Rwanda

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The PRSP process has been given a prominent place in government business in Rwanda. Poverty increased dramatically in the years leading up to and following the 1994 genocide, so reducing poverty is seen as critical to establishing the credentials of the government. This article argues that a degree of optimism is justified regarding the prospects for the institutionalisation of the PRSP approach in Rwanda. However, realising this promise will require further progress towards peace, stability, reconciliation, decentralisation and democratic governance. External financing agencies should consider altering the way they interact with government agencies. And continued improvements will be needed in budgetary control, forecasting and prioritisation, involving closer linkage of the PRSP and MTEF processes.

Rwanda is a country in dire need of the kind of poverty reduction strategy and process that the PRSP initiative promotes. It is extremely poor, recovering from the 1994 genocide and its subsequent instabilities, and highly aid-dependent but needing better aid co-ordination. It is also undertaking critically important national reconstruction processes, the success of which is mutually interdependent with poverty reduction – namely, national reconciliation, decentralisation, and the formulation of a Constitution as the basis for democratic governance.

As the full PRSP (June 2002) puts it, ‘Broad consultation is particularly necessary in a country emerging from conflict, and co-operation on local questions can help direct attention away from the divisive national politics of the past.’ Participatory consultation, planning, and learning are vital but difficult in a country whose governance has for many years been authoritarian and non-participatory, and whose citizenry is therefore often characterised as obedient and lacking in policy-oriented civil society organisations.

When the initial country reports for the present study were compared, our Rwanda report emerged as the one most optimistic about the prospects of the PRS process offering important and beneficial new opportunities for co-ordinated poverty reduction. During our second visit (March-April 2001) and follow-up correspondence during 2001-2 we therefore concentrated on checking whether our optimism seemed justified, if so why, and whether there were dissenting voices or signs of major impediments to effective institutionalisation of the process across the full range of development agencies in Rwanda.

This article summarises our conclusions. The following section describes the singular features of the country context. The third section describes the PRSP process in Rwanda, and the fourth analyses its longer-term implications. Two further sections

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consider the challenges of monitoring and evaluation in the context of Rwanda’s PRSP, and the ways donors may be expected to respond to the process.

**Poverty reduction and the policy context**

*Key institutional issues*

Prior to the 1994 genocide, Rwanda experienced increasing poverty and inequality. Governance was hierarchical and authoritarian, racist, biased towards certain regions, and elitist. The genocide and civil war of 1994 and the emergency situation that followed caused massive population movements, with further social and political instability, and disrupted social relations and organisations. Child and adult mortality rose steeply and poverty broadened and deepened. It has also been argued that the late and hasty introduction of structural adjustment measures in the early 1990s contributed to the governance problems that preceded the genocide (Uvin, 1998; Storey, 1999).

Regional insecurity continues to delay resolution of the problems facing displaced people, and also absorbs domestic resources that could otherwise be devoted to poverty reduction. Rwanda’s role in the conflict in the Great Lakes region is linked to its need to establish security and to protect itself from external threat. Developments in the Democratic Republic of Congo (DRC) will influence Rwanda’s ability to move out of the post-genocide emergency phase into one of sustainable development: peace is a prerequisite for sustainable poverty reduction. This applies equally to social relations within Rwanda. The work of the National Unity and Reconciliation Commission will influence how lasting poverty reduction can be promoted through participatory processes.

The government is still preparing to clear the bulk of the cases of genocide suspects using *gacaca* – community-level councils adjudicating cases and allowing the guilty to serve most of the balance of their sentences through community service. There are more than 100,000 people held in prison on genocide-related charges. *Gacaca* processes entered the first major implementation phase in June 2002, following the election of 200,000 judges and the establishment of 11,000 *gacaca* jurisdictions during 2001.

Another major challenge, with implications for security, poverty and human rights, is to improve the *Imidugudu* process in which displaced people are moved into new sites which are meant to be organised in such a way as to foster social cohesion, promote security, facilitate service delivery, and encourage the development of off-farm activities and the commercialisation of agriculture. Many NGOs, especially human rights agencies, have been strongly critical of various aspects of this process (Human Rights Watch, 2001).

Rwanda has no elected parliament but a National Transitory Assembly with 70 appointed members. General elections are due to be held in 2003. The government is democratising and decentralising state structures to promote stability, peace and unity

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1. It is normal for public speeches and documents to avoid all reference to Huta/Tutsi distinction, as part of a conscious strategy to promote national reconciliation. For a compelling account of this context and of the role of aid in perpetuating inequality and racist hatred, see Uvin (1998).
2. The government has reduced defence expenditure slightly since 1999, which, combined with HIPC debt relief, is expected to allow an increase in recurrent ‘social/anti-poverty spending’ from 3.9% in 1999 to about 6.9% by 2004.
and reconciliation. Following the 1999 elections at local sector and cell levels, elections at Commune levels were held in March 2001, and Communes were replaced by Districts. These were a success in terms of the 90% voter turnout, but it has also been widely noted that voters had little effective choice.

There is a general problem of weak capacity in government. Many of the key agencies are staffed predominantly by people who either lack the skills to operate the systems that exist or who have limited skills and experience in designing and managing the implementation of institutional change. In November 2001, the government produced a Strategic Framework Paper on Strengthening Good Government for Poverty Reduction, which emphasises close linkage with the PRSP (Governance Strategy Paper: www.rwanda1.com/government/president/speeches/2001/strategygov.htm). Inadequate governance includes deficient capacity for policy dialogue between and among state and civil society organisations. Governance issues became more prominent in the revised PRSP, following a complaint by the World Bank in March 2002.

