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Rwanda Fiscal Decentralization Project

Work Shop Report Prepared By Rebecca Ignatoff, ARD Facilitator
 Work Shop Work Plans Prepared by Participants in coordination with FDP Component Coordinators
 All editing, format publishing/Report layout and Photos by Dr. Henry H. Kellam III, CoP/FDP
 (except gorilla photo P. 7 by R. Ignatoff)

SUMMARY OF THE ARD/USAID FISCAL DECENTRALIZATION PROJECT

Following the genocide in 1994, the Government of Rwanda (GoR) seized on decentralization as a key strategy in promoting national reconciliation, power-sharing, and participatory development at the local level. In 2000-2001, the GoR first adopted a National Decentralization Policy and then a Fiscal and Financial Decentralization Policy. To support this reform effort, USAID selected ARD, Inc. to support the GoR via the Fiscal Decentralization Project (FDP). ARD works in partnership with a number of Government of Rwanda counterparts in implementing this activity, the primary being MINALOC, the Ministry of Local, Community Development & Social Affairs. The Project began its third and final year of implementation in October, 2003. It will end in September of 2004, unless it is extended by what has been referred to as a "3-month option period." If extended, the FDP will close in December of 2004.

The ministry of local government (MINALOC) was established and mandated to spearhead the efforts of the Government of National Unity to promote decentralization and good governance. The United States Agency for International Development (USAID) is determined to assist GOR in implementation and has contracted Associates in Rural Development, Inc. (ARD, Inc.) to design and carry out five specific tasks for the period between 2001 to the September of 2004. To accomplish these ARD, Inc. grouped these tasks into four thematic categories namely, Fiscal Decentralization (FD), Financial Management (FM), Intuitional Development and Support (IDS) and District Services (DS).

The ARD/FDP sees these four main Components as an integrated 'TEAM' approach and that strong coordination/communication and planning with FDP key partners is the key to success.

Under recent fiscal decentralization policies, new responsibilities have been devolved to lower level local governments. Local governments are assuming responsibility of their own financial management systems, which requires stronger coordination of local development processes. However, the change of power is proving difficult to implement because of the insufficient specialized capability available at local level. Much of the skilled labor force was wiped out during the genocide. Assistance was called for with respect to training, advisory services, strengthening of the self-responsibility of local decision-makers in the administration and fiscal and financial management and accountability.

Since September 2001, FDP has concentrated on appropriate strategies that are geared towards the respective human and financial resources available for the delivery of public services in Rwanda. FDP is very realistic in assessing the limitations in localities when designing viable fiscal and financial models. On-going training and coaching is the mainstay of the Project. The principle of participation by the population and strong coordination/transparency with MINALOC is FDP's highest priority. Such strategies are vital to mobilize and empower the people towards financial accountability and sustainability. Participation and self-motivation are key elements for successful implementation, ensuring that the needs of the local level governments are indeed incorporated into fiscal management models.

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TECHNICAL SERVICES

The Fiscal Decentralization Project (FDP) supports the GoR, in Partnership with MINALOC, in four main integrated areas:

- **Municipal finance system.** The GoR Policy stresses assigning sufficient own-source revenues to local governments, primarily to finance current expenditures. ARD/GFG is currently supporting the GoR in developing a local government revenue law that would include a tax on real property and other sources. Likewise, the team works with the GoR in developing a system to finance capital investment, including intergovernmental revenue transfers and other sources/mechanisms.
- **Municipal financial management.** To allow local governments to transparently and effectively manage their new resources, ARD/FDP will also support the development of a system of financial management at the local level. This system will undoubtedly include components such as accounting, budgeting, procurement, auditing, etc.
- **Devolution of service responsibilities.** ARD/FDP has develop a policy tool to assist the GoR to ensure that the resources assigned to local governments are more or less in line with new responsibilities for service provision. At the same time, the team assists the GoR develop detailed strategies for the orderly transfer of two service responsibilities to the local level.
- **District Services and Market Management:** Since the 1st of the year, ARD/FDP launched a program to address environment management. concerns. Erosion is one of the biggest problems in Rwanda due to dense population and deforestation. The focus will be on 'Solid Waste Management' through public awareness and promoting locally built 'bricket recycling machines' through appropriate technology methods. This Component will work in 4 pilot districts.

PART 1: The workshop proceedings and findings

1. Background & objectives

In January of 2004, a three-day workshop was held in Ruhengeri Province, Rwanda to plan for the final year of the USAID-funded Fiscal Decentralization Project (FDP). As a number of new team members had been hired just prior to the start of the year, including a new Chief-of-Party, Dr. Henry H. Kellam III, this was an opportunity to incorporate new team members into the project team, and to reinforce and enhance a sense of teamwork among the FDP team and its primary stakeholders.



In order to plan the workshop, Dr. Kellam met with the lead workshop facilitator, Rebecca Ignatoff, and with Robert Kehew, the Home Office Senior Technical Advisor from ARD. Dr. Kellam and Robert Kehew discussed their objectives and expectations of the work planning/teambuilding workshop with Ms. Ignatoff prior to departing the United States for Rwanda, and a first draft agenda was created.

Upon arrival in Rwanda, the FDP team attended a series of meetings with stakeholders, primarily from MINALOC, to ensure that their expectations and objectives were incorporated into the workshop agenda. After a number of iterations of the agenda, consensus was reached, and the workshop materials were created.

The workshop objectives

To build a shared vision and common understanding between the FD Project team and our counterparts at MINALOC (and other branches of the GoR) regarding:

- ❑ The current state of fiscal decentralization in Rwanda
- ❑ Key deliverables that the FDP is required to provide
- ❑ Priorities and implementation strategies and plans for major streams of activity for Year 3 of the FDP
- ❑ Ongoing coordination framework for the FDP and GoR counterparts



☛ *This is to be achieved by*

- ☐ Providing critical background information on the current state of the fiscal decentralization process in Rwanda, thereby bringing all participants onto the same page in terms of the work that the Government of Rwanda (GoR) has ahead of them in the coming years;
- ☐ Providing background information on the Scope of Work of the FDP and the specific areas and FDP activities to which the FDP was able to provide technical support, as well as the major accomplishments of the project to-date;
- ☐ Providing information on the current status of each of the project's technical components (what has been done and what still needs to be done);
- ☐ Creating a final list of objectives and an activity plan for each FDP technical component;
- ☐ Clarifying the roles and responsibilities, expectations & obligations of team leaders, team members and stakeholders/counterparts; and
- ☐ Brainstorming and reaching preliminary consensus on a set of coordination mechanisms, meant to improve the communication & collaboration among the FDP team and its GoR counterparts.

2. The workshop participants

In total, the workshop had 30 participants. Most participants who attended the first day of the workshop stayed throughout the three days. The Honorable Minister of State in charge of Good Governance, Mr. Protais Musoni, was able to spend a very helpful and productive two days at the workshop, which greatly enhanced the first module of the workshop, meant to bring everybody onto the same page in terms of the state of fiscal decentralization in Rwanda. Minister Musoni also helped a great deal in coming to agreement on some of the critical actions for year three and for the ongoing coordination between the FD Project and the Government of Rwanda.



In addition to the Honorable Minister, the Secretary General of the Ministry of Local Government, Community Development and Social Affairs (MINALOC), Mr. Eugène Barikana, attended all three days of the workshop, and contributed a great deal, both formally and informally, to the workshop.

United States Ambassador McMillion kindly agreed to visit the workshop on the third day, in order to make closing remarks and officially close the workshop, in coordination with the Secretary General of MINALOC.

Other participants, each of whom truly contributed a great deal to the workshop, and each of whom deserves to be mentioned separately and thanked for his/her valuable inputs, include:

Ministry of Local Government, Community Development and Social Affairs (MINALOC)

Sam Rwahama, Director of Territorial Administration

Alexis Dukundane, Director of Planning and Coordination of Community Development

Désiré Nsabimana, Head of Division, Local Finances

Ezechiel Nzabonimpa, Division of Local Finances

Soline Uwamwezi, Division of Local Finances

Claire Wallis, ODI Fellow

United States Agency for International Development (USAID)

Pierre Munyura, Cognizant Technical Officer

ARD/USAID Fiscal Decentralization Project (FDP)

Dr Henry H. Kellam III, Chief of Party
Robert Kehew, Senior Technical Adviser
Ricardo Valderrama, Senior Financial Management Advisor/Coordinator
Dr Mussolini Kithome, Senior District Services Advisor/Coordinator
Dr Ludovick Shirima, Senior Advisor on Fiscal Decentralization/Coordinator
Antoinette Uwimana, Training & Coaching Coordinator
Micheline Niyonsaba, Training & Coaching
Claude Rubango, Training & Coaching
Véronique Gakwaya, Administrator & Accountant

Ministry of Finance and Economic Planning (MINECOFIN)

Camille Karamaga, Director of Budget
Xavier Mbarubukeye, Director of Public Accounting

Rwanda Revenue Authority (RRA)

Fidèle Ndayisaba, Head of Collection

Auditor General Office

Ernest Muhire, Audit Department

Community Development Fund (CDF)

Augustus Seminega, Director

City of Kigali (CoK)

Joseph Bahenda, Dir. of Planning and Finance

Province of Kigali Ngali

Paul Jabo, Director of Planning and Finance



Rwandese Association for Local Government Authorities (RALGA)

John Mugabo, Mayor of Ruhengeri & Member of the Board of RALGA

Resource Persons

Anka N. Kitunzi (ARD consultant – fiscal decentralization)
Jonas Gatangulia (ARD consultant – district services)
Alphonsine Ntabana Sheri (ARD consultant – district services)
Oswald Burasanzwe (Legal Expert)

3. The workshop methodology

The workshop was facilitated by Rebecca Ignatoff, a Facilitation & Training Specialist from the ARD, Inc. Home Office in Vermont. Mr. Désiré Kamanzi, a legal expert, served as co-facilitator and resource person during the event.

