

TECHNICAL & FINANCIAL FILE

RWANDA DECENTRALIZATION SUPPORT PROGRAMME (RDSP): SUPPORT TO DISTRICT DEVELOPMENT PLANS (DDP)

RWANDA

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THE BELGIAN
DEVELOPMENT COOPERATION **.be**

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ABBREVIATIONS

BDC(s)	Business Development Centre(s)
BTC	Belgian Technical Cooperation
CB	Capacity Building
CD	Capacity Development
CD	Compact Disk
CDCs	Community Development Committees
CSO	Civil Society Organization
DBR	Development Bank of Rwanda
DCBP	District Capacity Building Plans
DDPs	District development plans
DEL CO	Delegated Co-Manager of the Project
DG	Directorate General
DGD	Directorate-General for Development Cooperation and Humanitarian Aid
DIP	Decentralisation Implementation Programme
DPSC	Decentralization Program Steering Committee
DSSP	Decentralization Sector Strategic Plan
DSWG	Decentralization Sector Working Group
EDPRS 2	The 2 nd Economic Development and Poverty Reduction Strategy
EKN	Embassy of the Kingdom of the Netherlands
ETR	End-of-Term Review
FDC	Fiscal Decentralization Committee
FDS	Fiscal Decentralization Strategy
FFDP	Fiscal and Financial Decentralization Policy
FONERWA	Fund for Environment and Climate Change
GiZ	German Development Agency
GMO	Gender Monitoring Office
GoR	Government of Rwanda
KfW	German Development Bank
HR	Human Resources
HRM	Human Resources Management
ICT	Information Communication and Technology
ICP	Indicative Cooperation Programme for the Rwandan-Belgian development cooperation
IFMIS	Integrated Financial Management Information System
JADF	Joint Action Development Forum
JSR	Joint Sector Reviews
LCF	Local Competitiveness Facility
LED	Local Economic Development
LG	Local Government
LGCCBP	Local Government Common Capacity Building Priorities
LGI	Local Government Institute

LLG	Lower level Local Government
LODA	Local Development Agency
M&E	Monitoring and Evaluation
MINAGRI	Ministry of Agriculture and Animal Resources
MINALOC	Ministry of Local Government (Ministère de l'Administration Locale)
MINECOFIN	Ministry of Finance and Economic Planning
MTEF	Medium Term Expenditure Framework (sometimes also called MTBF : Medium Term Budget Framework)
NCBS	National Capacity Building Secretariat
OAG	Office of the Auditor General
OSC	One Stop Centres
OSR	Own Source Revenue
O&M	Operation and Maintenance
PBG	Performance Based Grants
PME Division	Planning, Monitoring and Evaluation Division of LODA
PFM	Public Finance Management
PIZ	Provincial Industrial Zones
PPD	Public Private Dialogue
PPP	Public Private Partnerships
PS	Permanent Secretary
PSF	Private Sector Federation
RALGA	Rwanda Association of Local Government Authorities
RGB	Rwanda Governance Board
RDB	Rwanda Development Board
RLDSF	Rwanda Local development Support Fund
RDSF	Rwanda Decentralization Strategic Framework
RDSP	Rwanda Decentralization Support Programme
RDSP - ECD	Rwanda Decentralized Support Programme – Enhancing the Capacities of Districts
RRA	Rwanda Revenue Authority
RPPA	Rwanda Public Procurement Authority
RWF	Rwandan Franc
SC	Steering Committee
(M)SME	(Micro) Small Medium Enterprises
SNV	Netherlands Development Organization
SP	Sub Programme
SPIU	Single Project Implementation Unit
STE	Short-Term Expert(ise)
TA/NTA	Technical Assistance/National Technical Assistance
TFF	Technical and Financial File
ToR	Terms of Reference
TVET	Technical Vocational Education & Training
WB	World Bank

EXECUTIVE SUMMARY

Decentralization has been a key policy of the Government of Rwanda (GoR) since May 2000 when the National Decentralization Policy was adopted. A third phase of decentralization (2011 to 2015) is currently being implemented. This current phase focuses on consolidating past achievements in governance and service delivery, and on scaling up local economic development (LED).

The Governments of Rwanda and Belgium agreed that decentralization will be a key sector of development cooperation within the framework of the ICP 2011-2014. The ICP and the subsequent identification and formulation phases identified and validated that the Rwanda Decentralization Support Programme (RDSP) will be delivered through a coordinated and integrated programmatic approach with two interventions focusing on:

1. Institutional strengthening and enhancing capacities at the national and sub national level (RDSP-ECD)
2. Support to the implementation of District Development Plans (DDPs) with a focus on LED (RDSP-DDP)

Three strategic areas for the programme have been defined 1) capacity building, 2) LED and 3) sector coordination. An amount of 13.5 million € is foreseen as support to institutional strengthening and capacity building and 14.5 million € is foreseen to support to the implementation of DDPs.

The duration of the execution is 4.5 years including a 6 month preparation phase. The General Objective of the RDSP is: “To sustainably enhance the capacity of districts to deliver services and to support an enabling environment for LED in respect of best governance practice”

The Specific Objective (SO) for the RDSP is: “The efficiency and effectiveness of decentralization sector capacity building is sustainably enhanced at national and sub-national levels including LG capacity to develop an enabling environment for Local Economic Development”

The general and specific objective is common to both interventions. However, a more limited SO has been included in the TFF for the support to DDP. The RDSP results will be:

For Intervention RDSP-ECD:

1. Local Governments are supported through Locally Driven, Coordinated and Evidenced Based Capacity Building;
2. LGs capacity to plan, implement and sustainably manage capital development services and local economic development is enhanced;
3. Participation and Equality are strengthened in key decentralization processes;
4. The effectiveness of sector coordination mechanisms is enhanced through support to policy analysis;
5. Lessons learnt on capacity development and LED contribute to an evidenced based policy framework for decentralization;

For RDSP-DDP:

6. Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda’s Decentralization Strategy;
7. Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts
8. LODA Support Program and the DDPs are implemented in compliance with Rwanda’s PFM and Procurement regulatory framework;

A single framework is used to manage and monitor the two joint interventions, with a common baseline.

In delivering the results, the RDSP will follow a double track approach of supporting current strategies of MINALOC, its agencies and LGs, while, at the same time, supporting innovative pilot programmes (LED) and evolving organizational capacity development within the sector. While support to capacity building will be delivered throughout the timeframe of the intervention, it has been proposed that financial support to the DDPs will be provided in two fiscal years to avoid the fragmentation of resources. The funds foreseen for the Local Competitiveness Facility will cover the duration of the intervention. Capacity development will be delivered through supporting and strengthening existing capacity building strategies of the sector institutions combined with a mix of long term and short term technical assistance.

Belgium will actively participate in and support the decentralization sector coordination mechanisms and work closely with all relevant government and development partner stakeholders. - In this regard, Belgium signed recently a joint memorandum of understanding with the Government of Rwanda and existing development partners supporting LODA LED transfers to the LGs (KfW and the Embassy of the Netherlands) to enhance coordination in development partner's support and strengthen aid effectiveness in the sector.

The RDSP will be anchored at national and sub national levels. The Programme Coordination Unit (PCU) will be based in the MINALOCs Single Programme Implementation Unit (SPIU) with technical assistance anchored in RGB and LODA. RALGA will also receive managerial and technical support. At the subnational level, a specific focus will be on the implementation of innovative LED pilot initiatives through a Local Competitiveness Facility and significant capacity development resources (financial, human and material) have been allocated for this purpose.

As referred to above, learning lessons from both successes and challenges during the RDSP implementation will be an important aspect of the support. It is expected that lessons learnt will focus on: decentralization capacity building processes, focusing on improved results in terms of organizational performance; local ownership of demand driven capacity building; strengthening complementarities in public and private sector roles in LED, quality of service delivery towards the funding of public and private investments and the performance of the innovative economic partnerships on value chain development, implemented by the LCF.

ANALYTICAL RECORD OF THE INTERVENTION

Title of the intervention	Rwanda Decentralization Support Programme : Financial Support to the District Development Plans and fiscal decentralization through the Local administrative entities development agency (LODA) (RDSP-DDP)
Intervention number	NN 3014039
Navision Code BTC	RWA 13 090 11
Partner Institution	Ministry of Local Government LODA
Duration of the intervention	54 months of implementation (66 months for the Specific Agreement)
Date of starting of the intervention	2015
Contribution of the Partner Country	1,427,473 € estimated for the RDSP (ECD and DDP component) For RDSP-DDP, the annual budget of the GoR allocated to District (Rwf 75,050,104,009 FRW based on data for the FY 2014/15)
Belgian Contribution	14,500,000 Euros
Sector (CAD codes)	15112 – Government and civil society – Decentralization 15110 – Government and civil society – Public Politics and administrative management
Brief description of the intervention	Financial support to Local economic Development Plans and to decentralization process
Global Objective	To sustainably enhance the capacity of districts to deliver services and to support an enabling environment for LED in respect of best governance practice
Specific Objective	Specific Objective for RDSP (common with RDSP-ECD) The efficiency and effectiveness of decentralization sector capacity building is sustainably enhanced at national and sub-national levels including capacity to develop an enabling environment for Local Economic Development Specific objective for RDSP – DDP : The Districts capacity to develop a sustainable enabling environment for LED is enhanced through increasing non-earmarked resources and improved governance

<p>Results (RDSP – DDP only)</p>	<p><u>Result 6.</u> Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda’s Decentralisation Strategy</p> <p><u>Result 7.</u> Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts</p> <p><u>Result 8:</u> LODA Support Programme and the DDPs are implemented in compliance with Rwanda’s PFM and Procurement regulatory framework</p>
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1. SITUATION ANALYSIS

1.1. Decentralization

1.1.1. The Policy Context for Decentralization

Decentralization is enshrined in Rwanda's Constitution (Article 167) that reiterates that decentralized entities are the foundations of community development. The law determining the organization and functioning of the City of Kigali and the law determining the organization and functioning of the districts gives full effect to the decentralized functions, which buttresses efficient and effective service delivery and local development.

Decentralization has been a key policy of the Government of Rwanda (GoR) since May 2000 when the National Decentralization Policy was adopted. The main thrust of the policy was 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 process. The decentralization process is considered by the Government of Rwanda as an important mechanism to achieve economic development and poverty reduction, and all Millennium Development Goals (MDG). It is also a way to rebuild trust, give local people greater voice in the affairs of the state, increase transparency and maintain political stability—all of which were vital in post genocide Rwanda.

The government has phased the implementation of decentralisation in the country into three periods. The first phase (2001 to 2005) of the process stabilized democratic and community development structures at the District level and was accompanied by a number of legal, institutional and policy reforms, as well as democratic elections for local leaders which took place between 1999 and 2003.

The second phase (2006 to 2010) was conceived after a territorial restructuring in 2005, which considerably reduced the number of administrative entities (from 11 to 4 provinces, 106 to 30 districts, 1545 to 416 sectors, and 9165 to 2148 cells), and aimed at consolidating progress on national priorities, such as Vision 2020, and deepening the decentralization process by enhancing effectiveness in service delivery to communities.

The Rwanda Decentralization Strategic Framework (RDSF), adopted in August 2007, provided the basis for furthering the decentralization process from 2008 to 2012 in a comprehensive and coordinated manner. The RDSF outlines six Strategic Areas (SAs) to boost the decentralization process and further empower local government authorities. The six strategic areas are:

- Legal framework and Sectoral Decentralization
- Service Delivery
- Fiscal and Financial Decentralization
- Capacity building
- Local Economic Development
- Volunteerism, Participation, Accountability and Democratization

A third phase of decentralization (2011 to 2015) is currently being implemented. This new phase focuses on consolidating past achievements in governance and service delivery, and on scaling up local economic development. The Government's template for this phase is the Five year Decentralization Implementation Programme (DIP), which builds on the RDSF strategic areas, which are considered as key for further development of the Rwanda Decentralization agenda.

There are currently two major new strategies impacting on decentralization going forward, namely, the Economic Development and Poverty Reduction Strategy II (September 2013) and the Governance and Decentralization Sector Strategic Plan (2013/14 – 2017/18)

1.1.2. Decentralization and the Economic Development and Poverty Reduction Strategy (EDPRS 2)

The Economic Development and Poverty Reduction Strategy (EDPRS 2) is the medium term plan for achieving Vision 2020 and the Millennium Development Goals, covering the period from 2013 to 2018. EDPRS 2 aspires to attain a better quality of life for all Rwandans through a combination of rapid economic growth of 11.5% per annum and accelerated poverty reduction to a poverty level of below 30% by 2018. The strategy is underpinned by 4 key thematic priority areas. These are:

- Economic Transformation
- Rural Development
- Skills development and Youth employment
- Accountable Governance

Under EDPRS 2, the focus for decentralization is on the following strategic areas:

- Building fiscally stronger Local Governments through locally owned Local Economic Development (LED) strategies;
- Deepening participatory, democratic and accountable local governance systems ;
- Building capacity for effective local service delivery and ensuring efficient services delivery through further sectoral decentralization;
- Leveraging regional integration to expand opportunities for youth employment creation, local economic empowerment, cross-border trade and security ;
- Consolidating national unity, cohesion and peace through resilient, synergetic local systems;
- Using ICT to deliver services efficiently and effectively, increasing citizen's empowerment through participation, as well as promoting transparency and accountability.

In addition, the EDPRS 2 also points at the need to strengthen the mainstreaming of crosscutting issues in all sector strategies and district plans. These include capacity building, environment and climate change, gender and family, and HIV/AIDS and non-communicable diseases.

The Decentralization Sector largely contributes to Accountable Governance theme of EDPRS 2 (2013 - 2018); however, it cuts across all other thematic areas and provides an enabling environment to all other thematic areas. The table below shows how the Decentralization Strategy will contribute to all the thematic areas of EDPRS 2. As such, the decentralization policy has to contribute to the EDPRS 2 goals through improved service delivery and sustainable LED.

1.1.3. Decentralization and the Governance and Decentralization Strategic Plan (2013/2014 – 2017/18): Signposting the way forward

Although the Governance and Decentralization Sector Strategic Plan (2013/14 – 2017/18) has not been formally adopted, the most recent draft available indicates that the focus for the decentralization sector over the period 2013/14-2017/18 will be the six areas as follows with the corresponding outcomes:

Thematic Outcome of EDPRS II	Sector Priority (DIP key area)	Sector Outcome
Accountable governance	Legal Framework and Sectoral Decentralization	Coherent and harmonised decentralized structures, policy guidelines and laws to improve the effective implementation of decentralization.
		Sectoral Ministries, Departments and Agencies operational frameworks harmonized with decentralization policy and principles.
Rural Development, Accountable Governance	Service Delivery	Increased efficiency and effectiveness in service delivery by Local Governments
Economic Transformation, Rural Development, Accountable Governance	Fiscal and Financial Decentralization	Efficient and financially autonomous Local Governments for sustainable development are enhanced.
Rural Development, Accountable Governance	Capacity Building	Capacity building interventions are harmonized, well-coordinated and demand driven to address local needs.
Economic Transformation, Rural Development, Youth employment and productivity	Local Economic Development	Creating vibrant local economies that are attractive to investments and skills
Accountable Governance	Volunteerism, Participation and Accountability	Enhanced volunteerism, bottom up accountability and Citizens participation and democratization

Figure Thematic Outcomes of EDPRS II linked to sector outcomes expected from the DIP

1.1.4. Legal Framework and Sectoral Decentralization

The challenges of the legal framework and sectoral decentralization lie in 2 aspects:

Decentralization has resulted in a large number of responsibilities being devolved to Local Governments, specifically district level that has resulted in district structures being overstretched. The next phase will see amendments to the legal and regulatory framework that will allow for further delegation of activities to sub-District entities, particularly cell and village level. The intention is to give time and space to Districts to execute what is retained at their level, while effectively planning, monitoring, supporting and coordinating the lower levels of local government (sectors, cells, and villages). This will require adjustments in LGs organizational structures, roles and functions, staff numbers and functional linkages between Central Government and Local Government.

Sectoral decentralization is being undertaken differently depending on the sector and specific service or function. Some sectoral agencies have established direct presence at district levels, but others have not integrated into LG systems. Sector ministries are to be provided with guidance on decentralization and how to effectively integrate into the LG system. The most critical issue in sectoral decentralization is that decentralized mandates are fully financed with matching fiscal transfers from the central government; otherwise services cannot be effectively delivered by the LGs.

1.1.5. Service Delivery

Service delivery quality is closely linked to feedback through mechanisms such as the Rwanda Governance Scorecard and Rwanda Citizen Scorecard. The Rwanda Seven years Government programme (2011-2017), launched by the Office of the Prime Minister (October 2010) has set a target

of service delivery satisfaction at 80%. According to the 2012 governance scorecards¹, service quality are steadily improving (a progress of 4% was observed in the 2010-2012 period). Further improvements are to be achieved through institutionalizing Citizen report cards and Community Score card mechanisms, and developing service delivery charters for decentralized services. The goal is also to improve service delivery through further modernization of how services are delivered, linked to the use of Information Communication Technologies (ICTs).

1.1.6. Fiscal and Financial Decentralization

There have been significant improvements in financial capacities at district level with earmarked transfers increasing from RwF 38.9 billion in the FY2006/07 to RwF 102.6 billion in the FY 2010/11 fiscal year. 10% of the annual State budget is transferred to the districts through the Local Administrative Entities Development Agency (LODA). A full set of measures were taken in order to implement effectively the national policy, including a transparent and equitable transfer mechanism from the central government to the Districts. On average, the annual District budget amounts to RwF 10 billion, including local own revenue that still remains very low, especially in rural areas.

As an example, the following table shows the main sources of revenues for the district of Bugesera. The District budget is funded by five different sources, namely block grant (operating costs), earmarked transfers, own revenues, transfers from other GoR agencies and external grants. The District revenue generation amounts to 11.5 % of the district's total budget in 2012 - 2013. Earmarked funds make up the majority of district funds.

DISTRICT	FUNDING TYPE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
Bugesera	Total	10,536,814,376	10,124,074,957	10,838,593,122
1	Block Grant (Districts)	1,068,889,098	1,269,195,749	1,480,657,436
2	Earmarked Transfers (Districts)	5,938,930,242	7,025,649,354	7,445,737,173
3	Own Revenues	1,214,783,429	737,043,429	805,759,981
5	Transfers from other GoR Agencies	1,602,479,415	867,188,387	881,124,004
8	External Grants	711,732,192	224,998,038	225,314,528

Source: Budget framework paper, MINECOFIN 2012

The institutional processes were also strengthened including the use of integrated financial management system to prepare and execute the budget of local governments in 2010/11. In the 2012/2013 financial year, government put an end to inter-entity transfers and all funds for activities to be spent in districts are to be transferred directly to Districts.

Despite these achievements, there is still a need to address a set of issues with the view to providing Local Governments with adequate resources. In that respect, a new Fiscal Decentralization Strategy (FDS) was adopted in May 2011. Specifically, this strategy aims at consolidating the inter-governmental fiscal transfer system, increasing revenue mobilization by LGs and strengthening local capacity in planning & financial management and financial control at all levels.

1.1.6.1. Participation, Accountability and Democratization

Participation is a key component of the decentralization policy in Rwanda. Since 2001, Rwanda has been promoting citizen participation by establishing multi-actor platforms called Joint Action Development Forum (JADF). A JADF is used for planning and monitoring, promoting cooperation

¹ The Rwanda Governance scorecards 2012 were published in August 2013

between the private sector, civil society and the public sector to advance development at the local level. In 2007, after initial small scale experiences in some districts, the use of JADF was made official policy.

JADF is now installed in all 30 districts and 416 sectors of Rwanda. JADF has helped to distribute activities better, avoid duplication and make development interventions more effective and efficient. Various organizations – most notably the Rwanda Association of Local Government Authorities (RALGA) and the Netherlands Development Organization (SNV) – have supported the set-up and functioning of the JADF. However, JADF's organizational capacity requires further support.

JADF still has limitations in terms of coordination, cooperation and funding. The civil society and private sector are under-represented or fail to participate meaningfully. There is a need to strengthen its capacity in some areas such as LED and to further promote local partnerships among the private sector, civil society and the public sector.

An analysis of Capacity Building and Local Economic Development is made in section 1.2 and 1.3.

1.1.7. Role and Mandates in the Decentralization Sector

The institutional framework of decentralization in Rwanda is based on an “agency-model” which includes the transfer of responsibilities for policy implementation to agencies affiliated to the Ministry of Local Government (MINALOC).

1.1.7.1. MINALOC

MINALOC is the ministry in charge of the decentralization reform implementation. As such, it has a responsibility to steer and coordinate the decentralization process within government institutions and to ensure appropriate involvement of key stakeholders, such as development partners, and representatives of local governments and the civil society. It chairs the DPSC and the DSWG.

Regarding CB, MINALOC has the major role of establishing guidelines governing all the stakeholders in the CB of the decentralized entities. It is responsible for granting the necessary permissions to all the partners willing to intervene in the field of CB at the decentralized level.

MINALOC is therefore the institutional partner for the Belgian support to decentralization. MINALOC has several agencies under its oversight that are responsible for policy implementation: RGB and LODA.

1.1.7.2. Rwanda Governance Board (RGB)

The Rwanda Governance Board was established in 2012 through the merger of the National Decentralization Implementation Secretariat and the Rwanda Governance Advisory Council. It was created to promote the principles of good governance and decentralization, to monitor the practices of good governance in public and private institutions, and to conduct research related to governance to achieve good service delivery and sustainable development.

RGB has been given a role in the follow-up of the Decentralization Implementation Program. The Decentralization Department in RGB serves as the DPSC's secretariat. RGB is also responsible for ensuring coordination of capacity building for local administrative entities.

The program funded by Belgium will support RGB in its mandate to contribute to an effective implementation of the decentralization process. Support to RGB for monitoring the decentralization process, improving decentralized service delivery and promoting citizen participation & accountability will be considered. In particular, RGB will be a key partner with regard to CB activities.

1.1.7.3. The Local Administrative Entities Development Agency (LODA)

The LODA is a government fund under the supervision of MINALOC established by law that provides

the financial support to local government development activities. LODA is managing funds from the government and development partners for the financing of District Development Plans (DDPs), through both capital investments and social protection programmes.

LODA is responsible for the application –and if necessary for the revision of the allocation mechanism for the multipurpose grant (non-earmarked transfers from central government) and for the sector grants passing through LODA (earmarked funds). These grants are currently based on a formula including 3 criteria: population, poverty incidence and geographical coverage. According to the Law, the funds have to be distributed equitably. The multipurpose grant is seen as an equalization mechanism to compensate fiscal disparities across sub national entities.

1.1.7.4. RALGA

The Rwanda Association of Local Government Authorities was legally registered in 2003 as a non-governmental organization (<http://www.ralgarwanda.org/about-us/article/statute>). As a membership organization, RALGA is mandated to represent and advocate for the interests of the LGs. The organization has played an active role in supporting Districts in gender mainstreaming, LED, voice and accountability and human resource development. It undertakes research, promotes experience sharing, and the adoption of tools and methods to capture best practices. In this way it assists the GoR to monitor policies and implement strategies in the decentralization sector.

The organization intends to establish a “Local Government Institute” where it will work closely with MINALOC and its agencies in designing curricula and other tailor made courses for LG staff and officials. RALGA has up until the current period been dependent on the support of Development Partners’ (DP) to be able to implement its Strategic Plans. However, the institution plans to achieve its financial independence for greater sustainability.

