only: final ESSP agreed and issued by MINEDUC including agreed common M&amp;E framework and key indicators</i></td> <td data-bbox="1585 544 2045 914">Education sector budget prepared, consistent with: ESSP; ESSP annual operational plan and the MTEF reflecting SBS additionality prepared. Overall satisfactory cumulative expenditure Q1-Q2 of prior year on education sector. (per SIBET flash reports) <i>Exceptional trigger for 2006 only: education sector budget prepared which is consistent with the ESSP, MTEF and reflects SBS additionality.</i></td> </tr> <tr> <td data-bbox="790 914 1115 1129">Q3 disbursement (decision taken in Q2, but not withheld in year)</td> <td data-bbox="1115 914 1585 1129">Satisfactory progress against key indicators in ESSP M&amp;E framework reported at the Joint Review of the Education Sector (JRES) in April/May</td> <td data-bbox="1585 914 2045 1129">Budget execution report for previous year issued and satisfactory with regard to education sector Overall satisfactory cumulative expenditure in Q3-Q4 of prior year on education sector. (per SIBET flash reports)</td> </tr> </tbody> </table>		<b>ESSP Performance</b>	<b>Financial Management</b>	Q1 disbursement (decision taken in Q3 of previous year)	Satisfactory progress against key indicators in ESSP M&E framework reported at the education sector budget/PRS workshop in September/October <i>Exceptional trigger for 2006 only: final ESSP agreed and issued by MINEDUC including agreed common M&amp;E framework and key indicators</i>	Education sector budget prepared, consistent with: ESSP; ESSP annual operational plan and the MTEF reflecting SBS additionality prepared. Overall satisfactory cumulative expenditure Q1-Q2 of prior year on education sector. (per SIBET flash reports) <i>Exceptional trigger for 2006 only: education sector budget prepared which is consistent with the ESSP, MTEF and reflects SBS additionality.</i>	Q3 disbursement (decision taken in Q2, but not withheld in year)	Satisfactory progress against key indicators in ESSP M&E framework reported at the Joint Review of the Education Sector (JRES) in April/May	Budget execution report for previous year issued and satisfactory with regard to education sector Overall satisfactory cumulative expenditure in Q3-Q4 of prior year on education sector. (per SIBET flash reports)
	<b>ESSP Performance</b>	<b>Financial Management</b>								
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Q3 disbursement (decision taken in Q2, but not withheld in year)	Satisfactory progress against key indicators in ESSP M&E framework reported at the Joint Review of the Education Sector (JRES) in April/May	Budget execution report for previous year issued and satisfactory with regard to education sector Overall satisfactory cumulative expenditure in Q3-Q4 of prior year on education sector. (per SIBET flash reports)								
Conditions outside the sector	None in ESSP, some in partners' programme memorandum									
The nature of Performance indicators monitored, and the source of performance indicators	<p>"in line with the partnership principles for harmonised support to the education sector, the performance benchmarks relate solely to the common monitoring and evaluation (M&amp;E) framework for the ESSP agreed through the JRES and incorporated in the PRSP.</p> <p>The selection of appropriate SBS performance benchmarks from within the M&amp;E framework, and the setting of agreed time-bound targets for these benchmarks, will take place through established education sector policy dialogue processes. [...] The selection of performance benchmarks should be output and outcome oriented</p>									

<b>SBS Input</b>	<b>SBS Type 2 – as of 2006 JESS (joint education sector support)</b>
	but will be expected to take into account the quality and availability of monitoring information [...] In addition to the performance benchmarks, a small number of SBS-specific financial management benchmarks are proposed. [...] The benchmark for financial management is that the cumulative expenditure for the specified period on the specified priority areas are at least 90% of approved budget [...] The specified priority areas will be agreed during the JRES by all partners concerned to reflect where necessary particular concerns of DPs and the GoR”
Accountability requirements for SBS programmes	
Existence of any performance assessment framework or equivalent, and description of its structure and content.	PRSP / EDPRS monitoring framework
Process for reviewing adherence to conditions	“Information on progress will be obtained from the ESSP M&E reports, public expenditure reports and targeted public expenditure tracking surveys. The annual PER undertaken in Q1 will provide a report on actual spending.” “The principle meetings at which performance against SNS triggers will be considered, and disbursement decisions taken are: The joint review of the education sector in April/May; the education sector budget/PRS workshop in September/October”
Linking of conditions to the triggering of release of funds	“contributions will be made subject to satisfactory performance against specific SBS triggers” [...]”upon agreement of satisfactory performance of benchmarks, the GoE will formally request DPs to disburse”
Mechanisms/Fora for dialogue with respect to SBS	No additional mechanism specific to SBS
<b>(v) Links to TA and Capacity Building</b>	
Is the provision of technical assistance and capacity building an explicit part of the programme? If yes, describe.	Yes, the component 2 of the JESS is a harmonised education sector capacity building pooled fund (ESCBF). The fund is directly managed by MINEDUC and allows MINEDUC to specify, procure and manage capacity building services to strengthen education sector planning and management” The ESCBF is directly managed by the Secretary General of MINEDUC, and was supposed to operate for a transitional period, initially envisaged to cover the first three years of the JESS programme. It operates through a special GoR bank account, which will be a sub-account of the single treasury account, and will be controlled by MINEDUC. Procurement procedures and financial management for the ESCBF use GoR systems to procure external service providers “The utilisation and progress of the ESCBF [is] monitored jointly with non-participating development partners by the Capacity Building sub group of the education cluster”
Is the provision of TA/Capacity building in other programmes/provided by other donors explicitly linked to the provision of SBS?	No. the JESS mentions the necessity for the ESCBF to coordinate with the HIDA Human Development Agency, multi-sector capacity building programme financed by the World Bank and other donors.
Are there TA/Capacity Building conditions built into the SBS programme? If yes,	Yes, the development of an annual capacity building plan

<b>SBS Input</b>	<b>SBS Type 2 – as of 2006 JESS (joint education sector support)</b>
describe.	
<b>(vi) Coordination with other SBS programmes and other aid modalities</b> <i>e.g. common calendar, joint missions, common set of indicators, pooling of funds, delegated cooperation or silent partnership, Joint diagnostic and performance reviews</i>	The other types of SBS provided simultaneously are <ul style="list-style-type: none"> <li>– the UN HACT, which is used to fund the Capacity Building Pooled fund, so is also part of the JESS</li> <li>– the SIDA GBS support with an education window, which is also part of the JESS, since it is provided in silent partnership with DFID</li> </ul>
What provisions are there for coordinating the provision of SBS and its associated dialogue and conditionality amongst DPs providing SBS?	As mentioned above, all SBS is provided in the framework of the JESS, therefore follows the coordination framework foreseen in the JESS
What provisions are there for coordinating the provision of SBS inputs with General Budget Support?	None. SBS is explicitly de-linked from GBS disbursement decisions, with the objective to ensure a better predictability, and a more narrow focus on performance in the education sector, of the JESS support.
What provisions are there for coordinating the provision of SBS with project and other forms of aid to the sector?	Project donors are also participants to all the education sector coordination mechanisms, therefore can participate actively in the selection and assessment of the SBS triggers
<b>(vii) SBS as a transition mechanism</b>	
Have donors providing project/basket funding shifted their support to SBS? What was the justification for doing so?	Yes: Belgium and ADB used to provide project support to the education sector before starting to provide SBS. They still provide project support in parallel to their SBS programme. Justification for ADB: signature of the JESS, government request to provide budget support (aid policy), other SBS donors request
Have donors shifted from the provision of SBS to general budget support? What was the justification for doing so?	DFID shifted from general to sector budget support. Justification: see section 3.1
<b>(viii) Influence of country situation and HQ requirements on the design of SBS instruments</b>	
Degree to which the design of SBS has been influenced by the country situation	
Degree to which the design of SBS has been influenced by donor HQ requirements	Requirement for ex-ante study: fiduciary risk, credibility of ESSP, financial and economic appraisal, social and institutional appraisal DFID: need to convince HQ of the added value of SBS in addition to GBS CIDA: support through DFID in order to avoid certain HQ requirements and to shorten the time needed for the programme preparation; requirement for an environmental impact assessment