The workshop was conducted in a highly participatory manner. A number of participants were involved in creating the agenda for the workshop, as described in Section 1: Background & Objectives. At the outset of the event, participants shared their expectations for the workshop. The list of expectations was reviewed at the end of the event, in order to ensure that most, if not all, expectations had been met. On Day 1 of the workshop, the lead facilitator laid out some “rules of the game” that she expected participants to follow. Participants were invited to add rules to the list. The final list of expectations and rules of the game can be found in Annex B of this document. A “parking lot” was used to deal with outstanding issues.



The workshop made use of formal presentations followed by large group discussion (mainly on Day 1, when the stage was being set for the following two days of planning and teambuilding). Breakout groups were used to discuss and analyze specific issues, as well as to get into detailed planning activities. Following each breakout group session, presentations were made to the large group, in order for all participants to be fully informed of what went on in the small group discussions, and to provide a forum for giving feedback to small groups and making additions to the work plans developed.

Another technique used was the provision of flipchart formats to participants. Each participant was given enough time to fill out the format, which included spaces in which to provide answers to a series of questions being set forth. Each participant, or group, would then present back to the large group, using the flipchart format as a guide for the presentation.

Finally, a brainstorming → consensus workshop format was used in order to discuss some of the critical issues to-date regarding project coordination and communication among project stakeholders. This activity allowed the group to open up, share some serious concerns about project coordination and communication, and get the issues out on the table. It involved individual brainstorming, followed by discussion in small groups, and then large group discussion and consensus.

4. Presentations

A series of progressive presentations provided critical background information on the current state of fiscal decentralization in Rwanda and at the same time paved the road for what was going to be a 3-day workshop to come up with a commonly agreed upon work plan for the remaining period of project execution.

A brief word from Dr. Henry KELLAM, the Fiscal Decentralization Project Chief-of-Party, welcoming and thanking the participants for having come and for having given 3-days of their valuable time opened the workshop. Shortly thereafter, Pierre MUNYURA, the USAID Cognizant Technical Officer (CTO) for the Rwanda FDP said a few words. In his speech, he recognized the past problems encountered by the Project, the presence of a number of new team members and a new beginning for the project. He stated his hope that these 3 days would be an occasion to overcome those problems, most of them related to communication and coordination with the GOR as well as with some aspects of implemenetation. The workshop was therefore, in Mr. Munyura's mind, an opportunity for the various stakeholders to get to know each other and to come up with a commonly agreed upon work plan. He promised USAID support in all project endeavors. Thereafter, the Honorable Minister of State for Good Governance, Mr. Protais MUSONI officially declared the workshop opened.

Workshop presentations began with the Hon. Minister MUSONI presenting the history, the challenges of decentralization in Rwanda and showing the ways decentralization and participatory community development will, if well thought-out and planned, contribute to poverty alleviation. He gave some background information and highlighted the different concerns to be addressed in putting decentralization programs in place. He outlined the roles of the various stakeholders and shared the Ministry's thoughts on



the road ahead, as well as outlining the various scenarios and mechanisms already in place.

He hoped that the workshop participants would thoroughly analyze and discuss those ideas to reach genuine and sound fiscal decentralization. He made another presentation on a five-year (2004-2008) strategic Decentralization Implementation Program with an overall objective to ensure political, economic, social, managerial and technical empowerment of the local population to fight poverty effectively at close range, through entrenchment of democratic, decentralized governance.

Continuing on the road toward a fully participatory workshop and a full and common understanding of the counterpart institutions' wishes and roles in Rwandan decentralization, two representatives (Camille KARAMAGA, Director of Budget and Xavier MBARUBUKEYE, Director of Public Accounting) from the Ministry of Finance and Economic Planning shared their views on what their role is, and should be, in the overall decentralization policy. They talked about some problems encountered, some actions they have initiated in that same line and appreciated the idea of associating them to these discussions.



The same thing was done respectively by Ernest MUHIRE, a representative of the Auditor General's Office, Joseph BAHENDA (Director of Planning and Finance) representing the City of Kigali, Paul JABO (Director of Planning and Finance) representing Kigali-Ngali Province, John MUGABO (Mayor of Ruhengeri) representing RALGA (Rwanda Association of Local Government Authorities) and Augustus SEMINEGA (Director of CDF) representing the Common Development Fund. They all mentioned their involvement in the overall decentralization process and promised their full support and availability anytime a need arises. The representative of the Rwanda Revenue Authority, Fidèle NDAYISABA, had not been able to attend the workshop on the first morning, but promised to join the group later on that first day.

Mr. Anka KITUNZI, Fiscal Decentralization Specialist and ARD resource-person for the workshop, made a presentation on the institutional framework for support to & coordination of local government finance. Mainly, this presentation was about the setting up a new department for Local Government Finance within the MINALOC.

Antoinette UWIMANA, Coordinator of the Training & Coaching component within the FDP briefly presented the scope of the FD Project and its major accomplishments to-date. This was the first step in shifting the focus of the workshop from the overall decentralization process in Rwanda and the state of that process toward a focus on the FDP work plan for Year 3.

The last major presentation, which was meant to pave the way for the remaining 2 days of work plan development and teambuilding, was made Robert KEHEW, Senior Technical Advisor/Project Manager from the ARD Home Office. He gave an orientation for the projects final year, and clearly stated the status of project deliverables/activities in each technical component of the FDP. Mr. Kehew's presentation, as it was a synopsis of the ARD-USAID contract as well as a status report on work that remained to be done, was used as the reference document used by all groups/sub-teams in planning for the final year of project implementation.

All presentations were followed by questions and answers' sessions to ensure that all participants understood them and had an opportunity for reflection and input.

Annex 1: The workshop agenda

Rwanda FDP – Team building & work planning retreat / January 19-21, 2004 - Venue: Mountain Gorilla Nest, Kinigi, Ruhengeri Province

Objectives

Build a shared vision and common understanding between the FD Project team and our counterparts at MINALOC (and other branches of the GoR) regarding:

- The current state of fiscal decentralization in Rwanda
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- Ongoing coordination framework for the FD Project and GoR counterparts



Agenda

Monday, January 19, 2004

- 7:00 Breakfast
- 8:00-9:00 Introductions, Expectations & Icebreaker – Each individual introduces himself/herself and hands a card to Rebecca with one expectation of the workshop written on it (cards to be distributed at beginning of workshop)
- 9:00-9:10 Welcome by Dr. Henry Kellam, Chief-of-Party of FD Project
- 9:10-9:20 Brief welcome by USAID CTO for the USAID Rwanda Fiscal Decentralization Project – Pierre Munyura
- 9:20-9:40 Official Opening of the Workshop by Honorable Protais Musoni, Minister of State in Charge of Good Governance
- 9:40-10:00 Rebecca Ignatoff & Désiré Kamanzi - Review workshop agenda, objectives & "rules of the game"
- 10:00-10:30 Tea break

Module 1: where are we? critical background information on decentralization in Rwanda & a look back at what FDP has accomplished

- 10:30-12:00 Presentations by MINALOC:
- Honorable Protais Musoni, Minister of State in charge of Good Governance: The History and the Challenge of Decentralization in Rwanda, Recent Advances in Decentralization and the 5 year D.I.P. (10:30-11:30)
- Time for questions/discussion (11:30-12:00)
- 12:00-12:30 Presentations by GoR counterparts on their organization's view of and role in decentralization in Rwanda:
- Xavier Mbarubukeye, Director of Public Accounting & Camille Karamaga, Director of Budget, MINECOFIN (12:00-12:05)
- Ernest Muhire, Auditor General Office (12:05-12:10)
- Joseph Bahenda, Director of Planning and Finance, City of Kigali & Paul Jabu, Director of Planning and Finance, Kigali Ngali Province (12:10-12:15)
- John Mugabo, Mayor of Ruhengeri, RALGA (12:15-12:25)
- Augustine Seminega, Coordinator, CDF (12:25-12:30)
- 12:30-1:30 LUNCH
- 1:30-2:00 Presentation by Anka Kitunzi – "Institutional Framework for Support to & Coordination of Local Government Finance: Local Government Finance Department, Local Government Finance Steering Committee and RRA-MINALOC Partnership"
- 2:00-2:20 Questions & Answers on Anka Kitunzi presentation
- 2:20-2:50 Antoinette Uwimana - Presentation of major accomplishments of FD Project to-date (including brief statement on scope of the project in general terms)
- 2:50-4:30 Key lessons learned on FD Project to-date, particularly in communication & coordination, and methodologies used to-date (Activity facilitated by Rebecca & Désiré)
- 4:30-4:45 Tea break

MODULE 2: looking ahead – orientation to year 3 work planning

- 4:45-5:30 Looking Ahead: Orientation for Planning for Final Year of FD Project (presentation by Robert Kehew)
- 7:00 Dinner
- 8:00 Bukamba Cultural Troup & Ntamukunzi

Tuesday, January 20, 2004

**MODULE 3: YEAR 3
WORK PLANNING
PROCESS**

- 7:00 Breakfast
- 8:15-8:45 Introduction to Day 2 & Icebreaker
- 8:45-9:00 Explain Work Planning Process (Rebecca)
- 9:00-11:15 Validation of & Strategic Context for Year 3 Objectives – breakout group session (group will be organized into four technical subteams: Financial Management, District Services, Fiscal Decentralization and Training & Coaching)
- Validation/revision of objectives/priorities for Year 3 (create final list – use cards & markers) – Are these priorities for 2004?
- Analysis of Strengths, Weaknesses, Opportunities & Constraints for accomplishing each objective
- 11:15-11:30 Tea break
- 11:30-1:00 Group presentations (5-10 minutes each) on final list of 2004 priorities/objectives
- 1:00-2:00 LUNCH
- 2:00-5:00 Small group work – in technical subteam area, write detailed activity plans for each objective, mapping out the timeframe and party responsible for accomplishing each task
- 5:00-4:20 Tea break
- 5:20-6:30 Present activity plans & provide feedback to small groups
- 7:00 Dinner