1.1.7.5. District Councils

Districts are the principal entity in the decentralized administration. They are by law autonomous administrations. Their main mandate is to implement government policies, cooperate with the sector-level for the delivery of services and to work in the elaboration, coordination and implementation of development programs. Districts are often incorrectly viewed as implementing units from the central government perspective but at the local level their role is essential in the construction of the decentralization process. The centralistic view does not take due consideration of their legal autonomy. Three organs compose the district politics: the District Council, the executive committee and the security committee. The executive committee is in charge of implementing the decisions taken while the Council monitors the executive committee activities. The executive secretariat manages the technical activities of the district in result of the decisions taken in the Council.

The districts use district development plans, district annual action plans and district performance contracts to organize the implementation program. The district development plans set the priorities and coordinate action between the different actors involved in development activities in the district. These plans are aligned to national level policies such as the Rwanda 2020 Vision, the EDPRS, and the MDG. The district annual action plan is a mechanism in which the approved annual budget activities based on the DDP are managed. The district performance contract (Imihigo) as stated previously is a tool used to increase performance with set goals to attain.

1.1.7.6. JADF

The Joint Action Development Forum (JADF) is a co-ordinating instrument for promoting inclusive development planning and monitoring, promoting cooperation among the private sector, civil society and public sector to advance development at the local level. It is designed to create an opportunity for people to participate in the local development process. JADF’s mandate addresses issues such as gender equity, social inclusion of marginalized groups (including people living with HIV) and

environmental sustainability.

JAFD have set up economic commissions that will serve as LED forum at District level.

1.1.7.7. Development Partners and Decentralization

There are a number of development partners involved in the area of decentralization, and the proposed intervention will need to harmonize with other DP interventions to ensure the most efficient and effective deployment of resources. The key Development partners and their current decentralization activities are shown in Appendix A. The development partners whose activities most closely articulate with the RDSF are KfW, GIZ and the Netherlands.

KfW have been providing financial support to districts for local infrastructure projects through LODA, and financial support for consultancies and institutional support with the view to improving the quality of local projects. GIZ have been providing support for District Capacity Building plans and support to Civil Society Organizations in order to increase citizen participation, and local government accountability. The Netherlands have been contributing to the financing of local infrastructure projects through LODA and will most likely continue to provide support for LED.

The RDSP will work closely with the above mentioned development partners through the Decentralization Sector Working Group (DSWG) and the development partner coordination structures.

1.2. Local Economic Development

1.2.1. LED Policy Paradigms and Alignment

Local Economic Development has been given a strong emphasis in the 3rd phase of decentralization (2011 -2015) with local governments being given a central role to plan and implement Local Economic Development (LED) in partnership with the private sector and civil society.

Policy direction on LED has been set out in National Strategy for Community Development and Local Economic Development (Jan 2013) whose key orientation is to bring the policy and practice of community development and Local Economic Development (LED) under a single policy objective namely:” To promote inclusive local socio-economic development and poverty reduction in Rwanda”. Given the specific Rwandan context, the policy attempts to grapple with the often conflicting paradigms of community development and Local Economic Development. To deal with this dilemma, a conceptual framework has been developed based on 3 pillars as set out in detail in the Table A below, namely: (i) Community Development, (ii) Local Economic Development and (iii) Support Systems for Community Development and Local Economic Development.

Drawing on international practice, LED’s purpose in the policy is defined as “to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”.

LED is further described as a process by which local actors within a defined territory “get together to

- (i) analyse their economy,
- (ii) establish where its competitive advantages lie, and
- (iii) take actions to exploit business opportunities and improve the environment for business within the locality”

The policy is oriented towards both market led (Value Chains, Business Enabling Environment) and pro-poor approaches (Participation of Women, Children and socially marginalized groups).

PILLARS	STRATEGIC OBJECTIVES	OUTPUTS	
Community Development	1. Enhance community empowerment and citizen participation	OP 1.1	Decentralisation process Deepened
		OP 1.2	Increase Local Community Empowerment
		OP 1.3	National and Local Community Development Agendas are set and understood by the community
Local Economic Development	2. Improve local capacity for sustainable economic growth through MSME growth and job creation	OP 2.1	Awareness and Buy-in of Stakeholders is achieved and Capacity Building for LED is developed and implemented
		OP 2.2	Districts are LED-ready: Business Enabling Environments are enhanced
		OP 2.3	Participation of women, youth and other socially marginalised groups in LED are promoted
		OP 2.4	Develop and deepen the Value Chain approaches to strategic economic sectors
		OP 2.5	Secure sustainable sources of funding for LED
Support Systems for Community Development and LED	3. Enhance Human Capital and skills	OP 3.1	The institutional framework for skills development is enhanced
		OP 3.2	Community capacity and skills are enhanced
	4. Develop appropriate economic infrastructure and ICT	OP 4.1	Infrastructure to support LED and CD is improved
		OP 4.2	National policies for rural and urban settlement are implemented
		OP 4.3	Effectiveness of Information and Communications Technology (ICT) infrastructure, skills and use are enhanced
	5. Increase service delivery in public and private sector	OP 5.1	Partnership in service delivery between Lgs and communities is improved
		OP 5.2	Transparency and accountability strengthened and Citizens participate to express views on local services
	6. Ensure a coordinated policy institutional and regulatory framework for CD and LED	OP 6.1	Current national policy, institutional and regulatory frameworks are examined and adjusted for consistencies and inconsistencies with the National Strategy and Action plan for CD and LED
		OP 6.2	Coordination framework for implementing the national strategy for CD and LED is established and supported
OP 6.3		Participation and partnership in Planning, Implementation, Monitoring & Evaluation of LED and CD is promoted	

Figure:3: Schema: Rwandan National Community and Local Economic Strategy (January 2013)

The **draft Governance and Decentralization Sector Strategy 2013/14 – 2017/18** (September 2013) notes the progress that has been made in LED during the second phase of decentralization through various national initiatives in both social protection and infrastructure initiatives. The policy acknowledges that these “LED” initiatives were nationally defined initiatives, and calls for “the coordination of the different activities at local level to be improved”. The policy laments the inadequacy of tools “to do participatory diagnosis, identify opportunities for private and public investment, formulate plans of action and develop partnerships to take up these opportunities and help establish mechanisms to link investors to financial institutions and business development services”. Outcome 6 for LED is described in the draft strategy as “Creating vibrant local economies that are attractive to

investments and skills”. The policy defines 5 outputs related to LED:

- Community and Local Economic Development strategy is developed and Implemented;
- LED action plan for each District is developed and implemented,
- Public-private partnerships to attract, retain and facilitate private capital investments especially in rural areas and strategic sectors are promoted,
- Access to finance forums are established and operationalized in Local Governments
- Local development, land use and settlement planning is integrated and coordinated

The revised Decentralization Policy (2012) marks a growing shift towards a market led approach to Local Economic Development.

The Decentralization policy defines LED policy actions:

- Districts to identify their “resource endowments” and profile them for investors
- The development of District Local Economic Development Strategies including specific programs and action plans;
- Local entrepreneurship and youth employment creation by providing opportunities (e.g. maintenance work)
- Build local infrastructure capacity, including Information and Communication Technologies (ICTs) in all districts
- Promote public-private partnerships to attract private capital investments especially in rural areas and strategic sectors.

The adopted **Economic Development and Poverty Reduction Strategy 2013 - 2018** (EDPRS 2 – September 2013) marks an even greater shift to market led responses to drive growth and poverty reduction in Rwanda. The strategy defines a number of key priorities in each theme that have significant implications for LED policy and practice in Rwanda at district and local level going forward.

In terms of the Economic Transformation thematic priority, and as part of Priority 1: increasing the domestic interconnectivity of the Rwandan economy, Outcome 1.3 is defined as “Increased private sector investment targeted at strengthening value chain inter-linkages”. The Strategy calls for increased inter-linkages between large firms and suppliers in priority sectors. This includes encouraging the private sector to invest in the Agro- processing sector and for the establishment of a grants based “Business Linkages Challenges Fund” to be established to support large businesses to strengthen linkages with SMEs². The strategy also calls for a supplier development programme in the hospitality, tourism, retail, construction services, agribusiness and mining sectors led by the RDB to be established.

Under the Economic Transformation theme, Priority 4 is described as: Transforming the economic geography of Rwanda by facilitating urbanization and promoting secondary cities (Huye, Muhanga, Musanze, Nyagatare, Rubavu, Rusizi) through hard and soft infrastructure, and strategic economic projects.

In the Rural Development thematic, under Priority 2, “Increasing the productivity of Agriculture”, the strategy identifies the need to increase productivity of agriculture by connecting farmers to agribusiness through contract farming, nucleus estate farming and consolidated land rental model.

² See 1.1.3.2

Under the Productivity and Youth Employment Theme, Priority 3 aims to “stimulate entrepreneurship, access to finance and business development by increasing off farm employment, productivity and new job creation driven by the private sector”. The policy envisages integrated business development services linked to grants and loans, and a greater role for Business Development Centres (BDC) at the district level in providing business incubation, training and mentorship. As part of Outcome 3.3 Better Linkages between large firms and small firms, the policy envisages interventions to “establish supply chain linkages between large firms and local MSMEs”.

1.2.2. Current LED Actors and practice

Given its multi-stakeholder and multi-faceted dimensions, there are many actors that could be said to be engaging in LED in one form or the other. But in terms of agencies with a specific mandate to promote LED at the district level in Rwanda currently, these are the Rwandan Local Development Support Fund (LODA i.e. ex-RLDSF) and the Rwandan Association of Local Government Authorities (RALGA).

1.2.2.1. LODA

The LODA has a specific mandate in LED, and the transfer of funds to districts for local economic development is now a key element of the work of LODA, which is carried out by the LED Division. PME and corporate services of LODA are deeply involved in the follow up and the reporting of LODA activities in LED.

The 5 year LODA Strategic Plan (2012 – 2017) identifies the LED Strategic Objective (SO3) as: Local Economic Development is advanced in all sectors and local development is coordinated to achieve strong economic capacity.

The specific results and outputs identified around the LED Division are as follows:

- Co-ordinating the implementation of the National LED strategy through establishing structures including a National LED steering committee, and LED Technical committees at district level.
- Capacity building materials to be disseminated and LED facilitators to be selected and trained to implement capacity building at the local level and with non-government organizations.

While MINICOM is entitled to promote Public Private Partnership mechanisms, LODA has a role to play in promoting local government access to private financing, including through the development of public-private partnerships.

- Facilitate districts to develop their own plans and budgets and to identify key partners so as to improve awareness of LED and buy-in from communities;
- Development projects to be financially and technically supported in Districts and the City of Kigali to enhance Local Economic Development ;
- Improve monitoring and evaluation, including through revising regulatory instruments and assessing institutional effectiveness;
- Developing partnerships with institutions that promote LED expertise in order to improve the available human capital for LED;
- The support to urban local governments to address the specific needs and development of towns within districts;
- Implementation of ICT deployment and sensitization coordinated.

Results	Outputs
National LED Framework is operational	Policies and regulations to support LED are revised.
	LED (National) Steering Committee is established
	LED technical Committees established
Promote local government access to private financing (PPP)	LG financing leverage increased through private financing
	Strategy for public-private partnerships implemented
	Job creation mechanisms developed and implemented
LED Capacity is Strengthened	LG Capacity for LED is enhanced
	LED Capacity for Non- government sector LED actors is enhanced
District Plans developed	District LED potentialities identified
	District LED plans implemented
Developing partnerships with institutions that promote LED expertise	LED partners in districts identified
	Human capital to support LED improved
The creation of urban local to address the specific needs and development of towns within districts,	No of Urban LGs created
Socio-Economic infrastructure Projects supported	No of socio economic projects supported

Figure: Schema from 2012-2017 LODA Strategy: LED Division

A significant portion of the LED Division’s budget is allocated to the earmarked funding of capital development projects part of the District Budget as per the current Budget law. These are in the main socio-economic projects that relate to the following sectors and typologies: Agriculture and Livestock, Energy, Water and Sanitation, Studies and projects supervision, Income generating projects, Administrative Infrastructure, Education Infrastructure, Health Infrastructure, Transport Infrastructure and Environment Protection based on LED potentialities

The key focus of the LED division in the foreseeable future will be to continue to support basic infrastructure development. The LODA has however also begun also to fund “income generating” projects identified by districts including enterprise infrastructure such as abattoirs, shopping malls linked to modern markets. Although this public sector driven approach to enterprise development has been challenged in the revised Decentralization Policy of 2012, there is still a strong perspective from public officials that districts should continue to invest in enterprise infrastructure to “show the private sector what is possible”. The current practice then involves leasing the facility to a private sector operator through a public procurement process and contract.

Experience from both South Africa and Ethiopia indicates that the direct financing of enterprise infrastructure that is then owned and managed by Local Government or the respective implementing sector departments has seen very poor results in terms of both commercial sustainability or the utilization and maintenance of the facilities. There are numerous problems with the model that relate to market feasibility, the absence of private sector risk and ownership, and the location and specifications of the infrastructure. In many cases the investments prove to be white elephants that in effect constitute “wasteful and fruitless expenditure”.

An alternative approach is to look at an instrument that involves mitigated risk sharing on the part of the private sector. This will be an important element of the proposed LED LCF pilot intervention going forward. This approach will provide a specific fund instrument to address a number of areas requiring

strengthening in LED approach and practice, which have been identified in approved national policy, strategies and plans, including amongst others:

- The lack of practical tools to identify opportunities for private and public investment or to develop partnerships to take up opportunities as defined in the Decentralization Implementation Plan ;
- The emphasis placed in the Rwanda National Strategy for Community Development (CD) and Local Economic Development (January 2013) that employment and wealth should be created by private enterprises and productive public-private partnerships.

The priority placed in the Rwanda Economic Development and Poverty Reduction Strategy EDPRS 2 (September 2013) on the development of the private sector, particularly with regard to the promotion of off farm enterprise development and job creation. In this regard, the strategy identifies the need to promote partnerships between larger established private sector enterprises and small firms (SMMs/Co-operatives) through inclusive Supply and Value Chain development in various economic sectors including agro-processing, tourism, manufacturing, industry and services.

1.2.2.2. RALGA

RALGA has already begun developing training modules to be applied in Rwanda. These modules shall be approved by MINALOC/LODA. The strategy for LED capacity building is a practical one. It includes development of capacity building manuals, development of “Train the Trainers” materials, and delivery of the initial sets of training programs for LED coaches and LED practitioners as well as LG authorities. RALGA has produced an LED Quick guide for LED districts and practitioners which covers LED in the Rwandan context, an Understanding of LED, based on the Hexagon of LED (Mesopartner, 2005), Strategy development, Participatory Appraisal of Competitive Advantage (PACA) (Mesopartner) LED Strategy and Monitoring and Evaluation.

In the field of LED, RALGA also organizes an annual inter-District competition to encourage members to initiate and participate in development ventures through the models and examples shared. The theme of RALGA's 4th Innovation day in 2012 was Local Economic Development. The focus was on innovative interventions by districts in order to enhance the local business enabling environment and foster local economic development. A Local Government Innovation Magazine produced in 2013 highlighted the 5 LED best practices identified.

RALGA has also established Technical forums as a means of promoting peer learning amongst districts. The focus has been on the technical posts of Executive Secretary, finance and planning. RALGA intends to extend the forums to include Technical staff on LED. RALGA also organizes study tours as part of its peer learning methodology. These are areas that will be taken forward in Result Area 3 of the intervention.

1.2.3. Role of Main Public Economic Agencies and private stakeholders

There are a number of public agencies in the economic sector that are not part of the decentralization sector, but will have an important role to play, particularly with the broadening of the focus to include private sector involvement and enterprise development.

1.2.3.1. Rwandan Development Board (RDB)

The RDB is the government agency charged with fast tracking economic development in Rwanda by enabling private sector growth. The scope of their work includes all aspects related to the development of the private sector. This involves working with and addressing the needs of companies of all sizes (large, SMEs) and both local and foreign investors. The RDB was set up by bringing together all aspects relating to investment including business registration, investment promotion, environmental clearances, privatization and specialist agencies which support the priority sectors of ICT and tourism

as well as SMEs and human capacity development in the private sector.

According to an interview with the a senior official in the Rwanda Environmental Management Agency (REMA), the RDB also has the mandate to process all Environmental Assessment applications on behalf of both government and private investors.

According to that role of RDB, LODA should work with RDB towards identifying investors and linking them to potentialities at the district level, as well as supporting the development of private businesses³. Since RDB is also responsible for the regulatory framework for Public Private Partnership's, RDSP will collaborate closely in the design of the Local Competitiveness Facility (LCF) to be implemented under Result 7.

The RDB has recently established Business Development Centres (BDC(s)) and One Stop Centres (OSC) at the district level. These are decentralized entities, although the issue of their integration remains an issue still to be fully resolved according to their respective National Programme Managers. The intention of the BDC is to provide a range of services to SMEs including: Entrepreneurial Development Services, Business Registration, Business Advice and Counselling, IT Services, Business Information Services, Export Development Services, Tourism Information, Tax Advisory Services, Environment Compliance and Cleaner Production Services. The National Programme Manager for the BDS acknowledged that there were concerns with regard to the quality of the services being provided, which they had now arranged to be taken on by consultants on a fee basis, but this was still work in progress. .

One Stop Centres (OSC) have been established in Districts as an adjunct to the District Land Offices. As in the case of the BDC(s), they have a matrix management process accounting to the Districts and the Department of Lands and Registration of Titles. Although the Kigali based OSCs deal with a number of investment related issues with respect to processing of investment certificates, access to utilities, notary and environmental procedures, the OSCs in the Districts outside of Kigali are largely restricted to land acquisition and construction permits relating to residential housing developments. A Rwandan Development Board official indicated that although the intention was that the District OSCs should deal with investors, there were reservations about sending investors out to the districts as often the land zoned for industrial and manufacturing development was largely unserved with utilities and often occupied.

1.2.3.2. Business Development Fund (BDF)

The Business Development Fund is an agency that was set up by the Development Bank of Rwanda (BRD) to deal with advisory function and guarantee fund facilities for SME development. The BDF provides a range of products and services. It has recently provided decentralized services through the BRD branches located in Musanze, Huye, Kayanza, and Karongi, as well as other banks, microfinance Institutions and Business Development Services (BDS).

It offers a variety of products and services including two categories of Guarantee Funds (Agriculture Guarantee Fund and SME Guarantee fund). The guarantee amounts range between a maximum of Rwf 150 000 for the SME and 500 million Rwf for the Agriculture Guarantee Fund.

The fund also administers a Matching grant through a Second Rural Investment Facility (RIF2) provided through the Ministry of Agriculture and Animal Resources (MINAGRI). RIF 2 is a grant program worth 10 million USD and its main purpose is to provide incentives for both financial institutions and for entrepreneurs to make productive investments in agriculture. RIF 2 provides a grant for a certain portion of an investment loan taken by a beneficiary to fund projects that represent

³ Extract of the report "District's potentialities assessment for the integrated and self-centered local economic development"

investments along the agricultural value chain. Working capital or operating costs (e.g. fertilizer input costs or wages) do not qualify. There are 2 main categories of investments that qualify for RIF 2:

- Category I (Primary Agricultural Production): This includes investments such as machinery (e.g. feed mixers, traction equipment or irrigation equipment), construction of agricultural buildings (e.g. animal housing, breeding floors), land acquisition and improvements, storage facilities, transport facilities, etc. Project costs can be between RWF 1-50 million. Loans up to RWF 10 million receive a grant of 25% of the investment loan, while loans above this receive a grant of 20% of the investment.
- Category II (Processing of agricultural products): This category includes processing equipment, construction of processing facilities, etc. Project costs can be between RWF 2-150 million. Loans up to RWF 50 million will receive a grant of 25% of the investment loan, while loans above this will receive 20% of the investment.
- Category III (Agricultural support services): This category includes seed chain investments, extension services, capacity building (e.g. farmer training businesses), technical assistance (e.g. extension service business), etc. Project costs can be between RWF 2-150 million.

1.2.3.3. Rwanda Cooperative Agency (RCA)

Rwanda Cooperative Agency is a public agency that promotes, registers, regulates and supervises the development of the cooperative sector such as it serves its members equitably, efficiently and empowers them economically.

The mission of RCA is to highlight the importance of Cooperatives in the National economic development. In a large manner a policy document and a strategic plan have been designed to orient all actors who should ensure that Cooperatives become a viable tool for socio – economic development in Rwanda.

Indeed, the Government of Rwanda views Cooperatives as a potential vehicle through which the Cooperatives members could create employment and expand access to income-generating activities, develop their business potential, including entrepreneurial and managerial capacities through education and training; increase savings and investment, and improve social well-being with special emphasis on gender equality, housing, education, health care and community development.

1.2.3.4. Rwandan Private Sector Federation – (PSF)

The Private Sector Federation - Rwanda (PSF) is an independent membership organization that promotes and represents the interests of the Rwandan business community. It was established in 1999, replacing the former Chamber of Commerce. It operates as an umbrella organization representing 9 sectoral chambers including Agriculture, Arts and Craft, Chamber of Industry, Chamber of Commerce, Chamber of Liberal Professions, Chamber of ICT, Chamber of Tourism, Young Entrepreneurs and women. It has committees at district level.

Its objectives are: To represent the interests of the private sector, dialogue with government on matters related to the improvement of business through the economic partnership forum, business promotion and development, promote entrepreneurship and business Growth, build private sector capacity.

1.2.4. Decentralization Sector Coordination

The Decentralization Sector Working Group (DSWG) is mandated to do the follow-up of the decentralization reform and to facilitate the coordination of stakeholders within the sector (intra-sector coordination). It is composed of MINALOC and its agencies (LODA and RGB), development partners, and the representatives of the districts (RALGA) and civil society. As part of this sector working group, four thematic working groups (TWG) have been created: Capacity Building, LED, Evidence-based

Planning and Civic Participation, and Voice and Accountability.

Interviews with all stakeholders demonstrated that the DSWG does not meet on a regular basis and the agenda for discussion is not well researched. MINALOC have identified that the key issues for discussion in the DSWG are not identified, reviewed and prepared to the standard that will facilitate meaningful discussion and decision making. In addition, the focused TWGs which should prepare technical submissions and reports to the DSWG are not operational.

Key issues are also not discussed in a timely manner within the decentralization donor coordination mechanisms. For example, issues related to progress in the development of local government capacity building plans was not shared among the donor group or the sector coordination mechanisms in a timely manner and this has proven to be an obstacle in developing the strategies to adopt coordinated approaches to LG capacity building.

MINALOC has also identified that capacities related to engagement of the decentralization sector in high level coordination within government needs to be improved (inter-sector coordination). As identified above, the development of well analysed reports on key decentralization issues is a current bottleneck in this regard which can be addressed by capacity building support to sector coordination stakeholders.

2. STRATEGIC ORIENTATIONS

2.1. Principles of the intervention

The RDSP is composed of two interventions which are included in one single programme in support of the decentralization sector in Rwanda.

The first Intervention (RDSP-ECD) focuses on institutional strengthening and capacity building and aims to support and develop existing strategies, institutions, systems & processes at national and sub-national levels.

The intervention (RDSP-DDP) is complementary to this first intervention providing financial support to the LODA second program whose objective is to finance the implementation of the District Development Plans (DDP) and to implement a “Local Competitiveness Facility” to support LED partnerships at District level.

Both interventions have a strong focus on enhanced ownership and capacities of sector institutions, both at national and sub-national levels.

The principles that guide the two interventions are as follows:

- **A programmatic approach:** both interventions are integrated into a systemic and programmatic approach, centred on the institutional strengthening of main stakeholders, and on ownership of the decentralization reform, both at national and sub-national levels. They share the same general objective, which is in line with the national decentralization strategy (DIP and DSSP) contributing to the EDPRS 2. The Program looks at enhanced ownership and capacities of sector institutions, both at central and local levels, in a holistic, multi-level and multi-stakeholder approach.