<b>SBS Input</b>	<b>SBS Type 1 GBS with education “window”</b>	<b>SBS Type 3 HACT – earmarked support to Ministry account</b>
<b>(i) SBS Programmes and their Objective</b>		
Programmes Included (state donor)	DFID (2000-2004) SIDA 2005-2006 (before JESS) and 2007-2008 (in JESS)	UNICEF support to the Capacity Building Pooled Fund
What Were the Objectives of SBS Operations and how has this evolved over time?	DFID started providing GBS in 2004. The choice of having an education window came from the willingness to focus on the education sector and ensure synergies with DFID project support to the education sector at that time (RESSP)  SIDA on the other hand was providing SBS to the education sector before shifting to GBS with an education window. The reasons were mainly due to HQ requirements (limits on the possibility for SIDA to provide GBS, which were lifted in 2005 therefore allowed SIDA to move from SBS to GBS; requirements from HQ education unit to keep a focus on education in GBS therefore leading to the definition of the education window.	Providing support to Capacity Building in the education sector which is on plan and on budget.
<b>(ii) Level of Funding and Arrangements for Predictability</b>		
Trends in the size of SBS agreements over time. (relate to table in part c of the inventory)	<b>See table below</b>	<b>See table below</b>
Mechanism and timing communication of amounts for the next financial year and the medium term and their reliability in practice. (relate to table in part c of the inventory)	Information provided following the JRES.	Since contribution is made to a fund, disbursements are linked to the use of funds. Disbursements have been reliable but have been mixed with other programmes (Child Friendly Schools)
No. and timing of tranches within the financial year and their predictability in practice.	One tranche per year Good predictability overall	varies
<b>(iii) Earmarking, Additionality and Disbursement Channels</b>		
Route of channelling funds to treasury and thereafter to sector institutions (describe diagram in section b of inventory)	Funds disbursed to treasury	Funds are disbursed on the account of the pooled fund, which is a sub-account of MINEDUC's account in Treasury. Due to misunderstandings on the donor reporting and accountability requirements, separate

<b>SBS Input</b>	<b>SBS Type 1 GBS with education “window”</b>	<b>SBS Type 3 HACT – earmarked support to Ministry account</b>
		accounts have been created for each donor (DFID and UNICEF), but should be merged soon.
Requirements for additionality of funds to sector budgets / programmes within the sector, if any.	no additionality requirement but monitoring of alignment of education budget with Education sector plans	There is no additionality requirement as such but the initial JESS agreement mentioned that activities financed by the fund should be taken over by the Ministry’s budget in 2009. Nevertheless the mid-term review recommends an extension of the fund to 2010
Arrangements for earmarking of funds to specific programmes in the budget and during budget execution	Broad earmarking to education sector	The funds are not earmarked in the financial sense – they are put in the overall pooled fund account, but they are linked to a specific set of activities, as required by UN HACT regulations. UNICEF has therefore agreed to finance a specific set of activities in the capacity building plan developed by MINEDUC, and reporting is made on progress and expenditure on these specific activities.
<b>(iv) Conditionality and Dialogue</b>		
Nature of Underlying MoU/Agreement (this may be agreement specific or joint)	GBS programme	UNICEF project
Nature and types of condition relating to the sector	Conditions related to an overall positive assessment of the sector performance as assessed in the JRES, and alignment of the education budget with the ESSP.	No specific conditions apart from adequate reporting on the use of funds on the previous disbursement
Conditions outside the sector	Conditions related to the GBS programme as a whole: progress on PFM reform and EDPRS/PRSP implementation For DFID, programme linked to the respect of the MoU signed with GoR which defines “underlying principles”	None
The nature of Performance indicators monitored, and the source of performance indicators	Uses the indicators and reporting done for the JRES (priority actions, budget execution, ESSP monitoring framework)	Activities carried out, Amounts spent
Accountability requirements for SBS programmes		
Existence of any performance assessment framework or equivalent, and description of its structure and content.	ESSP monitoring framework	No
Process for reviewing adherence to	During the JRES and the JBSR	

<b>SBS Input</b>	<b>SBS Type 1 GBS with education “window”</b>	<b>SBS Type 3 HACT – earmarked support to Ministry account</b>
conditions		
Linking of conditions to the triggering of release of funds	‘overall positive assessment’	
Mechanisms/Fora for dialogue with respect to SBS	JRES, donor coordination group, education cluster meetings	JRES, donor coordination group, education cluster meetings and capacity building pooled fund steering committee
<b>(v) Links to TA and Capacity Building</b>		
Is the provision of technical assistance and capacity building an explicit part of the programme? If yes, describe.	No	Yes (integral part)
Is the provision of TA/Capacity building in other programmes/provided by other donors explicitly linked to the provision of SBS?		
Are there TA/Capacity Building conditions built into the SBS programme? If yes, describe.	No	Yes, the programme aims to finance exclusively capacity building
<b>(vi) Coordination with other SBS programmes and other aid modalities</b> <i>e.g. common calendar, joint missions, common set of indicators, pooling of funds, delegated cooperation or silent partnership, Joint diagnostic and performance reviews</i>		
What provisions are there for coordinating the provision of SBS and its associated dialogue and conditionality amongst DPs providing SBS?	Support is fully coordinated with SBS programmes: <ul style="list-style-type: none"> <li>- DFID GBS support was supplemented by the SIDA SBS support to education, formalised through a silent partnership agreement</li> <li>- SIDA GBS programme currently uses the same reviews, reports and monitoring framework than other SBS donors, using the silent partnership agreement with DFID</li> </ul>	The UNICEF contribution to the capacity building pooled fund is part of the JESS and therefore coordinated with the overall SBS framework. UNICEF participates to existing coordination mechanisms
What provisions are there for coordinating the provision of SBS inputs with General Budget Support?	Coordination is ensured through the fact that this type of SBS is provided through the same programme as pure GBS. This strengthens the	None in particular

<b>SBS Input</b>	<b>SBS Type 1 GBS with education “window”</b>	<b>SBS Type 3 HACT – earmarked support to Ministry account</b>
	link in particular at the level of the staff involved in managing the programme overall. The disbursement of the education tranche is submitted to the same overarching conditions (“underlying principles”) as the rest of the GBS programme	
What provisions are there for coordinating the provision of SBS with project and other forms of aid to the sector?	Participation in the donor coordination mechanism is opened to all donors providing any type of aid	Participation in the donor coordination mechanism is opened to all donors providing any type of aid
<b>(vii) SBS as a transition mechanism</b>		
Have donors providing project/basket funding shifted their support to SBS? What was the justification for doing so?	No	UNICEF will not be able to shift to SBS or GBS in the near future. Nevertheless the use of the HACT –direct cash transfer modality has allowed it to participate to the pooled fund and therefore ensure this funding should be on budget (although up to now the trust fund has not yet appeared on the MINEDUC budget) and better aligned with MINEDUC needs and priorities
Have donors shifted from the provision of SBS to general budget support? What was the justification for doing so?	Yes, SIDA has shifted from previous SBS to education, to a GBS – with education tranche programme, and plans in the future to provide full GBS without education tranche anymore. Justificatino for the first shift was that provision of SBS was linked to HQ regulations which were lifted. Justification for the second shift is the requirement of division of labour and donors to focus on the sectors where they have a comparative advantage.	No
<b>(viii) Influence of country situation and HQ requirements on the design of SBS instruments</b>		
Degree to which the design of SBS has been influenced by the country situation	The shift of DFID from GBS with an education tranche to GBS + education SBS has been linked to an assessment of country situation and the need for a sector-specific instrument both to address sector specific issues and to help bring other donors on board	The existence of an efficient donor coordination mechanism with many donors involved, and existing assessments of fiduciary risk have allowed UNICEF to justify the choice of this instrument
Degree to which the design of SBS has	The shift of SIDA from SBS to GBS with an	The HACT modality still requires specific activities to be

<b>SBS Input</b>	<b>SBS Type 1 GBS with education “window”</b>	<b>SBS Type 3 HACT – earmarked support to Ministry account</b>
been influenced by donor HQ requirements	education tranche has been entirely linked to HQ requirements	funded and reported on – therefore does not allow more flexibility in moving towards SBS type 1

### b) Financial Contributions against Budget over Time (US\$m)

This table below sets out SBS disbursements against the amount budgeted for in the national budget and the total committed in the BS agreement.