Economic background and the poverty situation

Over 90% of Rwanda’s population work in smallholder agriculture, the productivity and sustainability of which are constrained by uncertainty of land rights and by inadequate inputs such as fertiliser and soil protection. The large proportion of households that are labour-constrained are headed by a child, a widow, or a prisoner’s wife. Land scarcity and environmental degradation are crucial constraints: while 85% of rural households own land, the average holding is only 0.71 hectares and 95% of farmers farm 2 ha or less; few use inorganic fertilisers and there have been steep declines in the use of organic inputs.

A wealth of survey data became available during 2001, just in time to inform the PRSP, whereas up to then most information on poverty had been old and/or of dubious quality. In 2000, Rwanda’s population was 7.97 million and growing at 2.5% per year; 60% are below the poverty line, up from the 1985 estimate of 46%, but down from the 1994 post-genocide estimate of 78%.

After a collapse in 1994, GDP recovered at a rapid and then decelerating rate from 1995 to reach its pre-1994 level by 1999. For the future, the government has developed a macroeconomic programme aimed at achieving average growth in real GDP of at least 6% per year, keeping annual inflation below 5% and gradually reducing the current account deficit (excluding official transfers) from 16.8% in 2000 to 10.8% by 2004. The programme also includes a goal of increasing the ratio of domestic revenue to GDP by one half of one percentage point per year.

Aid dependence

As a reaction to the emergency, there were massive inflows of donor funds, but most of this did not pass through government and was not co-ordinated or strategic. The debt burden rose sharply. At end-1999, the total external public debt outstanding amounted to about US$1.3 billion, representing close to 65% of GDP or, in Net Present Value terms, over five times export earnings.

Rwanda reached the Decision Point under the HIPC2 initiative in December 2000, following completion of the Poverty Reduction and Growth Facility review and the
Interim PRSP (iPRSP). In November 2001, the IMF completed the final review of Rwanda’s PRGF loan, releasing a further US$12 million, and commending the country’s strong performances in economic growth, low inflation, and build-up of foreign-exchange reserves with a stable exchange rate. It was expected to approve a new PRGF arrangement in mid-2002. The HIPC Completion Point is scheduled for July 2003.

Despite the consistently improving external current account performance envisaged in the macroeconomic framework, the desired debt sustainability (and the NPV of debt to exports ratio held to sustainable levels) will still only come about if donor grants – as opposed to loans – are substantially higher than the historical trend, at least for a number of years.

Previous poverty plans

In 1994, the new government issued a Declaration of Principles setting out medium-term principles for social, political and economic development, emphasising reduced state roles and liberalising the market. A further Framework of Economic Policies, agreed with the World Bank and IMF, set out strategies for making the transition from emergency to development from 1998 to 2000. In 1999, the Policy Framework Paper agreed between the government and the IMF set macroeconomic and structural priorities for 1999-2002, and the government’s Vision for the Future, published in 1999, announced long-term objectives for reduction in poverty through increasing agricultural productivity, higher rural skills and incomes, and off-farm employment (with other objectives for governance, grassroots participation, etc.).

The PRSP process

The PRS process was officially started in Rwanda in June 2000 with the production of a ‘zero draft’ and announcement of the process by the President in the National Assembly. Following a consultation among various Ministries, donor agencies and CSOs mainly at national level, plus some provincial-level meetings, the iPRSP was finalised in November 2000 and endorsed as a suitable document by an IMF/World Bank Joint Staff Assessment in December.

The National Poverty Reduction Programme (NPRP) was the unit within the Ministry of Economy and Finance (MINECOFIN) charged with leading the coordination and implementation of the PRS process. During 2001-2 it planned and implemented a major set of consultations at all levels. Financing of the consultation process and of the NPRP unit has come mainly from the UK Department for International Development, which, along with the UNDP, has been closely involved in providing technical assistance and regular advice.

At national level, there were several well-attended meetings to discuss the general content of the PRSP and the closely-related National Five-Year Plan of Action. At sub-national levels the key activity has been the National Poverty Assessment (NPA), which was conducted mainly from May to December 2001. There was also a more intensive pilot exercise in Community Action Planning at cellule level in Butare, led by ActionAid, and a Policy Relevance Test (PRT).
The Butare pilot exercise was replicated nationwide during 2002 as part of the process of devolving planning and budgetary responsibilities to local levels, particularly through the new Common Development Funds. On the basis of this experience, a discussion document was produced by the NPRP together with the Ministry of Local Government and Social Affairs (MINALOC) in August 2001. Entitled \textit{Ubudehe to Fight Poverty}, this emphasises the importance of the traditional concept and associated practices of \textit{ubudehe mu kurwanya ubukene} – ‘working together to solve problems’. The emphasis is on the importance of collective, inclusive and participatory planning and action at ‘community’ level. As is the case with \textit{gacaca}, the term \textit{ubudehe} has quickly become a standard part of the national discourse in which contemporary development and reconciliation efforts are rooted in tradition.

The PRT was commissioned by the NPRP (with DFID funding) and was conducted between April and July 2001 by the National University of Rwanda, covering 38 of the 100 Districts in groups of 25 people, selected on the basis of a series of criteria to cover different social and economic groups. This study, implemented by a team of 18 social scientists from the Rwanda chapter of the Organisation for Social Science Research in Eastern and Southern Africa (OSSREA), informed the NPRP about the knowledge and attitudes of all relevant stakeholder categories about the PRS process, and policies which needed to be linked with the PRS. It was also expected to contribute to the process of strengthening the sense of co-responsibility for the PRS process among all of these stakeholders.