Strategic orientations for RDSP

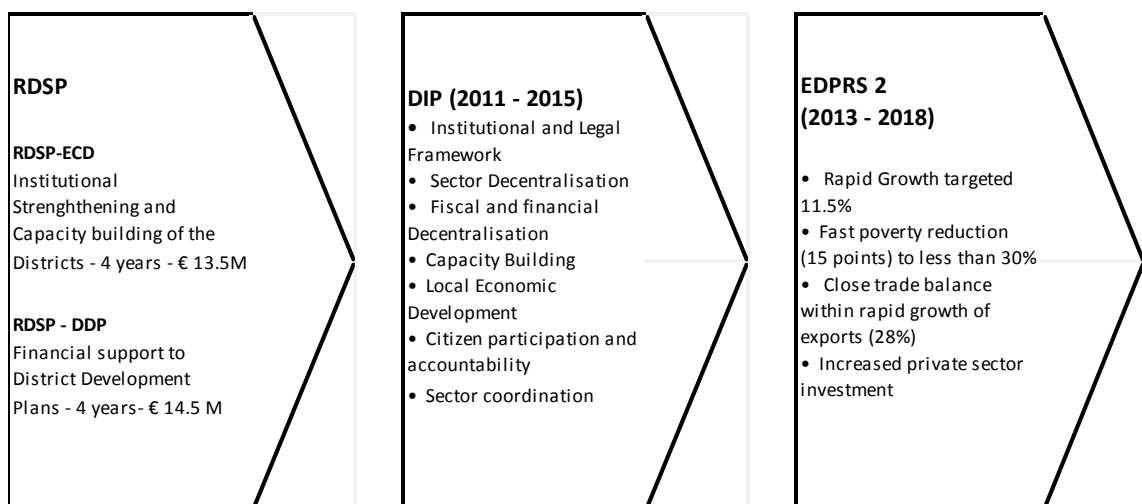


Figure 1 : Strategic Orientations for RDSP

- **Focus on processes:** the two interventions will contribute to strengthening processes for an effective implementation of the decentralization reform.
- **Multi-stakeholder approach:** support will be provided to the various stakeholders (ministries and agencies, local governments) involved in the processes, according to their mandate

- **Multi-level approach:** the interventions will target different levels simultaneously (national and sub-national levels). In particular, the RDSP will consider the support role of the District in strengthening capacities of Lower Local Governments (LLGs). The operational anchorage takes this orientation into account.
- **Integration of relevant cross cutting issues.** The RDSP retained gender, environment & climate change resilience, decent work and HIV&AIDS as cross-cutting issues.
- **Synergies** with other DP interventions and BTC interventions in Rwanda especially regarding local economic development (Agriculture, Forestry, TVET) and decentralized service delivery (Health).

2.2. Strategic areas for the RDSP

2.2.1. Focus on 3 strategic areas

The overall programme will focus on three DIP strategic areas which are **capacity building, LED and sector coordination**.

Capacity building will be central to all aspects of this holistic, integrated and inclusive support to decentralization in Rwanda and will be the first strategic area within the RDSP. This capacity building takes several forms, technical support and advice on the one hand and financial support to District Plans on the other hand.

Linked to the themes highlighted in the PIN and the situation analysis detailed in Chapter 1, LED will be a 2nd strategic area for the programme. The delivery of sector mandates on LED will be a particular focus of both interventions. The RDSP has a comparative advantage in this area as it has the capacity and means to support MINALOCs primary LED investment strategy through LODA second Program in transferring capital infrastructure grants to the LGs (through RDSP-DDP), but importantly and complementary to this, the RDSP also has the capacity to develop and make progress towards sector strategic outcomes on LED in assisting LGs to play a “facilitative role” in supporting other economic actors including the private sector This piloting of economic partnerships driven enterprise-orientated investments in selected pilot Districts will also be facilitated through a matched grant financing instrument called Local Competitiveness Facility (LCF) prepared through the RDSP-ECD and implemented in this RDSP-DDP.

In addressing these two areas, specific attention will be given to enhanced ownership, inclusive participation and accountability.

In addition to these two important focus areas, Belgium has been requested by MINALOC and other stakeholders including the development partner working group to have a specific focus on the area of Sector Coordination which will be addressed by the RDSP-ECD.

Based on the analysis of the Sector Strategic Outcomes, the key areas/functions that will be supported by the holistic RDSP are as follows:

- Area 1: Support a locally driven coordinated and evidence based capacity building
- Area 2: Support to Local Economic Development as a core process in Decentralisation reform
- Area 3: Support to Sector Coordination and Policy Dialogue

The links between the EDPRS 2, the Decentralization Strategy & Outcomes and the RDSP Strategic Areas for both interventions are summarised in the **table** below and further elaborated in sections below.

Thematic Outcome of EDPRS II	Sector Priority (DIP key area)	Sector Outcome	RDSP DOUBLE TRACK STRATEGY TO ENHANCE DIP KEY AREAS	INTERVENTION RDSP-ECD	INTERVENTION RDSP-DDP
Accountable governance	Legal Framework and Sectoral Decentralization	Coherent and harmonised decentralized structures, policy guidelines and laws to improve the effective implementation of decentralization.	AREA 3 : Support to Sector coordination Str1 : Supporting MINALOC and other stakeholders in analysis of key priority decentralization issues to be discussed in the Decentralisation Sector working Group and its Technical Working Groups	Result 4 : the effectiveness of sector coordination mechanisms is enhanced through support to policy analysis Result 5 : Lessons learnt on Capacity development and LED contribute to an evidenced based policy framework for decentralization	Result 8 : and the DDPs are implemented in compliance with Rwanda's PFM and Procurement regulatory framework
		Sectoral Ministries, Departments and Agencies operational frameworks harmonized with decentralization policy and principles.	Str.2 : Supporting DSWG in intersector coordination through the Decentralization Program SC (DPSC) and other SWGs where Minaloc is a member of		
Rural Development, Accountable Governance	Service Delivery	Increased efficiency and effectiveness in service delivery by Local Governments			
Economic Transformation, Rural	Fiscal and Financial	Efficient and financially autonomous Local			

Thematic Outcome of EDPRS II	Sector Priority (DIP key area)	Sector Outcome	RDSP		
			DOUBLE TRACK STRATEGY TO ENHANCE DIP KEY AREAS	INTERVENTION RDSP-ECD	INTERVENTION RDSP-DDP
Development, Accountable Governance	Decentralization	Governments for sustainable development are enhanced.			
Rural Development, Accountable Governance	Capacity Building	Capacity building interventions are harmonized, well-coordinated and demand driven to address local needs.	<p>AREA 1 Support Locally driven coordinated and evidence based capacity building</p> <p>Str1: Support to the implementation of current strategies and plans within the sector</p> <p>Str2: Support to the strengthening, the progression and development of sector strategies and plans</p>	Result 1 ; Local Governments are supported through locally driven, coordinated and evidenced based Capacity building	
Economic Transformation, Rural Development, employment and productivity	Local Economic Development	Creating vibrant local economies that are attractive to investments and skills	<p>AREA 2 Support to Local Economic Development as a core process in decentralisation reform</p> <p>Str1: Broadening of LED towards a more inclusive approach, including the</p>	Result 2 : District councils capacity to plan, implement and sustainably manage capital development services and local economic development is enhanced	Result 6 : Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue is facilitated through well-managed LED investments as defined in Rwanda's Decentralization

Thematic Outcome of EDPRS II	Sector Priority (DIP key area)	Sector Outcome	RDSP DOUBLE TRACK STRATEGY TO ENHANCE DIP KEY AREAS	INTERVENTION RDSP-ECD	INTERVENTION RDSP-DDP
			<p>implementation of innovative private sector driven enterprise-oriented investments in selected pilot Districts</p> <p>Str2 : Support the capital grant through LODA in all LG with legal personality (30 Districts and City of Kigali)</p>		<p>Strategy</p> <p>Result 7 : Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts</p>
Accountable Governance	Volunteerism, Participation and Accountability	Enhanced volunteerism, bottom up accountability and Citizens participation and democratization		Result 3 : Participation and equality are strengthened in key decentralization processes	

Figure 2.1 Links between Decentralization Policy, Strategic Areas and Results

2.2.2. Support LED as a core process of the decentralization Reform in Rwanda

The RDSP will follow a double track strategy for supporting the 3 strategic areas. The double track strategy in RDSPs support to LED will involve:

RDSP-DDP - support the capital grant through LODA in all 31 LG with legal personality (30 districts and city of Kigali), and in doing so, support the principles of transparent, fair and equitable distribution of resources between districts through Rwanda's Fiscal Decentralisation systems. And testing a pilot approach for innovative partnerships in selected Districts with a Local Competitiveness Facility.

RDSP-ECD - enhance quality of planning and implementation of LED and service delivery, including the preparation and follow-up of innovative partnerships driven enterprise-orientated investments in selected pilot Districts through inclusive planning, economic feasibility and market studies, etc.

These two strategies will be complementary in so far as enabling the RDSP to support LGs in their capital investment priorities in line with their DDPs, while at the same time enhancing the quality of a more inclusive LED process.

The enabling environment for the implementation of a local competitiveness Facility will be prepared through (RDSP-ECD) and the financial support for implementing the LED projects will be provided through a specific result under RDSP-DDP.

Definition of LED according to LODA (2014) :

LED is an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms.

In building linkages between capital investments (RDSP-DDP) and technical support (RDSP-ECD) the RDSP will address the following issues:

- Strengthen the effectiveness of efficiency of existing LED programmes through focusing on the feasibility of investments made including technical, economic, social and environmental assessments;
- Promote localisation of LED through technical planning processes that will help to identify links between LED investments and the local market;
- Support sustainable LED through enhancing LG capacity in Operation and Maintenance (O&M) of LED infrastructure projects in both the public and private sector; and most fundamentally as referred to above,
- The RDSP will support the piloting of private sector driven enterprise-orientated investments in selected pilot Districts

The two interventions will address a number of areas which have been identified in approved national policies, strategies and plans, including amongst others:

- In the Rwanda Economic Development and Poverty Reduction Strategy (EDPRS 2) (September 2013), the priority is put on the development of the private sector, particularly with regard to the promotion of off-farm enterprise development and job creation. In this regard, the strategy identifies the need to promote partnerships between larger established private sector

enterprises and smaller firms (SMMEs/Co-operatives) through inclusive Supply and Value Chain development⁴ in various economic sectors which may include agro-processing, tourism, manufacturing, industry and services.

- The lack of practical tools to identify opportunities for private and public investment, or to develop partnerships to take up opportunities as defined in the Decentralization Implementation Plan and the specific formulation of output 6.3 Public-private partnerships to attract, retain and facilitate private capital investments especially in rural areas and strategic sectors are promoted.
- The emphasis placed in the Rwanda National Strategy for Community Development (CD) and Local Economic Development (January 2013) that employment and wealth should be created by private enterprises and productive public-private partnerships. This is given specific effect in Output 2.5 of the above strategy *Sustainable Sources of Funding for LED are secured, with the following result areas namely:*
 - 2.5.2 Public-Private Partnership is enhanced
 - 2.5.3 Investment in LED interventions improved through public-private partnerships.

2.2.3. Support to sector coordination and sector policy dialogue

The double track approach will mean supporting intra- and inter-sector coordination mechanisms. Decentralisation is not only a sector, it is also a government reform that cuts across many sectors. In this context, sector coordination will focus on:

Intra-sector coordination: Supporting MINALOC and other stakeholders for the analysis of key sector priorities to be discussed at the Decentralisation Sector Working Group (DSWG) and its Technical Working Groups. It is the role of the DSWG to do the follow-up of the decentralization reform and to facilitate the coordination of stakeholders within the sector. The DSWG is composed of MINALOC and its agencies (LODA and RGB), development partners, and the representatives of the districts (RALGA) and civil society. As part of this sector working group, four thematic working groups (TWG) have been created: Capacity Building, LED, Evidence-based Planning and Civic Participation, and Voice and Accountability. However, these TWG are not yet operational.

Supporting the DSWG in inter-sector coordination through the Decentralization Program Steering Committee (DPSC), and other SWGs. The DPSC brings together horizontal ministries (MINALOC, MINECOFIN and MIFOTRA) and technical line ministries (MINAGRI, MININFRA, MINEDUC, MINISANTE, MINIRENA, etc.). The DPSC's mission is to steer, oversee and supervise the implementation of DIP.

2.2.4. Stimulate demand driven locally owned development

The revised national Decentralisation Policy⁵ states that "development planning shall be integrated, participatory, evidence-based, and focused on addressing the priority needs of citizens, taking into consideration, the overall national development vision and constraints of the resource envelope. As much as possible, national plans shall be composites of local development plans that are regularly prepared, the timelines of which shall be prescribed by responsible agencies in consultation with the Ministry responsible for planning".

Secondly, the GoR recognises area-based planning as an effective way of identifying and responding to unique local development challenges, and initiatives to explore unique development potentials of

⁴ All actors involved in the development of a thorough value chain in a specific sector are connected

⁵ Decentralization Policy, Section 5.4 (p31)

different localities shall be encouraged, promoted and supported.

Therefore, in line with the decentralisation policy, the RDSP will use the DDP process as its primary planning framework for supporting decentralised development. The RDSP-DDP, through LODA, will directly finance the implementation of DPP priorities in each of the 31 LG with legal personality (30 districts and city of Kigali), with a focus on LED. The RDSP-ECD will provide institutional strengthening and capacity building support.

2.3. Coordinated approach with LODA and DPs

RDSPs support through this specific intervention supporting the DDPs will be based on agreement as described in the “Guidelines for National Execution in projects” (BTC & DGD, November 2010) and the Joint Memorandum of Understanding with LODA and other development partners supporting the LODA SP-1 grant, the German Development Bank (KfW) and the Embassy of the Kingdom of the Netherlands (EKN).

2.3.1. Aligning on existing procedures : Organizational Assessment of LODA

BTC has completed an organizational assessment of LODA (2013) which addresses a number of issues relevant to the MoU. In doing so, the organizational assessment provides relevant updated information for the consideration of all signing parties including a review of current strengths and challenges related to organizational capacity, governance systems and the control environment. The organizational assessment recommended the following actions to be taken in order to facilitate support aligned to LODAs systems and harmonisation with other supporting entities:

- 1) A key and urgent challenge for LODA is obtaining explicit agreement with the Minister / MINALOC, OAG and the donors on very clearly defined M&E responsibilities of LODA and a better demarcated responsibility / accountability of LODA with respect to LGs’ management and execution of local development projects and related financial reporting by LGs. This should allow to appropriately delineate the respective accountability of LODA on the one hand and of the LGs on the other hand; always aligned to their respective mandate and their own sphere of control.
- 2) In order for the LODA to be able to qualitatively, continuously and sustainably discharge its demanding mandate, it will be essential for LODA to focus on its (continuous and already on-going) organisational development and improvement vis-à-vis the challenges highlighted in this organisational assessment.
 - a) The envisaged new organogram with an additional position of “Finance Director” (within the Corporate Services Division) is a good opportunity to enhance the financial management capacity of LODA and to systematically address the challenges in planning, budgeting, accounting and financial reporting; as identified through the internal and external audits and/or in this assessment report.
 - b) Further efforts are required to enhance the overall insurance of the pertinence, feasibility and ‘value for money’ of local development projects and initiatives. Further efforts are also required for providing a more balanced set of targets / incentives for (a) on the one hand realising new projects and (b) proper maintenance and optimised usage of infrastructure realised and systems set up through previous projects.
- 3) Further enhancement of the control environment and internal controls and risk management of LODA, including the systematic updating of its procedures manual and clarifying the corresponding management responsibilities, all merit full attention by LODA’s management and by its Board of Directors.

These issues are further addressed in the Implementation Modalities in section 5 of the TFF.

2.3.2. Harmonizing with other DPs

RDSP-DDP takes stock of the experience already accumulated by other partners supporting the DDPs through the LODA.

In this perspective, RDSP will follow the principles stated in the new MoU (included as Appendix F) to be signed between LODA, MINALOC, MINECOFIN and the Development Partners (Germany - KfW, the Netherlands - EKN and Belgium).

This MoU is aiming to lay the ground for a strong partnership between the signatories of this MoU with regard to the financial support to the local administrative entities with legal personality in Rwanda through the Local Administrative Entities Development Agency (LODA) and support to its mandate in the context of the decentralization policy.

It is meant to provide assistance in a manner that maximises impact and alignment to LODA mandate and related policies, enhances ownership and accountability as well as LODA capacities and reduces transaction cost in the delivery of aid. It facilitates a common understanding with regard to the modalities of their cooperation including the provision of technical assistance and consultancy support for institutional strengthening.

The scope of the MOU is defined by the role of LODA in two strategic objectives:

- Objective 1: Enhancing Ownership and Accountability, Supporting joint Dialogue and Pursuing Alignment
- Objective 2: Harmonized and Coordinated Support to the Strengthening of LODA and Local Administrative Entities

LODA has committed itself to abide by Government of Rwanda rules and regulations related to management of state finances and properties, to ensure that projects are implemented in accordance with Rwanda procurement laws and regulations, and ensure that all other laws and policies pertaining to effective and efficient management of public institutions in Rwanda are considered in the process. LODA is also committed to mobilize Government Resources to cover its recurrent costs.

Development Partners have committed themselves to support LODA with financial contributions for the implementation of development projects in the 31 Local administrative authorities with legal personality according to the local priorities and the District Development Plans including activities to support the local LED process.

DP's commit to strive for alignment with the budgetary and accountability system and relevant legislation of the Government so as to enhance effective implementation and sustainability and to reduce the administrative burden on the Government transaction costs.

The MOU does not aim to replace the individual bilateral agreements between the Government and the Development Partners. Rather, it reflects a set of commonly agreed Partnership Principles and commitments.

The financial contributions by the Development Partners will be specified within the bilateral arrangements/agreements between the Government of Rwanda and the Development Partners individually.

3. INTERVENTION FRAMEWORK

3.1. General objective

The general objective of the RDSP is:

To sustainably enhance the capacity of districts to deliver services and to support an enabling environment for LED in respect of best governance practice.

The general objective is common to both interventions. The RDSP will work on capacity building processes that enable LGs to deliver services under RDSP - ECD while providing direct financial support to local service delivery in RDSP - DDP.

3.2. Specific objective (SO)

The combined Specific Objectives for the two RDSP interventions is “The efficiency and effectiveness of decentralization sector capacity building is sustainably enhanced at national and sub-national levels including capacity to develop an enabling environment for Local Economic Development”.

The Specific Objective for RDSP-DDP is: “The Districts capacity to develop a sustainable enabling environment for LED is enhanced through increasing non-earmarked resources, innovative financing local PPP and improved governance”.

The combined specific objective will be used for the RDSP Programme in order to ensure the strategic coherence of the RDSP Programme while the specific objective for the RDSP-DDP intervention refers to the three result areas of the RDSP-DDP intervention.

3.3. Expected results

The expected results directly reflect the RDSP strategic areas outlined in section 2.2. The linkages between strategic areas and results are clearly shown in Figure 2.1. In addition, the results support synergies and integration between the two Interventions of Belgium support to Decentralization in Rwanda, particularly in supporting the implementation of Rwanda’s policy on Local Economic Development and the introduction of pilot initiatives that offer potential to add value to the current policy framework. For internal coherence of the RDSP, the numbers of the expected results⁶ follow the 5 expected results of the RDSP ECD.

Result 6: Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda’s Decentralisation Strategy

Result 7: Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts

Result 8: LODA Support Programme and the DDPs are implemented in compliance with Rwanda’s PFM and Procurement regulatory framework

⁶ The 5 expected results are: 1. Local Governments are supported through Locally Driven, Coordinated and Evidenced Based Capacity Building; 2. LGs capacity to plan, implement and sustainably manage capital development services and local economic development is enhanced; 3. Participation and Equality are strengthened in key decentralization processes; 4. The effectiveness of sector coordination mechanisms is enhanced through support to policy analysis; 5. Lessons learnt on capacity development and LED contribute to an evidenced based policy framework for decentralization;

In addition to the above results, it is suggested that RDSP tracks a number of existing and potential indicators within the broader decentralization sector (including sectoral decentralisation, performance and PFM indicators) as they are likely to provide a rich source of information to the Steering Committee and management team (see section 3.5.2.4).

3.4. Activities

For the direct financial support to the decentralized non-earmarked LODA Sub-Programme 1 “Coordination of Programme and Public Investment Plan” the RDSP-DDP will be implemented by LODA and Rwanda’s Local Government through their own systems and processes. The main activities of these stakeholders linked to the achievement of RDSP objectives are described below in function of their relationship with each result.

3.4.1. Activities to achieve Result 6: Support to Capital Development investments as prioritized in the DDPs

Result 6 is complementary with result 2 of the RDSP-ECD intervention and will provide financial resources to support investments in demand driven and locally owned capital development projects as planned and prioritized through the district development participatory planning process. There will be a particular emphasis on projects that show potential to contribute to services linked to LED. Through the capacity building process supported in RDSP ECD, and support through the GoR and other partners, it is expected that improved Local Government activities related to development planning in terms of: strengthening participatory processes; coordination with national policy; improved feasibility and market assessment; and, improving the quality operation, maintenance and management of these infrastructure investments will result in a progressive change in the development of local economies within Rwanda’s Districts. This is expected to result in an increased amount of off-farm employment in both the formal and informal *sectors*, *through* increasing production of goods and services, support to the development of post-harvest handling and processing, and an increase in local value added production chains. The focus on infrastructure development will also result in an increasing number of short-medium term construction jobs, which will have a positive knock-on effect on purchasing power within the local economy.

Result 6 includes a capital grant through Local Administrative Entities Development Agency (LODA) in all 31 LG with legal personality (30 districts and city of Kigali), and in doing so, providing support to the principles of transparent, fair and equitable distribution of resources between districts through Rwanda’s Fiscal Decentralisation systems.

A financial contribution is foreseen to the decentralized non-earmarked LODA ‘Local Development Coordination Program’ that will be implemented by LODA and Rwanda’s Local Government through their own systems and processes. In order to enhance the predictability of the funds, financial contributions will be provided through two fiscal years FY 2015/2016 and FY 2016/2017, each for an amount of 5,445,000 €.

Following the Planning and Budgeting Guidelines to all the Districts concerning the Planning and budgeting projects for the Fiscal Year 2015/2016, District Administration updated the LG projects for FY 2015/2016 and transmitted their reviewed and updated projects to LODA. A list of prioritized projects to be financed towards the Belgian contribution (RDSP/DDP) for the FY 2015/2016 is annexed (Appendix 7.5). LODA will receive a budget of 110,000 Euro in order to finance their additional working costs. This amount is part of the total budget under result 6 (See budget line A_01_02).

The activities implemented through the RDSP to the LODA second Program will in-part focus on LED investments that have the potential to deliver increased Own Source Revenues (OSR) for Local

Governments. The investment priorities of the Districts for funding from the LODA (formally known as the CDF, and intermittently known as RLDSF) will largely depend on the opportunities available within their local environments and context. They typically may include:

- Market infrastructure
- Processing
- Transport and Water Infrastructure

It is noted at this time that non tax revenues (principally market fees) represent up to 80 – 90% of OSR in many rural districts. Therefore investments in market orientated infrastructure such as those referred to above are likely to result in the most favourable impact on OSR.