Mn USD	2002		2003		2004		2005		2006		2007		2008			2009 mini	2009/10	2010/12	2011/12
	planned	actual	planned	actual	planned	initial budget law	revised budget law	planned	planned	planned	planned								
SIDA	1,5	1,5	1,9	1,5	1,7	1,9	4,0	0	4,1	4,1	2,5	2,5	2,5	0,0	0,0	0,0	0,0	0,0	0,0
DFID									2,8	4,5	4,8	4,8	3,6	5,0	5,0	0,0	3,6	3,6	0,0
NL											2,2	2,2	8,8	9,6	9,6	0,0	17,6	17,8	0,0
Belgium									2,7	2,2	2,7	5,4	3,1	3,7	3,7	0	4,6	4,6	0
ADB											4,7	4,5	7,9	7,9	7,9	6,3	4,7	0,0	0,0
FTI											26	13	61	47,2	60,8				
CIDA													3,15	0,0	0,0	0,9			
<b>TOTAL</b>	<b>1,5</b>	<b>1,5</b>	<b>1,9</b>	<b>1,5</b>	<b>1,7</b>	<b>1,9</b>	<b>4,0</b>	<b>0,0</b>	<b>9,6</b>	<b>10,8</b>	<b>43,0</b>	<b>32,4</b>	<b>90,1</b>	<b>73,3</b>	<b>87,0</b>	<b>7,2</b>	<b>30,6</b>	<b>26,0</b>	<b>0,0</b>

Note: All SBS programmes are financed by grant

Note2: presentation in the national budget has improved since 2008, with a clear separation between GBS and SBS, and clear mention of each donor (instead of previous 'education others', which did not allow proper assessment of what was included)

#### Contributions to the Capacity Building Pooled Fund

Donor (mn Rwf)	Contribution planned	Actually disbursed	Funds used	Remaining balance (as of mid 2008)
DFID	2,874.95 mn rwf	958.32 mn rwf	412.66 mn rwf	889.28 mn rwf
UNICEF	135.00 mn rwf	343.62 mn rwf		
CIDA	245.25 mn rwf	0		
Total	3,255.20 mn rwf	1,301.94 mn rwf		

### c) Details of Conditions relating to Sector Budget Support Over Time

This table in annex 6 provides a list of all the priority actions monitored in the JRES over the years. These provide an illustration of the focus of SBS-related discussions and their evolution. As for explicit conditions, they are mainly focused on “overall satisfactory evaluation of sector performance” and “alignment of education budget with ESSP”.

	<i>Policies, planning, analysis</i>	<i>Budgeting and financing</i>	<i>Actions - implementation</i>	<i>Institutions, decentralisation, capacity</i>	<i>Accountability, monitoring, reporting</i>
2005 (68 actions)	<ul style="list-style-type: none"> <li>- Policy directions for Nine-Year Basic Education to be carried forward.</li> <li>- The GoR and Development Partners to assess ways of increasing the capitation grant linked to quality assurance and improving school based management.</li> <li>- MINEDUC will increase focus on quality issues in 2005 and develop a minimum quality standards package.</li> <li>- MINEDUC to undertake a study on the link between the Capitation Grant and quality assurance and sector performance</li> <li>- MINEDUC will assess the potential for change management to implement the ESSP and consider installing an ESSP Change Management Team within MINEDUC.</li> <li>- Proposals for improving teacher motivation to be developed.</li> <li>- Agreement to be reached on curriculum structure based on a statement of core teaching and learning competencies.</li> <li>- NCDC will assess the potential of decreasing the number of subjects curriculum even further than the present proposals, especially at primary and tronc commun levels.</li> <li>- MINEDUC to look into the issuing of topic/issue-specific Capitation Grant.</li> <li>- An analysis of existing S&amp;T facilities and equipment is required to ensure that investment is based on need and that</li> </ul>	<ul style="list-style-type: none"> <li>- The MTEF/ budget will be discussed with development partners in June/July every year.</li> <li>- Budget reallocations should be kept to a minimum. If any are necessary, these will be shared with partners twice a year.</li> <li>- The MTEF to be presented according to the ESSP, and alignment with ESSP priorities to be emphasised</li> <li>- HE institutions' plans and budget to feed into and reflect their sub-sectoral allocations by adopting formula funding based on unit cost.</li> <li>- Funding of expatriate salaries to be reduced in line with the 2005-2010 financing scenarios.</li> <li>- MINEDUC to work with MINECOFIN to decide on which budget lines are priorities and which should thus be protected in order to improve pro-poor allocation.</li> <li>- MINEDUC to work with MINECOFIN and decentralised levels to develop and implement a new classification of disaggregated budget lines for distinct sub-sectors such as teacher training and technical education.</li> <li>- Reporting development</li> </ul>	<ul style="list-style-type: none"> <li>- The roll-out by MINEDUC of guidance on the use of the Capitation Grant for School Management Committees together with appropriate training at school level on how to use the Capitation Grant to be undertaken.</li> <li>- The TSSC will develop Norms and Standards, a teacher Code of Conduct, Duties and Responsibilities, Rights and Obligations.</li> <li>- RNIE to be constituted out of KIE and its course programmes aligned to the needs of the school system.</li> <li>- A system of Continuous Professional Development for teachers to be developed and implemented over the coming three years.</li> <li>- As a matter of urgency, NCDC to revise the Teacher Education curriculum to fit the proposed new Teacher Education course structure</li> <li>- MINEDUC to ensure linking teacher curriculum to school curriculum for better outcomes.</li> <li>- Harmonisation and coordination by MINEDUC/UCES is required for all interventions. The unit to inform partners on agreed user-friendly norms and standards of construction/rehabilitation.</li> <li>- MINEDUC to plan and budget on</li> </ul>	<ul style="list-style-type: none"> <li>- Decentralisation of financial resources and discretionary school based management to be enhanced.</li> <li>- Decentralised services will be supported with decentralised funding.</li> <li>- Teaching will be professionalized with the institution of the Teaching Service Sub Commission (TSSC).</li> <li>- MINEDUC to action proposals on the creation of the Rwandan National Institute of Education to become responsible for teacher education and development.</li> <li>- MINEDUC to develop ways and means of formalising the working relationship between schools and the institutions that cater for the education and development of teachers.</li> <li>- Mechanisms for decentralisation/ delegation to CDCs and school committees to be formulated so as to enable needs to be met.</li> <li>- The School Health and Sport Unit to hold quarterly steering committees and bring together all interventions in</li> </ul>	<ul style="list-style-type: none"> <li>- Education Management Information System (EMIS) Plan will be implemented by MINEDUC.</li> <li>- MINEDUC will focus less on activities and more on outcomes/ outputs, especially at sub-sectoral levels.</li> <li>- The indicators not obtained due to changes in school calendar (as agreed at 2004 JRES) will be presented by MINEDUC at the end-August mini-review and progress reported against them.</li> <li>- A monitoring system for finance and performance of the ESSP, requiring quarterly reporting and the provision of annually audited financial reports should be developed. Planning, through detailed and costed annual operational work-plans (AOWPs) linked to capacity to be a central element of the work of MINEDUC to minimise overspending.</li> <li>- The indicators which are needed to assess the performance of the Capitation Grant to be developed within the EMIS.</li> <li>- School mapping to inform priority areas for construction to ensure expansion in most</li> </ul>

