



RWANDA COUNTRY OFFICE

**CONSULTATIONS ON CONDITIONALITY IN WORLD BANK POLICY OPERATIONS AND
THE IMPLEMENTATION OF THE GOOD PRACTICE PRINCIPLES**

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FINAL REPORT

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ABBREVIATIONS AND ACRONYMS:

| | |
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| BSHG | Budget Support Harmonization Group |
| CAS | Country Assistance Strategy |
| CEPEX | Central Public Investment and External Finance Bureau |
| CPIA | Country Policy and Institutional Assessment |
| CSO | Civil Society Organization |
| DPL | Development Policy Lending |
| DPOs | Development Partners Organizations |
| FY | Financial Year |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| JBSR | Joint Budget Support Review |
| LDP | Letter of Development Policy |
| LIC | Low-Income Country |
| MDG | Millennium Development Policy |
| MOU | Memorandum of Understanding |
| MIC | Middle-Income Country |
| MTEF | Medium Term Expenditure Framework |
| OED | Operations Evaluation Department |
| OP | Operational Policy (Statement) |
| OPCS | Operations Policy and Country Services |
| CPAF | Common Performance Assessment Framework |
| PRS | Poverty Reduction Strategy |
| PRSC | Poverty Reduction Support Credit |
| PRSG | Poverty Reduction Strategy Grant |
| PRSP | Poverty Reduction Strategy Paper |
| PSOs | Private Sector Organizations |

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1.0 EXECUTIVE SUMMARY

The World Bank Rwanda Country Office undertook a three-day consultation review on conditionality across its partners – government, other development partners, the civil service organizations and the private sector. The review was undertaken on the 18th - 20th July 2007.

The main objective of the consultations was three-fold: (a) to review progress in the application of good practice for 2007 implementation report; (b) once again listen to borrowing countries in order to refine messages on conditionality; and (c) give voice to additional in-country stakeholders – especially the Civil Society and Private Society Organizations.

These consultations reflected well on the Bank in its efforts to create dialogue, learn what works and prepare to take “lessons-learnt” into the next generation PRSGs in order to serve its clients better. It was strongly felt that such consultations should be regular and cast its focus to the wider matrix of stakeholders in the development process. Where these consultations were being held for the first time, especially the CSOs, it was recommended that they be made regular. Apart from creating increased awareness of the Bank’s portfolio, these discussions created an important forum to build a coalition of ownership around the Government programmes. It brought into sharper focus, the Bank’s changed style in the way it conducts business with its clients.

The key messages centred on the following:

- a. That the Bank has a comparative strength in “analytical work” to support policy choices. That it has strength in the conduct of dialogue with government. The recommendation was that the Bank leverages this into an effective leadership and coordination role to support the Government programme;
- b. Progress has been made around the five (5) good principles and that the particular Rwanda context is equally conducive. It was generally felt that the Bank needs to go even further but carry everyone along;
- c. On the particular principle of a “reinforced ownership”, which underpins all other principles, the recommendation is to rally around a common Performance Assessment Framework to measure the performance of the Government programme, in the case of Rwanda, the EDPRS. This should be the basis upon which conditionality is driven forward through a select matrix of fewer triggers and benchmarks that are critical to the success of a Government programme.
- d. The common thread in the application of the five good principles is the issue of capacity. The Bank has to continue to support the creation of capacity across Government and other stakeholders. Also, in order to take a leading role of coordinating the dialogue between stakeholders to support a Government programme, the Country Office has to build its capacity first. While drawing on the excellent Washington resources on analytical work, the local Bank Office has to assume the responsibility to lead and coordinate the support around a Government programme. It has to lead in those sectors where it has comparative strength and stay involved in those other sectors that it has not traditionally had strong interest. The quality and adoption of any analytical work will be strengthened by a strong and wide involvement with key stakeholders; effective dissemination; a strong Monitoring and Evaluation; and increased understanding of Rwanda’s particular circumstances;

Finally, the consultative review on conditionality confirmed that progress has been made. It encouraged the Bank to go further in the application of the five good principles of reinforced ownership; harmonization; customization; criticality; and transparency & predictability. It was recognized that a strong partnership across the board, reinforced with internal capacity at the Local Bank office to lead and coordinate, will go along way in creating shared ownership for the Bank’s support to be even more effective. It was felt that the Bank’s Country Office has been re-energized and should be encouraged to go further.