The criteria of the Rwandan government (See Annex 7.7) will be used to prioritize and select the LED investments submitted for financing through the RDSP-DDP. Moreover, a technical no-objection will be provided by the RDSP steering committee based on a note elaborated under the piloting of the I & NTA LED, together with SPIU. The LED ITA will be closely involved in the whole process of planning and budgeting of Districts investment projects in compliance with the national annual guidelines. .

While these LED capital investments are a contributing factor to enhancing sustainable discretionary financing through own source revenues, there are important linkages with RDSP ECD and other programmes supported by the GoR and partners within the Fiscal Decentralization Committee (FDC).

It is expected that the MINECOFIN and the World Bank together with other PFM and Fiscal decentralisation partners will take the lead role in addressing these policy related PFM issues. However in coordination with these partners through the FDC, the RDSP - ECD also has scope to support policy and technical initiatives related to enhancing OSR (Result 4: The effectiveness of sector coordination mechanisms is enhanced through support to policy analysis).

Issues that will significantly impact of OSR include:

- Own Source Revenue Policy
- Enhancing Transparency of Tax Payer Obligations and Liabilities, and similar approaches for non-tax revenues
- Effectiveness of Measures for Tax Payer Registration and Tax Assessment, and similar approaches for non-tax revenues
- Effectiveness of collection of tax and non-tax revenue payments

3.4.2. Activities to achieve Result 7

The activity intends to support LED private partnerships at district level that can be facilitated through a matched grant instrument called the Local Competitiveness Facility (LCF).

Result 7 is complementary with result 2 of the RDSP-ECD intervention and will provide only financial support to economic partnerships that are identified and approved through this funding mechanism.

The fund is specifically designed to leverage partnerships between large, medium and SMMEs or co-operatives, to meet pro-poor developmental objectives and to mitigate the cost and risk barriers that inhibit the development of innovative private-led partnerships that promote competitive but inclusive value and supply chains in strategic economic sectors or sectors with high potential in the respective district local economies. The project action must contribute towards positive LED results for the local/district economy, and not only for the benefit of a single business beneficiary.

Overall management of the LCF pilot intervention will be anchored in the LODA, specifically in the Local Economic Development division, which has recently been assigned a new public-private

partnership component in terms of the new structure to assist facilitate the framework for public-private partnerships at district level. International Technical Assistance will be provided to the LED Division in order to support the management of the intervention. The management functions would include: strategic management support, process management and co-ordination, fund advice, evaluation support, contracting support and monitoring and evaluation. The districts will be supported with 4 National Technical Assistants (TA) who will each provide support to 2 districts for each of the provinces. The Technical Assistants will be located in the provinces for the duration of the programme.

The Local Competitiveness Facility (LCF) will be targeted at private partnership groups in the 8 pilot districts, who will be mobilized through a competitive and transparent Public Call for Fund Proposals and a 2 stage application process comprising:

- A Call for LCF Concept Note Proposals and evaluation (Phase 1)
- A detailed LCF application from partnership groups whose Concept Note proposals have been approved in Phase 1 and who are invited to submit detailed applications for funding under RDSP-DDP

The Districts with the support of the National Technical Assistants will play a key role in creating awareness amongst economic actors in the respective districts, and for project stimulation and generation based on the respective economic potentialities and strategic economic sectors of the respective districts. The District would also play a key role in project implementation support and monitoring and evaluation during implementation of the project actions.

A detailed LCF fund guide for applicants, application formats and evaluation criteria will be provided and will be accessible on district websites, and in electronic format on Compact Disk (CD) at district offices. Prospective Partnership group applicants will also be able to visit the District offices for information and advice regarding administrative and technical compliance requirements.

Two types of “economic partnerships” are identified:

Partnerships between established large/medium and emerging local enterprises: partnerships focused on value chain integration by linking emerging enterprises (micro –small enterprises, co-operatives) to markets, developing technical standards of goods and services and minimizing financial and operational risk to partners.

According to the value chain approach, economic partnerships can be both horizontal and vertical. Vertical relations and partnerships are established between companies that are on different levels of the value production. A typical example is given by agro processing of low value added companies. Such relations are characterized by the presence of several small farmers (suppliers) and a single medium / big sized transformation company.

On the other hand, a horizontal based value chain approach is used when small companies are sharing the same position in the value production cycle. In these cases, rather than increasing the added value of productions, partnerships may be envisaged to: integrate production processes, increasing efficiency, joined selling and / or distributed processes. Horizontal linkages also offer excellent opportunities for value chain participants to obtain scale advantages through inter-firm coordination. By combining resources and sharing information, horizontal cooperation allows participating companies and producers to achieve improved quality, service, and savings through increased access to inputs, more leverage in sales negotiations, and greater ability to design initiatives that emphasize upgrading the value chain. Clusters: Clustering refers to firms engaged in similar or related economic activities located in a geographical proximate area which produce complementary products and face common opportunities and challenges. Cluster development can be encouraged and strengthened through tax regulations and incentives, zoning regulations and other location

incentives that encourage firms to cluster in one area. If an area has potential economic strengths, a local government can initiate fora to consider how local companies can improve the linkages between them. These partnerships should be focused on realising efficiency gains through the reduction of transaction costs, joint market development and joint production. These partnerships could also include support institutions and encourage the development of specialised skills and services to support the development of the cluster partners.

Indicative Eligible Project Actions:

The table below sets out the indicative project actions that the LCF can support. The specific requirements for eligible project actions, eligible applicants, eligible costs will be developed by LODA and other with key intervention partners prior to the launch of the fund in RDSP-DDP intervention, and will be set out in a Guideline to Funding applicants to be developed prior to the Public Launch of the 2 stage application process.

<p><i>Indicative Eligible Project Actions: LCF</i></p> <p>Support to new and innovative economic development ideas on :</p> <p>Supporting particular sectors that have a high potential to boost employment, particularly “off farm employment”. This includes, but is not limited to, agriculture and agro-processing; tourism; wood and wood products; arts, crafts, cultural and creative industries; information and communications technology; logistics and transport.</p> <p>Promoting partnerships and clusters in order to reposition the district local economy into higher value-added segments of supply chains, while increasing equitable participation in these value chains;</p> <p>Promoting systemic competitiveness of and grow the efficiencies of different sectors in the local economy by providing economic infrastructure and business development services (BDS) as a platform for increased competitiveness</p> <p>Supporting economic development initiatives which are part of District Development Plans (DDPs)</p> <p>Promoting positive pro-poor economic outcomes</p>
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The Local Competiveness Facility will support Local Competiveness project implementation actions. Successful applicant partnership groups will be required to match the LCF grant allocation with their own finance (loan finance, equity or cash) on the basis of the following indicative formula:

Window 1: 30% minimum own financial contribution for LCF grants between E70 000 and 140 000

Window 2: 50% minimum own financial contribution for LCF grants between E300 000 and 500 000

These indicative funding ratios will be further assessed through a study to be undertaken in the preparation phase of RDSP-ECD to establish the appropriateness of the indicative funding formula in terms of both the risk appetite and affordability to the private sector to meet the financial requirements of the fund. The funding formulas may also be adjusted during the implementation period of the fund to be put in place under RDSP-DDP⁷, based on lessons learnt from the Fund call experience under RDSP-ECD.

⁷ The TTF recommends that Window 1 is launched first to test the model, and that Window 2 is launched following the contracting of Window 1 approved projects. The timing and sequencing is however flexible, and the Steering Committee can decide at any time to commence the 2nd window.

It should be emphasised that the fund is **not targeting** SMME, co-operatives or start-ups for their normal financing requirements. There are already a number of existing financial instruments in Rwanda that are specifically targeting Co-operatives and small enterprises through the Business Development Fund (BDF), Umurenge SACCOS and others, and it is not the intention of the LCF to duplicate existing financial instruments to this sector. Nor is it intended to distort financial markets by funding large or even medium size businesses that have sufficient collateral and capital to secure commercial finance for their own normal business expansion. The fund is specifically designed to leverage partnerships between large, medium and SMMEs or co-operatives, to meet pro-poor developmental objectives and to mitigate the cost and risk barriers that inhibit the development of innovative private-led partnerships that promote competitive but inclusive value and supply chains in strategic economic sectors or sectors with high potential in the respective district local economies. The project action must contribute towards positive LED results for the local/district economy, and not only for the benefit of a single business beneficiary.

The responsibility for managing and co-ordinating the planning and implementation of the Local Competitiveness Facility (LCF) will be located with the Local Economic Development (LED) Division of LODA which has a mandate to transfer funds for Local Economic Development. An International LED Technical Advisor and 4 District LED Advisors will support the implementation of the LCF in 8 pilot districts.

Once tested, refined and adapted, and if found to be relevant, efficient and effective, the instrument can then be rolled out in all 30 districts in Rwanda going forward after the 5 year period, financed through Rwanda's own public funds and managed and administered in terms of the current legal mandate and policies of the LODA and the districts.

The LCF pilot will make provision for the sharing of lessons and practice to take place with the "non-pilot" districts in all 4 provinces to facilitate systematic learning and capacity building from the pilot experience. RALGA will work closely with the LCF pilot implementers and coordinate this peer learning effort. RDB (Rwandan Development Board) will also be involved in the management modalities to reach this result. The RDSP-ECD intervention (R2) foresees all preliminary steps that will be undertaken to set up and to manage the Local Competitiveness Facility Mechanism.

3.4.3. Activities to achieve Result 8

3.4.3.1. Implementation of MOU

The Memorandum of Understanding to be signed between Germany - KfW, the Netherlands - EKN, Belgium, LODA, MINALOC and MINECOFIN aims to lay the ground for further harmonisation and collaboration between the signatories of this MoU with regard to the support to the decentralization process and the financial support to the local administrative entities in Rwanda through the Local Administrative Entities Development Agency (LODA).

It is meant to improve coordination between Development Partners, LODA and MINECOFIN and clarify the modalities of cooperation including the provision of technical assistance and consultancy support for institutional strengthening.

The harmonisation of reporting, consultation processes and alignment to the budget calendar will increase predictability of support and facilitate interaction of LODA with its Development Partners.

The RDSP Programme will support actively the implementation of the signed memorandum of Understanding through the RDSP-ECD intervention (R4- Sector coordination mechanisms).

3.4.3.2. Joint annual Audit of DDP investments through the LODA “Different Programs”

The LODA with the support of the MINALOC, MINECOFIN and other relevant GoR institutions is responsible for compliance with the PFM and procurement regulatory framework. The same institutions are also responsible for compliance with financing/execution agreements signed with development partners who provide financial support to DDPs through the LODA. The RDSP - DDP will support the monitoring of compliance with this regulatory framework through **organizing a joint annual audit** in partnership with the other development partners who are co-financing the LODA. The current partners in this regard are the German Development Bank (KfW) and the Embassy of the Kingdom of the Netherlands in Rwanda (EKN)⁸.

The linkages between the audit findings and implementation of the audit recommendations are laid out in the MoU and Execution Agreement for this Intervention. These findings and recommendations will be discussed between LODA and concerned DP’s. Action plans will be developed with the support of RDSP and agreed to be implemented.

3.4.3.3. Office of the Auditor Generals Annual Statutory Audit of LGs

The relevant institution of the GoR (including MINALOC, MINECOFIN, District LGs and the Office of the Auditor General) are responsible to oversee **District compliance** with the legal and regulatory framework including PFM, procurement and other relevant laws and regulations. The Office of the Auditor General carries out an external audit of each district on an annual basis. However, District audit performance has been poor, albeit with some improvement in recent years. In FY 2011/12, there were no districts receiving an unqualified audit report. The MINALOC, MINECOFIN and partners are putting in place a number of initiatives to address this issue including:

- The PFM reform strategy and implementation plan
- The Fiscal Decentralization Strategy
- Capacity Building through RGB supported by the RDSP -ECD

RDSP-ECD will work through the Fiscal Decentralization Committee in supporting this area in the sector dialogue and the financing of infrastructures through LODA. For instance, the results of the annual district audits are considered a key indicator in ensuring enhanced compliance with the PFM and procurement regulatory framework. Improved compliance will result in enhanced value for money from the RDSP to the LODA and hence greater scope and opportunity service delivery for LED.

3.5. Indicators and means of verification

The indicators to measure progress in the achievement of the results of this intervention can be measured at two levels.

1. Indicators related to Rwanda’s Decentralization Strategy and Implementation Plan as updated
2. Indicators specifically related to fiscal decentralization policy and the Fiscal Decentralization Strategy (2011)

3.5.1. Indicators at the Objective Level

The objective indicators are aligned to relevant strategic objectives of Rwanda’s Decentralisation Strategy and Implementation Plan.

⁸ The ToR for the audit will be prepared by LODA and submitted to the DPs for ‘no objection’. Alternatively, and if all parties involved agree, the ‘BTC audit framework agreement’ might be used.

Global Objective:

- % of citizens expressing satisfaction with the quality and timeliness of service delivery at the local level
- % of entrepreneurs and cooperatives who are satisfied with the business environment for LED

Specific Objective:

- Fiscal and Financial Decentralisation: % of LGs local own revenues in relation to their total District budget
- Local Economic Development: N° of temporary (construction phase) and number of sustainable employment opportunities created (on and off farm)

3.5.2. Result Indicators

The indicators reflect both (1) the Key Performance Indicators (KPIs) included in Rwanda's Decentralisation Sector Strategic Plan (DSSP) and (2) good practice in Public Financial Management within the context of Fiscal Decentralisation that can be measured on an annual basis together with well-established PEFA indicators based on good practice as defined by the PEFA Secretariat which are expected to be assessed every five years (next due in 2015).

Belgium and partners in fiscal decentralisation (MINALOC, MINECOFIN, RALGA, World Bank, DFID, KfW, EKN) should advocate for a full PEFA assessment at the sub national level (based on a statistically significant sample of districts) to take place in 2015. The following PEFA will take place after the programme is completed if the GoR retains the normal 5 –year PEFA cycle, however a mini-assessment of selected or proxy indicators (based on current GoR PFM Indicators at sub national level) should be considered if specific information is required.

A baseline will be undertaken at the start of the programme (RDSP) and indicators will be verified and targets specified where needed in accordance with MINECOFIN guidelines.

3.5.2.1. Indicators for Result 6

R6: Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda's Decentralisation Strategy

- % increase in the number of Projects of Public-Private Partnership model in Local Government
- Nr of short-term and long term jobs directly attributed to the Belgian supported DDP investments
- % change in local revenue by individual source year on year (annual indicator aligned to FDS).
- % increase in GoR contribution to LODA non-discretionary funds
- Service delivery indicators should be selected and reviewed on an annual basis as this depends on the areas of investments selected through the DDPs.

3.5.2.2. Indicators for Result 7

R7: Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts

- Nr of economic partnerships established in the pre-defined high potential sectors or value chains
- Degree of satisfaction of the innovative approach by local stakeholders

- Replication use of Local Competiveness Facility modalities by MINALOC and DP

The assessment of the likely pattern by the private sector study for the proposed Local Competiveness Facility (LCF) matching grant will provide further details on performance indicators.

3.5.2.3. Indicators for Result 8

R8: LODA Second Program and the DDPs are implemented in compliance with Rwanda's PFM and Procurement regulatory framework

- The external audit commissioned joint by the RLDSF partners (Belgium, EKN, KfW) is unqualified
- % recommendations of the above mentioned external audit are implemented in full within 6 months of the publication of the annual audit report
- % of District LGs with unqualified annual external audit reports as reported by the OAG
- % Local Governments having quarterly reports approved on time in line with regulations

3.5.2.4. Additional Sector indicators outside of the logical framework that influence RDSP objectives

As the support to LODA second Program supports DDPs and budgets in a holistic way, there are a number of indicators from various sources that can inform RDSP decision making processes (see box below). While it is not proposed to include these indicators in the logical framework due to their indirect relationship with the RDSP, they nevertheless provide a rich source of information to the programme and its stakeholders

Sectoral decentralization/Service Delivery Indicators:

The RDSP will also use relevant GoR sectoral decentralisation indicators⁹ to inform its decision making processes e.g.

- increase in kms of road
- % water access
- % increase in investment in value added production through post-harvest management, processing etc.

market access and utilisation PEFA Indicators:

In addition to the above, consideration may be given to the following PEFA indicators on LG budget credibility and local revenue when analysing Result 1; however, it is not recommended to include these indicators in the log frame as they are linked principally to PFM reform.

% DDP budget out-turns compared to original approved budget by composition for economic sectors using PEFA PI-2 methodology¹⁰ (This will include the relevant sectors for Agriculture including post-harvest, processing and value addition, Transport infrastructure, Water, Markets etc.). A specific calculation can be made for Belgian supported investments

Aggregate local revenue (local tax and non-tax revenue sources) out-turn in Districts compared to the original approved budget (PEFA PI-3)

Transparency of Tax Payer Obligations and Liabilities (PEFA PI-13)

Effectiveness of Measures for Tax Payer Registration and Tax Assessment (PEFA-14)

⁹ The precise sectoral indicators are dependent on the priority areas of the Districts as expressed through their DDPs and can be reviewed on an annual basis after the prioritization process is completed

¹⁰ It is noted that the international Finance and Admin TA for RDSP - ECD is also required to have PFM skills and hence should be able to apply the PEFA methodology if adequate support is provided. Only basic budget data is required and simple templates are available for analytical purposes. The current PEFA PI-2 template is included in Appendix D

Effectiveness of collection of tax payments (PI-15)

Performance Indicators:

There is also potential in the future to introduced performance based indicators if the recommendations of the recent study by Heinkle (2012) are adopted. However, at this time, there is no M&E framework to facilitate the measurement of these indicators. As the current districts scores in the IMOHIGO evaluation fall between very high values of 90% - 96%, it is also not viable to include IMOHIGO indicators unless the measurement framework is revised.

In this case, these indicators would relate to:

- ❖ Quality of plans and planning,
- ❖ Project preparation and implementation
- ❖ Achievement of development results
- ❖ Maintenance of LODA funded infrastructure and, at a later stage,
- ❖ Local revenue collection

3.6. Description of beneficiaries

3.6.1. Direct beneficiaries

- The primary beneficiaries of RDSP - DDP are the 31 LG with legal personality (30 districts and city of Kigali), their LLGs and communities who will benefit directly from services provided through the LODA second Program. MINALOC and the LODA, are also direct beneficiaries of the intervention;
- The private sector that will compete for contracts through public procurement processes can also be viewed as a direct beneficiary of the financial support.

3.6.2. Indirect beneficiaries

- Government agencies will benefit from the intervention including the MINECOFIN though this coordinated support of fiscal transfers to LGs and sector line ministries who will have the implementation of their policies supported at the local level.
- Other service providers located in each of the 31 LGs will directly benefit from the increased budget available to their districts in terms of provision of goods and services.

3.7. Risk Analysis

3.7.1. Implementation risks

Risks	Risk Level	Mitigation measure
Objective		
Result 6 LG investments are delayed due to challenges in planning and implementation	<i>Medium</i>	LODA is introducing an improved M&E system to monitor progress
Reporting is delayed causing subsequent delays in transfers to LGs	<i>High</i>	RDSP ECD Result 1 has a specific component in quality and timely reporting

Result 7 Process of selection of Pilot Districts is delayed Lack of willingness of the private sector to create private sector partnerships	<i>Medium</i> <i>Low</i>	Ensure the launch and the finalization of the preparatory assessment on the capacities and appetite of the private sector to participate in the LCF
Result 8 Transfers are delayed if LODA does not receive an unqualified audit report	<i>Medium</i>	The steering committee will insist to fully implement recommendations of GoR and other external audits

3.7.2. Management risks

Risks	Risk Level	Mitigation measure
Objective		
Result 6 Changes occur in LODA management resulting in institutional capacity gaps Management staff turnover in Districts remains high	<i>Medium</i> <i>Medium</i>	RDSP reporting will keep track on management gaps identified on the basis of OA and will address them. LODA will support newly recruited district management in overseeing infrastructure investments Overall support of RDSP to capacity development plans at District level
Result 7 Unwillingness of the main stakeholders to join the LCF Lack of commitment and buy-in to integrate LCF system in existing LED supporting mechanisms at National and District level	<i>Medium</i> <i>Medium</i>	Establishment of Pilot district coordination, communication and logistics arrangements with Districts including Memorandum of Agreement with local stakeholders involved Feasibility study will provide conditions of current incentives / constraints in order to establish a LCF system TA LED (ITA/NTA) will provide support to the arrangements, ensure participatory approaches and communication mechanisms of LCF with local stakeholders

Risks	Risk Level	Mitigation measure
		Supporting LODA and Districts in steering capacities and lessons learned, capitalization through R5 of RDSP ECD
Result 8 Poor management practice result in unqualified audit for LODA	<i>Low</i>	Well programmed follow up on previous years audit recommendations will be monitored by the RDSPs PCU LODA will receive advice through the ITA CF and auditors

3.7.3. Effectiveness risks

Risks	Risk Level	Mitigation measure
Objective Investment in infrastructure does not result in economic development	<i>Medium</i>	RDSP-ECD Result 2 directly addresses the link between capital investments and the local market
Result 6 DDP infrastructure investments do not include sufficient feasibility analysis or market assessment	<i>High</i>	Technical No-objection on investment projects list (similar to KfW procedure) see Annex 7.7. RDSP ECD Result 2 will specifically focus on these capacity areas in partnership with LODA, KfW and EKN
Result 7 Economic partnerships do not meet pro-poor development objectives and positive LED as defined in the Local Economy Assessments	<i>High</i>	District Economic and LED and Institutional Situational Analysis Identification of specific high potential value and supply chains in strategic economic sectors of the district Identification, formulation and initiation of catalytic LED initiatives / projects Technical feasibility and socio-economic impact studies of partnerships applications (Result 2 RDSP/ECD) Familiarize, educate and mobilize key district stakeholders of the objectives, resources, and tools of LED pilot initiative in particular and LED approaches in general

3.7.4. Sustainability risks

Risks	Risk Level	Mitigation measure
Objective Own source revenue policy does not result in significant improvement in revenue collection	<i>Medium</i>	RDSP-ECD Result 1 will coordinate with the FDC stakeholders on OSR policy
Result 6 Operation and maintenance budgets are not available as increased OSR collections do not materialise from LED investments	<i>Medium</i>	Capacity building (RDSP - ECD Result 1), feasibility analysis and O&M planning (RDSP - ECD Result 2) will address this issue
Result 7 Economic partnerships are not appropriated and benefit of a single business beneficiary	<i>Medium</i>	Reinforce and ensure steering capacities of District councils in LED and the follow up of LCF initiatives Comparative analysis based on a shared evaluation grid (including organizational, technical and financial sustainability criteria) Establishing a LCF Evaluation committee moderated and validated by an independent technical and financial assessment and due diligence team

3.7.5. Fiduciary risks

Fiduciary risks were assessed in detail in the BTC organizational capacity assessment of LODA

Risks	Risk Level	Mitigation measure
Objective		
Result 6 LODA does not comply with PFM regulations Funds are not properly accounted for Funds are not used for the intended purposes Funds do not provide value for money Procurement procedures are not respected	<i>Medium</i>	A joint external audit will be conducted annually by BTC, KfW and EKN including a value for money audit. Annual audit by Auditor General of LODA and LG Conditional transfer of funds : respect of reporting, action plan and progress report related to audit recommendations Transfer of funds in different instalments

		<p>Capacity building at different levels</p> <p>Control and support of LG by LODA</p> <p>LGs will be supported through GoR PFM reforms.</p> <p>RGB will address relevant governance issues through LG PFM committees</p>
<p>Result 7:</p> <p>Lack of capacity of private sector partnerships to meet contractual obligations in the implementation of the actions</p> <p>Procurement procedures are not respected</p> <p>Funds are not used for the intended purposes of the partnership applicants</p>	<p><i>Medium</i></p>	<p>Formulation and adoption of LCF pilot Operating Procedures by all the stakeholders</p> <p>Technical and financial assessments of the Proposal</p> <p>An independent audit will be completed</p>

4. RESOURCES

4.1. Financial resources

4.1.1. Rwandan Financial Contribution

The Rwandan contribution to RDSP (both components) has been evaluated and consist in the following elements:

- Secondment of an Intervention Director for the whole duration of the Programme (salary and expenses);
- Possibility to request support from the MINALOC, RGB, LODA and RALGA training budget and other Rwandan appropriate instruments and actors as a complement to the intervention;
- Provision of office premises¹¹ (with Internet connection, water and electricity services and security) for the project in Kigali and in the selected pilot district(s);
- Operational costs (rental of vehicles, meeting room, ...);
- Operation and maintenance costs of program infrastructure investments during and at least 3 years after implementation period for the sake of sustainability (see art 11 of Specific Convention) to be defined before the funding of LED investments through the feasibility studies.