	<b>Policies, planning, analysis</b>	<b>Budgeting and financing</b>	<b>Actions - implementation</b>	<b>Institutions, decentralisation, capacity</b>	<b>Accountability, monitoring, reporting</b>
	<p>the capacity exists to ensure its proper use.</p> <ul style="list-style-type: none"> <li>- MINEDUC to develop a clear plan for reducing the number of expatriate teachers.</li> <li>- MINEDUC to explore the potential for decreasing the gender imbalance in HE, especially in science, by privileging girls who marginally missed their grades.</li> <li>- MINEDUC to undertake a comprehensive study to assess the impact and effectiveness of higher education in terms of graduate employment, potential market niches and the value-added to national development.</li> <li>- MINEDUC Policy and Strategy against HIV/AIDS to be finalised and approved in 2005.</li> <li>- MINEDUC's School Health and Sport Unit to roll out and mainstream its strategy to decentralised levels and throughout the Ministry.</li> <li>- A concept note to be prepared to define Minimum Quality Standards. It will include possible means for increasing accountability at school level</li> <li>- A detailed time-bound Action Plan to be drawn up for realising the MQS package nationally with indicative costing. This will be aligned with existing norms, standards and legislation.</li> <li>- MINEDUC to establish a clear policy on Girls' education and gender mainstreaming within all elements of MINEDUC and decentralised levels.</li> <li>- A Policy and Strategy plan for the inclusive education of OVCs will be developed.</li> </ul>	<p>expenditure against development budget as well as the recurrent budget in 2006 to highlight overall education spend. Provincial budgets should also be reported against.</p> <ul style="list-style-type: none"> <li>- The MTEF system to be supported by improved planning systems and communication at all levels.</li> <li>- The allocation of funds to more explicitly linked to sector performance and results with the appropriate analysis on expenditure versus key indicators.</li> <li>- MINEDUC and MINECOFIN to establish a system of an annual Public Expenditure Tracking Survey (PETS) which goes down to school level and which links into performance monitoring and a comprehensive Education Sector Public Expenditure Review.</li> <li>- MINEDUC to negotiate with MINECOFIN to create a budget line for Teacher Education at RNIE for Basic Education level.</li> <li>- Basket funding option to be explored to facilitate interested Development Partners to channel funds into, for example, a school facility development fund.</li> <li>- Reductions of current school construction cost whilst maintaining minimum quality to be considered, and procurement procedures harmonised and streamlined.</li> <li>- MINEDUC to undertake an audit</li> </ul>	<p>evidenced based need.</p> <ul style="list-style-type: none"> <li>- MINEDUC to develop mechanism for means-testing for tronc commun students to ensure equity of access and limited inefficiency in provision. FARG and EDF systems could be used, but require refining.</li> <li>- STR will be included in the curriculum reform and teacher training proposed in 9-year Basic Education policy based upon activity-based teaching methodologies.</li> <li>- MINEDUC to promote a strong link between Technical, Vocational and Higher Education and the labour market/industries to ensure that knowledge which is useful for the Rwandan context is transferred.</li> <li>- A National Literacy Campaign to be planned once decisions are made regarding the form of delivery.</li> <li>- NCDC to avoid gender stereotyping within revised curriculum for 9-year basic education.</li> <li>- Interventions to prevent gender disparity to be introduced at all levels</li> <li>- OVCs that are presently in school to be given assistance to prevent drop out.</li> <li>- MINEDUC in collaboration with partners to develop an appraisal system for teachers</li> </ul>	<p>HIV/AIDS and education.</p> <ul style="list-style-type: none"> <li>- The General Inspectorate of Education to be facilitated to exercise its autonomy to enable effective working.</li> <li>- A legally binding framework to be developed to ensure all key elements (Inspectorate, National Examinations Council and NCDC) comply with quality assurance demands.</li> </ul>	<p>heedy schools/ areas. This to be integrated into the EMIS criteria.</p>

	<b>Policies, planning, analysis</b>	<b>Budgeting and financing</b>	<b>Actions - implementation</b>	<b>Institutions, decentralisation, capacity</b>	<b>Accountability, monitoring, reporting</b>
	<ul style="list-style-type: none"> <li>– Evaluation of Catch-Up will be undertaken with a view to taking it to scale.</li> <li>– MINEDUC to develop a Capacity Building Plan in consultation with MIFOTRA to ensure that capacity building is well-planned and coordinated, with mechanisms for pooled Technical Assistance explored.</li> </ul>	<ul style="list-style-type: none"> <li>of how much money Rwanda is investing into STR (minimum 1% according to NEPAD) and publish this, thereby ensuring that all facilities and equipment are fully utilised.</li> <li>– MINEDUC to ensure that formula funding based on unit cost is introduced in all HE institutions as a matter of urgency.</li> <li>– Budgeting for literacy to be made within MINEDUC and included within the Annual Operational Work –Plan (AWOP).</li> </ul>			
2006 (50 actions)	<ul style="list-style-type: none"> <li>– Implement policies and laws drafted over the past year (Policy on Science, Technology and Innovation; Nine Year Basic Education Policy; Law on Higher Education; National Council on Higher Education).</li> <li>– Complete draft policies (Teacher Development and Management Policy; Gender in Education).</li> <li>– Further analyse the actions required to increase the number of tertiary level female students.</li> <li>– Provide analysis of the contributions made by the private sector and parents.</li> <li>– Encourage studies funded by development partners to ensure there are counter-parts in the Ministry and through the use of local consultants in order to improve ownership and use of the documents.</li> <li>– Build on existing studies to avoid duplication.</li> <li>– Conduct a tracer study of graduates and employers to evaluate the alignment of actual needs with vocational and tertiary</li> </ul>	<ul style="list-style-type: none"> <li>– The MTEF/ budget will be discussed with development partners in June/July every year.</li> <li>– Budget reallocations should be kept to a minimum. If any are necessary, these will be shared with partners twice a year.</li> <li>– Continue spending according to budget.</li> <li>– Identify and agree protected areas of expenditure in education in line with the EDPRS.</li> <li>– Develop a short plan of action for Public Financial Management in Ed.</li> <li>– Improve expenditure performance in such red flag areas as textbooks and girls' education.</li> <li>– Design a format and initiate reporting by districts and Semi-Autonomous Government Agencies (SAGAs) on a quarterly basis.</li> <li>– MINEDUC to report Quarter 1</li> </ul>	<ul style="list-style-type: none"> <li>– Increase the number of qualified teachers in primary and secondary schools.</li> <li>– Reduce the rates for repetition and drop-out.</li> <li>– Fast track getting core textbooks into classrooms as a matter of urgency.</li> <li>– Explore the possibility of having science student selections be open to all options.</li> <li>– Develop and implement training for school directors and teachers of science and mathematics that includes gender, pedagogy, and subject area studies.</li> <li>– Address both graduate unemployment and the teacher shortage through exploring the option of the development of a post-graduate degree at KIE to provide pedagogical training for science and technology graduates from NUR, KHI, and KIST.</li> <li>– Plan sequencing of the science and technology programme in order to</li> </ul>	<ul style="list-style-type: none"> <li>– As part of planning, the Cluster sub-committee to prepare guidelines for accessing and approving capacity building funds.</li> </ul>	<ul style="list-style-type: none"> <li>– NCDC to provide base-line data of the number of textbooks per student in the core primary subjects for future review.</li> <li>– Include the textbook ratio indicator for curriculum compliant books to measure progress year on year.</li> <li>– Develop better monitoring systems that track the impact of education on poverty and conduct analysis of the Household Living Conditions Survey (HLCS/ ELCV).</li> <li>– Data to be disaggregated at all levels to highlight the cases of girls, orphans, etc....</li> <li>– Review progress in implementation of the Gender in Education Policy at the JRES 2007.</li> </ul>