Wednesday, January 21, 2004

**MODULE 4: ROLES,
RESPONSIBILITIES,
EXPECTATIONS &
COORDINATION**

- 7:00 Breakfast
- 8:30-11:15 Roles, Responsibilities, Expectations/Obligations of team members
- Each participant fills out flipchart format regarding roles & responsibilities on the Project, expectations of the team and GoR counterparts, obligations to the team and counterparts, and ideas for effective collaboration & teamwork among all actors on the FD Project
- Each participant presents format (5-7 minutes each)
- 11:15-11:30 Tea break
- 11:30-12:30 Discussion of Ongoing Coordination Mechanisms (facilitated by Rebecca)

**MODULE 5: IMMEDIATE
NEXT STEPS & WRAP-
UP**

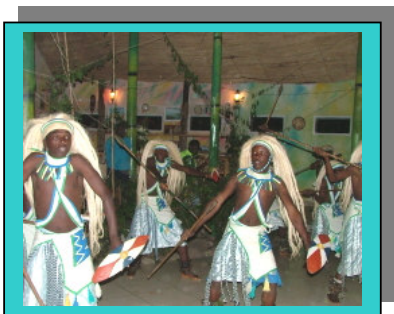
- 12:30-12:45 Review expectations from Day 1 of workshop (discussion guided by Désiré)
- 12:45-2:00 LUNCH
- 2:00-2:15 Closing Remarks & Next Steps by Henry Kellam
- 2:15-2:30 Closing Remarks by U.S. Ambassador McMillion
- 2:30-2:45 Official Closing of the Workshop by Mr. Eugène Barikana, Secretary General of MINALOC
- 3:00 Depart for Kigali



Annex 2: Expectations & rules

Expectations of participants include:

- ❑ FD Profile and sequencing of activities, roles & responsibilities of actors and benchmarks & timelines
- ❑ Define the objectives and measureable results that the project will have by the end of 2004
 - ❑ Clear understanding of the importance of fiscal decentralization and the role of RALGA as a catalyst in the process
 - ❑ To improve coordination and links between the different actors in Rwandan fiscal decentralization
 - ❑ Stronger communication between FDP, MINALOC and other GoR branches present
 - ❑ Clear understanding of expectations and objectives of the Project
 - ❑ Realistic work plan activities defined
- ❑ A clear work plan for FDP
- ❑ Well laid-out coordination mechanism between stakeholders in fiscal decentralization
- ❑ Lay down guidelines that will enable the project to develop mechanisms that will help decentralized entities to maximize revenue collection and have sound financial management systems
- ❑ Clear action plan showing activities and the role of each stakeholder in its implementation
- ❑ Know the status of fiscal decentralization in Rwanda, new trends, obstacles
- ❑ Participants will be able to understand more about FDP implementation and make more informed changes to overcome problems
- ❑ FDP strategy to achieve poverty alleviation policy goals
- ❑ Understand FDP structure
- ❑ Good coordination between FDP counterparts
- ❑ Know all the stakeholders in ARD, get support for the success of FDP
- ❑ Come up with a clear vision of the FD Project accomplishments so far, what remains to be done, and relevant tools needed to achieve remaining objectives



Rules of the game...



- ❑ Be on time
- ❑ Respect all participants and opinions
- ❑ Participate! (no spectators)
- ❑ Respect time limits
- ❑ In small groups, find a way for all to understand and participate (translate)
- ❑ Cell phones off
- ❑ **HAVE FUN!!!**

Annex 3: Presentation made by the Honorable Minister Musoni (MINALOC)

Decentralization in Rwanda: Strengthening Decentralization for Poverty Reduction

Overall Objective

To ensure empowerment of local population by participating in planning and management of the development process for **poverty alleviation**, better service delivery and national reconciliation.

Specific objectives

- ❑ Enabling and reactivating local people to participate;
- ❑ Strengthening accountability and transparency (political, administrative, financial);
- ❑ Enhancing the sensitivity and responsiveness of Public Administration to local environment;
- ❑ Developing sustainable economic planning and Management capacity at local levels;
- ❑ Enhancing effectiveness and efficiency in the delivery of services.

The Decentralisation process cannot be realised (objectives, principles, values) unless there is a sufficient level of financial autonomy at local Government levels.

The above can be enhanced through Increased revenue potentials at local Government levels Efficiency & effectiveness in the exploitation of the identified or developed revenue potentials. This is possible only when the fiscal and financial management capacities (collection, budget, accounts and audit functions) are enhanced.

This in turn instils confidence in the population and promotes community participation in the planning and contribution to the execution of the plan; the reverse is true if confidence is lacking.

All this is geared towards ensuring balance between the local government resources (human, financial, logistical and administrative) and local governments' developing support systems and avenues and establishing equitable revenue distribution and management systems.

Principles to be adhered to

- ❑ National Unity, indivisibility, and even development;
- ❑ Local autonomy, identity, interests and diversity;
- ❑ Separation of political and administrative-technical authority;
- ❑ Transfer of responsibility with matched resources.

Strategic approaches

- ❑ National level (focal points and forums)
- ❑ Province/kigali city (focal points and forums)
- ❑ Local governments (ralga)

- ❑ Other stake holders (at different levels and from different fields)
- ❑ Deconcentration
- ❑ Delegation;
- ❑ Devolution.
- ❑ Incremental: Planned, gradual and incremental transfer will be used to avoid slide back effect or spectacular failure

Strategies For Strengthening Decentralization for Poverty Reduction

- ❑ Local Government Finance Department established and operational
- ❑ Local government structures Institutional Strengthening and Coordination
- ❑ Promotion of participation of the Private Sector and Involvement of Civil Society, including the media
- ❑ Strengthening fiscal and financial management capacities at local government levels
- ❑ Mainstreaming poverty reduction strategies in the planning and implementation of the fiscal decentralization process
- ❑ Instituting and strengthening Monitoring & Evaluation structures to ensure efficiency, effectiveness, accountability & transparency
- ❑ 6. Mechanism for Strengthening Community Participation
- ❑ 6. Mechanism for Community Participation

Funding mechanisms

- ❑ Boosting local Government own resources – transfer of property tax, licensing fees and tax on rent
- ❑ Government transfer of 3% (formerly 1.5%) of National Domestic Revenue as equalization fund

CDF funding mechanism

- ❑ Rationale of CDF (equity, harmonization of delivery systems)
- ❑ Some donor support for local development, with intention to have all donor funds channeled through CDF
- ❑ 10% of National Domestic Revenue to be channeled through CDF

Challenges and Future Five-Year Programme

- ❑ Lack of Capacities (Capacity building from a holistic view) – urgent need to develop sustainable fiscal & financial management capacities at local government levels.
- ❑ Unstandardised modes of service delivery (some are still centralized while others have been decentralised): Designing of sectoral decentralisation programmes for improved service delivery very urgently required.
- ❑ Financial resources still very low versus expectations. Yet the aim is increasing household income.
- ❑ Resistance - mentality :-(Central government, local government, community level) Needed: sensitization, widening participation in development, strengthening local government associations.
- ❑ Coordination and harmonisation: all stakeholders, for synergy, collaboration & complementarity.

ANNEX 4: Presentation by Anka Kitunzi

Institutional Framework for Support & Coordination of LGFD, Steering committee & RRA-MINALOC partnership”

The Scope of Local Government (LG) Finance

The LG finance concept covers all aspects of collection of own-source revenues on one part, and on the other, the proper administration of, and accountability for, all revenues received regardless of source.

- ❑ LG taxes and fees as legally provided for,
- ❑ Central government Transfers
- ❑ Donor contributions
- ❑ Borrowings

The institutional framework for support to LG finance involves strengthening of the LG Finance inspection, technical support and, coordination function at MINALOC, formalizing collaborative and support arrangements with the relevant central government and other institutions, coordination of donor and central government interventions, An effective structure for policy and technical guidance, monitoring and evaluation of the fiscal decentralization process, and Institutional Support & Coordination Framework

The main objectives and rationale

To provide channels for supporting and strengthening LG fiscal and financial management processes; to provide effective policy and technical guidance; to coordinate the fiscal decentralization process with a view to prescribing and facilitating timely interventions; to facilitate the fiscal decentralization process to achieve the GoR's decentralization policy goals of good governance and poverty reduction; and to monitor transparency and accountability among LGs.

The rationale is based upon a number of reviews, studies and analyses that indicated that the LGs in Rwanda are, on the average, institutionally weak and generally lacking in the capacity to effectively handle revenue collection and financial management. Setting up and formalizing an institutional framework is an attempt to put in place intervention structures through which support to, and coordination of, LG Finance enhancement may be channeled.

Local Government Finance Steering Committee (LGFSC)

The policy and direction of the local government finance steering committee (LGFSC) are for effective control, direction and coordination of the policy aspects of LG fiscal and financial management processes.

Membership:

1. Minister responsible for MINECOFIN
2. Minister of State MINALOC (LG Finance)- Chairman
3. Commissioner General RRA
4. RALGA Head

Local Govt Finance Coordination & Monitoring Committee (LGF-CMC)

For effective control, direction and coordination of the technical aspects of LG fiscal and financial management processes.

Membership:

1. SG MINALOC (chairman)
2. SG MINECOFIN
3. COMMISSIONER INCOME TAX (RRA)
4. EXECUTIVE SECRETARY RALGA

Local Govt Finance National Technical Team (LGF-NTT)

The LGF-NTT shall coordinate with the Provincial/Kigali City Tax Advisory Councils. In direct coordination with MINALOC, the NTT shall provide technical inputs for the LGF-CMC and make required follow-ups. It will also directly support the work of the MINALOC Department responsible for LG Finance.

Membership:

1. SG MINALOC (chairman)
2. Director in charge of LG Finance & Inspection (MINALOC)
3. RRA Head of Department responsible for coordinating technical support to LG decentralization
4. Executive Secretary of RALGA
5. Director of Budget MINECOFIN

Local Govt Finance Provincial Technical Team (LGF-PTT)

To report to the Provincial Tax Advisory Council and support the LGF-NTT

Membership:

1. Provincial Executive Secretary (chairman)
2. RRA provincial coordinator
3. Province/Kigali City officer responsible for LG Finance Inspection
4. RRA provincial officer responsible for Fiscal Decentralization technical support.