The Rwandan contribution is estimated at **1,427,473 €** and will possibly be reviewed in accordance with the investments through the update of an Operation and Maintenance Plan.

MINALOC, on behalf of GoR, will report at least yearly to the Steering Committee and later to the Partner Committee of the use of this contribution.

In addition to that, the Rwandan Contribution to non-earmarked LODA transfers to Local Governments is about Rwf 75,050,104,009 (equivalent to 100,222 M€ per annum) based on data for the FY 2014/15. This amount can be considered as the Rwandan contribution to the common objective of the programme supported by DP's in the framework of the MOU with LODA.

4.1.2. Belgian Financial Contribution

The Belgian contribution for this project is 14.5 million Euros. 11,000,000 Euros in national execution (transfer to LODA DDP), 3,200,000 Euros in Co-management LCF and 300,000 Euros in BTC-management (audit & contingencies).

The detailed budget per year is presented at the end of this chapter.

4.2. Human resources

The human resources for this intervention are already planned and budgeted for under the RDSP-ECD intervention (See TFF of RDSP-ECD Chapter 4.2 Human Resources and Chapter 5.4.2. Programme Coordination Unit (PCU)). The two interventions will be implemented as two complementary parts with one single PCU within the context of the RDS Programme.

¹¹ Offices Premises : including at minimum 4 offices at MINALOC available for the PCU, 1 Office at LODA available for 1 ATI LED, 1 Office at RGB available for 1 ATI CD, 4 Offices in selected pilot District available for 4 AT's LED

4.2.1. Principles

In terms of the human resources required for the programme a number of principles will be adhered to. In the first place the programme will be fully integrated into the restructured MINALOC, LODA and LGs.

- The financial support to LODA will be implemented through the normal structures and procedures of MINALOC and LODA, to such an extent that for the majority of the staff of MINALOC and its agencies working on the programme activities, there is no distinction between the work that falls under the programme and the work that falls under the recurrent budget of the respective agencies.

LODA staff will be fully available for the implementation of the programme activities. As such, the programme is not a separate project implemented by a selection of LODA staff, but a fully integrated programme, using its existing staff to the maximum extent.

- The LCF will be jointly managed by LODA & the RDSP- PCU.

It has to be recognized however that staff of MINALOCs agencies already have a considerable workload. To facilitate and support the implementation of the programme, the following TA within RDSP - ECD will play an important *support*¹² role for RDSP-DDP

<i>Function</i>	<i>Duration</i>	<i>Location</i>	<i>Job description related to RDSP - DDP</i>
<i>PCU</i>			
<i>ITA - DEL CO</i>	<i>48 months plus 6 months pre project</i>	<i>MINALOC SPIU</i>	<i>Monitor progress in RDSP - DDP on behalf of BTC. Provide advice to LODA management and through RDSP quarterly reporting mechanisms. Request other TA to contribute to RDSP - DDP when considered appropriate by the DEL-CO in consultation with MINALOC and BTC.</i>
<i>ITA Contract & Financial Advisor (Finance and Admin)</i>	<i>48 months plus 6 months pre project</i>	<i>MINALOC SPIU</i>	<i>Provide PFM analysis through quarterly reporting for the RDSP. Assist LODA on specific areas as requested by stakeholders through the DEL-CO</i>
<i>LODA</i>			
<i>ITA and 4 NTA on LED</i>	<i>48 months</i>	<i>LODA, 4 LED pilot districts</i>	<i>Monitor progress in LODA LD Coordination Program especially the rate of adoption of good practices developed through RDSP – ECD The team of LED I&NTA will participate in the whole cycle of planning and budgeting for district investment projects (in compliance with Annex 7.7).</i>

¹² Understand: coaching role. ITA will avoid as much as possible executing tasks which are the responsibility of LODA in order to maximize accountability and transfer of capacity.

<i>Result 4</i>			
<i>NTA Sector Coordination</i>	<i>48 months</i>	<i>MINALOC – office of the chair of the DSWG</i>	<i>Support MINALOC and BTC in analysis of policy implementation related to LODA interventions as requested by stakeholders through the DEL-CO</i>

Table 4.1 Roles of Long Term RDSP TA related to Support to DDP¹³

4.3. Material resources

No specific material resources will be provided for this intervention.

¹³ On PFM issues at decentralized level, the BTC PFM expert in the health sector will provide advice and analytical support

BUDGET: RWA 13 090 11				CHRONOGRAMME							
				Management mode	BUDGET in Euro	%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5 (6 months)
A The Districts capacity to develop a sustainable enabling environment for LED is enhanced through increasing non-earmarked resources and improved governance					14,500,000	100%	5,500,000	6,350,000	1,100,000	1,100,000	450,000
A 01 <i>Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda's Decentralisation Strategy</i>					11,000,000	76%	5,500,000	5,500,000	0	0	0
A	01	01	Support to Capital Development investments as prioritized in the DDPs	NEX	10,890,000		5,445,000	5,445,000	0	0	0
A	01	02	Working costs LODA	NEX	110,000		55,000	55,000	0	0	0
A 02 <i>Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts</i>					3,200,000	22%	0	750,000	1,000,000	1,000,000	450,000
A	02	01	Implementing economic partnerships	Co-Management	3,200,000		0	750,000	1,000,000	1,000,000	450,000
A 03 <i>LODA Support Programme and the DDPs are implemented in compliance with Rwanda's PFM and Procurement regulatory framework</i>					300,000	2%	0	100,000	100,000	100,000	0
A	03	01	Joint annual value for Money Audit	BTC-Management	300,000		0	100,000	100,000	100,000	0
TOTAL					14,500,000		5,500,000	6,350,000	1,100,000	1,100,000	450,000

NEX	11,000,000
BTC-Management	300,000
Co-Management	3,200,000

5,500,000	5,500,000	0	0	0
0	100,000	100,000	100,000	0
0	750,000	1,000,000	1,000,000	450,000

5. IMPLEMENTATION MODALITIES

5.1. Introduction

This chapter describes how the project will be managed, from start-up until closure, in all its management areas (strategic steering, technical content management (scope), procurement management, financial management, human resources management, quality management and audit) and is intended to enable stakeholders directly involved in the project to:

- Understand which **management system** applies to which project management area. There are two possibilities:
 - Use of the Rwandan system (or of an harmonized donor system recognized by Rwanda as its system),
 - Use of the BTC system.
- Be aware of their **responsibilities** and of those of the other stakeholders in the various project management areas. There are three modes:
 - **Rwandan responsibility:** the Rwandan partner is responsible. For the finance and procurement management areas, the term “national execution” is used.
 - **Joint responsibility:** both the Rwandan partner and BTC are responsible. For the finance and procurement management areas, the term “co-management” is used.
 - **BTC responsibility:** BTC is responsible. For the finance and procurement management areas, the term “BTC-management” is used.

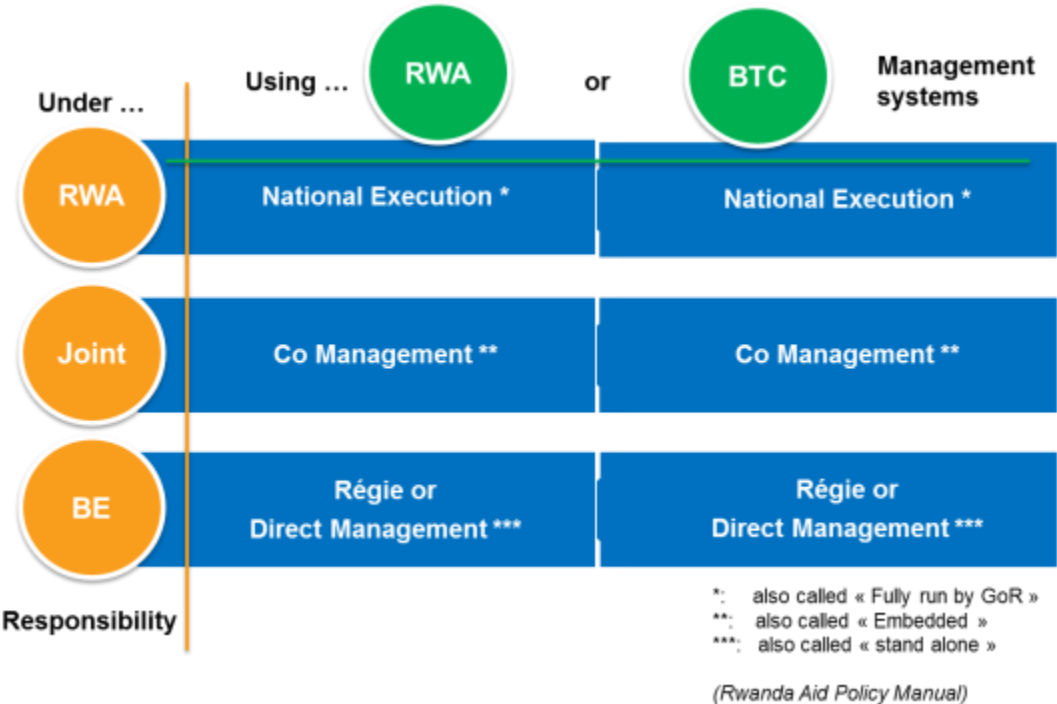


Figure 16: Types of implementation modalities

These possibilities in terms of system and responsibility mode can be related to the three modus operandi for the project support as introduced in the Rwanda Aid Policy Manual of Procedures:

- A “Fully run by GoR” project is a project where the Rwandan system is used under Rwandan

responsibility (this situation is called “**national execution**” in Belgian terminology).

- An “**embedded**” project is a project where there is a **joint responsibility**, regardless of the system used (from Rwanda or from BTC).
- A “**stand-alone**” project is a project run under **BTC responsibility**, usually using the BTC system.

No matter the choices made in terms of systems and responsibility modes, partnership, collaboration, transparency and mutual information will apply in managing the project.

The project will be managed through 3 specific modalities described in the next paragraphs:

1. An execution agreement with LODA
2. A Local Competiveness Fund
3. Audit, MTR, ETR, capitalisation services, etc.

5.2. Project duration and lifecycle

5.2.1. Execution phase of the intervention

The duration of the Specific Agreement (SA) is 5.5 years (66 months) while the operational phase (including execution and closure) of this intervention is 4.5 years (54 months), meaning that the legal end of both sub interventions of RDSP will be aligned. The execution phase starts when the SA is signed.

This intervention will be closely linked to a capacity development component of the RDSP ECD and the 2 periods will be combined in consideration of an overall Belgian programme of support to the decentralization sector. This will ensure that capacity building activities of RDSP - ECD that are directly related to the Support to DDPs. These CB activities will address a number of relevant areas including LED, O&M, project feasibility and health and safety among others. While these activities will not be completed before the commencement of RDSP - DDP, at a minimum, there should be an acknowledgement of the need to address these issues related to capacity building and quality assurance. This will mitigate a number of risks in terms of quality assurance in the planning and implementation, reporting and M&E process among others. It will also ensure that all relevant TA are available as detailed in Table 4.1 above.

The effective start date of the intervention is the date of signature of the specific agreement.

5.3. Project organization and anchorage

5.3.1. Organizational structure and institutional anchorage

The intervention RDSP, composed by the two sub-interventions ECD and DDP, integrates its support functions into the Single Project Implementation Unit (SPIU) at MINALOC Level, which means that the Team in place will have the responsibility for the achievements of the results of the two sub interventions. The sub intervention RDSP-DDP will be managed, for the Rwandan side as the main counterpart to RDS Program, by LODA.

5.3.2. Project Steering Committee (PSC)

5.3.2.1. Role

The PSC is the highest level of decision in the project. It is in charge of the strategic steering of the intervention. For strategic and convenience purpose, the PSC of RDSP-DDP is the same then the one set for RDSP-ECD, meanwhile the Team will have the responsibility to present desegregated reports.

The main responsibilities of the PSC are:

- Validating main changes in the intervention strategy and ensuring their alignment to the evolving overall LODA strategy (strategic planning, annual planning and budgeting),
- Assessing the development results obtained by the project (strategic quality assurance and control) and approve project reports and planning, including the Rwandan contribution to the intervention
- Managing strategic changes on overall and specific objectives, on total project budget and/or on duration) and other important changes like budget line and intermediate results changes, changes on implementation modalities as well as the adaptation of the project organization and anchorage to SPIU MINALOC,
- Solving problems that cannot be solved at the operational level and management level in the PCU,
- Enhancing harmonization among donors.
- Validate changes in the operational manual and related procedures
- Validate changes in the disbursement procedures and flow to districts, especially with regard to the distribution formula
- Validate list of priority projects (non-objection) to finance by the intervention
- Monitor progress related to action plan of audits
- Approve monitoring and evaluation framework

5.3.2.2. Composition

The **voting members** of the PSC are:

- The Permanent Secretary (also Chief Budget Officer) of the MINALOC is the chair of the PSC
- The BTC Resident Representative, or his delegate, is the co-chair of the PSC
- A representative of the MINALOC (DG),
- A representative of the LODA,
- A representative of RGB,
- A representative of RALGA,
- A representative of the MINECOFIN¹⁴
- A representative of the NCBS.

Non-voting members of the PSC that can be invited are:

- A representative of the MINAFFET,
- A representative of the RDB,
- A representative of Private sector federation,
- A representative of the Civil society platform,
- Representatives of the DPs¹⁵, including the Belgian Embassy, involved in the Decentralization sector for issues of donor coordination

¹⁴ Will include a representative from the Fiscal Decentralization department of MINECOFIN

¹⁵ Depending on the synergies and collaboration during implementation

The members of the Intervention Management Unit participate as regular observers and informants.

The PCU acts as the secretariat of the PSC.

5.3.2.3. Operating rules of the PSC

Detailed operating rules will be elaborated in a ROI, including in a Program Implementation Manual (PIM). General principles are that the PSC meets at least every six months by invitation of the chairperson and at any other time deemed necessary. The invitation must be received by the members at least 7 days before the meeting. The invitation includes an agenda, suggested decisions and supporting documents. Decisions are taken by consensus. Observers and informants have no voting power.

Decisions of each meeting of the PSC are recorded in minutes signed by the present voting members. Signed by the Permanent Secretary of the MINALOC and the MINECOFIN Representative for the Rwandan Party and by the BTC Representative for the Belgian Party.

The PSC may invite external experts or stakeholders as observers as resource people for a particular meeting.

For this specific intervention a joint donor steering committee may be created in addition to the PSC. This donor steering committee will have an advisory role to the Steering Committee.

5.4. Modalities

5.4.1. General principles to manage the DDP transfers between RDSP and LODA DDP (R6)

Key partner institution, here we mean LODA, are directly responsible to achieve Results and take responsibility for implementation of the related activities.

To realize the principles of alignment, ownership and harmonization, the result 6 of the RDSP will be managed by the GoR (LODA) and national systems will be used. The applicable procedures are the PFM procedures of the GoR and the ones described in the manual of LODA.

5.4.1.1. Budget planning

The Belgian contribution will respect the distribution formula ('système de péréquation') of LODA. Belgium will make 2 contributions one for the fiscal year 2015/2016 and one for the fiscal year 2016/2017.

An indicative list of priority projects is annexed for a total budget of 5,445,000 euros. The second list of the contribution will be defined for the fiscal year 2016/2017.

BTC will confirm annually the available budget. The Project Steering Committee has to give a non-objection on the list of the priority projects. RDSP TA will participate in technical validation mechanisms of the annual investment plans which take place at different levels (District, National Advisory Committee and Public Investment Committee (PIC)). LODA will receive yearly an amount of 55,000 Euro budgeted on result 6, in order to finance their additional working costs.

5.4.1.2. Cash management

A specific bank account has to be opened for the Belgian contribution. BTC has viewing rights on this account.

The annual contributions will be transferred in 4 instalments to the specific bank account.

The instalments will be made by BTC on request of LODA according to the following scheme:

- First instalment of 30% after the approval of the priority projects
- The other instalments will be made according to the needs

The funds will only be transferred if BTC has received:

- The financial and technical reporting
- The action plan and progress report related to the recommendations of the annual audit.
- The financial situation of the specific account

The funds that are not used in one fiscal year can be transferred to the next fiscal year. Prior approval of BTC is required and funds cannot be transferred beyond the fiscal year 2017/2018.

5.4.1.3. Reporting

Quarterly LODA will provide a financial and technical report. The technical report should contain at least:

- Progress and planning of activities
- Key issues and risks
- Major changes

The financial report should at least contain:

- The approved budget by projects and the transfers made
- Use of transfers by projects
- Follow-up of audit recommendation

Annually, LODA will provide a global progress report in line with the MoU.

5.4.1.4. Monitoring and evaluation

The monitoring and evaluation framework for the Programme is fully described in the TFF RDSP-ECD and will be further developed during the start-up phase and has to be approved by the Steering Committee.

Every change to the procedure manual has to be communicated to and validated by BTC.

5.4.1.5. Financial balance

From six months before the end of the project execution phase, LODA must elaborate each month a financial balance forecast.

5.4.2. General principles of the management of the Local Competitiveness Facility (LCF) – R7

Referring to chapter 3, the Local Competitiveness Fund will be established and aimed to be a funding instrument for local LED actions implemented by private partnership groups under RDSP-DDP. The LCF can be considered as an earmarked fund managed with regards to the financing decisions (LED Division of LODA, BTC, RDB and MINECOFIN).

The description of the functioning of this fund will be defined during the first year of RDSP ECD intervention. Annex 7.5 (LCF Framework), 7.6.3 (Development of procurement procedures) and 7.6.4. (Development of operational modalities) of the RDSP ECD TFF gives orientations and principles for implementation. The manual of LCF has to be approved by the Steering Committee.

An execution agreement will be signed with LODA that will be jointly designed and implemented in co-management.

5.4.3. Audit and Support LODA and District compliance with the PFM and procurement regulatory framework – R8

The result 8 will be own managed, under BTC responsibility and with BTC system.

The annual audit is a result of the intervention. The audit will include the following aspects:

- verification of the maturity of the processes and the respect of procedures;
- are the funds properly accounted for and used for the intended purposes?
- do the funds provide value for money?

The recommendations of the audit have to be translated into an action plan. LODA has to communicate regularly the progress of the implementation of the action plan.

LODA and the districts are also audited by the Auditor General. The audit reports have to be communicated to BTC.

Each year, BTC accounts are audited by the Belgian government auditors, who have the right to audit any intervention implemented by BTC.

5.5. Closing

5.5.1. Destination of balances at the end of project operations

At the end of the project the remaining balance will be transferred to the Belgian Treasury.

5.5.2. Expenses beyond the end date of the specific agreement

No commitment can be made in the last six months of validity of the specific agreement without prior approval of the PSC and on exclusive condition that activities close before the end of the specific agreement. After the end date of the specific agreement, no expenditure will be authorised except if it is related to commitments signed before the end of the Specific Agreement and mentioned in the minutes of a PSC. Operational expenditures after the end of the Specific Agreement will not be accepted.

No expenses are to be made before the start of the programme.

5.6. Modification of the TFF

The present TFF may be amended by mutual consent of the parties.

It is essential to install an attitude of expecting and encouraging a practice of regular modifications based on the insights gained during the implementation. The task of the project management unit and the PSC is to assess the quality of the argumentation for the suggested changes and to request further explanation if necessary

A formal agreement by the Belgian government is needed for the following changes:

- Modification of the duration of the Specific Agreement;
- Modification of the total Belgian financial contribution;
- Modification of the Specific Objective of the intervention.

The request of the above modifications has to be approved and motivated by the Steering Committee. The exchange of letters requesting these modifications shall be initiated by the Rwandese party and shall be addressed to the Belgian Embassy. The following changes to the TFF will have to be approved by the Steering Committee:

- The program results and activities and their respective budgets;
- The mechanism to change the TFF.

The adapted version of the TFF shall be communicated to the BTC headquarters and to the Belgian Embassy in Kigali.

6. CROSS CUTTING THEMES

6.1. Environment

The mainstreaming of environmental compliance issues in sustainable local development management is already well established in Rwandan environmental law and practice. To effectively manage environmental challenges such as soil erosion, deforestation, wetland drainage, water degradation, climate change and the loss of biodiversity, the Government of Rwanda established the Rwanda Environmental Management Authority (REMA), under Organic Law No.04/2005, to co-ordinate and oversee all aspects of environmental management for sustainable development. The Organic Law (Article 67) requires that projects, programmes and policies that may affect the environment shall be subjected to environmental assessment before obtaining authorization for implementation.

All developments by both public and private parties at district level are required to undergo a process of environmental assessment, and if necessary a full environmental impact assessment, and that the systems are now in place to ensure full compliance at district level. The responsibility for facilitating assessments for both investors and the public sector lies with the Rwandan Development Board. It is acknowledged that there was a high level of non-compliance by districts, particularly with regard to district managed infrastructure development projects, but that the level of compliance has improved. However, there is still a need to further improve environmental compliance with environmental assessment and other relevant regulations. This issue has been identified as an activity level for Result Area 2.

A key development with implications for the RSDP is the establishment of the Fund for Environment and Climate Change (FONERWA) to facilitate access to sustainable financing and to support the implementation of the National Strategy on Climate Change and Low Carbon Development which was adopted in 2012. As a financing instrument, FONERWA has 4 thematic financing windows, namely conservation and sustainable resources management, Research and Development Transfer and Implementation, Environment and Climate Change Mainstreaming and Environmental Impact Assessment, monitoring and enforcement.

The key relevance of FONERWA to the current intervention is that it operates on a “Challenge Fund” principle, similar to the proposed Local Competitiveness Facility (LCF), and is targeted at government, private sector and civil society. The fund has assigned 20% of its funds for the private sector and another 10% for the districts. The First Call for Proposals has been assessed. Only 11 out of 391 applications from private sector parties had reached the necessary threshold level¹⁶. Many of the applications were of a poor quality, and in terms of objectives they were more in line with the objectives of the proposed Local Competitiveness Facility (LCF) if it would already have been in operation. In terms of private sector targeting, for the first two years, the majority of resource allocations to the private sector will be in the form of grants until guarantee and concessional loan facilities are introduced. The goal is to ensure that in the Medium-term (2-5 years) instruments will include, more complicated, low interest and/or concessional loans and equity investments in the longer term. These instruments are currently all under development.