The iPRSP was finalised on schedule in mid-November 2000, and was formally adopted by the National Assembly after a one-day meeting by the Cabinet to discuss the final draft. IMF staff visited MPs in Parliament in January 2001 to discuss the process of producing the full PRSP. In early September 2001, a draft outline of the PRSP was sent out to most key stakeholders for comment before production of the ‘zero draft PRSP’ later in September. The zero draft of the full PRSP was discussed in October 2001 by a national validation workshop, with representatives of major stakeholder categories in the public, private and civil society sectors.

There followed considerable debate over several months, particularly with the IMF, mainly concerning the macroeconomic framework and the deployment of three public expenditure scenarios. The World Bank also had concerns about some of the sectoral substance, about the need for more prominent attention to governance as a set of cross-cutting issues, and more minor matters of presentation. In March 2002, the Bank insisted that the PRSP be revised before it could be submitted for endorsement. This intervention was perceived by the NPRP and some donors as unreasonable and late interference.

The PRSP became available on the web in English by August 2002, having been circulated by email (mainly to foreign donors and government departments) in June. A French version was circulated by email in November 2002, and a Kinyarwanda translation was expected to follow shortly and to be widely disseminated. It is a lengthy document – over 85,000 words\(^3\) – offering a richness of information and analysis that is rare in PRSP documents. It has been well received by the IMF/World Bank Joint Staff Assessment.

\(^3\) Cf. Uganda’s PRSP of 12,000 words, Tanzania’s PRSP of 21,000. Even Rwanda’s Summary 34-page (13,000-word) version is longer than Uganda’s full PRSP.
Questions of ownership and conditionality

In our initial research, we addressed the issue of ‘ownership’ mainly indirectly, by asking people what they understood about the new PRS process, whether they had read, responded to and discussed the iPRSP, and what role they expected to play in its formulation, implementation and monitoring. The overwhelming impression we gained from all parties outside MINECOFIN was that, while most knew something about the iPRSP and provisionally could see that they had contributions to make to the PRSP and to its implementation and monitoring, they had yet to develop a sense of co-responsibility for it or a sense of close partnership with MINECOFIN.

These shortcomings aside, we found that the PRS process was widely seen as providing opportunities for a substantially Rwandan-owned process and not just an IFI imposition. Nevertheless, several staff in MINECOFIN and among major bilateral donors commented to us that both IFI staff in Rwanda and visiting missions had yet to adapt their own practices to bring it in line with the principles of the PRS theory. The above-mentioned requirements for late alterations to the form and content of the PRSP were a case in point.

The IMF’s role and credibility in the PRS process also remain somewhat ambiguous. From our field visits in 2000 and 2001 we concluded that the IMF was being short-termist and over-directive in setting unrealistic revenue forecasts for the MTEF. We considered that this was setting unrealistic conditions for PRGF loans and was not consistent with the spirit of a longer-term approach to sustainable economic management. As it turned out, the IMF’s revenue forecasts were not over-optimistic in aggregate, as the 2001 revenue performance exceeded the IMF and Rwandan Government targets, due mainly to better than expected VAT collection, introduced in January 2001.

Government plans, approach, and capabilities

The PRSP has prompted discussions within the government on the role of planning. Vision 2020 represents a long-term strategic perspective on Rwanda’s development prospects and intentions. Despite criticisms of this form of planning, it has supporters in Rwanda. It reflects a tradition of planning in the country, but also, perhaps, a desire to show how the country can develop in the future and put the 1990s behind it.

Planning for many (mostly its critics) means centralised, quantitative planning supported by a dominant role for the state in the economy. In Rwanda the Poverty Reduction Strategy was for several months in 2001 referred to as the Poverty Reduction Action Plan, echoing the Poverty Eradication Action Plan of neighbouring Uganda. Though the term PRSP returned, the document retains a stronger emphasis on pragmatism than is expected in most PRSPs, its length and detail allowing it to be more specific about actions than the term ‘strategy’ implies. It is also ‘strategic’ in the sense that it is based on a costing exercise that explicitly asked sectoral ministries to produce budgetary scenarios according to needs rather than anticipated constraints. The hope is that a good PRSP may attract more foreign funds.
Central government response

The government has responded positively and in a high-profile way to the PRS initiative. The Council of Ministers has set up an Inter-Ministerial Committee on Poverty (IMCP) chaired by the Prime Minister and with representation of the National Assembly through the Deputy Speaker. The full PRSP was promoted in speeches by the President, the Finance Minister and several other Cabinet members during 2002.

There is a Steering Committee charged with monitoring the PRS process, with senior representatives from all key Ministries (mainly Secretaries-General), plus representatives from civil society organisations, donors and the private sector. This is supported by a Technical Committee, which organised the consultations, has worked with sectoral Ministries to review action plans and costings, has undertaken expenditure outcome and tracking studies, and oversaw the drafting of the PRSP.

The NPRP did not emphasise the potential HIPC2 benefits or related conditionalities to participants, preferring to focus on the need for a coherent and feasible national strategy and the opportunities for participation to release community-level (non-financial) resources and capacities. The PRSP mentions HIPC only briefly in footnotes near the end of the document. None of the interlocutors (outside central government) in Phase 1 of this study referred unprompted to HIPC and none commented on either conditionalities or benefits.