Local Govt Finance District Technical Team (LGF-DTT)

To report to the District/Town Tax Advisory Council and the PTT

Membership:

1. Executive Secretary (Chairman)
2. LG District/town Revenue Officer
3. LG Internal Auditor
4. RRA provincial officer responsible for Fiscal Decentralization technical support (for advisory purposes)

Other Issues include the formalization of the institutional framework; tax Advisory Councils must be constituted in all districts/towns to support the prescribed structure; and elevation of the LG finance inspection function at the province to a division level in line with the proposal to elevate the MINALOC division of Finance Inspection to a department

Proposal for a Local Govt Finance Department (LGFD)

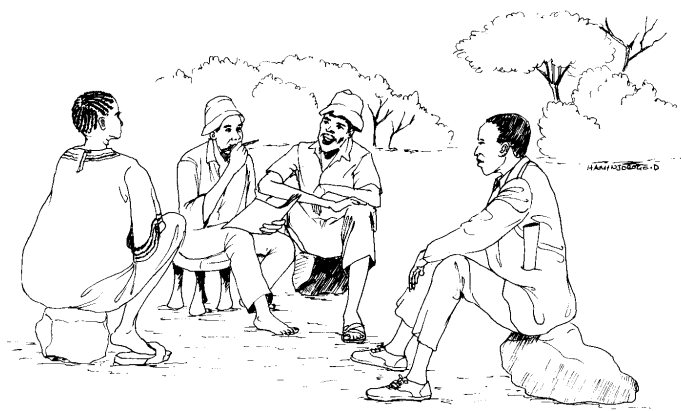
Recognition of the prominence and crucial role of the fiscal and financial process in the success of the overall decentralization policy and a need for an effective intervention and coordination framework at MINALOC in the fiscal decentralization process.

LGFD Objectives

- ❑ To assess the performance of local governments in revenue and financial management
- ❑ To play a lead role in policy formulation, technical guidance and capacity building for revenue collection and financial management among local governments.
- ❑ To provide advice to the Minister responsible for Local Government Finance on policy and legislative reform required for effective functioning of local government finance.
- ❑ Monitoring and evaluation of the fiscal decentralization process.
- ❑ Coordination with stakeholders on matters regarding LG Finance.

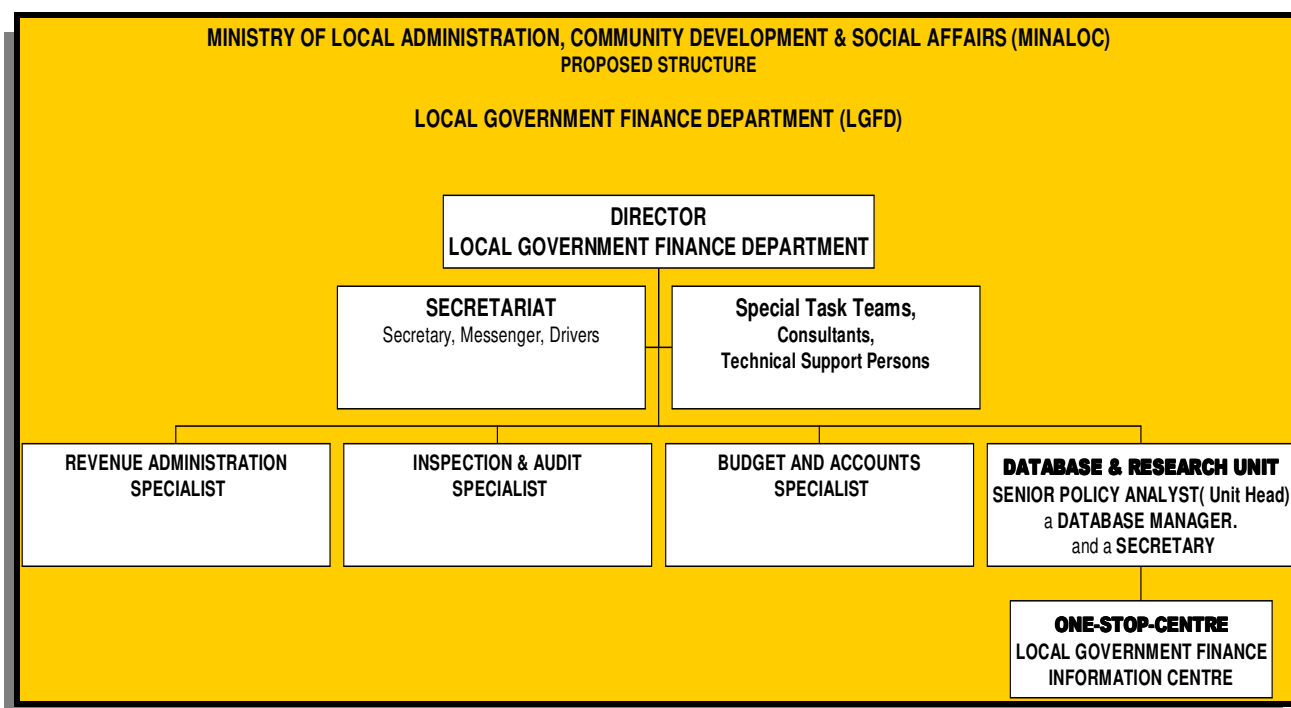
*"A Snapshot
of the
Proposed
LGFD"*

- ❑ **Policy:** Carry out policy analyses and studies that relate to fiscal decentralization (including revenue potential studies); provide the government with policy, legal and programmatic recommendations and develop procedures to guide local governments in fiscal matters.
- ❑ **Training & Capacity Building:** Support capacity building among local government officials in fiscal matters (budgeting, Accounts, auditing and procurement, revenue collection), either by providing training directly or via partners.
- ❑ **Monitoring, Evaluation, Inspection:** Set up and oversee a system to periodically collect and tabulate data on local government revenues and expenditures. Develop and maintain a database and system of performance indicators with this information. Make this data available to all interested parties. Monitor intergovernmental revenue transfers; periodically report results to the Minister and appropriate bodies and make available to the public. Carry out auditing and monitoring of local governments on fiscal matters; report results to the appropriate bodies and make available to the public.
- ❑ **Information:** Serve as a One-Stop-Center for all information related to fiscal decentralization and communicate information regarding fiscal matters to local government officials.
- ❑ **Co-ordination:** Co-ordinate with other entities carrying out related functions.



Proposed Structure of LDFD

1. **Director:** *Oversee the work of the Department; Co-ordinate with other entities carrying out related functions; Plan for and initiate technical and capacity building support to LGs including mobilizing training resources; Provide policy advice and briefings to the Minister.*
2. **Secretariat:** Provide secretariat services to the department
3. **Special Task Teams & Consultants:** Appropriate persons and task teams shall be formed or mobilized to handle specific support initiatives as shall be identified. They will be coordinated under the office of the Director.



Database & Research Unit:

1. **Senior policy analyst & database manager:** Serve as a One-Stop-Center of information related to fiscal decentralization. (Initially Staffing of the One-Stop-Center shall come from the unit and shall be determined as the function and demand expands); communicate information regarding fiscal matters to local government officials; Carry out policy analyses and studies that relate to fiscal decentralization; and and system of performance indicators with this information. Make this data available to all interested parties
2. **Revenue Administration Specialist:** Develop procedures to guide local gov'ts in fiscal matters; Facilitate capacity building among local government officials in fiscal matters, either by providing training directly or else via partners. Provide support particularly in the area of revenue collection; Help local governments to mobilize grants; Monitor intergovernmental revenue transfers; periodically report results to the Minister and appropriate bodies and make available to the public; Monitor local governments' correct adherence to legislation with regard to taxes and other fiscal matters; and distribute revenue administration documents (e.g. receipts).

3. **Inspection & Audit Specialist:** Carry out auditing and monitoring of local governments on fiscal matters; report results to the appropriate bodies and make available to the public; Detect fraud and tax evasion in local governments, and suggest ways to overcome this.
4. **Budget & Accounting Specialist:** Develop procedures to guide local governments in fiscal matters; Ensure that the Financial Management and Accounting Procedures Manual (FMAPM) is correctly operationalised; Ensure that local government budgets are followed up; and provide Technical support on budgeting and accounting

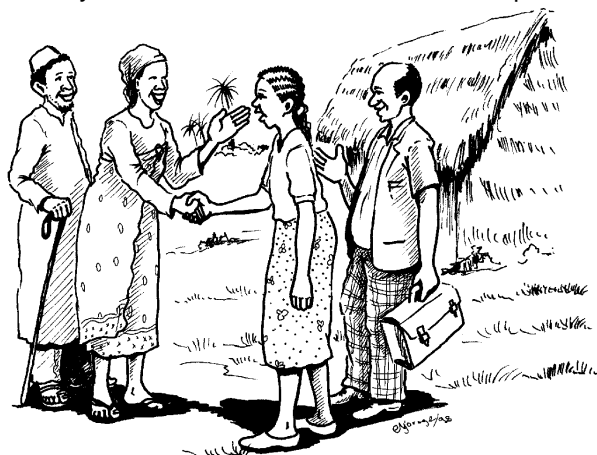
Rwanda Revenue Authority (RRA)/MINALOC Partnership

- ❑ Based on the principle of utilization of comparative advantage, RRA in partnership with MINALOC was identified as one of the institutions with capacity to support the fiscal decentralization process in Rwanda
- ❑ RRA enjoys the advantages of longer experience in revenue administration, has resources, and has well-established collection and accountability systems
- ❑ RRA/MINALOC Partnership focus is on supporting LGs in their revenue mobilization efforts and the related financial management aspects
- ❑ In the long-run both RRA and LGs to enjoy mutual benefit from partnership given that LGs are more on the ground and could in turn support RRA's enforcement activities.

Since 2002 when certain categories of taxes (rental tax, patente and property tax) were devolved to districts, RRA has had a loose arrangement with MINALOC to provide technical support to district authorities in revenue assessment, administration and management. However, findings from a recent appraisal of decentralization process in the RRA offices found the provinces are constrained by inadequate manpower and logistics to reach out to districts. MINALOC has not yet provided RRA the fuel, telephones, etc.