2.0 BACKGROUND, OBJECTIVE AND METHODOLOGY:

2.1 BACKGROUND

The World Bank undertook a review of conditionality in its policy-based lending in 2005. The process included a set of wide-ranging consultations during the first half of 2005 with borrowers, donors, and other stakeholders. The resulting conditionality review paper proposed a set of good practice principles for the application of conditionality, which were adopted by the Development Committee in September 2005. A first progress report on the application of these good practice principles was discussed by the Board of Executive Directors in December 2006. During this discussion, several Board members requested that another progress report be prepared within 12 months and include substantive engagement with borrowing countries.

In line with the above, the World Bank Country Office in Rwanda organized consultations with three key groups of stakeholders to solicit input and comments on the review process. These included the Development Partners, the Civil Society and Private Sector Organizations as well as Government Institutions. The consultations were held on the 18th, 19th and 20th July 2007. The first consultations were held with Development Partners on the 18th July 2007 and hosted by DfID; the second consultations were held with the Civil Society Organizations (CSOs) and the Private Sector Organizations (PSOs) at the Country Bank Offices on the 18th July 2007. Finally, the last consultations were hosted at CEPEX with Government Institutions.

2.2 OBJECTIVE

The main objective of the consultations was three-fold: (a) to review progress in the application of good practice for 2007 implementation report; (b) listen (again) to borrowing countries (after the 2005 review) and refine messages on conditionality; and (c) give voice to additional in-country stakeholders – especially the Civil Society and Private Society Organizations.

2.3 METHODOLOGY

The consultations were held with the three (3) different focus discussion groups of Development Partners (Donors); Private Sector and Civil Society Organizations; and Government officials. Consultations were held on a different day for each group.

Further, the consultations were facilitated through key documents circulated with invitations (the executive summary – Review of World Bank Conditionality, a preliminary set of guiding questions to be discussed and a PowerPoint presentation by the Country Manager – clarifying further, the subject matter). The PowerPoint presentation by the Country World Bank Manager was followed by a question and answer session before the World Bank staff left the meeting to allow a facilitated consultation session by two World Bank consultants.

Discussion groups focussed on the set of questions organized along the five (5) good practice principles drawing on the recent policy-based empirical research by the World Bank. The five principles include: (a) Ownership; (b) Harmonization; (c) Customization; (d) Criticality; and (e) Transparency and Predictability. The question and answer sessions after the PowerPoint Presentation was intensely interactive and provided an opportunity for the World Bank to showcase its portfolio as well as listen to specific comments and advice.

The World Bank's only policy support grant to Rwanda is the Poverty Reduction Support Grant (PRSG). Three PRSGs have been prepared – one for each of the last three years - to support the implementation of the PRSP. A fourth PRSG is currently being prepared to support the first year of implementation of the EDPRS. It is expected that insights drawn from this review will inform the next generation PRSGs to support the EDPRS.

3.0 GUIDING PRINCIPLES – SUMMARY FINDINGS AND RECOMMENDATIONS:

3.1 PRINCIPLE 1 - REINFORCE OWNERSHIP:

There was a strong desire to see reinforced ownership of government programmes underpinned by widespread consultations and strong analytical work. It is generally the case that Rwanda's particular circumstances are unique. Government ownership of its programmes is generally perceived to be very strong and derived from its vision 2020. There is consensus that internal capacities to undertake or commission, exploit and widely consult on "analytical work" as policy drivers needs to be enhanced. On the other hand, the Bank and other stakeholders should draw from the Government's expanding capacity to articulate policy intentions and good track record on reforms to gauge the extent of ownership.

It was generally felt that any indications of lack of ownership across all stakeholders are linked to the problem of lack of capacity. Lack of capacity is across the board – Government, CSO / PSO, local donor offices including the Bank country offices. The often perceived lack of wide consultations is mostly a symptom of capacity constraints in a sea of competing priorities. Although earlier PRSPs were consulted on and owned by Government, there were perceived weaknesses on the timing and extent of the consultations, hence the perception on ownership.

The consultations around the EDPRS are sharply improved. It is largely a Government-driven process and stakeholders have been expanded to include Civil Society Organizations and the Private Sector. There is ample room however, to deepen the extent, timing and quality of these consultations in order to create enhanced and widespread ownership.