The PRSP emphasises that it is not a ‘final’ document (in contrast with the Constitution, which is currently being drafted) but the first of many expected two-yearly outputs from an ongoing PRS process. Concerns have been expressed about financing the PRS. These relate to the realism of the present three-year forecasts of domestic revenue and the impact of the cash budget. While there is strong agreement on the need to define a poverty focus, there are concerns that existing programmes have simply been relabelled as ‘poverty’ programmes, given the short time available and the lack of capacity in many sector ministries for substantial strategic change. It remains to be seen whether all sector Ministries will, in the preparation of the 2002-4 MTEF, be able to restructure and develop priority rankings of their activities and expenditure programmes to define avenues towards poverty reduction that are explicit, plausible and monitorable.

Local government response

Local government is crucial to the PRS process, as local-level consultations and future implementation of anti-poverty programmes can best be carried out through its structures. The centrality of local authorities to the consultation and implementation process has rendered close co-operation between the NPRP and the Ministry of Local Government and Social Affairs essential. And, through MINALOC, links have been established with local authorities, particularly the prefectures.

The response of prefectures to the PRS initiative has been positive to the extent that it is seen as supporting the process of decentralisation. There are some incipient signs of consultation fatigue, and one Préfet said he felt that most of the development issues at

4. The Constitution, like the PRSP, is meant to be ‘based on the views of the people’, according to the government website: www.rwanda1.com/government/
the prefecture level had already been discussed and agreed with central Ministries and that it was time to ‘get on with it’. It is unlikely, however, that this view takes adequate account of the need for consultation at more local levels.

Civil society

The NPRP copied the draft iPRSP in September 2000 to representatives of several national-level NGOs, mainly international NGOs but also major indigenous NGOs and NGO federations such as CCOAIB and Pro-Femmes. It also held a one-day meeting with them. Few NGOs responded to the invitation. The main constraint seems to have been the fact that the iPRSP was drafted only in English and was not made available in French and Kinyarwanda until the end of March 2001. Secondly, NGOs and NGO networks were ill-prepared for this opportunity. Several read the document and some sent in comments, but they were unable to provide individual or collective responses on substantive issues. Like the Ministries, they have so far waited for more direct soliciting of views on specific issues from NPRP staff.

International NGOs were expecting in September 2000 to prepare a set of collective responses through their own INGO forum, but this dwindled into inactivity due to lack of leadership. Christian Aid and Trocaire convened local NGOs to discuss the PRSP in November 2000 and found that only two of thirty representatives had even heard of the PRSP before being invited to the meeting. NGOs and other civil society organisations have been inhibited from policy dialogue and advocacy roles by their focus on service delivery.

A multi-country study of PRS processes commissioned by ActionAid (Zaman, 2002) has portrayed Rwanda as one of the best examples of a participatory PRS process, although it points to complaints of consultation fatigue as well as limited ‘country-ownership’. Another report, by Christian Aid (Painter, 2002), argues that the civil society response has mainly been to collaborate with government in collecting better information about poverty and responding to draft documents, rather than engaging in policy dialogue or joint decision-making. Nonetheless, this three-country synthesis report (Rwanda, Malawi, and Bolivia) says that the participatory process was much better and more substantial in Rwanda than in the other two countries, and commends the government’s efforts in opening up a space for participation despite lack of experience and capacity.

More serious than the criticisms embedded in these studies is one accusation of deliberate prevention of civil society involvement in policy dialogue. According to the 2002 Human Rights Watch Annual Report on Rwanda, ‘Security agents detained and interrogated representatives of the Rwanda Debt Relief Network in September after they made critical statements about poverty in Rwanda. Authorities accused these civil society actors of representing political parties and of inciting ethnic divisions.’ We have not been able to explore this further.

Involvement of civil society other than international NGOs has been limited so far. The PRS Unit’s meeting with civil society organisations in September 2000 was attended by the Rectors of the two Universities, and some trade union and church representatives. A surprising absence in early PRSP discussions was the private sector. During our meetings in September 2000 and April 2001 with the head of the Fédération Rwandaise du Secteur Privé, we were told that the Fédération had not been involved
and did not see a role for itself in the forthcoming discussions. Since then, however, it has been to meetings on the PRSP and now looks likely to become increasingly involved.

The churches are also potentially important facilitators of consultation. However, a widespread view is that, although church structures are important, they remain severely inhibited from overt participation in political and social discussions because of shame about the Catholic Church’s mixed but often collaborative role in the genocide.

**Donors and IFIs**

Relations between the government and donors have been central to political debates since the genocide, given the very high aid dependency and limited national capacity to work effectively with a largely unco-ordinated donor community. For the past six years, the government has frequently made public pleas for donors to provide programme and budgetary support for long-term development, rather than continuing with the fragmentary approach which has emphasised post-conflict reconstruction and rehabilitation projects outside the budgetary system.

Donors and, of course, the IFIs are in principle united in their agreement on the importance and value of the PRS process. As emphasised throughout this article, donors in many ways hold the key to the success of the PRS process. Yet partly because of the inhibitions arising from the concept of a ‘country-owned’ strategy, and partly due to inertia and lack of incentive for change, most donors have yet to respond effectively to the new opportunities afforded by the PRSP.