Scope of Activities for RRA's Support

- ❑ Procurement of and overseeing use of receipts and other sensitive documents
- ❑ Human Resource development through training
- ❑ Developing training materials, supervision and monitoring
- ❑ Providing operational guidelines
- ❑ Supporting taxpayer education campaigns
- ❑ Providing advisory services on revenue administration procedures



Annex 5: Presentation by A. Uwimana

Major Accomplishments of FDP to-date

FDP Objectives

To create nationally, sustainable local government systems and capacities that help local governments mobilize adequate resources ; Foster Local Governments management and capacity ; Promote the provision of services responsive to the needs of the community.

Scope of the project

- ❑ Support establishment of an intergovernmental finance system that provides local governments with: sound planning and budgeting, effective reporting, accessible, participatory understandable system to achieve transparency.
- ❑ Design Systems and Build Capacity for Local Authority Financial Management (FM)
- ❑ Major Accomplishments
- ❑ Systems and Capacity Building for Local Authorities FM
- ❑ An enhanced accounting system has been introduced and nationally replicated
- ❑ The FDP designed and tested the improved district accounting system.

Capacity Building for Local Authorities by the FM

- ❑ Several procedures manuals were completed: accounting manual, guide to financial reports for local governments, proposed roles and responsibilities for financial management.
- ❑ The developed accounting system was incorporated into the Ministry of Local Government financial procedures manual
- ❑ Accounting training
- ❑ The FDP provided a two week program and extensive follow-up to 98% of the districts (104 of 106). The workshop included principles of the system, problems and case studies, and practice with accounting books
- ❑ 14 inspectors at the province level were trained
- ❑ Accounting Follow-up
- ❑ All the districts have received extensive follow-up to ensure that the reports are produced.
- ❑ The implementation results are positive. 75% of all Districts began submitting regular monthly reports.

Accounting Follow-up

- ❑ The accountant has to issue to District Council 6 days after the end of each month
- ❑ Statement of Financial Position (Bal sheet)
- ❑ State. of Financial Performance (Rev/Exp)
- ❑ State. of Changes in Financial Position (Cash flow)
- ❑ State. Of Appropriations, Expend & Encumbrances
- ❑ Bank Reconciliation

Accounting Follow-up

- ❑ Follows System
- ❑ Double entry bookkeeping system
- ❑ Ledgers
- ❑ Balances
- ❑ Journals
- ❑ Source document filing
- ❑ Vouchers, invoices, statements, etc.

Training for Senior Officials and Districts Councils

- ❑ Additional training has been developed for Senior Officials and Districts Councils to interpret reports and set policy.
- ❑ The FD Project has trained members of the executive committee in 7 provinces.
- ❑ Training of Councils in 3 Pilot Districts

Training of Trainers

- ❑ Development of TOT manuals, accountant training manual and supplementary training material
- ❑ The FD Project has conducted training of trainers at the introductory and intermediate levels for trainers in various aspects of FM.
- ❑ 18 accountants, inspectors and Project Staff have completed training to serve as a coach or trainer.
- ❑ 13 individuals have completed intermediate level study in adult training methods and can now serve the Ministry of Local Government as trainers.

Revenue and Expenditure models

- ❑ The Project is assembling data from districts on revenues and expenditures. This will have implications for fiscal decentralization policy.
- ❑ The manual on Administering the Rwanda Fixed Asset was delivered in November 2002 with options and recommendations on determining tax rates.

Drafts of Legislation on Intergovernmental Finance

- ❑ Substantial Project involvement in preparation of draft decree related to the formulation of the Common Development Fund.
- ❑ Extensive input to proposed legislation restructuring the property tax.

Budget Management

- ❑ A first draft budget document which rests on the work produced by MINALOC in the implementation of the MTEF has been developed
- ❑ The Budget Management Manual for Local Governments will allow the budgeting process to be effective, take into consideration the needs of the community, be comprehensive, allow the measurement of success etc....

Annex 6: Presentation by Robert Kehew

Looking Ahead: Orientation for Planning for 2004

'deliverables' of
the FDP fall into 4
component 'sub-
teams'

"To Support the GoR in fiscal decentralization through technical assistance, policy advice and capacity building. Assist Ministry of Local Government (MINALOC)"

1. Financial Management (FM) 4 Deliverables

Deliverable FM 1: Options paper on financial management system for districts. *Status:* Inputs to MINALOC "Financial Management and Accounting Manual for Local Governments" (version April 2003); *Comment:* Minister Musoni authorized developing proposed enhancements to this Manual (12/03)

Deliverable FM 2: Procedures manual(s) for both manual & computerized FM systems. *Status:* The FD Project has completed: Accounting manual; Guide to financial reports for local governments; Proposed roles and responsibilities for financial management. *Comments:* Additional procedures manuals may be necessary; Manual(s) to support computerization of accounting systems/procedures (see FM 4, below)

Deliverable FM 3: Options paper on audit system for local authorities; operations manual. *Status:* Pending; *Comments:* Work with one or more of the following:

- Auditor General
- MINALOC inspectors
- Local authorities

Deliverable FM 4: Computerize financial management systems in four pilot districts (2 urban, 2 rural). *Status:* Pending

2. Ongoing Training & Coaching (TC) of District Officials: 3 Deliverables

Deliverable TC 1: FM systems, both manual & automated, installed in pilot districts; staff fully trained. *Status:* Country-wide training/coaching in accounting systems & procedures; *Comment:* Year 3 work planning requires coordination with FM Sub-team

Deliverable TC 2: Staff in pilot districts fully trained in strategic management & planning. *Status:* Pending; *Comments:* "Strategic management and planning" derived from Specific Policy in GoR Fiscal & Financial Decentralization Policy (2001); Focus on annual budget process?

Deliverable TC 3: Manual & training curriculum for FM ready to be replicated & disseminated to other districts. *Status:* Series of accounting training manuals completed; Training of trainers (TOT) at introductory & intermediate levels completed; *Comments:* Additional manuals? Advanced TOT?

3. Fiscal Decentralization (FD) 8 Deliverables

Deliverable FD 1: Field-tested revenue & expenditure model

Status: FD Project collecting & tabulating District financial reports

Comments: Important linkage to MINALOC proposed Department of Local Government Finance; Revenues from various sources/ministries: own-source, CDF, etc. Institutionalize flow of data from various sources; Help GoR assess compliance with Principle of Fiscal Balance

Deliverable FD 2: Options paper on revenue sharing & service responsibilities

Status: Pending

Comments: Use data from revenue & expenditure model (see FD 1) "Reality check" with experiences generated by FD Project pilot activities; Suggest how to improve compliance with GoR Principle of Fiscal Balance

Deliverable FD 3: Options paper on setting ranges for rates of local taxes

Status: The FD Project completed a "Proposed Manual on Administering the Rwandan Fixed Asset Tax," with a chapter on "Determining Tax Rates."

Comment: Revise based on pilot experiences? (see FD 4 & 5 below)

Deliverable FD 4: Options paper on fixed asset (property) tax system

Status: The FD Project completed a "Proposed Manual on Administering the Rwandan Fixed Asset Tax." Approved by MINALOC technical committee

Comments: GoR Fiscal & Financial Decentralization Policy (2001) calls for local property tax; Revise "Proposed Manual" based on pilot experience (see below)?

Deliverable FD 5: Property tax installed in two districts

Status: Pending

Comments: Legal/regulatory framework adequate?; Ministerial authorization?

Deliverable FD 6: Drafts of legislation on various components of intergovernmental finance

Status: Substantial FD Project involvement in: draft decree related to the formulation of the Common Development Fund; extensive input to proposed legislation restructuring the property tax

Comment: Support to ongoing initiatives?

Deliverable FD 7: Options paper on sustainable development finance system

Status: Pending

Comments: Term "sustainable development finance" is from Fiscal & Financial Decentralization Policy. Long-term goal; Emphasis on lending to creditworthy local governments; This complements system of grants (CDF); Premature in 2004?

Deliverable FD 8: Analysis of administrative cost of implementing GoR fiscal decentralization policy

Status/Comment: Superseded by budgetary annexes to 5-Year DIP?

4. District Services (DS) 3 Deliverables

Deliverable DS 1: Service delivery implemented in 2 services in each of 4 pilot districts

Status: Pending

Comments: General areas of service provision for districts found in National Decentralization Policy.

Anticipated service areas:

solid waste collection/recycling &
administration of district markets

Deliverable DS 2: Options paper on methodology for assessing local service costs & setting fees.

Status: Pending

Comments: GoR Fiscal & Financial Decentralization Policy (2001): "Local governments able to calculate fees based on service costs"; Focus on services selected for work in pilot districts

Deliverable DS 3: Options paper on service delivery devolution policy

Status: Pending

Comment: Focus on solid waste collection/recycling & administration of district markets?