The lack of a district presence in the FONERWA¹⁷, had been a major obstacle to stimulating quality applications from the districts, and that only 2 proposals had been forthcoming. 10% has been earmarked for districts. There are strong synergies between the RDSP and FONERWA initiative, and there are opportunities for districts in general, and for the pilot districts in particular to leverage this synergy for the

¹⁶ (Selen Kesrelioglu, FONERWA Private Sector advisor, Interview 11/10/2013 – the first call of proposal following the official launch on 26th July as been assessed for a 15th August deadline

¹⁷ The co-ordinator for the districts, Teddy Mugabo (interview 11/10/2013) indicated the weak participation of the Districts and the lack of representation in the Fund

benefit of local economic development. There should also be strong liaison between the implementation of the LCF and the FONERWA process.

A significant opportunity for cross cutting linkages with the RSDP programme lies in the forestry sector. Since there is a new emphasis on supporting private sector involvement in forestry and exploiting forestry processing opportunities¹⁸. The presence of the proposed Local Competitiveness Facility (LCF) providing an important instrument for private sector forestry role players at the district level is an opportunity to engage with forestry related enterprise issues. Opportunities included timber production, electrical pole production, modern charcoal making. More than 80% of the forest lies in private hands (community, individuals and religious groups). The GOR had recently signed an agreement with a private investor, the UK owned New Forestry Company, to promote an investment in a modern, value added wood products industry around the Nyungwe buffer zone which comprises over 11,000 hectares of forest. The Company plans to invest and establish a series of manufacturing industries to make products for the rapidly growing construction and house building sector including lumbering, construction saw mills, secondary processing of doors, panelling, framing and windows and basic assembly furniture like school and office desks. It is estimated that the venture will create 1200 new jobs. A further key issue relates to the close integration between forestry cover and the commercial sustainability of the tea industry in Rwanda. Due to the tea processing technology a ½ hectare of forestry is required every year for a hectare of tea. It is important to note that BRC have also invested significantly in this area through a project supporting sustainable forestry management. The RDSP should seek to develop synergies with this programme which is in its latter stages.

In terms of the related issue of land use planning, the Rwandan Government passed Law 24/2012 relating to the planning of land use. The law makes provision for every district to prepare a land use plan based on the District Development plan, and thereafter each district will be required to develop an urban development plan. The final phase would involve the development of area plans.

6.2. Gender

Gender is both a priority result area and a cross-cutting theme. This is because experience has shown that the inclusion of gender indicators is normally critical to progress in this area.

In reporting on Gender and Development related to the current Belgian Indicative Cooperation Programme, (ICP), BTC have recommended that the following issues should be addressed related to gender cross-cutting issues:

- Policy dialogue: discuss possible policy interventions with the aim of mainstreaming gender in policy formulation, implementation, monitoring and evaluation;
- Contributing to gender mainstreaming in District Development Plans (DDPs) and ensuring that gender dimension is taken into consideration through implementation, monitoring and evaluation;
- Support effective decentralization of National Women Council (NWC) to improve dissemination of information, advocacy and policy dialogue through affirmative actions;
- Participating in the implementation of capacity building strategy for local governments taking gender dimension into consideration;
- Contributing in reducing poverty among women through existing country initiatives and facilitating access to market;

¹⁸ Indicated by The Deputy Director of the Forestry and Nature Conservation Department (FNCD) within the Rwandan Nature Resources Authority (interview 4/10/2013)

- Supporting coordination of district interventions through District Joint Action for Development Forum (JADF).
- The RDSP has directly addressed a number of these issues in its results areas. The following actions will be addressed:
- At the policy level, the RDSP will support gender mainstreaming through advocacy gender responsive budgeting in line with the guidelines developed by MINECOFIN and UNCDF with the support of a number of partners including Belgium. It is expected that RALGA will cooperate with the GMO and NWC on this issue
- Gender responsive planning and budgeting at the district level will also be a key feature of capacity building activities under result 3.
- Information on areas where capacity building support is delivered will be disaggregated by gender by RGB. Tools to ensure this is done will be included in the proposed capacity building M&E system referred to in section 3.4.1.3. In addition, a specific activity is planned under RDSP-ECD result 3 to address issues related to equality in the workplace at local government levels

It is proposed that gender equality criteria will be used in the evaluation of LED pilot project partnerships – the current proposal is to include gender criteria at the small enterprise/community level.

6.3. Decent Work

Work is central to people's well-being. In addition to providing income, work can pave the way for broader social and economic advancement, strengthening individuals, their families and communities. Such progress, however, hinges on work that is decent. Decent work sums up the aspirations of people in their working lives.

The ILO has developed an agenda for the community of work. It provides support through integrated Decent Work Country Programmes developed in coordination with its constituents. Putting the Decent Work Agenda into practice is achieved through the implementation of the ILO's four strategic objectives, with gender equality as a crosscutting objective:

- Creating Jobs – an economy that generates opportunities for investment, entrepreneurship, skills development, job creation and sustainable livelihoods.
- Guaranteeing rights at work – to obtain recognition and respect for the rights of workers. All workers, and in particular disadvantaged or poor workers, need representation, participation, and laws that work for their interests.
- Extending social protection – to promote both inclusion and productivity by ensuring that women and men enjoy working conditions that are safe, allow adequate free time and rest, take into account family and social values, provide for adequate compensation in case of lost or reduced income and permit access to adequate healthcare.
- Promoting social dialogue – Involving strong and independent workers' and employers' organizations is central to increasing productivity, avoiding disputes at work, and building cohesive societies.

The RDSP will address the following issues related to decent work:

Sustainable job creation and improved livelihoods is at the centre of the RDSPs strategic objectives and has been included as one of the objective level indicators. While the RDSP will support LGs in job creation through implementation of their DDPs, it will have a particular focus on sustainable jobs by strengthening feasibility and operation and maintenance aspects of these investments. Furthermore, the LED Pilot

programme will seek to form partnerships between larger and smaller enterprises, with an emphasis on delivering employment and livelihood benefits to poorer people at the community level. This will be key criteria in the selection of LED pilot actions to be supported by the RDSP.

Given the nature of RDSPs support to capital investment (including through RDSP-DDP), the programme has a specific focus on decent work related to occupational health and safety. This is particularly relevant in areas of infrastructure development and manufacturing (also potentially mining under LED pilots) which can be extremely hazardous environments to work within. Section 3.4.2.2 includes the details of the actions to be taken by the RDSP in addressing this issue. It is also important to recognise that by reducing accidents and incidents and hence lost days of work, economic benefits also accrue from good occupational health and safety practices.

As referred to above, gender equality is a cross cutting theme both in the decent work policies of the ILO and within the RDSP. While there are specific activities related to gender responsive budgeting and gender in the work place within local governments institutions (see 3.4.3.2 – 3.4.3.4), there is also a significant opportunity to measure progress in gender equality in the work place. It is therefore proposed that the RDSP will adopt the ILO decent work indicator¹⁹: Share of women in wage employment in the non-agricultural sector (for LG projects supported by the RDSP).

It is proposed that the RDSP may also address the issue of gender equality in the work place for DDP projects supported by RDSP. This issue was not addressed directly during the formulation with the partners, and therefore it is proposed that a short term local consultant will be recruited in the first year of the project to investigate how this issue can be integrated into the RDSP under RDSP-ECD result 3.

The RDSP also provides for capacity building of all stakeholders in implementing the Labour Law and more particularly those aspects concerning health and safety and non-discrimination.

Decent work is also closely related to non-discrimination at the workplace, particularly for stigmatized groups such as people living with HIV/AIDS (PLWHA). The development and implementation of HIV/AIDS workplace policies that are adapted to their respective needs will also be supported.

6.4. HIV

In spite of all the progress that Rwanda has made in fight against HIV/AIDS over the past years, stigma and discrimination of HIV/AIDS affected people continues to be a problem. People living with HIV/AIDS still have insufficient access to credit and their rights are not well-protected in public services and at the work place.

HIV is addressed as a priority activity in all 12 EDPRS economic sectors, which include not only ministries and public institutions, but also private and community organizations in the same field of activities. HIV/AIDS activities implemented by each sector at the district level are integrated in the five-year District Development Plans (DDP) and district annual work plans.

Under the coordination of the respective lead ministry each of the 12 EDPRS sectors has a strategic plan, as well as an annual work plan which HIV/AIDS activities are integrated. Each sector also has a HIV focal point, which is responsible to coordinate the implementation of the HIV priority activities at central and decentralized levels. The coordination of the HIV response at district level is located within the District Health Unit, which is in charge of planning and monitoring all health interventions in the district.

The National Strategic Plan on HIV 2013-2017 has identified the workplace as one of the key environments for HIV/AIDS prevention through information, communication, social marketing of condoms and facilitating access to HIV/AIDS counselling, testing and treatment. The workplace programme is implemented by the

¹⁹ Decent Work Indicators: Concepts and Definitions (1st version). ILO (2012) p131

both the private and the public sector. The Private Sector Federation intervenes in the private companies' workplaces such as agriculture, commerce, financial institution, liberal professionals, tourism, industries, arts crafts and artisans, women entrepreneurs, young entrepreneurs and ICT private institutions. The public sector, and more particularly the Ministry of Public Service and Labour (MIFOTRA) intervenes in ministries, district offices and other public institutions through the respective HIV/AIDS focal points. Promoting the protection and non-discrimination of pregnant women and young mothers is also an important issue. Rwanda People infected and affected by HIV (PLWHA) are entitled to enjoying have the same opportunities as the general population. Local economic development has a key-role in involving PLWHA in market oriented economic activities and in supporting the organization of PLWHA in cooperatives.

7. ANNEXES

7.1. Log Frame RDSP - DDP

	Logical of the intervention	Indicators	Sources of verification	Hypotheses
GO	<p>Global objective</p> <p>To sustainably enhance the capacity of districts to deliver services and to support an enabling environment for LED in respect of best governance practice</p>	<p>% of citizens expressing satisfaction with the quality and timeliness of service delivery at the local level</p> <p>% of entrepreneurs and cooperatives who are satisfied with the business environment for LED</p>	<p>Key Performance Indicators (KPI) in Sector Performance Reports</p> <p>Key Performance Indicators (KPI) in Sector Performance Reports</p>	<p>LED investments are targeted at all citizens and hence will be reflected in their views on the satisfaction with service delivery</p> <p>Investments in LG and private sector capacity building and LED lead to higher levels of satisfaction in service delivery among the general community and in the private sector.</p>
SO	<p>Specific objectives</p> <p>The LGs capacity to develop a sustainable enabling environment for LED is enhanced through increasing non-earmarked resources and improved governance</p>	<p>Percentage increase of the expenditures at District level over which Local Governments have discretionary powers (KPI)</p> <p>LED: Nr of temporary (construction phase) and number of sustainable employment opportunities created (on and off farm)</p>	<p>DSSP KPI. Annual analysis of OSR, non-earmarked and unconditional block grants - District annual budget reports (available from MINECOFIN)</p> <p>Annual reports from LODA (job creation is included in feasibility studies for all projects)</p>	<p>LODA investments result in enhanced OSR. GoR continue to increase support to un-earmarked grants</p> <p>Investment in local infrastructure results in economic development through growth in local jobs, goods and services</p>
R 6	<p>Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda's Decentralisation Strategy</p>	<p>% increase in the number of Projects of Public-Private Partnership model in Local Government</p> <p>Nr of short-term and long term jobs directly attributed to the Belgian</p>	<p>(Sector KPI which should be measured by MINALOC)</p> <p>Short term actuals from site reports</p> <p>Long term - estimated in feasibility</p>	<p>Belgian supported investments in capital projects result in direct job creation and enhanced OSRs</p> <p>GoR continue to support to un-</p>

	Logical of the intervention	Indicators	Sources of verification	Hypotheses
		<p>supported DDP investments</p> <p>% change in local revenue by individual source year on year (annual indicator aligned to FDS).</p> <p>% increase in GoR contribution to LODA non-discretionary funds</p> <p><i>Service delivery indicators should be selected and reviewed on an annual basis as they depend on the areas of investments selected through the DDPs (see section 3.5.2.4)</i></p>	<p>studies</p> <p>LG Budget Reports</p> <p>LODA budget reports</p> <p>RDSP annual reports/ Economic sector reports e.g. Infrastructure, Agriculture, Tourism, Trade etc</p>	<p>earmarked grants</p>
R7	<p>Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts</p>	<p>Nr. of economic partnerships established in the pre-defined high potential sectors or value chains</p> <p>Degree of satisfaction of the innovative approach by local stakeholders</p> <p>Replication use of Local Competitiveness Facility modalities by MINALOC and DP</p>	<p>RDSP annual report</p> <p>Satisfactory surveys, RDSP annual reports, capitalization reports</p> <p>Capitalization / lessons learned (R5) studies, annual reports RDSP</p>	<p>LCF leverages partnerships between large, medium and SMMEs or co-operatives, to meet pro-poor development objectives, promote competitive and inclusive value and supply chains in strategic economic sectors with high potential in the respective district local economies</p>

	Logical of the intervention	Indicators	Sources of verification	Hypotheses
R8	LODA LD Coordination Program and the DDPs are implemented in compliance with Rwanda's PFM and Procurement regulatory framework	<p>The external audit commissioned joint by the LODA LD Coordination Program partners (Belgium, EKN, KfW) is unqualified</p> <p>% recommendations of the above mentioned external audit are implemented in full within 6 months of the publication of the annual audit report</p> <p>% of District LGs with unqualified annual external audit reports as reported by the OAG</p> <p>% Local Governments having quarterly reports approved on time in line with regulations (PEFA indicator on the quality and timeliness of in-year budget reports or similar verifiable information provided by LODA)</p>	<p>Jointly Commissioned Independent External Audit Report</p> <p>Work Plan resulting from the Independent External Audit Report</p> <p>Annual OAG audit reports</p> <p>LODA M&E records</p>	<p>LGs demonstrate continuous commitment towards improved financial control, reporting and auditing. (It is expected that a least one district can achieve a clean audit in the initial years of the RDSP and further progression thereafter)</p>

	Activities to reach Result 1	Means	Belgian Contribution
R 6	Result 6		Costs in Euros
A 6.1	Support to Capital Development investments as prioritized in the DDPs	<i>Support to LODA RDSP – DDP</i> <i>Working Costs for LODA</i>	10,890,000 110,000
R 7	Result 7		
A 7.1	Support Private partnerships in the 8 pilot districts	<i>Belgian support to LCF RDSP - DDP</i>	3,200.000
R 8	Result 8		Costs in Euros
A 8.1	Support LODA compliance with the PFM and procurement regulatory framework Joint Annual Value for Money Audit of Belgian, EKN and KfW supported DDP investments through the LODA Second Program	<i>Belgian Support to LODA RDSP - DDP</i>	300,000
A 8.2	Support District compliance with the PFM and procurement regulatory framework Annual OAG statutory audit reports	<i>GoR cost</i>	Zero cost to intervention 2

7.2. Definition of Indicators

<i>Logic of the intervention</i>	<i>Indicators</i>	<i>Definition/Description</i>	<i>Initial Value of Indicators</i>
<p>Global Objective</p> <p><i>To sustainably enhance the capacity of LGs to deliver services and to develop an enabling environment for LED in respect of best governance practice</i></p>	<p>% of citizens expressing satisfaction with the quality and timeliness of service delivery at the local level</p> <p>% of entrepreneurs and cooperatives who are satisfied with the business environment for LED</p>	<p><i>Measures whether citizens are satisfied with Local Government performance (the impact of capacity building and capital investment) in service delivery</i></p>	<p><i>76.7% of citizen and stakeholders are satisfied with LODA decentralized intervention</i></p>
<p>Specific Objectives:</p> <p><i>The LGs capacity to develop a sustainable enabling environment for LED is enhanced through increasing non-earmarked resources and improved governance</i></p>	<p>Percentage increase of the expenditures at District level over which Local Governments have discretionary powers (KPI)</p>	<p><i>Measures if LED investments are resulting in enhanced LG ownership of their budgets through an increasing share of discretionary revenues including central government transfers (LODA non-earmarked funds) and own sourced revenues (resulting from LED investments)</i></p>	<p><i>Local revenue in relation to total budget is 19%.</i></p>
	<p>Nr of temporary (construction phase) and permanent jobs created through LG LED investments</p>	<p><i>Measures the level to which LED is contributing to employment (a key indicator of economic growth)</i></p>	<p><i>Total number of job to be created through the implementation of LED for 2014-2015 is 96,000</i></p>
<p>Result 6:</p> <p><i>Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda's Decentralization Strategy</i></p>	<p>Delivery of the result</p>		
	<p>% increase in the number of Projects of Public-Private Partnership model in Local Government (Sector KPI which should be measured by MINALOC)</p>	<p><i>Measures the nr of projects adopting a PPP model in LGs in line with Decentralization sector policy (including RDSP LED pilots and other LG initiatives)</i></p>	<p><i>PPP projects are increasing by 1% year on year</i></p>
	<p>Nr of short-term (actual from site reports) and long term (this should be estimated in feasibility studies) jobs directly attributed to</p>	<p><i>Measures level of direct jobs as a result of BTC investments, as a key economic indicator</i></p>	<p><i>To be determined</i></p>

	the Belgian supported DDP investments		
	% change in local revenue by individual source year on year (annual indicator aligned to FDS).	<i>Measures which OSR sources have the greatest potential to improve locally sourced discretionary revenues – guides LED decision making processes</i>	<i>To be determined</i>
	<i>Change processes</i>		
	% increase in GoR contribution to LODA non-discretionary funds	<i>Assesses if the GoR in facilitating a change towards increased discretion to LG in terms of budget allocation</i>	<i>The annual % of increase in GoR contribution to LODA budget is 10% and</i>
	% of LGs local own revenues in relation to their total District budget (KPI)	<i>Measures if Sector policy and dialogue is facilitating enhanced ownership of LGs over their budgets</i>	<i>Own revenues in relation to Districts total budget is increasing by 1% annually.</i>
	% of total LODA resources aligned to fair and transparent allocation formula (as per PEFA PI-8 guidelines on “transparency of inter-governmental fiscal relations”).	<i>Measures if LG transfers are equitable fair and transparent (PEFA indicator measured every 5 years) and forms a basis for dialogue and reform on this issue</i>	<i>100% of LODA resources allocated to LGs are distributed through distribution formula.</i>
	<i>Annual change in the % of LODA funds that are transferred on time to the districts in line with current regulations</i>	<i>Assesses in LG financing is progressively more predictable and reliable. It also assesses whether LGs are improving their performance in budget implementation</i>	<i>Number of days required for fund transfers in LODA is reduced by 6.6% annually</i>
Result 7:	<i>Delivery of the result</i>		
<i>Innovative economic partnerships are implemented through a Local Competitiveness Facility in 8 pilot districts</i>	<i>Nr of economic partnerships established in the pre-defined high potential sectors or value chains</i>	<i>Measures the effectiveness / efficiency of the local competitiveness facility as linked with LED component of the district development plans</i>	<i>To be determined</i>
	<i>Replication use of Local Competitiveness Facility modalities by MINALOC and DP</i>	<i>Assesses if the innovative character of the LCF system is useful and sustainable.</i>	<i>To be determined</i>

	<i>Change processes</i>		
	<i>Degree of satisfaction of the innovative approach by local stakeholders</i>	<i>Assesses whether the local stakeholders (private sector, clients, LG) are satisfied with the concept of enhancing economic partnerships</i>	<i>Degree of citizen and stakeholders satisfied with LODA decentralized intervention is increasing by 3% annually (LODA strategic plan)</i>
<i>Result 8: LODA LD Coordination Program and the DDPs are implemented in compliance with Rwanda's PFM and Procurement regulatory framework</i>	<i>Delivery of the result</i>		
	The external audit commissioned joint by the LODA LD Coordination Program partners (Belgium, EKN, KfW) is unqualified % of District LGs with unqualified annual external audit reports as reported by the OAG	<i>Measures PFM and procurement and VFM performance in the use of LODA transfers</i> <i>Measures PFM and procurement compliance at the district level as the accounting unit for LODA transfers</i>	<i>No District with unqualified report (0% of Districts with fair PFM as reported by OAG)</i>
	<i>Change processes</i>		
	% recommendations of the above mentioned external audit are implemented in full within 6 months of the publication of the annual audit report % Local Governments having quarterly reports approved on time in line with regulations (PEFA indicator on the quality and timeliness of in-year budget reports or similar verifiable information provided by LODA)	<i>Measures the progress that LODA is making in addressing PFM and procurement and VFM performance</i> <i>Measures the rate of improvement in LG quarterly reporting, a key current weakness in PFM</i>	<i>70% of external audit recommendations are implemented in 6 months and 85% are implemented in the whole year.</i> <i>80% of Districts are reporting on time (quarterly reporting).</i>

7.3. Planning and Budgeting Guidelines for Decentralised Development Projects (No 4090/13/10/NB of 22 Oct 2013)

REPUBLIC OF RWANDA

Kigali, ...22 OCT 2013.....
No 4090/13/10/NB



MINISTRY OF FINANCE AND ECONOMIC PLANNING
P.O. Box 158 Kigali
Tel: +250 252 575756 Fax: +250 252 577581
E-mail: mfin@minecofin.gov.rw

To: Chief Budget Manager of District and the City of Kigali (All)

Re: Planning and Budgeting Guidelines for Decentralized Development Projects

Pursuant to the Organic Law on State Finances and Property and associated Ministerial Order on Financial Regulations and the existing planning and budgeting guidelines, the Ministry of Finance and Economic Planning (MINECOFIN) would wish to provide further guidance on the procedures that shall be followed to ensure the smooth planning and budgeting of decentralized development projects. These guidelines are applicable to the decentralized entities.

A. PLANNING AND BUDGETING FOR DECENTRALIZED DEVELOPMENT PROJECTS

The guidelines on the decentralized entities's planning and budgeting process for development projects are organized in chronological order following the annual budget calendar from July to June.

The annual budget preparation calendar, outlining the role of each of the main stakeholders: decentralized entities, line ministries, Ministry of Finance and Economic Planning (MINECOFIN), development partners and Cabinet/Parliament, for a proper planning and budgeting of development decentralized projects is provided for in Annex I to these guidelines. A summary of the planning and budgeting steps described hereafter is provided in Annex II to these guidelines.

) *Decentralized entity Public Expenditure Review (PER)*

Step 1	Main Outcome	Deadline
Decentralized entity Public Expenditure Review (PER)	Annual decentralized entity development projects budget execution report	August

Website: <http://www.minecofin.gov.rw>

The first phase of the planning and budget preparation process consists in the revision of the performance of development projects in the previous Financial Year (FY) N-1.

The decentralized entity shall examine the development projects budgeted for in the FY N-1 and analyze implementation status, budget efficiency, budget execution and identify the bottlenecks. The decentralized entity shall table this information according to the template provided for in Annex III to these guidelines.

The decentralized entity shall transmit the annual development projects budget execution report to the Rwanda Local Development Support Fund (RLDSF). The annual development projects budget execution report will feed into the discussions during the Joint Action Development Forum (JADF) and into the drafting of the annual financial report.

The role of RLDSF is to ensure that the decentralized entity's analysis of development projects are consistent with the monitoring and evaluation of decentralized development projects undertaken by RLDSF. RLDSF shall consolidate the development projects budget execution reports from all decentralized entities quarterly and annually and submit the report to MINECOFIN using the template provided for in Annex III to these guidelines.

ii) Joint Action Development Forum (JDF)

Step 2	Main Outcome	Deadline
Joint Action Development Forum	Ongoing development projects for N-1	September

The Joint Action Development Forum (JADF) shall:

- Discuss the annual decentralized entity development projects budget execution report; and
- Agree on clear priority areas for the decentralized entity in the coming FYs N+1 N+2 N+3.