Only DFID, the World Bank and UNDP have been providing substantial amounts of budgetary rather than projectised or sectoral support, and it is no coincidence that it is DFID and UNDP that have been most closely involved with the establishment and strengthening of the NPRP. The European Commission is expected to make changes soon towards budgetary support for Rwanda.

**What difference has the PRSP made?**

The prospects for the PRS process in Rwanda to institutionalise poverty reduction policies, programmes, practices and monitoring systems are inextricably interlinked with the national unity and reconciliation and the decentralisation processes. Success in any one will depend on institutionalisation of the others. In Rwanda these prospects need to be set in the context of the political traditions of the country and how these are intended to change in the future to bring about a new democratic system of governance.

**Stakeholder participation and political traditions**

Both Rwandans and foreigners in Rwanda frequently refer to the ‘culture of obedience/passivity’, meaning that most people generally expect to carry out the instructions of those in power, and have minimal interest in participatory politics and policy-making. Whether or not this is a safe generalisation, it clearly casts doubt on the short-term prospects for developing participatory processes. At the national level,
consensus politics remains the order of the day, the absence of official political parties being matched by a striking lack of policy debates.

The National Poverty Assessment and scaling-up of the Butare pilot project in Community Action Planning are leading to a longer-term process of local-level planning for anti-poverty actions that will draw on the budgets that are about to devolve to the local administration. People being trained in Participatory Poverty Assessments (PPA) are mainly drawn from the ranks of elected local administrators, plus some teachers and local NGO staff. However, MINALOC and the Unity and Reconciliation Commission have both seconded personnel to join the training team for the PPA. MINALOC will develop and build on this process over the next year, conducting a national version of the Butare pilot project, with support from the NPRP, before taking over the process as a regular part of its activities.

**Decentralisation**

The PRS will be intimately connected with the active steps being taken towards financial and political decentralisation. Following the 1999 and 2001 elections of local government officials at Sector and District levels, MINALOC embarked on a programme of decentralisation to the préfecture and commune (now district) levels. The secteur will be the basic level for development planning and the cellule will provide information and be the fundamental unit for information generation and monitoring. The overall objective is to ensure political, economic, social, managerial/administrative and technical empowerment of local populations to fight poverty by participating in the planning and management of their development processes (Rwanda/MINALOC, 2000: 7-8).

All the Préfectures renewed their three-year Provincial Action Plans complete with costings for 2001-4, although it is the district councils, not the Préfectures, which control the budgets. UNDP is intending to provide technical training for the management of Community Action Funds. It remains unclear how these would fit in with the budgeting of the MTEF and the PRSP.

**Public expenditure management and institutional change**

Institutionalisation of the PRS will require improvements in public financial management and the development of the MTEF – the translation of policies into costed public expenditure programmes designed to contribute to the policy outcomes. Within these programmes, the provision of public goods and services will need to be oriented to the delivery of monitorable outputs. The costs of the programmes have to be assessed for their long-term sustainability with reference to realistic assessments of the resources likely to be available to finance the implementation of the PRS. Improvements will be needed in financial accounting and reporting to promote fiscal transparency and to support monitoring of output performance.

Reforms to public financial management are under way, but existing expenditure management systems at the centre are weak. The accounting, commitment control and cash management systems have not been able to prevent the build-up of arrears. Audited government accounts have not been produced since the early 1990s. The government’s response to these expenditure management problems, and particularly to
the shortfalls of revenue collections from revenue forecasts in 2000, has been to introduce a cash budget with strict cash-release rules. The wider governance problem of accountability is being addressed, but an effective system that includes independent audit has yet to be implemented.

Following repeated complaints about weakness in the budgetary system at Cabinet and parliamentary levels, a joint government and World Bank Public Expenditure Review in 1997/8 recommended a gradual shift towards an MTEF system. This continued in 1998 and 1999, with changes in the budget law being introduced to permit decentralisation of budgetary authority to sector Ministries. Sector expenditure reviews were undertaken in education, health and water.⁵

In 1999, the government drew up a three-year Plan of Action for MTEF development and implementation over the period 2000-2. Progress so far has been mixed. During 2000, the first critical step in the MTEF was delayed, namely, the resource forecast and the setting of expenditure ceilings. The formalisation of a cash budget system has led to concerns in sector Ministries about the relevance of planning and forward budgeting without predictable resource flows. The 2001 Budget included mission statements, programmes, objectives and outputs for each Ministry, but these were loosely defined, with no information on expenditures or budgets before or after the current financial year.

Despite the enthusiastic response from sector Ministries to the principle of the MTEF, there is a marked absence of any real commitment to plan and budget within expenditure ceilings. This suggests that the practical implementation of the MTEF will take more time.⁶

Donors (especially those providing budget support) likewise need to become more closely engaged in understanding the outputs that the government intends to deliver from its public expenditure, as well as the priority ranking of these outputs, so as to ensure that they provide appropriate technical assistance and advisory support. So far, donors are inhibited from such close engagement by their worries about the quality, comprehensiveness, and transparency of the government’s accounting and reporting systems. This lack of trust perpetuates the project approach, with separate project implementation units, bank accounts and accounting systems – all of which drains qualified staff from the government and weakens its capacity to address the accounting and reporting problem that causes donors’ lack of trust in the first place.

The government’s introduction in 2001 of a cash budget system was a classic response to mismanagement of public finances. The cash budget sets up rules for the allocation of cash resources released each month. MINECOFIN has established a priority ranking for the items and activities that are to be funded. Its purpose is to stop expenditures being made in advance of receipts and thus to avoid domestic borrowing and the further accumulation of arrears. As a means of securing fiscal stability a cash budget can be effective. However, it undermines the objective of creating predictability with the MTEF.