	<b>Policies, planning, analysis</b>	<b>Budgeting and financing</b>	<b>Actions - implementation</b>	<b>Institutions, decentralisation, capacity</b>	<b>Accountability, monitoring, reporting</b>
	<p>education.</p> <ul style="list-style-type: none"> <li>- Collate and publish education documents through the E-Documentation and MINEDUC websites, identifying gaps for further research.</li> <li>- Develop and implement a strategy to encourage female students to study science and mathematics, and to move into the secondary and tertiary teaching field.</li> <li>- In conjunction with relevant government and private institutions undertake a thorough process for developing feasible and affordable TVET options including an evaluation of the effectiveness of current approaches.</li> <li>- The nine-year basic education programme to address the special needs of the disabled under the line item of special education.</li> <li>- Complete the policy for special needs education which covers all sub-sectors of education.</li> <li>- Use this feedback as the starting point of the review of education strategies for poverty reduction as part of the EDPRS.</li> <li>- Develop a prioritised programme for studies in the education sector.</li> <li>- Develop a programme for studies in the education sector, prioritising such studies as developing a child profile system in order to track and trace in and out of school children and primary leavers.</li> <li>- Districts to use the ESSP to develop strategic plans for 2007 to 2010.</li> <li>- Finalize and approve the Gender in Education Policy, as well as a strategy for implementation with a costing</li> </ul>	<ul style="list-style-type: none"> <li>- spending against the Quarter 1 budget (not against the annual budget).</li> <li>- For the next JRES, provide a comparison of the development with the recurring budgets, as well as providing figures for the district and SAGA budgets.</li> <li>- Invite CEPEX and EFU/DAD (if ready) to present the development budget execution in April 2007.</li> <li>- Include in future education expenditure reviews the funds external to the MINEDUC budget (FARG, DEF).</li> <li>- Conduct the Education Sector Public Expenditure Review (PER) by September 2006.</li> <li>- Budget Workshop in September to discuss MTEF and budget for following year.</li> <li>- Capture the resources outside the MINEDUC budget, especially in the context of decentralization, through the PER</li> <li>- MINEDUC to provide guidelines to districts on how to separate budgets into primary and secondary expenditures.</li> <li>- MINEDUC to work in conjunction with MINECOFIN and MINALOC to provide projections on the likely funds to go to districts over the next four years.</li> <li>- MINEDUC to work with MINICOFIN and MINALOC to revise the Equalization Formula given decentralization (district funds); MINEDUC to explore</li> </ul>	<p>ensure strong interest and effective use of resources.</p> <ul style="list-style-type: none"> <li>- Develop and implement a construction process through decentralised financing and other options so that communities can quickly build classrooms.</li> <li>- Districts to ensure that students who cannot pay the teachers' prime are not penalized.</li> </ul>		

	<b>Policies, planning, analysis</b>	<b>Budgeting and financing</b>	<b>Actions - implementation</b>	<b>Institutions, decentralisation, capacity</b>	<b>Accountability, monitoring, reporting</b>
	<p>framework.</p> <ul style="list-style-type: none"> <li>– Include implications of the Gender in Education Policy in the EDPRS evaluation and integrate into the ESSP.</li> </ul>	<p>targeted capitation grants based on poverty and equality.</p>			
2007 (10 actions)	<ul style="list-style-type: none"> <li>– Finalise and begin implementing all sub sector policies that are currently in draft form i.e. Girls' education, SEN, Teacher Development and Management, TVET, School Health and; develop a draft policy for Early Childhood Development and Adult Literacy.</li> <li>– Develop a plan to improve the use of textbooks by children</li> </ul>	<ul style="list-style-type: none"> <li>– Ensure that the financing gap is narrowed 2007-2011 e.g. by increased sector budget support, general budget support, continuation of FTI funding and commitment of increased resources from Government revenue.</li> <li>– Make progress on monitoring the impact of the budget as agreed during the Joint Review of the Budget i.e. to: consider a rapid appraisal of the utilization of the Capitation Grants in July to inform the September Review; produce a plan to increase hours of instruction (e.g. hire additional teachers) to reach MDGs; propose a process to develop full civil service reform in the education sector aimed at balancing (i) the needs to reach the MDGs, (ii) improve efficiency and (iii) respect macro-economic constraint and; analyze options for GoR to focus interventions in HE on priority areas.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalise the higher education student loan scheme including loan recovery, means testing and priority subject targeting.</li> <li>– Finalise the minimum quality standards in education and target the schools that fall below these standards for additional assistance. This should include an investigation into the design of an allocation formula of the Capitation Grant in order to target the most vulnerable schools and children.</li> </ul>	<ul style="list-style-type: none"> <li>– Develop a plan and establish a taskforce to take forward the monitoring of learning achievement.</li> <li>– Districts to put in place District Education Plans including action plans, budgets and strategies for mobilising parents and communities to become more involved in their children's education (with MINEDUC support and training).</li> </ul>	<ul style="list-style-type: none"> <li>– Develop a comprehensive Education Management Information System (EMIS), particularly at the school, district, and national level.</li> <li>– Put in place a plan to evaluate the impact of key policies.</li> </ul>
2008 (14 actions)	<ul style="list-style-type: none"> <li>– Strategy developed for bridging the gap between teacher supply and demand to improve pupil teacher ratios and study on teacher motivation</li> <li>– MINEDUC to fast track 9-year basic education through increased teacher and classroom numbers, improved PTA and school management, and provision of Guidelines for all districts and schools on fast tracking 9 year basic education programme</li> <li>– Progress in literacy against EFA targets</li> </ul>	<ul style="list-style-type: none"> <li>– Additional resource mobilised to address the financing gap from 2009 onward</li> <li>– Costed strategic plans completed with implementation phase underway to include post basic education strategic plan, higher education costed strategic plans, ICT strategic plan, Technical education strategic plan, health and sports strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>– Consultation with the higher education sector, including the private sector and other stakeholders, on higher education quality standards to take place in two weeks prior to Higher Education Policy and Quality standards going to Cabinet</li> <li>– Implementation of girls education policy and strategic plan completed, including affirmative action programmes with special attention</li> </ul>	<ul style="list-style-type: none"> <li>– Reform towards publishing, decentralised school based selection and procurement of textbooks and other learning and teaching materials launched Immediate problems concerning textbooks not getting to schools addressed by creation of a budget line for transport costs allowing districts to speedily collect books from NCDC and</li> </ul>	<ul style="list-style-type: none"> <li>– EMIS pilot programme for phase 3 school level finalised and approved; 5 staff within MINEDUC provided to work with the EMIS consultancy team, and funding to expand training and capacity building on the usage of EMIS approved</li> </ul>