The Fiscal Decentralization Team	
Chief of Party	Dr. Henry H. Kellam III
Financial Management Subteam	Ricardo Valderrama, Senior Advisor/Coordinator
Institutional Development Subteam	Antoinette Uwimana, Coordinator; Micheline Niyonsaba; Claude Rubango; Daniel Serban, Training of trainers (TOT); Claudia Pamfil (TOT); Consultants
Fiscal Decentralization Subteam	Dr. Ludovick Shirima, Senior Advisor/Coordinator; Dr. Carphophore Ntagungira, Senior Expert (split w/. FM); Johan Cornet IT Specialist (Split w/ FM); Richard Almy, Property Tax Specialist; 5 Data entry specialist; Oswald Burasanzwe, Lawyer/Consultant
District Services Subteam	Dr. Mussolini Kithome, Senior Advisor/Coordinator; Alphonsine Sheri: Solid Waste Collection/Recycling; Jonas Gatangula: District Market Administration

The design of the FDP supports GoR policies & plans

- ❑ GoR "Fiscal & Financial Decentralization Policy" (2001)
- ❑ GoR "National Decentralization Policy" (2000)
- ❑ Principal of fiscal balance (p. 35): "Every function, responsibility and service transferred to the local levels must be accompanied by the necessary funds."
- ❑ GoR "Five Year Decentralization Implementation Programme (DIP)"
- ❑ DIP SO 1: Institutional development & capacity building
- ❑ DIP SO 2: Efficient, transparent & accountable system for fiscal and financial decentralization
- ❑ DIP SO 3: Strengthen participatory & inclusive local government planning
- ❑ DIP SO 4: Effectively undertake sectoral decentralization assuring quality service delivery by local governments
- ❑ DIP SO 5: Institutionalize & develop a quality monitoring & evaluation system for decentralization

"Supports" = one of several actors who contribute to "expected results"
Partial, not full responsibility to implement aspects of 5-Year DIP

Annex 7: Points on lessons learned on FDP to-date regarding communication/coordination

☞ Collaboration & coordination

- ☐ The project's work with districts was not always clearly one under MINALOC auspices (so lacked weight)
- ☐ Lack of memorandum of understanding between MINALOC and USAID project
- ☐ Lack of coordination → programs colliding
- ☐ Lack of coordination between donors in fiscal decentralization area and GoR
- ☐ Lack of project steering committee
- ☐ Lack of communication (stakeholders) → no debate on problems → no corrective measures
- ☐ Poor collaboration → objectives not achieved (for example City of Kigali accountants trained but didn't implement)
- ☐ Lack of collaboration between the project and key actors
- ☐ FD Project should not have moved out of office space in MINALOC

☞ Implementation Framework

- ☐ Lack of clear project structure within MINALOC
- ☐ No effective use of existing structures
- ☐ Non-availability of a point of contact

☞ Information Sharing

- ☐ Some partners in decentralization process didn't know scope (or accomplishments) of FDP

☞ Ownership

- ☐ Project did not recognize Ministry as primary stakeholder
- ☐ The project has been solely owned by ARD, not GoR
- ☐ Conflict of ownership between ARD/FDP and MINALOC

☞ Leadership

- ☐ Lack of flexibility in coordination of direct executed project (in general)
- ☐ The 3 parties (USAID/MINALOC/FDP) should have noticed there was a problem earlier and been proactive

☞ Design of the Project

- ☐ Lack of a clear reporting mechanism/system
- ☐ Project document (contract) was silent on the coordination mechanism
- ☐ No clear feedback about performance of activities

☞ Devt. Project Best Practices

- ☐ Direct executed projects' transparency
- ☐ Direct executed projects' management

☞ Solutions

- ☐ Project should be well-anchored within the ministry
- ☐ Regular communication must be re-established
- ☐ More holistic integration between Project & MINALOC
- ☐ Direct executed projects should have detailed implementation plans of coordination

☞ Positive Aspects

- ☐ Pilot sites' methodology/approach
- ☐ Field-based experience' trainings
- ☐ Combination of theory to practical exercises
- ☐ Good communication between trainers and trainees
- ☐ Accounting system developed and disseminated at lower levels of administration
- ☐ Good collaboration → objectives achieved (104 accountants trained)
- ☐ Ministry behaved and avoided the worst
- ☐ Good collaboration between USAID & GoR

Annex 8: Key responsibilities, expectations & obligations for effective communication

Dr. Kellam – Chief of Party (CoP) ARD/FDP	
Key Responsibilities	<ul style="list-style-type: none"> Accountable for all project deliverables/outputs Accountable for all project budget line items Accountable for all project staff performance
Expectations You Have of Team	<ul style="list-style-type: none"> Coordinate/collaborate with ministry on all outputs Transparency Honesty, trust & respect for all team members/counterparts Meet agreed upon deadlines Regular updating of status of activities Strong communication/collaboration with ministry & stakeholder in your work Red flag problems at an early stage
Obligations You Feel to Team	<ul style="list-style-type: none"> Transparency Honesty, trust & respect for each individual! Open door policy (care about each persons issues, problems) Encourage creative thinking (think "out of the box") Reinforce & recognize good work Create atmosphere for high responsibility & promotion (if possible)
Ideas for Effective Teamwork (Coordination & Communication)	<ul style="list-style-type: none"> Weekly ARD staff meetings (documented & circulated) Weekly ministry/stakeholder meetings (documented & circulated) Authorize/promote workshops for re-planning, problem solving, strategy focus & good will building
Robert Kehew – Senior Technical Advisor/manager ARD – Home office	
Key Responsibilities	<ul style="list-style-type: none"> See that the Fiscal Decentralization Project is on track in meeting responsibilities Manage smooth transition of Project leadership See that the project has sufficient resources (human, etc.) to accomplish its goals (RIGHT) Represent ARD to GoR and USAID (point of contact for client + client satisfaction)
Expectations You Have of Team	<ul style="list-style-type: none"> Work hard, to best of ability Collegial attitude in team Communicate in a timely way if you anticipate problems meeting goals/deadlines Feel free to communicate on other matters Enjoy work
Obligations You Feel to Team	<ul style="list-style-type: none"> "Have enough horses" – have the resources needed to move forward <u>Be available</u> for technical advice/trouble-shooting Treat as professionals/professional growth (colleagues) Support positive team dynamic Help push on home office support as needed
Ideas for Effective Teamwork (Coordination & Communication)	<ul style="list-style-type: none"> Establish ongoing coordination mechanisms with MINALOC & other stakeholders weekly coordination with MINALOC advisory committee with other GoR counterparts to review progress (meets quarterly)

Ricardo Valderrama –Financial Management Coordinator

Key Responsibilities	Design/enhancement of financial management systems, processes, procedures for local government Advise MINALOC and government officials on financial management issues Supervision & quality assurance of systems/enhancements, as implemented in the field Liaising with government & donor representatives on FD issues Feedback on project progress/status to stakeholders & USAID
Expectations You Have of Team	Feedback on implementation status & requests from stakeholders & clients On-going interaction with MINALOC & client districts Proposals on improvements to financial management systems & implementation Work conscientiously and perform tasks assigned Hands-on support during implementation
Obligations You Feel to Team	Documents & supporting materials on design of local government financial management systems Guidance on proper implementation & feedback on quality Training of district staff, MINALOC staff, project staff, trainers and officials on financial management implementation Technology transfer, as relates to methods, tools & systems supporting local government fiscal decentralization Advise project management
Ideas for Effective Teamwork (Coordination & Communication)	Regular coordination/planning meetings with MINALOC Regular coordination/planning meetings with donors involved in fiscal decentralization More frequent dialogue & correspondence

Ludovick Shirima – Fiscal Decentralization Coordinator

Key Responsibilities	Supervisory role on fiscal decentralization technical component team (FDP) Data Modeling Cost FDP Design local taxes (Property, Business & Rental Tax)
Expectations You Have of Team	Collaborate Share experience Regular discussions & meetings Timely
Obligations You Feel to Team	Listen Technical help Ad hoc communication (if you meet on street, take care of business...)
Ideas for Effective Teamwork (Coordination & Communication)	Clarity Sincerity Credibility

Mussolini Kithome – Coordinator of District Services

Key Responsibilities	Coordinate the various activities of the district services team Lead in forging working partnerships with the various stakeholders in district services (e.g. City of Kigali, Ruhengeri) Play a major role in community education Provide guidance in the utilization of various solid waste management techniques and/or technologies
Expectations You Have of Team	Work cohesively High degree of commitment Deliver desired results on time
Obligations You Feel to Team	Provide enabling environment Provide incentives Give clear guidance on what is expected and lead by example!
Ideas for Effective Teamwork (Coordination & Communication)	High degree of collaboration (participatory approach) Keeping lines of communication open If you want honey, don't kick the beehive!!

Jonas Gatangulia – District Services/Marketing Administration

Key Responsibilities	To collect views on current market management system from the local authorities & market traders in the pilot districts/markets Support the local government to put into place a participatory management system of district/market To contribute to the preparation of a training manual on participatory methods/participation to the training of relevant people & Contribute to the improvement of the market management system →market economic performance
Expectations You Have of Team	Support of the local authorities Cooperation from the market traders/primary stakeholders (for DS component) Respect of the work plan → deliver services on time
Obligations You Feel to Team	To perform to my utmost ability Mutual collaboration Punctuality
Ideas for Effective Teamwork (Coordination & Communication)	Strong collaboration Develop an effective channel of communication (i.e. regular meetings)

Alphonsine Sheri – Solid Waste Management

Key Responsibilities	Support existing associations in developing a sustainable solid waste management system & Promote dialogue and partnerships among all associations within area of intervention Community mobilisation in the putting in place of a management committee to insure sustainability of activity & to help local communities in finding a market for their by products (bricks & compost)
Expectations You Have of Team	Collaboration with the City of Kigali and Nyarugenge District
Obligations You Feel to Team	Reach programme's objectives
Ideas for Effective Teamwork (Coordination)	Coherence and collaboration with workmates Create a steering committee comprising of all stakeholders & meeting quarterly.