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⁵ During the course of 1999, a second round of Sector Expenditure Reviews was completed in the Health and Education Ministries. The Sector Expenditure Review for the water sector was updated and a first review of public expenditures in the Justice sector was completed in 2000.

⁶ Progress with the creation of a comprehensive database of public sector activities financed off-budget and through donor flows in the development budget appears to be slow, for capacity reasons.
It will be important to avoid raising unrealistic expectations through the new MTEF and PRS processes. This applies to the ‘contract’ between MINECOFIN and the sector Ministries and will apply to the more complicated and indirect ‘contract’ systems between central fiscal managers and the various decentralised structures of government on which effective participative implementation of a PRS will rely.\(^7\) The chances of institutionalising the MTEF and PRS processes will be undermined by disillusionment, if the contract cannot be honoured because resources do not flow in a predictable way to support the implementation of the strategy. A critical first step is the timely setting of expenditure ceilings by the Cabinet, on which both the MTEF and the implementation of a PRS will depend.

**The politics of poverty reduction**

The PRS process has been fairly high-profile in Rwanda within government (though less so in the ill-developed media which tend to focus on more sensational news). Since poverty increased dramatically in the years leading up to and following the 1994 genocide, reducing poverty is seen as critical to establishing the credentials of the government and the basis for national security, reconciliation and long-term development. The establishment of a national Constitution by 2003 is to a lesser extent also linked with the PRS process, in that progress in poverty reduction is seen as vital to the establishment of the legitimacy of the government.

In 2002, the NPRP was merged with the Poverty Observatory to become a full Department of MINECOFIN, with responsibility for Strategic Planning and Poverty Monitoring (SPPMD). The key challenge for the SPPMD will be to try to bring about or influence changes in the incentives which shape the planning of line Ministries and donor agencies, such that all recognise not just the shared responsibility for the PRSP but that it is in their interest to integrate their activities within it. Several donors mentioned that so far there is no real incentive to change, although peer pressure exerted particularly by DFID, UNDP and the World Bank may be generating momentum for a shift towards budget support.

**Participatory and integrated planning**

Perhaps the most important outcome so far from the PRS process has been the rapid development of national capabilities and activities in participatory planning and assessment under the Participatory Poverty Assessment (PPA) rubric. The test will be whether the PPA processes, and subsequent findings and recommendations, actually lead to changes in the policies and practices of local and national development agencies.

An important step will be to ensure that the PPA process and outputs are recognised as legitimate and important at national level. UNDP staff are reported to have recommended that PPA findings should be reported directly to the Cabinet as they are produced. SPPMD staff appear to favour this idea, but have yet to work out how frequently it would be realistic to expect to report to Cabinet, and in what kind of form

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\(^7\) The essence of the contract is that MINECOFIN will endorse and guarantee allocations to programmes on the basis of good-quality planning, implementation and monitoring of poverty-focused service delivery.
PPA reports could be produced. Another task will be to persuade individual line Ministries that the PPA is relevant to their work and to their priority setting.

**Monitoring the PRSP: a second chance?**

*Managing understanding for pro-poor policy-making*

Formal national-level management of understanding about poverty and about the efficacy of anti-poverty strategies is minimal in Rwanda. There is an important distinction to be made here between the *generation of information* (capture and collation) on the one hand, and the *management of knowledge*, on the other – the latter including sharing and analysis of information, and the generation, sharing and application of knowledge to policy and practice.

For example, to date a great deal of information on poverty has been generated by the National Unity and Reconciliation Commission through its country-wide consultations and solidarity camps focusing on the causes of conflict and disunity and how to address them. This information proved hard for the NPRP to make use of in developing the PRSP, because of its diversity, difficulty of access, and lack of a formal link with the PRS process.

Likewise, there is a wealth of information on various dimensions of poverty held by a variety of organisations and in general unused. The main challenge is not to generate new statistical data but to make good use of the data that are already available but are unused and un-collated. A key task, therefore, is to develop an effective system for co-ordinating and analysing the available information, and for disseminating and ensuring the application of the new understandings that are generated.

**Learning strategies for the PRS**

The PRSP identifies the Poverty Observatory (now within the SPPMD) as the main agency responsible for co-ordinating and disseminating understanding about poverty and anti-poverty strategies. This was established as the main national poverty monitoring office in February 2000 following a Prime Minister’s Decree in November 1999 (i.e., well before the PRS process was formally launched in June 2000). It is staffed by a co-ordinator and an economist assistant, plus an ODI Fellow economist and a statistician. It has also been assisted by two short-term DFID-financed consultancies, one on poverty information, and the other on mainstreaming gender dimensions within poverty policy and monitoring.

There has been considerable debate about how extensive the Poverty Observatory’s mandate should be, given its limited capacity and the information management structures and systems that already exist. Crucially, the PRS process has brought about much clearer partnerships and divisions of responsibility (spelled out in the PRSP) among the Statistics Department, the Poverty Observatory, the Budget Department/CEPEX (responsible especially for monitoring inputs and linking PRS and

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8. Knowledge-management is, of course, the more familiar term; but for contexts and subject matters characterised by high degrees of uncertainty, softer and more processual terms such as ‘understanding’ and ‘learning’ seem more suitable.
MTEF input/output monitoring), line Ministries and local administrative structures. Notably, however, no roles in the learning strategy are firmly assigned to civil society or the private sector.