	<b><i>Policies, planning, analysis</i></b>	<b><i>Budgeting and financing</i></b>	<b><i>Actions - implementation</i></b>	<b><i>Institutions, decentralisation, capacity</i></b>	<b><i>Accountability, monitoring, reporting</i></b>
	<p>systematically monitored with action plan for improving the teaching of kinyarwanda agreed and commenced</p> <p>– Education sector strategic plan 2008-2012 to include action points not completed for JRES 2007 and those agreed for JRES 2008</p>		to science and technology	<p>deliver them to schools</p> <p>– Inter-sectoral and multi-disciplinary committee for national curriculum review established to ensure that relevancy and responsiveness of curriculum is improved at all levels in the education sector</p> <p>– Policy leadership structure on teacher education established with responsibility for developing costed strategic plan for teacher education</p> <p>– Inter sectoral and multidisciplinary taskforce established to review retention and transition rates from one subsector to the next and develop action plan to address key quality and whole sector development issues</p>	

**d) Details of TA and Capacity Building linked to the Provision of Sector Budget Support**

*This table sets out the details of any TA and Capacity building provided to the sector which is linked to the provision of SBS, mapped onto the four themes of the assessment framework.*

<b>Policy, planning and budgeting</b>	<b>Procurement, Expenditure, Accounting and Audit</b>	<b>Institutions, service delivery systems, and capacity;</b>	<b>Accountability</b>	<b>Other</b>
<b>2000-2006 in particular through the DFID RESSP</b>				
Support to the formulation of the Education Policy ESSP, the LSTFF				
<b>Post 2006 through the Capacity Building Pooled Fund</b>				
Capacity building TA	Training of district education officers, school directors and intendants on school management	Definition of minimum quality standards for education Support to teacher training colleges Hiring of 5 engineers to support school construction at Province level Support to IGE	Training of Parent teacher associations (yet to be carried out)	

## e) Features of Specific SBS Programmes

SBS Programmes	
<u>DFID</u>	<p>DFID signed its 13 million £ budget support to the education sector in 2006, which covers 2006-2010, and includes 10 million £ sector budget support and 3 million £ contribution to the education capacity building pooled fund.</p> <p>DFID also provides GBS to Rwanda.</p>
<u>ADB</u>	<p>ADB started providing SBS to education through a 4 year programme: 2007-2010 (grant of 15M UC). The main objective of the programme was to contribute to closing the financing gap outlined in the LTSFF and to implement the ESSP, with a specific focus on 9 year basic education, science and technology and ICT in education.</p> <p>This programme was initially designed to be implemented as a project, but “given the considerable progress made by the GoR in the SWAp approach since the appraisal mission, and with a view to harmonizing education sector support mechanisms”<sup>43</sup> and “the 5<sup>th</sup> meeting of the Government and Development partners, held in Kigali from December 1-2 2005 in which [...] the Government made known its preference for education sector assistance in the form of budget support”, it was decided to use the budget support modality.</p> <p>ADB also supports the education sector through projects, and provides GBS to Rwanda since 2004.</p>
<u>Belgium</u>	<p>Belgium has started its SBS support to the education sector in 2006 with its JESS 1 programme (3,546,749 euros, disbursed in 2006 and 2007), followed by the JESS 2 in 2008-2010 (8 million euros). Belgium’s SBS support has the particularity to include the financing for a post of education/budget expert, in order to support Belgium’s capacity to participate to the education dialogue, as well as a small budget for financing studies or seminars. In 2007, this person was delegated to the DFID office in order to support the lead donor.</p> <p>In parallel with this SBS, Belgium continues providing project support to Rwanda in the education, although two of its five projects are phasing out (Construction of Primary Schools and Support to nursing schools).</p> <p>Finally since 2008, using its experience in the education sector, Belgium has also been one of the two lead donors (along with Germany) providing sector budget support to the health sector in Rwanda.</p>
<u>Netherlands</u>	<p>Netherlands has signed its silent partnership agreement with DFID in June 2007 (30 million euros 2007-2010). The silent partnership implies that Netherlands is very active in education cluster meetings, JRES (with HQ participation), and donor coordination meetings, but outside these formal donor-government coordination mechanisms, it channels all its queries through DFID. Nevertheless Netherlands retains the possibility to make its own separate assessment of the Government performance. Disbursement decisions are taken by the embassy.</p> <p>Initially, the decision to start SBS support to the education sector came from Head Quarters, in particular through the requirement by the Dutch Parliament that 15% of Dutch ODA goes to the education sector. The lack of education specialist in the embassy in Kigali led to the negotiation of the silent partnership agreement with DFID.</p> <p>Since then, an education specialist has been recruited, but in order to ensure some kind of division of labour with DFID, Netherlands focuses its dialogue on specific issues such as TVET, quality standards in education, and the assessment of learning achievement. Netherlands is the</p>

<sup>43</sup> Program in support of the education sector strategic plan (ESSP) 2006-2010, appraisal report, ADB, 2006

	<p>only non-project donor in the TVET coordination group.</p> <p>Netherlands also supports the education sector through projects, and provides GBS to Rwanda.</p>
<u>Canada</u>	<p>Canada has signed the agreement for its sector budget support to the education sector in November 2008, and should carry out its first disbursement by the end of 2008. The main reason for Canada to support the education sector in this way was as a pilot to help assess how good government systems are, and how the donor coordination/SWAp mechanism is. The choice of the education sector was mainly due to its advanced status compared to other sectors, in particular the rural development sector which is only at early stages in developing its own SWAp process, and in which Canada is more involved in Rwanda. The idea was to start with supporting the education sector given its more advanced stage, and use the results of this pilot – if positive - to justify a move to support the agriculture SWAp when it takes off. It should therefore be expected that Canada will move out of the education sector in the coming years, to focus on its main area of expertise and as part of the division of labour exercise.</p> <p>CIDA also contributes to the Capacity Building Pooled Fund.</p>
<u>Sweden</u>	<p>Swedish SIDA, despite being the first donor to have provided sector budget support to education from 2002 to 2004, has moved to provide general budget support in 2005 when constraints from headquarter were lifted.</p> <p>After 2005, the Government of Sweden delegated to SIDA the mandate to manage GBS, therefore allowing SIDA to move its support to Rwanda towards GBS. Nevertheless, due to the pressure from headquarter education unit, who saw a specific value in keeping a close link with the education sector, SIDA has kept one tranche each year specifically linked to education conditionalities and policy dialogue in its general budget support programme. This specific education tranche is not earmarked in any way, but its conditionalities are linked to the education sector. Assessment of the conditionalities is carried out by SIDA head quarters, carrying out the assessment thanks to a close collaboration with DFID, formalised through a MoU. DFID is therefore responsible for carrying out the day-to-day policy dialogue with GoR. SIDA HQ participates through a mission during the JESR once a year.</p> <p>In future years, due to a dialogue with GoR on the division of labour between donors, and to the lack of human resources in its Rwanda office, SIDA has chosen to move away from a specific focus on education in its GBS programme. The new cooperation strategy focuses on priorities identified jointly between SIDA and GoR: democracy and human rights, climate and environment, and gender-related issues.</p>
<u>Fast track initiative</u>	<p>Regarding FTI funding, Rwanda is applying to receive “bridge funding” in 2009, and will start negotiations for access to a second tranche of FTI in 2010. These negotiations will be based on a review of the LTSFF and a reappraisal of ESSP “realistic plan and resource envelop”. As outlined by DFID, although FTI funding aims at providing “funding of last resort”, and to “catalyse” more support from donors Rwanda shall have to demonstrate its capacity to attract more SBS. Some new donors have appeared in the education sector over the past years, but they are mainly project donors (Korea, USA). Other donors who provide general or sector budget support to other countries (Ireland, Norway) could be interested, but there is a global trend for bilateral donors to reduce the number of countries they operate in.</p>
<u>France</u>	<p>France had expressed its wish to start providing SBS to the education sector as of 2007<sup>44</sup> but this was abandoned following the interruption of diplomatic relations between France and Rwanda in 2006.</p>
<u>UNICEF</u>	<p>UNICEF participates to the JESS through its contribution to the Capacity Building Pooled fund. It contributes to the Pooled fund using the UN HACT – Direct Cash transfer mechanism. This is considered in this study as a hybrid form of highly earmarked funding which shares many</p>