Discussing the annual decentralized entity development projects budget execution report, JADF shall identify the ongoing project whose implementation will continue in the coming FYs N+1 N+2 N+3. In addition, JADF shall clearly identify the contribution of the development partners (donors as well as NGOs and CSOs) active in the decentralized entity in the agreed priority areas.

iii) Issuance of First Local Government Budget Call Circular (BCC1)

Step 3	Main Outcome	Deadline
First Local Government Budget Call Circular (BCC1)	National priorities communicated to decentralized entity	October

The first Local Government Budget Call Circular (BCC 1) is the document sent out by MINECOFIN to decentralized entities to launch the preparation of their Mid Term Expenditure Framework (MTEF).

Decentralized entities shall carefully consider the national priorities outlined in their respective DDPs in the identification of the development projects for the three coming FYs N+1 N+2 N+3. Furthermore, BCC1 reminds decentralized entities that new development projects to be budgeted for in N+1 N+2 N+3 shall have a feasibility study while on-going projects shall have evidence that they are under implementation¹.

iv) Consultation with line ministries

Step 4	Main Outcome	Deadline
Consultation meeting with line ministries	Feedback to ministries on capital earmarked transfers FY N-1 Communication of sector priorities to decentralized entities	November

RLDSF is responsible to organize a consultative meeting with decentralized entities, line ministries and MINECOFIN. It is advisable that the responsible decentralized entity department attends the consultation with ministries in their sector. For example, the education officer should attend the consultation with Ministry of Education (MINEDUC).

The objective of the consultative meeting is to:

- Discuss the implementation of the previous year capital earmarked transfer, key challenges and lessons learned; and
- Communication of the priorities of each sector complemented by the indicators to be achieved.

The role of RLDSF is to make sure that these consultations taking place, comprise all line ministries earmarking for development projects as well as all decentralized entities. RLDSF shall make sure that discussions of these consultations feed into the identification of decentralized entities' development projects.

Decentralized entities shall prepare in advance for these consultations using the annual development projects budget execution report as well as the recommendations of the JADF.

v) Identification of the decentralized entities' capital projects

Step 5	Main Outcome	Deadline
Identification of the decentralized entities' development projects	Identification of decentralized entity priority projects started	November

After the consultative meeting, the decentralized entity shall start to identify, prioritize and budget the priority projects to be implemented in the coming FY N+1.

This process shall be informed by:

¹The provision of BCC1 related to decentralized entities' new and ongoing projects could be replaced in future years.

- Sectoral priorities; and
- The ongoing projects and the priority areas embedded in their respective DDPs.

The role of RLDSF is to provide permanent counseling and technical guidelines in this process.

vi) Information on Development Partners' capital resources for financial year (FY) N+1

Step 6	Main Outcome	Deadline
Development Partners' capital resources available for FY N+1	Information available on Development Partners' capital resources for FY N+1	November

Development partners (donors, NGOs and CSOs) shall inform MINECOFIN and RLDSF as well as the decentralized entities about available capital financial resources for the coming financial year N+1.

The information provided to MINECOFIN and RLDSF will feed into the budget estimates of the decentralized entities provided for in the Second Local government Budget Call Circular(BCC2). In addition the information provided by the developments partners active at the decentralized entity level will be used by the entity to prepare the MTEF as required in BCC2.

vii) Revision of the decentralized entities' capital budget of the current financial year

Step 7	Main Outcome	Deadline
Revision of capital budget of current FY	Capital budget of current FY revised	December

RLDSF shall assist decentralized entities in revising the capital budget for the current FY.

RLDSF shall consolidate the capital budget revisions of all decentralized entities and submit them to MINECOFIN using the template provided for in Annex V to these guidelines.

MINECOFIN is responsible for ensuring consistency between the consolidated capital budget revisions received from RLDSF and the information provided for and inserted into IFMIS by the individual decentralized entities. In case of inconsistency, MINECOFIN shall inform RLDSF and the concerned decentralized entity in writing and thereafter suspend budget revision activity till the resolution of the matter.

Viii) Issuance of Second Local Government Budget Call Circular (BCC2)

Step 8	Main Outcome	Deadline
Second Local Government Budget Call Circular (BCC2)	Budget ceilings for FY N+1 N+2 N+3 communicated to decentralized entities	December

MINECOFIN shall issue the Second Budget Call Circular (BCC2) to decentralized entities providing indications for the preparation of their budget estimates for the following FY N+1 and the MTEF.

BCC2 shall contain indicative budget ceilings for FY N+1, N+2 and N+3 by individual decentralized entity by budget programme and subprogrammes as well as economic category. BCC2 shall also provide clear indication to the decentralized entities to budget for the operation and maintenance of the development projects².

ix) Communication of capital transfer's allocation to decentralized entities for N+1

Step 9	Main Outcome	Deadline
Communication of capital transfer's allocation to decentralized entities	Information on capital transfers allocation estimates available to each decentralized entity	December

MINECOFIN after issuing the Second Local Government BCC2 shall inform RLDSF on the available funds for decentralized development projects in writing.

Once RLDSF receives this information, shall compute the allocation for each decentralized entity concerned for the coming FY N+1, using the distribution formula and communicate it to the decentralized entities in writing.

X) Finalization of draft List of Priority Projects (LPP)

Step 10	Main Outcome	Deadline
Finalization of List of Priority Projects (LPP)	Draft LPP	January

Once the decentralized entities receive the estimated capital amount allocated to their entity, they shall revise and finalize the draft list of Priority development Projects (LPP). The decentralized entity shall develop its list according to the template provided for in Annex V to these guidelines.

RLDSF, MINALOC and MINECOFIN shall support the decentralized entities in this process.

²The provision of BCC2 related to decentralized entities' operation and maintenance of development projects could be replaced in future years

The draft LPP and the draft MTEF shall be presented to JADF for comments, to District Executive Committee for amendment and endorsement and finally transmission to District Council for inputs and approval.

Xi) Validation meeting with line ministries

Step 11	Main Outcome	Deadline
Validation meeting	Feedback to Ministries on draft LPP	January

RLDSF is responsible to organize a validation meeting with decentralized entities, line ministries and MINECOFIN. The objective of the validation meeting is to discuss the draft LPP and agree upon. RLDSF shall make sure that validation meeting takes place, and comprises all line ministries earmarking for development projects, MINECOFIN³ as well as all decentralized entities. RLDSF shall make sure that recommendations of these consultations feed into the revision of the draft LPPs.

Decentralized entities shall present to this validation meeting the draft LPP as priority approved by the District Council.

Xii) Finalization of the decentralized entity' MTEF, LPP, approved and transmission of the same

Step 12	Main Outcome	Deadline
Decentralized entity MTEF and LPP approved and transmitted	Approved MTEF and LPP available	February

On the basis of the possible amendments and correction suggested during the validation meeting, decentralized entities shall revise the draft LPP and include it in the draft MTEF.

The draft MTEF and the draft LPP shall be submitted to the District Council for approval.

After the approval, decentralized entities shall submit the LPP to RLDSF. The decentralized entities shall submit their LPP to RLDSF according to the template provided for in Annex IV to these guidelines. RLDSF shall consolidate all final LPPs and submit them to MINECOFIN using the same template provided for in Annex IV to these guidelines.

Decentralized entities shall transmit their MTEF to MINECOFIN for analysis before IFMIS data entry.

³ MINECOFIN Public Investment Technical Team (PITT) should participate in the validation meeting to ensure that: i) projects inserted in the draft LPPs do not overlap with central Government' development projects; and ii) the proposed development projects are in line with National investment Programme (NIP)

xiii) Decentralized entities enter MTEF data into the IFMIS

Step 13	Main Outcome	Deadline
MTEF data entry into IFMIS	MTEF data entered into IFMIS	February

Concerned official at the decentralized entity level shall enter the MTEF data into the IFMIS system.

MINECOFIN is responsible for ensuring consistency between the consolidated LPPs received from RLDSF and the information on the development projects contained in the individual decentralized entity's MTEF. In case of inconsistency, MINECOFIN shall inform RLDSF and the concerned decentralized entity in writing and thereafter suspend data entry till the resolution of the matter.

xiv) Budget Framework Paper (BFP)

Step 14	Main Outcome	Deadline
Budget Framework Paper (BFP)	Amount of capital earmarked transfer integrated into BFP	March

The Budget framework Paper (BFP) is the document prepared by MINECOFIN enabling effective discussion of budget issues by Cabinet and Parliament.

The BFP contains the earmarked transfers' guidelines for decentralized entities as per the OBL. The guidelines comprise guidelines from RLDSF for the use of capital earmarked transfers for decentralized development projects and the list of projects by decentralized entity, budget programme and subprogramme.

RLDSF shall send to MINECOFIN guidelines for earmarked transfers allocated for decentralized development projects. It is the responsibility of MINECOFIN to extract the list of projects of decentralized entity by budget programme and subprogramme.

BFP is discussed by Cabinet and then transmitted to Parliament for approval.

xv) Communication of changes in BFP's budget estimates and recalculation of capital transfer's allocation to decentralized entities

Step 15	Main Outcome	Deadline
Communication of final capital transfer's allocation to decentralized entities	Information on final capital transfers allocation available to each decentralized entity	April

The Parliament might approve the BFP with required changes.

If changes affect the budget estimates for decentralized development projects, RLDSF shall recalculate the allocation for the concerned decentralized entity using the distribution formula and communicate it to the decentralized entities in writing.

In this case, the decentralized entity shall revise the LPP and submit the final LPP to RLDSF. RLDSF shall consolidate all LPPs and transmit them to MINECOFIN.

xvi) Modification of Decentralized entity's MTEF into the IFMIS

Step 16	Main Outcome	Deadline
Modification of MTEF into IFMIS	MTEF modified into IFMIS	May

Decentralized entities shall update the MTEF already entered into IFMIS basing on the changes incurred in the LPP.

MINECOFIN is responsible for ensuring consistency between the LPPs received by RLDSF and the information on the development projects contained in the individual decentralized entity's MTEF.

xvii) Scrutiny and adoption of the decentralized entity's budget

Step 17	Main Outcome	Deadline
Adoption of the decentralized entity' budget	Decentralized entity' budget approved	June

The MTEF of the decentralized entity including the final LPP is presented to the JADF for information, to the Executive Committee for amendments and endorsement and for transmission to the District Council. The District Council finally approves the budget.

The final MTEF as approved by the District Council is then transmitted to MINECOFIN.

xviii) National Finance Law

Step 18	Main Outcome	Deadline
National Finance Law	LPPS included in National Finance Law	June

MINECOFIN drafts the National Finance Law to be presented to Parliament after having been approved by Cabinet. It is responsibility of MINECOFIN to extract from IFMIS the LPPs inserted in the approved MTEF to be included in the National Finance Law.

Xix) Integration with other decentralized entities' planning processes

Step 19	Main Outcome	Deadline
Integration with other decentralized entities' planning process	Integration ensured between different planning process at the decentralized entity level	May-June

Decentralized entities in the development of the performance contract shall carefully consider the decentralized development projects identified through the planning and budgeting guidelines described in the steps above to ensure consistency between the decentralized entity's budget and the performance contract.

B.FINAL PROVISIONS


xx) Implementation of the guidelines

Shall you encounter difficulties in interpretation and implementation of these guidelines or you would like to seek further clarifications, you are encouraged to contact the Director General National Budget at nationalbudget@minecofin.gov.rw

xxi) Commencement

These guidelines shall come into effect on the date of their signature.

Sincerely,


Claver GATETE
Minister



Cc:

- Hon. Minister of Local Government
- Mayor of City of Kigali
- Governor of Province (All)
- Mayor of District (All)
- Director General of Rwanda Local Development Support Fund

Annex I: Annual Planning, Budget Preparation and Policy Review Calendar

 Annual Planning, Budget Preparation, and Policy Review Calendar					
Months	Decentralized Entity	Line Ministries	MINECOPIN	Development Partners	Cabinet / Parliament
July		Preparation of financial statements	Update of macro-framework		
			Preparation of budget execution report		
Aug	Public Expenditure Review (PER)	Preparation of annual reports			
Sept	Joint Action Development Forum (JADF)	Review of ministerial expenditures	Preparation of Budget Outlook Paper (BoP)	Participation in JADF	
Oct		Preparation of sector BFPs	Issuance of First Budget Call Circular to communicate sector MTEFs and request for preparation of sector BFPs		
Nov	Consultation with line ministries			Tentative statement of commitments	
	Identification of development projects		Public Expenditure Review (PER) and update of macro-framework		
	Information on development partners' capital resources for Financial Year (FY) N+1				
	Revision of capital budget of the current year				
Dec		SWG retreat to consolidate sector BFPs	Issuance of the second Budget Call Circular with revised MTEF and agency ceilings		
	Communication of capital transfer's allocation for FY N+1		Preparation and submission of the revised budget of the current FY to Cabinet		
Jan	Finalization of draft list of priority projects (LPP)			Participation in JADF	
	Validation meeting with line ministries				Approval of revised budget of the current FY by Cabinet
	Finalization of MTEF and LPP and approval and transmission of the same	Submission of ministry draft budgets	Submission of the revised budget of the current FY to Parliament		Approval of the revised budget of the current FY by the Parliament
Feb	MTEF data entry into the IFMIS	Budget data input in the IFMIS	Inter-Ministerial consultative meeting on budget priorities and resource allocations		
Mar			Preparation and submission of the national BFP and draft budget to Cabinet	Firm commitments	
Apr	Communication of recalculated capital transfer's allocation		BFP presented to Parliament not later than April 5		Cabinet approval of the BFP and draft budget
	Modification of MTEF into the IFMIS		Draft budget submitted to Parliament		Discussion of the BFP and the draft budget by the Parliament
May					
June	Scrutiny and adoption of budget and transmission of the same		Preparation of the budget speech and finalization the draft budget		
			Presentation of the draft budget to the Parliament		Approval of the budget
	National Finance Law		National Finance Law		

Annex II: Planning and budgeting calendar for decentralized development projects

PLANNING AND BUDGETING CALENDAR FOR DECENTRALIZED CAPITAL PROJECTS		
STEP	DESCRIPTION	TIMEFRAME
Step 1	Decentralized entity Public Expenditure Review	August
Step 2	Joint Action Development Forum (JADF)	September
Step 3	Issuance of First Local Government Budget Call Circular (BCC1)	October
Step 4	Consultation with line ministries	November
Step 5	Identification of decentralized entities' development projects	November
Step 6	Information on Development Partners' capital resources for financial year (FY) N+1	November
Step 7	Revision of the decentralized entities' capital budget of the current financial year	December
Step 8	Issuance of Second Local Government Budget Call Circular (BCC2)	December
Step 9	Communication of capital transfer's allocation to decentralized entities	December
Step 10	Finalization of draft List of Priority Projects (LPP)	January
Step 11	Validation meeting with line ministries	January
Step 12	Finalization of decentralized entity' MTEF and LPP and approval and transmission of the same	January
Step 13	Decentralized entities enter MTEF data into the IFMIS	February
Step 14	Budget Framework Paper (BFP)	March
Step 15	Communication of changes in BFP's budget estimates and recalculation of capital transfer's allocation to decentralized entities	April
Step 16	Modification of decentralized entity's MTEF into the IFMIS	April
Step 17	Scrutiny and adoption of the decentralized entity's budget and transmission of the same	June
Step 18	National Finance Law	June
Step 19	Integration with other decentralized entities' planning processes	May-June

Annex III: Annual Decentralized Entity Development Project Budget Execution Report

ANNUAL DECENTRALISED ENTITY DEVELOPMENT PROJECTS BUDGET EXECUTION REPORT												Explanations	
					PROJECT DETAILS		FINANCE						
Province	District	Programme	Sub-Programme	SN/Project Name*	Project status	Source of Fund**	Specific source of funds	Approved Budget	Transferred amount	Budget execution	% execution		
EASTERN	Bugesera												
	PRIVATE SECTOR DEVELOPMENT												
	TRADE AND INDUSTRY												
					1 ONE MODERN MARKET CONSTRUCTED			DFD	55,000,000			25,000,000	
					2 THREE YOUTH COOPERATIVES ARE SUPPORTED			KFW	64,000,000			12,000,000	
					3 Etc:			NB	200,000,000			80,000,000	
TOTAL								319,000,000			157,000,000		
* If the project is funded by different sources of funds or different donors the project name should be repeated													
** Please insert if domestically or externally financed													

Annex IV: Template for decentralized entity capital budget revision

TEMPLATE FOR DECENTRALIZED ENTITY DEVELOPMENT BUDGET REVISION										Explanations	
					PROJECT DETAILS		FINANCE				
Province	District	Programme	Sub-Programme	SN	Project Name*	Funding Type**	Specific Source	Approved Budget	Revised Budget		
EASTERN	Bugesera										
	PRIVATE SECTOR DEVELOPMENT										
	TRADE AND INDUSTRY										
						1) ONE MODERN MARKET CONSTRUCTED		DFID	55,000,000	25,000,000	
						2) ONE INDUSTRIAL PARK CONSTRUCTED		KFW	64,000,000	12,000,000	
						3) Etc		NB	200,000,000	80,000,000	
TOTAL								319,000,000	117,000,000		
* If the project is funded by different sources of funds or different donors the project name should be repeated											
** Please insert if domestically or externally financed											

Annex V: Template for decentralized entity List of Priority Projects (LPP)

TEMPLATE FOR DECENTRALIZED ENTITY LIST OF PRIORITY PROJECTS (LPP)													
Province	District	Program	Budget Agency	Sub-Program	Output/project	Activity	Input Code	Source of funds	Donor name	Input Description	FY N+1	FY N+2	FY N+3
EASTERN	Bugesera												
		01 Programme Name and code											
			01 Budget Agency Name										
				01 Sub-Programme Name & Code									
					Project Name & Code								
						01 Activity Name & Code							
						Input 1							
						Input 2							
						Input 3							
						02 Activity Name & Code							
						Input 1							
						Input 2							
						Input 3							

7.4. Additional explanatory note on investment projects FY 2015-2016

Prioritized Development projects submitted for Belgian Contribution (FY 2015/2016)

1. Introduction

The overarching goal of Rwanda's second generation of Economic Development and poverty reduction Strategies (EDPRS2) is to accelerate progress to middle income status and better quality of life for all Rwandans through sustained average GDP growth of 11.5% and accelerated reduction of poverty to less than 30% of the population. This requires increased emphasis on quality of investment planning and budgeting.

The EDPRS2 strategy is underpinned by 4 key thematic priority areas: Economic Transformation, Rural Development, Skills development and Youth employment and Accountable Governance

2. Rwanda Decentralization Support Programme (RDSP)

The Governments of Rwanda and Belgium agreed that decentralization will be a key sector of development cooperation within the framework of the ICP 2011-2014. The ICP and the subsequent identification and formulation phases identified and validated that the Rwanda Decentralization Support Programme (RDSP) will be delivered through a coordinated and integrated programmatic approach with two interventions focusing on:

- Institutional strengthening and enhancing capacities at the national and sub national level (RDSP-ECD)
- Support to the implementation of District Development Plans (DDPs) with a focus on Local Economic Development (RDSP-DDP)

Three strategic areas for the programme have been defined: 1) capacity building, 2) Local Economic Development (LED) and 3) sector coordination. An amount of 13.5 million € is foreseen as support to institutional strengthening and capacity building (RDSP-ECD) and 14.5 million € is foreseen to support to the implementation of DDPs (RDSP-DDP).

This second intervention includes a capital grant through Local Administrative Entities Development Agency (LODA) in all 31 LG with legal personality (30 districts and city of Kigali), and in doing so, providing support to the principles of transparent, fair and equitable distribution of resources between districts through Rwanda's Fiscal Decentralisation systems.

More concretely, a contribution of 11 million€ is foreseen to the decentralized non-earmarked LODA second Program named "Different Programs" that will be implemented by LODA and Rwanda's Local Government through their own systems and processes. In order to enhance the predictability of the funds, financial contributions will be provided through two fiscal years FY 2015/2016 and FY 2016/2017, each for an amount of 5,445,000 €. In addition, 55,000 EUR/FY are budgeted as additional working costs for LODA.

This support to LGs in their capital investment priorities in line with their DDPs, will be channelled through the Result 6 of the RDSP/DDP intervention: "Enhanced access to basic services, farm and off-farm economic activities and a sustainable local revenue base is facilitated through well-managed LED investments as defined in Rwanda's Decentralisation Strategy".

Another Result of the RDSP-DDP intervention will support the monitoring of compliance with this regulatory framework through organizing a joint annual audit in partnership with the other development partners who are co-financing the LODA. The current partners in this regard are the German Development Bank (KfW) and the Embassy of the Kingdom of the Netherlands in Rwanda (EKN).

3. LG planning and Budgeting Guidelines for FY 2015/2016²⁰

The Local Administrative Entities Development Agency (LODA) provided Guidelines to all the Districts concerning the Planning and budgeting projects for the FY 2015/2016. These guidelines on the Local Administrative Entities' planning and budgeting process for development projects are organised in chronological order and follow the annual budget calendar. The annual budget preparation issued by the Ministry of Finance and Economic Planning (MINECOFIN) in form of the Planning & Budgeting call circular (PBCC1) outlines the role of each of the main stakeholders: local) Administrative Entities, Development Partners, cabinet and Parliament for a proper planning and budgeting. The PBCC1 has been issued by MINECOFIN on 18th of September 2014.

Table 1 : Some practices identified in recent years to be ameliorated with planning and budgeting LG projects for the coming FY 2015/2016. They serve as qualitative and technical criteria to guide prioritisation and selection of LG Projects.

4. Belgian contribution to the funding of Development projects for the FY 2015/2016

Following these Planning and Budgeting guidelines, District Administration updated the LG projects for FY 2015/2016 and transmitted their reviewed and updated projects to LODA in January 2015. BTC received from LODA a list of prioritized projects to be financed towards the Belgian contribution (RDSP/DDP) for the FY 2015/2016. In a next stage, these identified projects will be submitted for approval in order to fix the financial allocations from all the stakeholders in Q3 2015, respecting the full planning and budgeting cycle for FY 2015/2016.

The steering committee will ensure that the total annual budget of the identified projects for the FY 2015/ 2016 and 2016/2017 will not exceed the budget of the Belgian contribution.