Antoinette Uwimana – Training & Coaching Coordinator

Key Responsibilities	Prepare training material, identify target group Conduct training and coaching for pilot & other institutions in financial management Prepare Training of Trainers for roll-out Coordination with other government institutions for organization of trainings
Expectations You Have of Team	Necessary material provided Teamwork and initiative in FD & with counterparts Technical support when necessary
Obligations You Feel to Team	Build capacity in financial management Build a team of trainers nationally
Ideas for Effective Teamwork (Coordination)	Regular meetings Share information

MINALOC

Key Responsibilities	Fiscal decentralisation coordination and promotion Support to Provinces/City of Kigali in their districts and towns' monitoring role Resource mobilisation for decentralised entities Creation of a management and monitoring system
Expectations You Have of Team	Technical assistance Institutional support to the MINALOC, Provinces, City of Kigali, Districts and towns through MINALOC
Obligations You Feel to Team	Facilitation and collaboration with all stakeholders in FD Availability of human resources involved in FD Availability of documentation and necessary data to reach FD goals
Ideas for Effective Teamwork (Coordination & Communication)	Transparency: budgeted work-plan + regular financial reports Monthly meetings between MINALOC and FDP Quarterly meetings between MINALOC, ARD and USAID Meeting with all important partners of the FDP

Auditor general's office (Ernest Muhire)	
Key Responsibilities	Public services audit: give an opinion on pertinence of public expenditures, respect of rules and sound accounting systems Advice to managers to be efficient in public funds management Follow up and monitoring to the Financial Management Component
Expectations You Have of Team	Availability of a complete and full manual Convince the donors on capacity to well manage granted resources Efficient revenue-collection system
Obligations You Feel to Team	Participation to workshops Avail all manuals and documents already prepared
Ideas for Effective Teamwork (Coordination & Communication)	Participation and consultation of all stakeholders involved in each component of the FD Program Work with direct counterparts Feedback report on FDP work Patriotism (love of Rwanda and avoid mercenary)

MINECOFIN Public Accounts Department (XAVIER MBARUBUKEYE)	
Key Responsibilities	Prepare & disseminate laws & regulations on financial management & reporting Produce consolidated public accounts Responsible for National Tax Policy (Advisor)
Expectations You Have of Team	Information on the achievements of the project Circulate documents/manuals for comments Accounting system that allows integration of accounts for central & local governments
Obligations You Feel to Team	Provide any information/documentation available and useful to the team Provide any technical assistance in areas of competence (financial management & fiscal decentralization) Provide feedback/views on documents circulated
Ideas for Effective Teamwork (Coordination & Communication)	Circulation of draft documents (hard and/or soft copies) Regular meetings of stakeholders (quarterly) Informal consultations

CDF (Augustus Seminega – Director)	
Key Responsibilities	To provide information on CDF activities: funding mechanisms, activities financed, amounts allocated to individual districts/towns Collaborate with FDP whenever required Participate in discussions on issues of common interest Communicate to FDP issues requiring attention
Expectations You Have of Team	To leave a framework that enables districts/towns to maximise revenue collection To leave in pilot districts a fully functioning sound financial management system
Obligations You Feel to Team	To fulfill CDF's roles to FDP To provide advice where necessary To say thank you when all is done well
Ideas for Effective Teamwork (Coordination & Communication)	Regular meetings with stakeholders System of progress reports

Rwanda Revenue Authority (Fidele Ndayisaba)	
Key Responsibilities	Sharing of information Sharing of experience To participate in the training and building of local taxation systems and procedures Field supervision and counseling through technical assistance
Expectations You Have of Team	Logistical support Any expertise support Collaboration in updating systems and procedures Sharing of information
Obligations You Feel to Team	technical support Field visits Sharing of information Control of implementation of legislation and procedures Compilation of revenues report and conclusive recommendations
Ideas for Effective Teamwork (Coordination & Communication)	To work hand-in-hand through institutional framework established Full participation and organization of technical & steering committees on FDP

Annex 9: FDP Coordination with the GOR

'The Next Steps'

Coordinators of each technical component of FDP (Financial Management, Institutional Support & Development, Fiscal Decentralization and District Services) take a first cut at reworking work plan matrices, including working on wording of objectives & adding equipment needs, expected results, technical assistance needs and assumptions → one-day planning sessions are held to review the refined work plans and fine-tune. All stakeholders present at Kinigi workshop + additional consultants/organizations, if necessary, participate.

- ❑ Project team meets weekly & shares minutes with GoR counterparts
- ❑ Project & counterparts meet regularly, possibly weekly
- ❑ Cooperation documents to be completed (MOU)
- ❑ Technical committee meets bi-weekly (and decides on steering committee meeting schedule)
- ❑ Other donor coordination – MINALOC will take the lead (i.e. MINALOC has monthly coordination meetings with all donors that FDP could perhaps attend)
- ❑ Meeting/workshop, 1-2 days long, to discuss donor coordination – MINALOC to take lead (possible funding from FDP?)



PART 2. FDP Component Summaries



1. Summary of the Fiscal Decentralization (FD) Component

Main Objectives

- | | |
|--------------|--|
| Objective A: | Field-tested revenue & expenditure model developed |
| Objective B: | Options paper on revenue sharing & service responsibilities prepared & discussed |
| Objective C: | Options paper on setting ranges for rates of local taxes revised & submitted |
| Objective D: | Options paper on property tax system completed & submitted |
| Objective E: | Local taxes operationalized in 2 districts (property tax, rental tax, patent) |
| Objective F: | Drafts on any legislation on components of intergovernmental finance supported |
| Objective G: | Options paper on sustainable development finance system completed & discussed |
| Objective H: | Analysis of administrative cost of implementing GoR fiscal decentralization policy completed |



Introduction

Dr. Ludovick Shirima is the FDP Coordinator for the FD Component. His offices are located within MINALOC.

The Government of Rwanda (GOR) recognizes that decentralization is a vehicle to reverse the negative impacts of genocide and reduce the increased poverty mainly in the rural areas and some urban localities. Following this, in 2000 the GOR implemented a national decentralization policy covering the areas of financial management and fiscal decentralization to enhance national unity, reconciliation, power sharing and stimulate participatory approach in decision making.

Background

The ministry of local government (MINALOC) was established and mandated to spearhead the efforts of the Government of National Unity to promote decentralization and good governance. The United States Agency for International Development (USAID) is determined to assist GOR in implementation and has contracted Associates in Rural Development, Inc. (ARD, Inc.) to design and carry out five specific tasks as detailed in contract AEP-I-805-00-00016-00 for the period between 2001 to the September of 2004. To accomplish these ARD, Inc. grouped these tasks into three thematic categories namely, Fiscal Decentralization (FD), Financial Management and District Services. Training and coaching unit supports

these. The FD, which is the main component, is responsible for completing eight deliverables provided in the section that follows.¹

Deliverables

Realistically, the implementation of this component starts this final year and attempts to accomplish what should have been started in year one of the FDP 3 year project. The attached Work Plan Matrixes reflect

Three Stage Field-Tested Revenue and Expenditure Model

The assignment requires initial base model assumptions development (Stages I&II), analysis of data and policy relevancy application. The model will incorporate information on both recurrent and capital expenditures as well as all sources of revenues i.e. primary, secondary and administrative data sources will be utilized. Advanced in-depth modeling forms the IIIrd stage, ready for discussion and transfer to MINALOC.

Options Paper on revenue sharing and service responsibilities

This deliverable depend on the data and findings on the tax base, revenue from taxes and non – tax sources. The FDP will then attempt to integrate this analysis within the three levels of the government, that is, central government, provincial and districts. At this stage the FDP will also ascertain the scope of expenditure assignment with respect to revenue assignment.

Options paper on setting ranges for rates of local taxes

The focus is to complement the Rwanda Revenue Authority (RRA) efforts in addressing the specifics of rate establishment among various districts.

Following above property tax laws, regulations and policy recommendations will be advanced. Formula to maximize property tax revenue will be designed ready for applications described below.

Property tax installed in two districts

Pilot districts will be selected carefully that may be national representative to offer symmetric views on rural and urban real state of the world. This requires massive taxpayer education campaign and stakeholder sensitization. Then findings from these pilot studies will be used for national wide policy recommendation.

Drafts of legislation on various components of intergovernmental finance

The implementation of Common Development Fund (CDF) and the ‘national cake’ distribution mechanism of the central government to the sub-national authorities need to be re-examined from legal point of view and equalization formula devised

¹ For more details on the exhaustive list of this component and for the whole project see Robert Kehew, presentation of 01/19/2004 titled, ‘Looking Ahead: Orientation for Planning for Final Year of FD Project’ Kigali, Rwanda.

for better intergovernmental transfers. This deliverable highly depends on the results of (1) above especially on data analysis and model development in stages II and III.

Options paper on sustainable development finance system

Using the model advanced in the previous sections and results of the local taxes implementation, hard budget will be proposed that will match revenues to expenditure assignment. The objective is to minimize the amount of the intergovernmental transfers and establish 'credit worthiness' of the sub-national level governments. Alternative sources of revenue will be explored but not limited to, tax base broadening, tax rate manipulation, grants and unconditional aid mobilized domestically and externally. Capacity to manage efficiently these resources will also be examined so that these lower level governments can finance their own expenditures.

Analysis of Adm. cost of implementing GOR-FD policy

The implementation of decentralization came before cost-benefit analysis is conducted. This however is not a mistake since there are ubiquitous success stories/best practices on how useful decentralization can be to mitigate poverty and stimulate economic growth. Key actors in this area will be identified including the government, bilateral and multilateral donors. Loser and gainers may be ascertained using game theoretic approach time permitting.

Level of Effort (LOE) in working man-days

To produce the output above we are recruiting four committed technical staffs, research assistant, four apt data entry clerks and two data verifiers. First, a consultant (Financial and Fiscal Specialist) is tasked to contribute to items (i), (iv) and (v) for at least 64 days in total spread over the period between February and September 2004 as shown in the table 2 below. In the optional period, October to December, [s]he will work for additional 24 days on specific activities as indicated in the schedule. Secondly, a Property Tax Expert is expected to commit 24 days for the initial 8 months and may also be required to devote 10 days for the extended period. Thirdly, a Fiscal Reform Expert, will contribute 25 and 15 days respectively for the two periods. Fourthly, a Legal Expert, will advice on several legal aspects for 20 days initially and 10 days for the last period of the year. Fifth, a Research Assistant is expected to join our team and will provide h[is]er services across various deliverables.

This requires h[is]er total of 55 days for both periods spread between February and December. Nevertheless, the role of data team is crucial for the realization of the above outputs, thus, a total of 6 (4 data entry, 2 verifiers) people will work continuously for the first three months (Feb to April). Their number will be scaled down to 4 (2 data entry, 2 verifiers) depending on the remaining workload, to work for the remaining months of May to September. The component coordinator, Sr. Advisor (FD) will be responsible for outputs (ii) and (vii) as well as providing technical support for all the deliverables, this needs more that 12 months, as depicted below. The Sr. Advisor (FD) will run data analysis, monitor and ensure working quality control of the output.