<sup>44</sup> Public Expenditure Review 2008, p.49

	features of SBS, but it does not qualify as SBS. It could also be considered as a project using Government budget execution mechanism, whereby money is transferred to a Government account.
<b>Financial Management Arrangements (fund transfer, financial procedures, auditing)</b>	
<u>DFID</u>	The DFID programme includes the provision that GoR will submit annual financial statement and the audit of the latter by the Office of the Auditor General, within 9 months of the end of each financial year.
<u>ADB</u>	Disbursement shall be released in four annual tranches into a special account opened in the name of the treasury at the national bank of Rwanda. Regarding fund management, the ADB programmes indicates that “national laws governing the procurement of goods, services and works, as defined in Rwanda’s procurement code, which was reviewed and found to be in compliance with Bank rules, will be applied in the context of the project” As for the auditing: “the program shall be audited by the Auditor General. This audit shall focus on (i) the total transfer of all resources to the Ministry of Education for the activities envisaged in the annual plans, and (ii) transparency and efficiency in budget implementation procedures”. “the government will conduct education sector annual expenditure reviews”.
<u>Belgium</u>	Belgian support is released directly to the education sector budget holding account held by MINECOFIN at BNR
<u>Netherlands</u>	The grant is released directly to the education sector budget holding account held by MINECOFIN at BNR
<u>Canada</u>	CIDA’s support is transferred first to DFID’s bank account, and DFID then transfers it to the JESS account in BNR. This option was chosen in order to fasten project preparation and avoid requirements for additional assessments of the banking system. There is no specific requirement for a separate audit of the CIDA funds.
<u>Sweden</u>	Regarding fund management, SIDA specifies from its first SBS programme in 2002 that “national procurement rules and procedures in Rwanda” shall apply. SIDA’s contribution is “deposited into a foreign exchange account indicated by Rwanda” [...]. Rwanda is required to acknowledge in writing receipt of the funds. The only fiduciary requirement is for Rwanda to “establish and maintain detailed records relating to the inflows and outflows of the Swedish grant and balances in the account” <sup>45</sup> . Regarding auditing, all SIDA BS programmes specify that Rwanda shall provide Sweden with the audited annual national financial report and any other audit reports of relevance to the Swedish contribution. The 2007-2008 GBS programme specifies that “a copy of the annual report by the Auditor General shall be sent to the embassy of Sweden [...] immediately after it has been submitted to the Parliament. Sweden reserves the right to request a separate audit in justified circumstances”. Finally, Rwanda is required to provide financial statements and an audit of the deposit in the foreign exchange account.

<sup>45</sup> Agreement between the government of Sweden and the government of Rwanda regarding budget support linked to the development of the education sector (2002).

<u>Fast track initiative</u>	FTI money is released directly to the education sector budget holding account held by MINECOFIN at BNR																														
<u>UNICEF</u>	UNICEF's contribution to the pooled fund is transferred directly in the Capacity Building Pooled fund bank account. It is therefore not transferred to the overall treasury account as other forms of SBS do. Once in the pooled fund, the UNICEF money is executed following the national budget execution procedures. It has nevertheless been required by the mid term review of the fund that in addition to normal budget execution procedures, a member of the capacity building team be signatory to each disbursement in order to ensure full alignment with the annual capacity building plan.																														
<b>Earmarking and additionality</b>																															
<u>DFID</u>	No indications on earmarking or additionality requirements in the programme document, beyond broad earmarking to the education sector. Only an assessment of whether the education budget is in line with the ESSP.																														
<u>ADB</u>	<p>The ADB sector budget support programme uses broad, non-traceable earmarking, specifying that money shall be used to finance the Science Technology and ICT pillar under the ESSP.</p> <p>Nevertheless, the ADB programme document specifies on what the ADB contribution should be spent – although it does not specify how this will be assessed.</p> <p>Distribution of bank contribution by component and by year</p> <table border="1"> <thead> <tr> <th>In mn UA</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Support for reforms, management, and monitoring-evaluation of Science and technology education</td> <td>0.3</td> <td>0.5</td> <td>0.5</td> <td>0.2</td> <td>1.5</td> </tr> <tr> <td>Strengthening quality and relevance of science and technology education</td> <td>2.45</td> <td>4.25</td> <td>3.25</td> <td>2.55</td> <td>12.5</td> </tr> <tr> <td>Promoting girls' access to and performance in science and technology education</td> <td>0.25</td> <td>0.25</td> <td>0.25</td> <td>0.25</td> <td>1.00</td> </tr> <tr> <td>Total cost</td> <td>3.00</td> <td>5.00</td> <td>4.00</td> <td>3.00</td> <td>15.00</td> </tr> </tbody> </table> <p>Annex 2 of the MoU for ADB support to the ESSP also specifies a list of non-eligible expenses.</p>	In mn UA	2007	2008	2009	2010	Total	Support for reforms, management, and monitoring-evaluation of Science and technology education	0.3	0.5	0.5	0.2	1.5	Strengthening quality and relevance of science and technology education	2.45	4.25	3.25	2.55	12.5	Promoting girls' access to and performance in science and technology education	0.25	0.25	0.25	0.25	1.00	Total cost	3.00	5.00	4.00	3.00	15.00
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<u>Belgium</u>	No indications on earmarking or additionality requirements in the programme document. Only an assessment of whether the education budget is in line with the ESSP.																														
<u>Netherlands</u>	No indications on earmarking or additionality requirements in the programme document. Only an assessment of whether the education budget is in line with the ESSP.																														
<u>Canada</u>	The CIDA programme is non-traceable earmarked: "50% of CIDA's contribution will be earmarked for tangible outputs: textbooks,																														

	infrastructure, teacher training and capacity building <sup>46</sup> . There is nevertheless no indication in the arrangement signed between DFID and Canada on how this earmarking is to be assessed or reported on.
<u>Sweden</u>	Starting with the first SIDA SBS support to education signed in 2002, there has been no earmarking or additionality requirements in the SIDA support.
<u>Fast track initiative</u>	The FTI sector budget support has to be justified every year against a set of budget lines (which excludes teacher salaries). A report is therefore made every year analysing whether this set of budget lines amounts to a greater amount than the FTI contribution.
<u>UNICEF</u>	UNICEF's support is financially earmarked to the capacity building pooled fund: it does not go through the main Treasury account. It is also earmarked on specific activities to be financed by the pooled fund, and agreed in advance with MINEDUC.
<b>Predictability</b>	
<u>DFID</u>	The DFID agreement covered 5 years (2006-2010), in parallel to the ESSP. It foresees the disbursement of 2 tranches per year, with front-loading in the first quarter, except for the first two years when only one annual disbursement was planned, in Q1.
<u>ADB</u>	The ADB programme is a 4 year programme, with one disbursement per year. It specifies that : “with a view to conforming with the Government’s budgetary process and to allow predictability of resources, the Bank will confirm the amount of the tranche for the following year during the third quarter of the preceding year”.
<u>Belgium</u>	In order to improve the predictability of its support, Belgium has defined as conditionality for its 2009 and 2010 tranches respectively the assessment of the sector reviews in 2008 and 2009, thereby allowing GoR to have the information in time to include it in its budget. Indeed, the first payment of the first Belgium SBS programme was made at the signature of the specific agreement, i.e. in the last quarter of 2006.
<u>Netherlands</u>	Amounts indicated in the silent partnership agreement with DFID are indicative and are to be agreed upon at the semi-annual review meetings. In any one year, the disbursement of the instalments is expected to be 60% for the first instalment and 40% for the second.
<u>Canada</u>	CIDA's programme is a two year programme that was signed in November 2008. Its support has therefore not been included in the 2008 revised budget, nor in the 2009-2011 draft budget law submitted to Parliament. It will nevertheless be disbursed by the end of 2008.
<u>Sweden</u>	SIDA's current programme is a two year programme. As of its second SBS programme (2004), SIDA included a specific provision to “make disbursements [...] as planned, to consult with Rwanda with a view towards resolving any differences [...]” <sup>47</sup> , and to hold consultations before withholding disbursements.
<u>Fast track</u>	Predictability of FTI is an issue, in particular given the significant amount provided by FTI. Final agreement on the FTI support came in late and had to be included in the 2007 revised budget instead of in the initial one. Disbursements in 2007 were late, carried over to 2008, which implied