The extent to which the Bank unduly influences policy decisions is a perception issue and is linked to the overall ownership paradigm. As Government, CSOs and the PSOs increase their capacity to articulate own programmes through supported analytical research, this problem will increasingly fade. Policy choices should be supported by *enhanced analytical work* anchored in the country specificities.

As a result of the strength of the Bank in driving informed dialogue and referencing on its vast body of development experience, it is recommended that the Bank strengthens its country office to undertake leadership and coordination roles in support of an agreed Government programme. It should leverage its expertise and coordination role beyond those sectors that it has traditionally been involved in.

Finally, it was strongly appreciated that the Bank has made major progress in embracing the ownership paradigm in practice. Further, it was agreed that the Country Bank Office is increasingly effective in drawing-in other stakeholders for reinforced ownership. These two important strides need to be encouraged and supported with a new leadership and coordination mandate – especially on policy dialogue anchored in effective¹ analytical work.

3.2 PRINCIPLE 2 - HARMONIZATION:

It was generally agreed that an accountability framework existed to measure and inform on the extent of progress government makes in implementing its programmes. Until recently the PRSP 1 matrix has provided such a measurement tool. There was consensus also that it needed to be improved under the EDPRS to reflect more "ownership", more focus on the important areas, be more manageable and enforceable (especially on benchmarks) and be incurred in a Common Performance Assessment Framework (CPAF) around an agreed government Programme – the EDPRS.

The consensus was that if the CPAF is government-driven, widely consulted on, widely endorsed by key stakeholders and focused on "key success indicators"; it will then dramatically reduce transaction costs, ensure smooth implementation and sharply increase the strength of dialogue

¹ Effective analytical work requires that all stakeholders (Government, Development Partners, CSOs and PSOs) are consulted and own the outcome together. It further requires that the Country Office assumes a more visible role in leading and coordinating for a reinforced ownership outcome;

between Government and its partners on priorities and accountability. The strength of this dialogue has in the past been successfully tested mainly on issues of interpretation of when a policy trigger is met.

The key recommendation was to ensure wide involvement in the derivation of a Common Performance Assessment Framework to measure the EDPRS and the subsequent PRSGs to support it. The CPAF, once agreed upon should be the key document from which indicators / policy triggers and essential benchmarks are drawn to guide stakeholder dialogue on conditionality.

There is evidence to support the view that duplication, parallel structures, uncoordinated and less understood frameworks increase transaction costs across the board. According to the 2006 survey on monitoring the Paris Declaration, the World Bank in Rwanda needs to address in particular (i) the need to reduce the number of parallel project implementation units; (ii) the need to increase the degree of coordination of both analytical works and missions with other donors; and (iii) the need to make increased use of national PFM and Procurement systems, without imposing additional requirements which are burdensome and increase transaction costs. It was also felt that the Bank Support continues to bring with it significant transaction costs. It is felt that moving towards a lean and harmonized accountability framework solely based on the government programmes, especially the EDPRS will significantly lessen this problem.

3.3 PRINCIPLE 3 – CUSTOMIZATION:

There was consensus on lack of widespread evidence to support the view that the Bank is insensitive to particular country circumstances in its dialogue with Government. There was instead evidence to support the contrary. It was felt that whenever policy tensions develop as result of interpretation on conditionality and triggers, the quality and strength of dialogue supports parties to derive commonly agreed solutions. A case in point is the approach to the privatization of the tea sector, where government believed in investing first before the sell-off; the Bank came round to the government's viewpoint.

As earlier stated, the Rwandan circumstances are unique. Despite capacity constraints, most policies are Government-led and owned. In most cases, Government has gone further than expected in its implementation of a policy programme. Government policy choices are also supported by the Bank and the Fund through analytical work. The capacity to undertake analytical work in order to articulate policy options will remain a challenge that needs to be addressed in the long-term. As recommendation to fully reflect Rwandan priorities and circumstances, the analytical work has to be fully owned, widely consulted on and disseminated to the key stakeholders. It was felt that the size and ownership of the PRSP matrix should provide key lessons in the preparation of the EDPRS matrix. This matrix should include only those policy actions and benchmarks derived and critical to the EDPRS programme.