The Department of Statistics (in MINECOFIN) completed a major national household living standards survey in 2001. The Ministry of Health has its own health management information system, and the Ministry of Education is being assisted by DFID to strengthen its planning system, which could ultimately lead to an education Management Information System. It is expected that through the Poverty Observatory these will be closely integrated with the overall learning strategy associated with the PRSP.

The PRSP’s section on ‘monitoring and evaluation’ charts some steps towards better management of information. It provides a draft set of indicators, identifies responsibilities and timings for information gathering, and proposes development of a master plan of studies and surveys. What it does not do is articulate an overall approach to learning, or a system for managing and applying knowledge about poverty. The emphasis is on basic information needs rather than on strategic management of a learning process.

Rwanda’s PRSP, like most others, lacks systematic identification of new departures from previous policies and expenditure patterns. With the iPRSP this was not surprising, as it needed to build on previous policies and develop a policy dialogue to feed into the PRSP. But the PRSP still lacks a clear rationale, or statements of ‘theories’ about how changes in policies and expenditures might lead to specific kinds of poverty-reducing outcomes. Without such hypotheses, rational planning of investment in knowledge is impossible.

The SPPMD has a long way to go before it has developed a clear understanding of what it wants to learn about poverty reduction and how it wants to learn it. It is encouraging, however, that the Poverty Observatory is explicitly being seen as an analytical and advisory rather than an information-gathering unit. If it continues to focus on knowledge and understanding rather than on the generation of new data sets, it should in the longer term help the people of Rwanda develop an understanding of the links between policies, practices and poverty.

**Indicators for monitoring/tracking PRSPs**

The PRSP focuses its performance tracking on two long-term targets adapted from the Millennium Development Goals (MDGs):

- to reduce by half the proportion of the population living below the poverty line by 2015 (from 60% to under 30%);
- to reduce by three-quarters the infant and maternal mortality rates by 2015 (from 107 to 35 per thousand and from 810 to 202 per hundred thousand respectively).

Observatory staff have recently been working with international development advisers to identify indicators by which the progress of the PRS can be monitored. The proposed system will track both expenditure and the delivery of social services. However, two important aspects of this system are as yet unclear: how complementarity
with the monitoring system of the MTEF will be ensured, and how information on developmental outcomes will be tracked. It is hoped that the situation will be clarified by further meetings between the Observatory and those MINECOFIN staff dedicated to the MTEF.

The PRSP emphasises the distinction between two levels of indicator: changes in living conditions (i.e. ultimate benefits) and indicators of sector strategy contributions (actually several levels here – inputs, outputs and quality of service delivery and outcomes). There is a further distinction worth making which could be useful, namely, between the above core set of indicators (by which the whole PRS will be judged, and which may eventually be used to inform decisions by donors and IFIs) and a much broader set of indicators and analytical questions which will offer a menu of issues for participatory monitoring, surveys and research projects to assess.

**Evaluation of policies, programmes and projects**

The above point about the lack of a learning strategy in the PRSP is confirmed by the fact that in the monitoring and evaluation section there is only one brief mention of ‘evaluation’. Tellingly, this is equated with ‘impact assessment’, missing the point that evaluation needs to develop stories about how decisions and actions lead to particular kinds of change. The rest of the text makes little attempt to present the PRS as if it were based on lessons learned from past experience. In post-genocide Rwanda there has been minimal evaluation of the effectiveness of development policies, programmes or projects.

There is as yet no clear sign of the PRS process leading towards co-ordination of donor information requirements. Apart from DFID, the World Bank, UNDP and the IMF, most donors are still emphasising discrete projects and requiring separate assessment and reporting in relation to project-specific activities and outcomes, rather than being prepared to accept monitoring and assessment of national processes as legitimate forms of accountability and learning.

International NGOs, and Rwandan NGOs with international funding, constitute a major potential source of basic information on poverty indicators and trends, particularly at grassroots level. There is, however, a long way to go before they will share such information effectively amongst themselves, let alone with government. Only a few NGOs, for example, World Vision, Oxfam, SCF and Human Rights Watch, have made serious attempts to disseminate information based on their grassroots experience in Rwanda. In principle, NGOs appear to accept the need to collaborate and co-ordinate with government and share information with all relevant stakeholders, but there is as yet no sign of any serious drive to incorporate mutual learning into their plans.

Between our first and second visits, we noticed an increased recognition of the importance of international donors as both users and producers of information on poverty and anti-poverty strategies. An important qualification to the concept of a ‘country-driven’ PRS and associated poverty monitoring is that international donors (including NGOs) will for many years to come be needed as funders, technical advisers and users of poverty information.
Towards a new aid relationship

Foreign donors and financing agencies influence Rwanda’s PRS process in the following contradictory ways:

- providing financial and technical support to PRS-related consultation, monitoring and capacity-building;
- financing and supporting specific anti-poverty initiatives which are being explicitly incorporated within the PRS;
- providing general budgetary and technical support to the Rwandan Government;
- indirectly influencing the PRS process by continuing to finance projects or develop strategies without serious attempts to co-ordinate these within the PRS and MTEF processes;
- combining with other external political and economic influences to link aid to political processes such as the conflict in the DRC, the constitutional process, and human rights monitoring.