<sup>46</sup> Arrangement on delegated cooperation between [DFID] and [Canada] regarding a contribution to the Government of Rwanda Education Sector Strategic Plan

<sup>47</sup> Agreement between the government of Sweden and the Government of Rwanda on budget support year 2004 linked to the implementation of Rwanda's education sector strategic plan

<u>initiative</u>	Government missed the target on net credit to Government in 2007 (See MEFP May 2009). The second issue is the short timeframe of FTI support (2 years), and the uncertainty over its prolongation. In theory, the FTI is supposed to provide 'catalytic' support, in order to bring other donors to support the sector and eventually fill the financing gap. Nevertheless, not that many new donors available in Rwanda, and some donors reducing the number of countries and/or sectors they work in.
<u>UNICEF</u>	UNICEF support to the Capacity Building Pooled fund depends on the utilisation rate of the funds, and on adequate reporting on the use of the UNICEF money to carry out the activities agreed in advance.
<b>Conditionality</b>	
<u>DFID</u>	DFID's disbursements are made upon overall satisfactory performance of the education sector, as assessed during the JRES and through an independent (consultant) evaluation, and satisfactory alignment of the education budget with the ESSP.
<u>ADB</u>	Disbursement of tranches will be subject to presentation by the government of an annual budget and of an annual workplan in accordance with the ESSP and including activities related to science and technology education, and 'satisfactory performance, with respect to program implementation, after the joint annual review'. The ADB programme further specifies that "the commitment of resources shall be subject to a satisfactory review of spending related to science and technology education during the previous year" "The monitoring and evaluation of the performance of the education sector will be done in accordance with the ESSP. The joint annual reviews organized by the Government, in which all stakeholders will participate [...] will serve as a framework for monitoring spending allocated to the STE component and the evaluation of the ESSP. [...] To make it possible to measure the impact of interventions on the scientific aptitudes, attitudes and knowledge of students, a baseline study will be conducted to measure their initial level with more precision: this will be followed by another study at the end of the intervention to assess progress."
<u>Belgium</u>	For 2008 and 2009, "disbursements are based upon the successful reviews of the education sector". The second tranche of the first programme and the first tranche of the second programme were based on adoption of the budget by Parliament and the conformity of the education budget with the ESSP.
<u>Netherlands</u>	Disbursement of the semi-annual instalments of the Dutch Grant depend on the progress and performance of the ESSP
<u>Canada</u>	Annual disbursements are made depending on the progress and performance to date and the liquidity needs of the ESSP for the coming period (12 months)
<u>Sweden</u>	There is an evolution in SIDA budget support conditions linked to the education sector, towards more precisely defined conditions for disbursement. 2002 and 2003 disbursements (pre-JESS) were linked to "satisfactory progress in increasing poverty reduction spending in education and in developing a Sector Wide Approach to policy and planning in Rwanda's education sector which is consistent with the PRS [...] and MTEF". This first programme makes explicit reference to the UK Programme Aid Grant 2000/2003 conditions : "the overriding condition for the Swedish grant is Rwanda's compliance with the targets agreed between the United Kingdom and Rwanda for disbursements" [from the education window] [...] 'The Swedish grant will be released simultaneously with the grant from the United Kingdom'. This implies, although not explicitly set out, that Sweden will disburse if and when the UK disburses. There is no mention of Sweden retaining the right to differ from the UK in its

	<p>assessment of government performance. The 2004 agreement makes no reference to further conditions.</p> <p>The subsequent SIDA general budget support programmes' education tranche disbursement are respectively linked to</p> <ul style="list-style-type: none"> <li>– The Joint Review of the Education Sector (2005-2006 programme)</li> <li>– “Satisfactory progress against key indicators in the ESSP [...]; an education sector budget prepared and found consistent with ESSP, ESSP Annual Operation Plan, the Long Term Sector Financing Framework and the MTEF; a budget execution for previous year issued and considered satisfactory with regard to the education sector”</li> </ul>
<u>Fast track initiative</u>	FTI disbursements are based upon a request by Government, including a report on performance (budget implementation, activities, results) and an endorsement letter by local donors.
<u>UNICEF</u>	No specific conditionality

## Annex 4 – Institutions visited and Individuals Met

ADB	Juvéнал Karimba, Socio-economist
Belgian Embassy	Françoise Donnay, Attaché de Coopération Internationale
BTC-CTB	Ahmad PARSA, Chargé de Programme
CDF	Egide Rugamba, Director Administration and Finance Unit
CIDA	Annamaria Scotti, Head of Office and Head of Cooperation
DFID	Richard Arden, Senior Advisor, Human Development Team Iris Uyttersprot, Education Advisor Jo Bourne, former Senior Advisor Education (by phone) Renwick Irvine, former Education Advisor (by phone)
EC	Vincent Deboer, Economist
Ecole Primaire Gacurabwenge	
Gicumbi District	Mwanafunzi Deogratias, District Education Officer
GTZ	Elisabeth Girrbach, Health Sector Coordinator
IGE	Narcisse Musabeyezu, Inspector General
IMF	Lars Engstrom, Resident Representative
JICA	Murakami Hiroshi, Resident Representative Saeri Muto, TVET advisor Suzuki Fumihiko, Program Formulation Advisor Kimura Hatsue, Program Formulation Advisor Ndayahoze Valens, Consultant
MINECOFIN	Christian Shingiro, Director External Finance Unit Fred Mujuni, Accountant General Elias Baingana, Budget Director Jean de Dieu Rurangirwa, SMARTGOV Project Manager
MIFOTRA	Sebagabo Barnabé, Director of Planning, Policies and Capacity Building
MINEDUC	Yisa Claver, Director of Policy Planning and Capacity Building Eudès Kayumba, Director, Construction Unit Emma Rubagumya, Executive Secretary Teacher Service Commission Clément Mugabo, Direction of Planning, Policies and Capacity Building Mary Straker, Technical Advisor
NCDC	Charles Gahima, Director General
Norwegian People Aid	Patrick Osodo, Programme Manager
Notre Dame du Bon Conseil (secondary school):	Madame la Directrice
Netherlands	Deo Musabyimana, Advisor Education
NUR	Prof. Silas Lwakabamba, Rector
SIDA	Arne Strom, Counsellor for Development Cooperation Karl Backéus, Country Economist
UNDP	Robin Ogilvy, Head of the Aid Coordination Unit
UNICEF	Charles Nabonbo, Head of Education Maniza Ntekim, Education Policy Advisor
USAID	Carl Seagrave

WORLD BANK

Francis Musinguzi, A.I.D. Development Assistance Specialist (ICT, Gender and Education advisor)

Annelie Strath, Education Specialist, Rwanda office

Margo Hoftijzer, Economist, Human Development Unit, Africa Region (by phone)