3.4 PRINCIPLE 4 – CRITICALITY:

There was consensus that prior actions and conditions for the PRSGs are derived from an agreed accountability framework. PRSGs are annual and hence aligned with Government budget. There was concern nevertheless that a risk existed where some benchmarks may be confused with prior actions. While policy benchmarks may not be as powerful as full conditions, they are still very influential and may constitute a form of conditionality. The Bank usually has to satisfy itself that there has been progress made towards the implementation of those benchmarks before loan disbursements. As a corrective measure, it was suggested that Government should take the lead in the setup of benchmarks aligned with its programmes and priorities. The weaknesses in the way conditions and benchmarks are set and enforced should be streamlined through an agreed Common Accountability Framework anchored in the EDPRS.

It was generally agreed that the use of conditionality in the PRSG is limited to actions critical for the results of the government's program. There is evidence that Bank conditionality focuses on

actions that are effective in bringing about anticipated results and consequently linked to recent conditions. The typical example given is the case of petroleum products and energy tariffs. In case of emergency bank conditionality focuses on actions that are effective in bringing anticipated results. It becomes a joint concern for the parties to find common solutions. The case in point is when a prior action is linked to a piece of legislative reforms. It may be the case that the condition is met when the Executive or Cabinet makes a decision and not when a decision is gazetted after being enacted through parliament. It was suggested that benchmarks should first be understood and agreed upon by parties involved, otherwise anticipated outcome would be invariably impaired.

It was generally felt that PRSGs are usually limited to critical actions for the results of the Government program since they are linked to the Government MTEF. There was a recommendation to move away from single-year measures towards multi-year programme indicators of performance. Furthermore, the inherent tension between a multi-year performance measurement and the normal practice of annual Government accountability through donor dialogue will be lessened through the adoption of a Common Accountability Framework, designed around an agreed Government programme such as the EDPRS.

As to how other actions contained in the policy matrix (actions that are not prior actions/conditions) are being used in the policy dialogue or if they are not seen as additional conditionality that influences disbursement decisions by the Bank, or if they serve as a broader descriptive framework for the government's program, it was felt that the use of benchmarks is selective and inconsistent. The DPOs felt that some benchmarks are sometimes ignored, because they are deemed less a priority by the Bank and Government. There are also instances when benchmarks take on the form of additional conditionality but are largely considered as broader descriptive framework for the Government.

There is acknowledged evidence that there has been progress on economic policy conditionality, with a reduction in number of prior action and triggers that specify economic policy reforms attached to World Bank support. It was felt that the Bank generally did not add additional policy conditionality outside the agreed policy framework. It was nevertheless felt that the Bank sometimes focuses its dialogue around only those sectors in which it has a strong interest sometimes to the detriment of others. This carries the danger of taking away the focus on the entire accountability matrix designed to support the broad Government programme.

It was recommended that the Bank consider three things in order to achieve an effective conditionality framework: (i) strengthen Rwanda's capacity to undertake quality analytical work to design and implement country-tailored policies; (ii) ensure careful and timely assessment as to when a country's commitment to a policy programme and the attendant institutional capacity is achieved; and (iii) ensure that the country fully owns the policy.

3.5 PRINCIPLE 5 – TRANSPARENCY AND PREDICTABILITY:

It was agreed that a regular cycle of performance review of the government's program linked to financial support by donors and the Bank's PRSG, exists. This is normally done through the Joint Budget Support Review (JBSR) and Budget Support Harmonization Group (BSHG) Meetings as well as the other joint reviews and assessments done by government, IMF and World Bank staff.

The review consultation concluded that performance reviews draw and reinforce the country's domestic accountability systems (budget reviews, internal feedback during policy making processes and implementation reporting to parliament). Furthermore, the Government's own annual retreat is a powerful performance review that enhances domestic accountability. It was recommended that it should be linked to the Common Accountability Framework once agreed. It was also admitted that reviews are conducive to predictable financial support as the PRSG support is aligned with the budget cycle and MTEFs. The PRSG support volume is announced in time to be incorporated into the budget. The move to front-loading should be encouraged.

It was agreed that review processes underpinning the PRSG promote results focus for achieving the government's poverty reduction objectives as PRSGs, PRSP and EDPRS - all supported by the Bank are intended to alleviate poverty in line with Rwanda's vision 2020.