²⁰ See Annex 7.7 : full 'Detailed planning and budgeting LODA guidelines'

7.5. List of prioritized investment projects for the FY 2015/2016²¹.

No	District	Project	Budget	Domain of intervention
	Ngoma	Subtotal	126.567.535	
1		4054020201 Electrification of Rebezo to ruhinga	51.567.535	Energy development and electricity provision project
2		4054020202 Public lighting in Kibungo Town (1.200 Km)	75.000.000	Energy development and electricity provision project
	BUGE SERA	Subtotal	167.639.120	
3		4148020403 Construction of dumping site of Nyamata Town	167.639.120	Environment protection
	GATSIBO	Subtotal	181.050.250	
4		4248020402 Supervision and Construction of Ngarama health center	181.050.250	Health infrastructures project
	KAYONZA	Subtotal	145.007.839	
5		4354010302 Support to Rural Electrification of Ndego Sector	145.007.839	Energy development and electricity provision project
	KIREHE		142.493.252	
6		4454010308 Electricity connection in M ushikiri, Mpanga and Mahama sectors	100.722.825	Energy development and electricity provision project
7		4455010107 Rehabilitation and extension of Gahezi Water Source in Gatore Sector (32 KM)	41.770.427	Water and sanitation infrastructures project
	NYAGATARE		183.564.836	
8		4557011016 Rehabilitation of Bugaragara-Kirebe- Kanushuga road 19km	83.564.836	Roads infrastructures project
9		4557011017 Rehabilitation of Bugaragara-B vera-F to roero Road 23	100.000.000	Roads infrastructures project
	RWAMAGANA	Subtotal	121.538.362	
10		4655010208 Extension of water to Ntungwa trading center (3KM) serving 2791 people	121.538.362	Water and sanitation infrastructures project
		Sub Total	134.111.296	
11	HUYE	Simbi - Kizi road (3.439 km)	134.111.296	Roads infrastructures project
	NYAMAGABE	Sub Total	165.962.729	
12		4855010106 Construction of Mutakara-Mukufi water line	118.879.467	Water and sanitation infrastructures project
13		4857010107 Rehabilitation of Cyapa- Kigeme road using stone paved	47.083.262	Roads infrastructures project
	GISAGARA	Sub Total	139.978.665	
14		4951010908 Construction of banana processing plant in collaboration with private sector in Kibilizi Sector	139.978.665	Market oriented infrastructures project
	MUHANGA	Sub Total	131.596.709	
15		5051010607 Construction and Supervision of Kinini modern market Phase II	131.596.709	Market oriented infrastructures project
		Sub Total	129.082.122	
16	KAMONYI	5154010207 Electrification from Rukoma to Ngamba Sector (9 km)	129.082.122	Energy and electricity provision and management project
		Sub Total	125.729.340	
17	NYANZA	5257010101 Completion of construction and Supervision of tarmacked roads on 3.8km(Nyanza-Mater Dei-Gatsinsino-Nyamagana, Busasamana-Kavumu)	125.729.340	Roads infrastructures project
	NYARUGURU	Sub Total	143.331.448	
18		5351010711 Construction of car parking and Modern market in kibeho sector	143.331.448	Roads infrastructures project
	RUHANGO	Sub Total	124.052.949	
19		6654010403 Electrification line Kinihira-M wendo- B veram ana	124.052.949	Energy development and electricity provision project
	RU SIZI		164.286.338	
20		5451010708 Construction of workshed at Ruganda Handcraft Centre	47.922.680	Market oriented infrastructures project
21		5457010213 Make study and Construction of 5 km of paved road of Burunga and Karushaririza Settlement sites (Antenne-Bureau de Secteur Gihundve - Centre des Jeunes Karushaririza)	116.363.658	Roads infrastructures project

²¹ The Steering committee must ensure that the available budget is not exceeded (e.g. due to exchange rate differences)

	NYABIHU		129.082.122	Market oriented infrastructures project
22		5557010220 Rehabilitation of 5 km of road Kiyira- Health center Kabatwa murrum road in Kabatwa sector	129.082.122	Roads infrastructures project
	RUBAWU		129.920.318	
23		5657010504 Construction of 1.47 km of stone paved road CIC-RTUC-GDE BARRIERE	6.000.000	Roads infrastructures project
24		5657010504 Construction of 1.47 km of stone paved road CIC-RTUC-GDE BARRIERE	123.920.318	Roads infrastructures project
	KARONGI		149.198.820	
25		5755010107 Construction of Biguhu_ Nyabikeri water channel : 13 km (Ruganda)	19.198.820	Water and sanitation infrastructures project
26		5755010108 Construction of Kagabiro-Gatoki-Nyarusange-Gasura water channel: 13 Km (Bwishyura)	130.000.000	Water and sanitation infrastructures project
	NGORORERO		134.949.492	
27		5857010307 Construction of paved road with stones 6 Km in Ngororero and Kabaya Town(2 Km)	134.949.492	Urban and rural settlement project
	NYAMASHEKE		165.124.533	
28		5957010303 Construction of unpaved road in NINZI Cell of 5km in Nyamasheke District	6.124.533	Roads infrastructures project
29		5957010306 Construction of road infrastructures at Rugari Cross border Market (road of 2,6 Km)	159.000.000	Roads infrastructures project
	RUTSIRO		153.389.795	
30		6057010305 Rehabilitation of Bukeye - Mwendo murrum road (17 km) and construction of 16 bridges, 40 gutters, 22 gullies and 8 retaining wall in Gihango, Rus ebeya, Kivumu and Mukura sectors)	153.389.795	Roads infrastructures project
	BURERA		155.066.186	
31		6154010205 Energy diversification in rural centers and villages in BURERA District Butaro-Kivuye line)	155.066.186	Energy and electricity provision and management project
	GICUMBI		171.830.098	
32		6248022203 Supervision and Construction of Nyamiyaga health centres infrastructures	171.830.098	Health infrastructures project
	MUSANZE		147.522.426	
33		6354010211 Contribution to rural Electrification	80.000.000	Energy and electricity provision and management project
34		6354010212 Maintenance of Public light in Musanze District	35.000.000	Energy and electricity provision and management project
35		Construction of Rwanziriro-Rugeshi murrum roads and its supervision phase II	32.522.426	Roads infrastructures project
	RULINDO		124.052.949	
36		6455010304 Contribution to Rulindo Challenge (Water Supply of Murambi, Masoro, Tumba, and Rukozo sectors (56KM))	124.052.949	Water and sanitation infrastructures project
	GAKENKE		157.580.773	
37		6554010203 Electrification of Muhondo, GASHENYI, RULI , COKO, GAKENKE, NEMBA, KAMUBUGA, MINAZI, MUZO, BUSENGO, JANJA and Rusasa sectors	157.580.773	Energy development and electricity provision project
	NYARUGENGE		63.702.866	
38		6755010406 Clean water supply in Mageragere Sector (Mataba, Nyarurenzi, Runzenze, Ntungamo and Kavumu Cells)	63.702.866	Water and sanitation infrastructures project
	KICUKIRO		61.188.279	
39		6857010516 Execution Works of 5.8 km of Camp Kanombe-Busanza-Rubilizi tarmac Road (Phase 2)	61.188.279	Roads infrastructures project
	GASABO		122.376.558	
40		6954010402 Electrification and connection in rural Sectors (Ndera, Nduba, Jali, Jabana, Rusororo, Gikomero and Bumbogo)	122.376.558	Energy development and electricity provision project
	COK		143.022.000	
41		7037014211 Relocation of utilities (Kanogo-Rwandex-Prince House and attached Kimihurura roads , Central roundabout-Nyabugogo and Yamaha-Downtown, Nyamirambo-Kimisange-Rebero-Nyanza, City Center roads, Chez Lando-KIE-Chez Lando)	143.022.000	Roads infrastructures project
	TOTAL		4.334.000.005	

7.6. Memorandum of Understanding between LODA, MINECOFIN, MINALOC and DP

Memorandum of Understanding between

***LODA, MINALOC, MINECOFIN and the Development Partners
to harmonize the framework of the Joint Support to LODA for
the implementation of its mandate in the framework of the
Decentralisation Policy.***

Version 4.0 March 2015

I. Background, Rationale and Parties

This MOU²² is aiming to lay the ground for a strong partnership between the signatories of this MoU (the Parties) with regard to the financial support to the local administrative entities with legal personality in Rwanda through the Local Administrative Entities Development Agency (LODA), and support to its mandate in the context of the decentralization policy. It is meant to provide assistance in a manner that maximises impact and alignment to LODA mandate and related policies, enhances ownership and accountability as well as LODA capacities and reduces transaction cost in the delivery of aid. It facilitates a common understanding with regard to the modalities of their cooperation including the provision of technical assistance and consultancy support for institutional strengthening.

This MOU is not legally binding and does not aim to replace the individual bilateral agreements between the Government and the Development Partners. Rather, it reflects a set of commonly agreed Partnership Principles and commitments from which bilateral arrangements may be drawn.

LODA has the mission to finance development activities in the local administrative entities with legal personality, to serve as an intermediary between them and development partners, to put in place mechanisms of distributing financial support contributing to fairness and to monitor its use...

LODA has also been attributed the responsibility to coordinate Rwandan Governments' development activities to enhance the Local Economic Development (LED) process. It is hosting the LED Technical Working Group (TWG).

LED is a process by which local actors within a defined territory get together to analyse their economy, establish where its competitive advantages lie, and take actions to exploit business opportunities and improve the environment for business within the locality. Thus it shall serve to improve Local Capacity for Sustainable Economic Growth through MSE growth and job creation. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation²³.

The **Ministry of Local Government** (MINALOC) is the ministry in charge of the decentralization reform implementation. LODA is one of the agencies under its oversight. As such, it has a responsibility to steer and coordinate the decentralization process within government institutions and to ensure appropriate involvement of key stakeholders, such as

²² This MOU replaces the one which was signed by KfW, EKN and CDF (today called LODA) on 20th of March 2009 for joint support to local economic development projects in decentralized entities

²³ In 'National Strategy 2013–2018 of CD and LED', MINALOC

development partners, and representatives of local governments and the civil society. It chairs the Decentralization Program Steering Committee (DPSC) which brings together horizontal ministries (MINALOC, MINECOFIN and MIFOTRA) and technical line ministries and whose mission is to steer, oversee and supervise the implementation of Decentralization policy and strategies, notably to ensure integration of decentralization principles in all of the national reform programs. It chairs also the Governance and Decentralization Sector Working Group (GD SWG) and steers its TWGs.

The Ministry of Finance and Economic Planning (MINECOFIN) is steering the fiscal and financial decentralization process and is responsible for the annual budget preparation, including transfers to local administrative entities. It is working closely with LODA for the support of the planning and budgeting activities in these entities. It chairs the PFM Working Group and steers its sub-groups, in particular a Fiscal Decentralisation Steering Committee.

The Development Partners, henceforth referred to as the **DP's**, that are party to this MoU are supporting through non earmarked transfers investments in local development and infrastructure projects managed by the administrative entities with legal personality through LODA that are meant to respond to the priorities of their population and to foster social and economic development at the local level. The investments shall also contribute to spur Local Economic Development (LED) initiatives. In that way they also contribute to the implementation of the Fiscal and Financial Decentralization Policy and strategies.

Development Partners will also support LODA through Technical Assistance and Consultancy Services to strengthen its institutional capacity, to ensure viability and sustainability of investment projects and efficient planning monitoring of local development, and to support Local Governments in the LED process.

The DP's in this MOU are:

- The German Financial Cooperation through **KfW**
- The Netherlands' Ministry for Foreign Trade and Development Cooperation represented by the Netherlands Embassy (**EKN**)
- The Belgium Federal Public Service for Foreign Affairs, Foreign Trade and Development Cooperation represented by the Belgium Embassy and the Belgian Development Agency (**BTC**) implementing direct bilateral cooperation of The Kingdom of Belgium.

LODA, MINALOC, MINECOFIN and the DP's are referred to in this MOU as '**The Parties**'.

The Parties invites other development partners to join as they move towards support to LODA implementation role in the decentralization strategy.

II. Strategic framework and objectives of the MOU

The Parties commit to contribute towards the implementation of the Rwandan Economic Development and Poverty Reduction Strategy (EDPRS II 2013-2018), the Decentralization Policy and Sector Strategic Plan, the National Strategy for Community Development and Local Economic Development as well as the Fiscal and Financial Decentralization Policy and Strategies.

The scope of the MOU is defined by the role of LODA in these policies and strategies implementation and the respective supports of its partners.

The MOU has two strategic objectives:

Objective 1: Enhancing Ownership and Accountability, Supporting joint Dialogue and Pursuing Alignment

- Promoting transparency and common accountability on these strategies development, implementation and evaluation, and specifically on the role of LODA in them
- Fostering common understanding around the LED process through further development of the LED concept and strategy, roles and responsibilities
- Supporting sector dialogue with regard to the framework for implementation of local development projects, local economic development process and fiscal and financial decentralization
- Improving communication and information sharing between the Parties
- Improving coordination and institutional communication with other public institutions

Objective 2 Harmonized and Coordinated Support to the Strengthening of LODA and Local Administrative Entities

- Harmonization of Development Partner interventions in the spirit of the Paris agenda on aid effectiveness
- Improving reliability and predictability of financial and fiscal transfers to Districts
- Endeavouring joint programming and implementation in support to LODA contribution to these policies and strategies implementation

- Enhancing effectiveness and coordination of activities of LODA and supporting development partners regarding the investment in and implementation of local development projects as well as capacity building, and other support services as :
 - The development of its appropriate institutional structures and skills, as well as required manuals, systems and guidelines
 - The implementation of existing rules and regulations related to management of state finances and properties
 - The Planning, Monitoring and & Evaluation as well as Operation and Maintenance of infrastructure projects to enhance project sustainability
 - The Promoting and managing of a coordinated LED approach
 - The knowledge management and document archiving systems

III. Commitments and responsibilities

In pursuing the objectives, the Parties will have the following responsibilities:

LODA is responsible for:

- The management of DP contributions for investments in Districts, and ensuring the quality of development projects and liaising with relevant central and local government institutions to ensure fairness, sustainability and evidence based management in this financing;
- Coordinating an evidence-based LED process and liaising with relevant central and local government institutions to ensure an integrated approach;
- Providing necessary support to districts with regards to planning, budgeting, implementing, monitoring and managing of their development plans and projects.

LODA commits itself:

- To abide by Government of Rwanda rules and regulations related to management of state finances and properties, to ensure that projects are implemented in accordance with Rwanda procurement laws and regulations,

and to ensure that all other laws and policies pertaining to effective and efficient management of public institutions in Rwanda are considered in the process;

- To mobilize Government Resources to cover its recurrent costs;
- To ensure that financial transfers to districts are made in accordance to their priorities and respecting the approved resource allocation formula²⁴;
- To ensure that consultation meetings and field visits with donors are organized in a timely manner for collecting their inputs before the finalization of the budget planning and start of the financial year;
- To ensure that the Development Partner contributions are reflected in the plans and budgets of the local administrative authorities with legal personality and reflected in turn in the Government budget;
- To inform timely the partners of any condition or intended developments that interferes, or threatens to interfere, with the successful implementation local development projects, so that the Parties can jointly take necessary actions;
- To conduct regular TWG meetings to discuss on LED issues and relaying LED and local development issues to the Sector Dialogue framework;
- To engage actively in the Governance and Decentralization Sector Working Group and in the Fiscal Decentralization Steering Committee;
- To ensure, support, monitor and report on :
 - Respect by districts of the planning process in line with aspirations of citizen participation as set out in the decentralization policy in order to promote local ownership of and engagement in their development plans implementation;
 - Follow-up by local administrative authorities with legal personality of appropriated steps guidelines and tools in project identification, and in the planning and budgeting process, including Project Profile Documents provided by MINECOFIN and the feasibility study guidelines;
 - Use by local administrative authorities with legal personality of the Monitoring and Evaluation System and the exploitation of the Operation and Maintenance Manual to enhance the sustainability of their local development projects and plans.

²⁴ refer to the calculation of financial allocation for districts based on : Population size: 40% ; Area: 20% ; Poverty level: 40%

MINALOC is responsible for:

- Providing LODA with an adequate legal, policy and strategic framework;
- Informing Parties about status and intended developments in the area of the legal, policy and strategic frameworks related to Decentralization.

MINALOC commits itself:

- To inform timely the Parties of any condition or intended development that interferes, or threatens to interfere, with the successful implementation of their financial support to LODA and to LED so that the Parties can jointly take necessary actions;
- Assisting the local administrative authorities with legal personality through RGB to improve on public financial management practices
- To foster an engaging GD SWG framework.

MINECOFIN is responsible for:

- Providing the financial resources to LODA and the local administrative authorities with legal personality for the implementation of local development projects as per the legal requirements
- Cooperating with LODA in the annual planning and budgeting activities
- Informing Parties about status and planned activities and developments in the area of fiscal decentralization and specifically financial transfers to Districts

MINECOFIN commits itself:

- To inform timely the Parties of any condition or intended development that interferes, or threatens to interfere, with the successful implementation of their financial support to LODA and specifically financial transfers to Districts so that the Parties can jointly take necessary actions;
- To ensure its effective participation in GD SWG framework.

The DP's are responsible for:

- Supporting LODA and local administrative authorities with legal personality in line with their bilateral arrangements signed with the Government of Rwanda.
- Ensure their effective participation in joint mechanisms supporting conducive dialogue and Busan objectives

Development Partners commit themselves

- To support LODA with financial contributions for the implementation of development projects in the 31 Local administrative authorities with legal personality according to their local priorities and their Development Plans including activities to support the local LED process;
- To strive for alignment with the budgetary and accountability system and relevant legislation of the Government so as to enhance effective implementation and sustainability and to reduce the administrative burden on the Government transaction costs.
- To communicate in a timely manner to LODA and MINECOFIN about their commitments and disbursement schedules according to the MINECOFIN Guidelines, in order to support reliability for planning and implementation of local development projects
- To providing constructive inputs on the management and implementation of the LED process in the Technical Working Group
- To inform the Parties of any condition that interferes, or threatens to interfere, with the successful implementation of the DP contributions
- To ensure their active participation in the review meetings, field visits and regular consultations on planning with LODA to guide planning and implementation of local development projects
- To reduce the administrative burden of their support on LODA and other government institutions by setting up joint missions, undertaking joint analysis, and using joint procedures to the extent possible and desirable
- To coordinate any initiatives on institutional strengthening and capacity building for LODA or the local administrative entities
- To share information on intended or ongoing technical assistance, capacity building activities or consultancy services with all parties

IV. Implementation modalities

IV.1 Contributions and disbursements planning

The Development Partners' contributions to LODA and the Districts will be specified in bilateral arrangements signed between the Government of Rwanda and the Development Partners individually.

DP's will share with all parties their planned disbursement amounts for each fiscal year.

LODA will share the tentative planned budget for local development projects in the Districts and for LED activities for each fiscal year with the DPs for discussion and to plan their disbursement accordingly.

IV.2 Joint review meetings and field visits

LODA will lead regular consultations by organizing joint planning meetings and joint reviews with DP's for the improvement of local development project planning and implementation as well as the LED Process. Discussions shall also cover strategic orientations of LODA activities and priorities of DP support and issues around annual District planning and budgeting.

LODA will organize at least two consultation meetings each fiscal year with DP's to discuss both planning of future activities and review of implementation progress and findings from field visits.

The forward looking part shall cover consultation on the annual action plans, Districts project planning and budgeting expected disbursement requirements. These consultations shall take place before the approval annual plans and budgets of LODA and Districts by MINECOFIN in order to allow DP's to provide their input into the planning process. Specific no objection in line with bilateral agreements will be addressed transparently at this occasion.

The backward looking reviews shall cover discussion on District projects implementation progress, on findings from field visits LODA quarterly reports as well as other available monitoring information. They shall also examine districts' financial performance and findings and actions taken on previous audits (both external and from the Auditor General). The reviews will also be an opportunity to discuss progress on the LED process and the fiscal and financial issues to be addressed in the appropriated fora. The discussions will provide guidance on necessary adjustments in the implementation of Parties contributions to face emerging challenges and/or opportunities.

The agenda of the consultation meetings reviews shall be communicated at least seven days ahead of the meetings together with the relevant reading materials.

In line with these joint meetings LODA will organize timely with the support of other Parties Joint Field visits and on request specific supervision missions.

IV.3. Reporting

LODA will submit annual progress and financial reports to contributing DP's three months after the end of the financial year. Reporting will be done on the basis of the plans and budgets of the reporting financial year.

In this MOU DP's agree to harmonize their annual monitoring and reporting requirements and will propose additional specific points to be covered in the LODA annual report if required.

IV.4. Evaluation

Should any of the parties intend to conduct an evaluation, for example of the cooperation with LODA or impact of projects on beneficiaries or economic activities in Districts, all Parties commit to inform all others in a timely manner about the evaluation in order to provide an opportunity for conducting a joint evaluation if possible. This will include sharing of the relevant terms of reference or the evaluation planning and evaluation reports for contribution by others where possible and presentations to all stakeholders of the evaluation findings.

IV.5. Audits

The Parties agree that an annual external audit will be conducted for the development partner contributions. It will be financed out of the financial contributions of development partners and done by an independent qualified external audit firm procured by LODA. The report will be submitted 3 months after the close of the financial year.

All the Parties shall agree on the Terms of Reference to be used for the audit. The Parties agree that such audits should be done as compliance audits, including analysis of internal and district procedures. Development partners accounts that are held in LODA will be audited individually, so possible conclusions based on the audit results might be different for each of the signing Parties.

V. Signature

The Parties agree that this MoU may be signed by other DP's and further specifications be made as evolve.

Kigali, January, 2015

Signatures:

For LODA:

For MINALOC

Mrs Laetitia Nkunda, Director

For MINECOFIN

For German Financial Cooperation:

KfW Director

For the Netherlands:

For the Kingdom of Belgium

Ambassador

Ambassador

7.7. Criteria to prioritize and select the LED investments submitted for financing through the RDSP-DDP

Rwandan criteria to prioritize and select LED investments projects

Prioritization is done by Local Governments themselves. The key criterion is alignment with the local and national planning orientations projects should follow the orientations provided in the District Development Plan, the annual Sector Strategic Plans and contribute to achieve the overarching development objective defined in EDPRS 2 (2013-2018). Note that reference to priorities is to be made with chapter 1 of TFF 1&2.

Eligible projects respond to qualitative and technical criteria listed in the table below:

Key issues	Description
<i>Alignment of LG projects</i>	<i>Each LG project should be aligned with the local and national planning orientations. The LG project should follow the orientations provided in the District Development Plan, the Sector Strategic Plan and contribute to achieve the overarching development objective defined in EDPRS 2.</i>
<i>Slicing of LG project</i>	<i>An LG capital investment project should not be divided into different phases only for budgeting reasons. Even if a project is implemented in several years, it should be budgeted as one LG project and the investment costs correctly distributed to the different FY to be considered (e.g. in the MTEF).</i>
<i>Delays in planning and budget preparation</i>	<i>The LG should start the planning and design of LG capital investment projects in time and avoid to wait for the Second Budget Call Circular.</i>
<i>Shortages of feasibility studies</i>	<i>Feasibility studies do cover more than the technical design of LG infrastructure projects. They also should analyse the socio-economic feasibility of a LG project and highlight if alternatives are available that might be more cost-effective. Furthermore the possible environmental impact of a LG project has to be analysed (Environmental Impact Assessment)</i>
<i>Operation and Maintenance Costs</i>	<i>LG has to consider a sufficient operation and maintenance budget for the regular maintenance activities foreseen in the O+M plans. Without regular maintenance, the lifecycle of infrastructures will be severely shortened.</i>
<i>Participation of private sector</i>	<i>One objective of EDPRS 2 is an increased participation of the private sector. Where public private partnerships or similar models of shared responsibilities are envisaged, the socio-economic feasibility shall provide a clear description of the modalities, roles and responsibilities of each partner involved.</i>

The annual 'Detailed LG Planning & Budgeting Guidelines' describe the detailed process for planning, validation and final selection of projects. The Guidelines also indicate the issues and qualitative and technical criteria that are used to guide the prioritization and selection of investment projects.

A budget consultation between Districts, MINALOC, LODA, Line ministries and MINECOFIN, conducted within a Project Advisory Committee (PAC) will propose a final selection, based on the criteria of budget availability. To be noted, priority is given to financing additional phases of ongoing projects.

Support under **FYI 2015/2016** will be for projects identified in Annex 7.5, and within the available budget of the intervention, which were identified by LODA for support by RDSP.

For **FYI 2016/2017**, the RDSP LED ITA & NTA team will be closely involved at key stages of the planning and budgeting process for local development planning under LODA, to accompany the quality of the process with a specific focus on elaboration of appropriate exhaustive feasibility study. Updated LODA guidelines (e.g. "Detailed LF planning and budgeting steps for LODA-funded Local Development projects (2015-2016)"-LODA instruction") are communicated annually to guide all actors involved in funding the Investment projects.