The Government of Rwanda is particularly concerned about the need for greater co-ordination of the developmental activities of both government agencies and foreign donors. A ‘Poverty Note’ of 2000 on the government’s website refers to the ‘disjointed poverty initiatives of both government and donors’ and to the ‘poor statistical base’, and further argues that ‘the definition and coverage of priority program areas for poverty reduction needs to be expanded beyond the social sector spending on health and education to include other key economic sectors like agriculture and road infrastructure and settlements’ (www.rwandal.com/government/poverty).

Rwanda is capacity-constrained, is committed to working with its development partners, and expects technical and advisory support from that partnership. Many, but not all, of the policy issues that the government is developing are similar to those in other countries. There is thus much that the donors and IFIs can offer in terms of bringing experience from elsewhere to support it. Yet, there is concern that some of the donors do not have the capacity to engage at a sufficiently senior level in the detail of the process of change that is going on. Bilateral donors admit that they do not co-ordinate their efforts.

Technical and advisory support to the MTEF

MINECOFIN has established an MTEF Unit to manage the implementation of the plan. This includes one permanent MINECOFIN staff member, a temporary employee, an ODI Fellow and a DFID-funded co-ordinator. The unit co-operates closely with the Budget Division. The DFID funding includes a pool for drawing down additional short-term technical inputs. The process of MTEF preparation workshops for line Ministries was facilitated by a short-term adviser funded by the World Bank. Co-ordination and co-operation with other departments within MINECOFIN and with the Minister’s cabinet of external advisers are being built up slowly through the MTEF preparation process.
DFID provided short-term inputs to assist in the costing of the PRS, with key Ministries being asked to estimate costs strategically on the basis of needs rather than expected availability of funds. This was a novel exercise, and there were some difficulties, for example arising from inconsistent classifications in the development and the recurrent budgets. This process resulted in three expenditure scenarios: a base scenario with total PRSP public expenditures of 15.2-15.7% of GDP from 2002 to 2004; a ‘constrained scenario’ with expenditures between 18.0 and 19.2% of GDP; and an ‘unconstrained scenario’ based on estimates of needs, with expenditures of between 22.3 and 25.6% of GDP.

In 2002 DFID financed an ex-ante social impact assessment of the PRSP and associated loans by the IMF and the World Bank. The study, conducted from April to June, focused particularly on the policy debates and decisions relating to the desirable level of budget deficit, which has been the major bone of contention between the government and the Bretton Woods institutions. It is hoped that its recommendations may help to resolve these differences.

It is not clear that the donors’ behaviour shows long-term commitment to the PRS and MTEF processes. Some bilateral donor systems do not permit the provision of programme or budgetary support. Many continue with a project approach, with project cycles detached from the planning and budget cycles. Accounting, banking and reporting arrangements are separate from government systems. While the government’s systems remain weak, this is an understandable response to ensure short-term impacts. But the spirit of the PRS is a medium- to longer-term strategy. In continuing project support, donors and IFIs should expect increasing pressure to demonstrate how such an approach supports the government’s objectives of comprehensiveness, transparency, predictability and accountability in the management of public expenditure.

The importance of this issue was well expressed in the NPRP progress report of May 2001, which described external finance as ‘ad hoc and project oriented’ and said that line Ministries therefore put most of their effort into ‘managing different donor-driven projects rather than looking at the needs and policy requirements of their area of responsibility as a whole’. It argued for all externally funded projects to be brought within the national planning and budgeting framework, and linked both with the PRSP and with sectoral plans and policies.

Conclusions

With few exceptions, the people we met in Rwanda exuded optimism about the PRS process as well as respect for its important role in doing just the things which PRSPs are supposed to do: being the focus for efforts to develop and learn about nationally inspired, consultative, participatory and co-ordinated anti-poverty strategies and plans, and for improving international and intra-national inter-agency collaboration. In the words of a World Bank representative in Rwanda, ‘donors are optimistic about the PRSP process in Rwanda. Some regard the process as potential best practice.’

Not surprisingly, several people also expressed doubts about many of the challenges of putting the PRSP ideology into practice. Donor co-ordination, cross-ministry collaboration, institutionalising ‘deep’ and ‘broad’ nationwide participatory planning, budget forecasting and assessment of outcomes, will all certainly remain difficult challenges for many years to come. Several people in agencies that would
expect to play key roles, such as the media, NGOs, Ministries and the *Fédération Rwandaise du Secteur Privé*, appear not yet to see themselves as co-responsible or even potentially involved in the process in a significant way. But there can be no doubt that the general message is that the PRS process will bring benefits to Rwanda and that it will bring about and/or be closely interlinked with important forces of administrative, social, political and economic change.

This article therefore endorses the original research hypothesis of the SPA study. That is that the new process-oriented emphasis in the ‘conditionality’ used by external financing agencies can be expected to lead to poverty reduction policies, strategies and plans which are more strongly ‘owned’ by Rwandans rather than externally imposed, better co-ordinated, based on broader consultation, more results-oriented and with a better medium-to-long-term orientation, and that these changes in turn will lead to greater effectiveness and sustainability in anti-poverty action.

It must be emphasised, however, that much of this optimism concerns future developments that will be critically dependent on factors that are not directly part of the PRS process. Rwanda will need to make further progress towards peace, stability, reconciliation, decentralisation and the establishment of a Constitution and democratic governance. The majority of external financing agencies will have to make radical alterations to the way they finance and interact with government agencies. And there will need to be continued improvements in budgetary control, forecasting and prioritising, particularly through close linkage of the PRSP and MTEF processes.

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