Conclusion

As stated previously, there was a delay in implementing this component of FD. The original project design stipulated that 3 years were required for successful completion of the project component. In the attached work plan, it indicates that if the assumptions-column materializes, then high probability chances of success exist. Most important time stands to be a major constraint, especially in installing local taxes.

2. Summary of the Financial Management (FM) Component

Main Objectives

- | | |
|--------------|---|
| Objective A: | Option paper on financial management system for districts |
| Objective B: | Procedures manual for both manual & computerized financial management systems |
| Objective C: | Options paper on audit system for local authorities & operations manual |



Description:

The Financial Management component is linked to the other Components. The FM Coordinator is Dr. Ricardo Valderrama. The FM main activities include:

- The design (and enhancement) of financial management systems and their supporting policies/procedures,
- The implementation of the enhanced systems in pilot districts,
- Documentation of the finalized systems in the government's financial management manuals and guidance for replication throughout the country.
- Monitoring of implementation and quality assurance.

The FM component covers a broad scope of functional areas in local government, including Accounting, Treasury/Debt Management, Budget Management, Audit (Internal and External) and Procurement. A final element involves the piloting of computerized financial management system.

Background and Accomplishments to Date

The project launched its FM work in January 2002 with an initial assessment of the financial management processes in a sample of districts, identifying current weaknesses and the most important needs as they relate to financial management.

This set the stage for the design of a uniform accounting system for all districts and piloting of this proposed system for 5 districts from provinces throughout the country. The pilot results and feedback were highly encouraging and, at the urging of the government and donors, the project chose to exceed the scope of the project by replicating and implementing the system in the vast majority of the 106 districts in the country. Most of the district accountants have been trained and approximately 85% of the districts are now providing monthly financial reports to the project for monitoring, quality assurance and coaching.

Leveraging the project's partnership with the Cooperation Suisse in Kibuye, the project drafted an enhanced (detailed) budget management manual for local governments. This document has been presented and vetted by a sample of 19 accountants that have been selected and trained as facilitators and trainers on financial management material for their peer districts. Their feedback will be incorporated in a revision to be completed and piloted in Kibuye by May 2004.

Planned Activities

Building on the in-depth knowledge acquired on working conditions, skill levels and availability of technology in the districts during the implementation of the Accounting component, the project will proceed to develop detailed manuals for the Treasury/Debt Management (March 2004), Audit (Internal and External) (July 2004) and Procurement/Tender functions (Sept. 2004). Thus, each of these component-specific manuals will be effectively summarized in (and therefore relate to) the corresponding sections of the MINALOC financial management and accounting manual for Local Administration.

The material in each of these manuals will then be similarly piloted in Kibuye. Staff to receive training shall be in accordance with the component being piloted, i.e., treasurers and executive secretaries for the Treasury component, external auditors from the Auditor General's Office and inspectors from MINALOC and the provinces for the External Audit function, district internal auditors for the internal audit function and executive secretaries and central government tender staff for the Procurement function.

Based on the results of each pilot, the material shall be refined in the detailed manuals and summarized versions incorporated in MINALOC's Financial Management and Accounting Manual for Local Government Administration.

As a supporting component, the project will pilot the implementation of a computerized accounting system in four pilot districts in Kibuye that will be consistent with the financial functions described above.

A final activity prior to closure of the FDP will be the presentation of the revised Financial Management and Accounting Manual for Local Government Administration by MINALOC to the Cabinet of Ministers for formal approval. This shall be followed by official publication of the enhanced document and dissemination to the local governments throughout the country.

Assumptions:

Implicit in the project activity plan is the availability and deployment of staff resources at the time required, support from the Institutional Development Unit (essential for the new skills and practices to be absorbed and truly institutionalized)

and the clearances from the Ministry of Local Government at specific checkpoints. Since the schedule (through the end of the year) is indeed ambitious, there is very little contingency time available and any unnecessary delays could undermine delivery.

3. Summary of the Institutional Development and Support (IDS) Component

Main Objectives

- | | |
|--------------|--|
| Objective A: | Financial management system established and installed, both manual and automated, in pilot district with staff fully trained |
| Objective B: | Participatory strategic management and planning operationalized in all pilot districts |
| Objective C: | Training curriculum and manual for financial management for local governments designed and elaborated |



Description

The Coordinator for the Institutional Development and Support (IDS) component is Antoinette Uwimana. The IDS Component is linked to the reforms within the financial management system. Systems improvement includes first designing new systems and enhancing existing systems and then build the capacity at the local level to implement the new system.

The Institutional development component is responsible to promote capacity building and program sustainability among local and national governments institutions by developing and providing an effective training program. Its activities include:

- ❑ Install and operationalize a financial management systems, both manual and automated in pilot districts with staff fully trained
- ❑ Operationalize participatory strategic management and planning in pilot districts
- ❑ Enhance and elaborate training curriculum and manuals for local governments
- ❑ Train a core of trainers to carry out rollout of pilot activities (across technical activities)
- ❑ Train personnel and provide information on best practices

Training activities cover different materials developed by the financial management & fiscal decentralization component, service delivery and the Training of Trainers.

Background and Accomplishments

The institutional development component has started with the project in 2002 by training local officials in the pilot districts. After designing the accounting system, trainings were organized for all the accountants of local governments to replicate the system. The project has also carried training for senior officials, Districts Councils and Training of Trainers.

Accounting training

An enhanced accounting system has been introduced and nationally replicated. The FD Project had provided two-week program and extensive follow-up to 98% of the districts (104 of 106). The workshop includes principles of the system, problems and case studies, practice with accounting books.

14 inspectors at the province level were trained in the accounting system

- ❑ 07-26/05/02: Accounting training for pilot districts Mirenge, Kicukiro, Bugarama, Byumba town and Nyarugenge district.
- ❑ 15-28/09/02: Accounting training for CoK districts and the Byumba province
- ❑ 12-23/11/02: Accounting training for Kibungo and Cyangugu provinces
- ❑ 16-29/01/03: Accounting training for Butare and Gikongoro provinces
- ❑ 16-29/03/03: Accounting training for Kibuye and Gitarama provinces
- ❑ 01-14/06/03: Accounting training for Ruhengeri and Gisenyi provinces
- ❑ 10-23/08/03: Accounting training for Kigali Ngali and Umutara provinces

Accounting Follow-up

All the districts have received extensive follow-up to ensure that the reports are produced. The follow-up consists of 3 days sessions where coaching is provided to accountants. Each district has received more than 4 sessions of coaching. The implementation results are positive. 75% of all Districts began submitting regular monthly reports.

The accountant must submit the following to District Councils 6 days after each month:

- ❑ Statement of Financial Position (Balance sheet)
- ❑ Statement of Financial Performance (Revenues/Expenditures)
- ❑ Statement of Changes in Financial Position (Cash flow)
- ❑ Statement of Appropriations, Expenditures & Encumbrances
- ❑ Bank Reconciliation

Training for Senior Officials and Districts Councils

Additional training has been developed for Senior Officials and Districts Councils to interpret reports and set policy.

The FD Project has trained members of executive committee in 6 provinces: Byumba, Kibungo, Butare, Gikongoro, Cyangugu, Gitarama and executive secretaries of the City of Kigali.

Training of Councils in 2 Pilot Districts: Byumba town and Mirenge.

Training of Trainers

The IDS develops Training of Trainers manuals, accountant training Manuel and supplementary training materials. The IDS has conducting training of trainers at the introductory and intermediate levels for trainers in various aspects of FM. It has also undertaken the training of 18 accountants, inspectors and Project Staff completed to serve as a coach or trainer in November 2002. Additionally, 13 individuals have completed intermediate level study in adult training methods in August 2003 and can now serve the Ministry of Local Government as trainers.

4 SUMMARY OF THE DISTRICT SERVICES (DS) COMPONENT

Main Objectives

- | | |
|--------------|---|
| Objective A: | Contribute to the development of a sustainable management system for collection, treatment and disposal of the city solid waste (1.1) |
| Objective B: | Promote public/private partnership among local authorities (1.2) |
| Objective C: | Reduce the amount of waste entering landfill (1.3) |
| Objective D: | Creation of employment and reduction of forest destruction for firewood (1.4) |
| Objective E: | Support local government in the improvement of hygienic/sanitation and storage facilities in markets (2.1) |
| Objective F: | Support local government in putting into place a participatory market management system (2.2) |
| Objective G: | Support local government in putting into place a mechanism that ensures the optimization of market revenue/dues (2.3) |



Project Description

The District Services (DS) Component Coordinator is Dr. Mussolini Kithome. The project activities fall into two categories, namely; solid waste management and market administration. With respect to solid waste management, the proposal seeks to address municipal solid waste management through public-private partnership that will increase a regular and reliable sorting, collection, processing and disposal of household waste, initially from the central Kigali District of Nyarugenge. The sorted biodegradable waste will be processed locally into briquettes and compost materials. These solid waste management activities will result in job creation for low-skilled urban residents, environmentally sound alternative fuel and organic fertilizer production for agricultural businesses, deepened decentralization and improved lines of accountability.

With respect to district market administration, the overall objective is to support the local government to improve the services offered in the district market in order to optimize market revenues. Specifically, the project is to support the government in the improvement of hygiene and/or sanitation and storage facilities in the markets. The proposed activities will also support the local government in putting into place a

participatory market management system that will ensure the optimization of market revenues.

Background of the DS Component

The District Services is a new sub-group within the Fiscal Decentralization Project. Therefore, there are no tangible accomplishments so far. However, the various activities to be carried out have been formulated and included in the logical framework. The budget, procurement plan and timeline have been prepared. Recruitment of staff has been done, and the remaining ones identified. Visits to local solid waste management associations, and preliminary survey and networking have been carried out. Establishment of linkages and/or partnership with the City of Kigali, District of Nyarugenge, Enedom, and various associations is at an advanced stage. Four pilot markets have been identified and preliminary survey conducted. The logistics of operation, once the project kicks off, have been put in place. We are at the “preparation for implementation” stage within the project life cycle.