4.0 CONSULTATION MESSAGES:

| Principle | Question | DPO | CSO PSO | GoR |
|---|--|--|---|--|
| Principle 1: Ownership: Actively reinforce country ownership by relying on clear evidence of ownership: | Was the PRSP program that the Bank supported under the first three PRSGs derived from policy processes that had ownership from a wide range of Rwandan stakeholders or were there indications of lack of ownership? | <p>Yes and No. There were consultations but the question is on how-wide spread the ownership and consultations were. There were indication of lack of ownership – the PRSP / PRSGs were seen as World Bank Driven;</p> <p>Any indication of “lack of ownership” are linked to capacity constraints to undertake and utilize analytical work in order to support policy formulation during the earlier PRSP processes;</p> | <p>Yes and No. There were limited consultations towards the end of the process. There were stronger indications of lack of ownership – the PRSP / PRSGs were seen as World Bank Driven;</p> | <p>Yes and No. There is a stronger feeling that there were sufficient consultations with key stakeholders.</p> <p>The feeling is that there were some policies driven by the Government and others unduly influenced by the Bank – especially in the extent of allocation of resources to particular priority sector programmes such as Health (Mutuelle de santé), Education (Tertiary Education as part of lower education) and the energy sector (the timing of a new tariff);</p> |
| | Is the EDPRS program that the Bank will support through future PRSGs being derived from policy processes that have ownership from a wide range of Rwandan stakeholders or are there indications of lack of ownership? | <p>Yes. The DPOs agreed that earlier weaknesses of the PRSP PRSGs are being addressed. The EDPRS is generally a consultative process drawing in widespread ownership;</p> <p>They feel the Bank should play an improved coordination and leadership role even in sectors where they have not traditionally been strongly associated;</p> <p>The focus should be on an agreed Government programme that all stakeholders subscribe to and commit to support;</p> | <p>Yes. The CSOs and PSOs believed the earlier weaknesses of the PRSP PRSGs are being addressed. The EDPRS is generally a consultative process drawing in widespread ownership;</p> <p>Indications of lack of ownership stem from insufficient involvement from the on-set when analytical work that underpins policy formulation is undertaken. This is further exacerbated by capacity constraints in the CSOs PSOs to participate effectively in the process;</p> | <p>Yes. There is consensus that the EDPRS is more inclusive and encompasses a wider consultation base – drawing in key stakeholders. However, there is more scope to cultivate enhanced ownership through deeper analytical work backed-up with stronger and effective dissemination.</p> <p>Ownership denotes capacity to take the driving seat. Being fully in-charge requires sufficient capacity to do so – which Government is steadily putting in place. Indications of lack of ownership not linked with capacity issues largely reflect those situations when the Bank places emphasis in some sectors and not in others that may not be completely aligned to country specificities – this usually ends in dialogue;</p> |
| | Has the Bank given adequate room for policy makers to develop their own policies and programs in the PRSP and the EDPRS to be supported under the PRSG? Is there evidence that policies and programs have been unduly influenced or even driven by the Bank? | <p>Ownership is stronger under the EDPRS than the previous PRSPs PRSGs;</p> <p>Some DPOs felt that the Bank agrees with Government on some areas of intervention to the exclusion of other donors and the particular sectors they support. The preference is for the Bank to exercise strong coordination and take responsibility for ensuring more inclusion in the support to policy formulation;</p> | <p>It was generally felt that there are instances where conditionality is accepted only to access needed funds;</p> <p>Consensus remains however, that any unduly influence exercised by the bank is considerably reduced by Government’s improved capacity to articulate and own its programmes;</p> | <p>There was consensus that any unduly influence exercised by the bank is considerably reduced by Government’s improved capacity to articulate and own its programmes;</p> <p>Government largely owns its programmes and in most cases goes further than the expectations of stakeholders. There may be instances of interpretation of priorities or completion points in case of policy triggers which are generally accommodated within the dialogue that exists between the Bank and government;</p> |

| Principle | Question | DPO | CSO PSO | GoR |
|---|---|---|--|---|
| | Is there evidence of donor or government analytic work helping with the process of policy formulation, or is there evidence of analytic work undermining existing processes of policy formulation? Is analytic work available early enough and fed into the government's policymaking process? | <p>It was generally felt that capacity to undertake quality analytical work in order to support informed policy decisions was widely lacking at Country level. There is also consensus on the strength of the Bank to undertake quality analytical work through its Washington head office. There is a perception that most of this work is not well disseminated, not widely consulted on and generally takes place between Government and the Bank head office without a strong local office role;</p> <p>It is strongly recommended that the Bank takes the leadership to ensure that policy is underpinned by quality research and wide consultation. The group welcomed the recent drive to strengthen local Bank office capacity to undertake this;</p> | <p>There was consensus on the extent of capacity constraints to undertake quality analytical work. This lack of capacity extends to the CSOs PSOs and Government;</p> <p>To deepen the role of CSOs PSOs, steps should be taken to extend ownership of Government programmes through capacity to commission and utilize quality analytical work. It was agreed that the CSOs PSOs need to take the initiative first and be supported;</p> | <p>Capacity to undertake analytical work for informed decisions is a key constraint that can only be addressed in the long-term;</p> <p>There is evidence also that when done by the Bank; this analytical work feeds early into the Government's own policy-making process. There is a desire that the entire analytical work process should be Government-driven and completely aligned to the agreed Government programmes;</p> |
| <p>Principle 2: Harmonization: Agree up front with the government and other financial partners on a coordinated accountability framework:</p> | Is there an agreed accountability framework (e.g., policy matrix) between government and the Bank for measuring progress under the PRSGs toward commonly agreed objectives? What was the Government's role in preparing the policy matrices under the last three PRSGs and the PRSG that is currently being prepared? | <p>Yes. There was a PRSP matrix to support measurement of progress under a succession of PRSGs. There is evidence that the EDPRS and the PRSGs to support it will have a framework to measure its progress. The Government's own annual performance retreat should heavily feed into the final EDPRS matrix;</p> <p>Nevertheless, previous PRSGs under PRSPs were measured against matrices not widely owned. Furthermore, it was felt that benchmarks and indicators of performance are sometimes irrelevant, seen to have been arbitrary set, some generally ignored by government and partially propagated in the dialogue that takes place between Government and the Bank in line with those sectors where the Bank is perceived to have a strong interest;</p> <p>There is a need to streamline the accountability framework into manageable, enforceable and effective set of indicators and benchmarks based on the agreed Government EDPRS programme;</p> | <p>There was no strong evidence except from the private sector, to support this. CSOs and PSOs welcome the drive to have a harmonized accountability framework – fully owned and enforceable. They decry the burden imposed by existence of accountability frameworks underpinned by unmanageable matrices (indicators and benchmarks);</p> <p>It was generally welcomed that under the EDPRS, there is a greater chance to achieve this. They emphasized the need to have a "common performance accountability framework" that all partners subscribe to and support;</p> | <p>Policy Matrices are based on the PRSP. The choice of indicators is derived from the PRSP matrix. The policy matrix is the single tool used to measure progress made by the Government towards agreed benchmarks.</p> <p>Nevertheless, there are instances when Government and the Bank disagree on the interpretation and measurement. A case in point is on privatization – when is the indicator met - When the procurement process is launched <u>or</u> when the entity is sold? When is a "prior action" met - When Cabinet makes a decision <u>or</u> when the legislature process is complete through the gazetting of a law such as "land reform law"?</p> <p>It was strongly felt that whenever there is divergence on issues of interpretation, subsequent actions taken by parties reflect the existence of a quality and strength of dialogue between the Bank and Government;</p> |

| Principle | Question | DPO | CSO PSO | GoR |
|--|---|---|---|---|
| | <p>Is the accountability framework harmonized across the donor community based on a policy framework provided by the government? Is aid coordinated and administered in a way that reduces transaction costs?</p> | <p>Yes and No. Harmonization can be better and should be improved under the EDPRS. Duplication, parallel structures, uncoordinated framework and less understood frameworks increase transaction costs;</p> <p>It was strongly recommended to move towards a lean and harmonized accountability framework solely based on the government programmes, especially the EDPRS;</p> | <p>The CSOs and PSOs believe accountability frameworks exist but insist on correcting ownership weaknesses. They recommend widespread dissemination and consultations to underpin the next common performance assessment framework under the EDPRS;</p> <p>The PSOs felt that aid is well coordinated under the DPCG framework;</p> | <p>At the moment this is not fully harmonized across all donors. A Common Performance Assessment Framework (CPAF) should be the next step as already agreed by the Budget Support donors and Government on the EDPRS. There are other Governments' experiences with CPAF to draw from in this regard;</p> <p>Yes. World Bank Support continues to bring with it significant transaction costs. According to the 2006 survey on monitoring the Paris Declaration, the World Bank in Rwanda needs to address in particular (i) the need to reduce the number of parallel project implementation units; (ii) the need to increase the degree of coordination of both analytical works and missions with other donors; and (iii) the need to make increased use of national PFM and Procurement systems, without imposing additional requirements which are burdensome and increase transaction costs;</p> |
| <p>Principle 3: Customization: Customize the accountability framework and modalities of Bank support to country circumstances:</p> | <p>Is there evidence that any particularly sensitive policy reforms (privatization, trade liberalization, price and subsidy reform, user fees) supported explicitly by the PRSGs reflects understanding by the Bank of Rwanda's circumstances and priorities?</p> | <p>Largely Yes. There are instances when Government priorities and approach to issues will differ sharply with the Bank's interpretation. A case in point is the approach to the privatization of the tea sector, where government believed in investing first before the sell-off, the Bank came round to the government's viewpoint.</p> | <p>Yes.</p> | <p>There was concurrence with the view expressed by the DPOs that in those instances when conditionality sharply differs with a key Government programme, the quality of dialogue between the parties underpins the eventual compromise and understanding e.g. the Tea sector or the tariff revision requirement in the energy sector.</p> |

| Principle | Question | DPO | CSO PSO | GoR |
|--|--|---|--|--|
| | Have particularly sensitive policy reforms (privatization, trade liberalization, price and subsidy reform, user fees) been backed up by analytic work and have different policy options been evaluated to ensure policies reflect Rwandan priorities and circumstances? | <p>Yes. The capacity to undertake and exploit analytical work is still in its infancy within Government and country bank offices. To fully reflect Rwandan priorities and circumstances, the analytical work has to be fully owned, widely consulted on and disseminated to the key stakeholders;</p> <p>It was felt that the size and ownership of the PRSP matrix should provide key lessons in the preparation of the EDPRS matrix. The matrix should include <u>only</u> those actions and benchmarks derived and critical to the EDPRS programme;</p> | The PSOs felt that the key Government reform programmes of privatization and trade liberalization have been undertaken with substantial ownership – in most cases Government has gone further than expected in furtherance of its goals. This is largely backed by analytical work support from the Bank and the Fund; | Yes. Policy reforms reflect Rwandan priorities and circumstances. However, the recurring problem is to do with internal capacity to undertake and exploit analytical work before articulation into policy; |
| Principle 4: Criticality: Choose only actions critical for achieving results as conditions for disbursement: | Are prior actions and conditions for the PRSGs chosen from an agreed accountability framework? | <p>Yes. PRSGs are one year and hence aligned with Government budget. There was concern however that a risk exists where benchmarks may be confused with prior actions. It was suggested that Government should take the lead in the setup of benchmarks aligned with its programmes and priorities. The weaknesses in the way conditions and benchmarks are set and enforced should be streamlined through an agreed Common Accountability Framework anchored in the EDPRS.</p> | No Comment. They believed this did not concern them; | Yes. Prior actions and conditions are generally drawn from an agreed accountability framework – in Rwanda, the PRSP 1 Matrix. While policy benchmarks may not be as powerful as full conditions, they are still very influential and <u>may</u> constitute a form of conditionality. The Bank usually has to satisfy itself that there has been progress made towards the implementation of those benchmarks before loan disbursements; |
| | Is the use of conditionality in the PRSG limited to actions critical for the results of the government's program? Is there evidence that Bank conditionality focuses on actions that are effective in bringing about anticipated results? Can we observe some results linked to recent conditions? | <p>Yes. But they recommended that benchmarks should first be understood and agreed upon by parties involved, otherwise any anticipated positive outcomes would be invariably impaired. It is true that PRSGs are generally limited to critical actions for the results of the Government program since they are linked to the MTEF;</p> <p>There was a recommendation to move away from single-year measures towards multi-year programme indicators of performance. The inherent tension between a multi-year performance measurement and the normal practice of annual Government accountability through donor dialogue will be lessened through the adoption of a Common Accountability Framework designed around an agreed Government programme such as the EDPRS;</p> | No Comment. They believed this did not concern them; | <p>Yes. The typical example given is the case of petroleum products and energy tariffs. In the case of emergencies bank conditionality focuses on actions that are effective in bringing anticipated results. It becomes a joint concern for the parties to find common solutions;</p> <p>The case in point is when a prior action is linked to legislative reforms. It may be the case that the condition is met when the Executive or Cabinet makes a decision and not when a law is Gazetted after being enacted through parliament;</p> |

| Principle | Question | DPO | CSO PSO | GoR |
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| | <p>How are other actions contained in the policy matrix (actions that are not prior actions/conditions) being used in the policy dialogue? Are they seen as additional conditionality that influences disbursement decisions by the Bank or do they serve as a broader descriptive framework for the government's program?</p> | <p>It was felt that the use of benchmarks is selective and inconsistent. The DPOs felt that some benchmarks are set but in some cases ignored because they are deemed less of a priority by the Bank and Government;</p> <p>There are instances when benchmarks take on the form of additional conditionality but are largely considered as broader descriptive framework for the Government;</p> | <p>No Comment. They believed this did not concern them;</p> | <p>In the Bank's context, conditionality denotes the set of explicit conditions upon which the Bank disburses under development policy lending. There is no doubt that progress has been made on economic policy conditionality, with a reduction in number of prior action and triggers that specify economic policy reforms attached to World Bank support. There is no evidence of cases where other actions (outside the policy matrix) have been added or included in the dialogue;</p> <p>It was recommended that for the Bank to achieve an effective conditionality framework, it needs to consider the following three things : (i) Strengthen Rwanda's capacity to undertake quality analytical work to design and implement country-tailored policies; (ii) Ensure careful and timely assessment as to when a country's commitment to policy programme and institutional capacity is achieved; (iii) ensure that the country owns the policy;</p> |
| <p>Principle 5: Transparency and Predictability: Conduct transparent progress reviews conducive to predictable and performance-based financial support:</p> | <p>Is there a regular cycle of performance review of the government's program that is linked to financial support by donors and the Bank's PRSG?</p> | <p>Yes. This is normally done through the Joint Budget Support Review (JBSR) and Budget Support Harmonization Group (BSHG) Meetings;</p> | <p>No Comment. They believed this did not concern them;</p> | <p>Yes. A regular cycle of performance review exists such as the JBSR and BSHG meetings. There are other joint reviews and assessments done by government, IMF and World Bank staff;</p> |
| | <p>Do performance reviews draw and reinforce the country's domestic accountability systems (budget reviews, internal feedback during policymaking processes, implementation reporting to parliament etc.)?</p> | <p>Yes. The Government's own annual retreat is a powerful performance review that enhances domestic accountability. It was recommended that it should be linked to the Common Accountability Framework that will eventually underpin the EDPRS;</p> | <p>No Comment. They believed this did not concern them;</p> | <p>Yes. This increases domestic accountability;</p> |

| Principle | Question | DPO | CSO PSO | GoR |
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| | <p>Are reviews conducive to predictable financial support? Is the PRSG support aligned with the budget cycle? Is the PRSG support volume announced in time to be incorporated into the budget?</p> | <p>Yes. Reviews increase the predictability of financial support as they trigger future disbursements based on assessed prior performance;</p> <p>The PRSG is prepared in alignment with the Government's MTEFs;</p> <p>The Bank PRSG is announced in time to be incorporated in the budget;</p> | <p>No Comment. They believed this did not concern them;</p> | <p>The Bank is relatively predictable in its disbursement of financial support with PRSG support being reasonably well aligned to the budget cycle, and announced in time to be incorporated into the budget. The move to front-loading should be further encouraged;</p> |
| | <p>Do review processes underpinning the PRSG promote results focus for achieving the government's poverty reduction objectives?</p> | <p>Yes.</p> | <p>No Comment. They believed this did not concern them;</p> | <p>Yes.</p> |

5.0 ANNEXURE:

5.1 PRELIMINARY LIST OF GUIDING QUESTIONS:

The preliminary list of guiding question was distributed to invited participants before the group sessions. To review them, please click here [Guiding Questions](#);

5.2 TERMS OF REFERENCE:

The terms of references for the facilitating consultants are available on this link [Consultants ToRs](#);

5.3 REVIEW OF WORLD BANK CONDITIONALITY – EXECUTIVE SUMMARY:

This document was distributed prior to the meetings with invitations to participants – see link [World Bank Conditionality Review – Executive Summary](#);

5.4 POWERPOINT PRESENTATION – BY COUNTRY MANAGER:

This introductory presentation was made to each participating group in a bid to set the context of ensuing discussions – see link [World Bank Country Manager Presentation](#);

5.5 LIST OF PARTICIPANTS:

This is the list of participants to the three sessions on 18th, 19th and 20th July 2007. Please see link [List of WB Conditionality Review Participants](#);