

# Joint Financial Agreement for the Decentralization Implementation Program Basket Fund.

REPUBLIC OF RWANDA



## JOINT FINANCIAL AGREEMENTS

Between

THE GOVERNMENT OF RWANDA  
REPRESENTED BY THE MINISTRY OF LOCAL GOVERNMENT

And

THE CONTRIBUTING PARTNERS SUPPORTING THE RWANDA  
DECENTRALIZATION IMPLEMENTATION PROGRAM BASKET FUND  
(DBF)

## 1. Preamble

1.1. The Government of Rwanda – Ministry of Local Government, Good Governance, Community Development and Social Welfare (hereinafter referred to as '*the Government*'), has requested the support of the Development Partners, (hereafter jointly referred to as "*the Development Partners*"), to contribute towards the implementation of the Decentralization Implementation Program (hereinafter referred to as '*the Program*' or "*the DIP*"). The Government and the Development Partners together are hereafter referred to as '*the Signatories*'.

1.2. The Government and the Development Partners have agreed upon the creation of a Decentralization Implementation Program Basket Fund (hereinafter referred to as "*the DIPBF*") dedicated to the implementation of the Program by Government's relevant institutions. The Development Partners (hereinafter referred to as "*DIPBF Development Partners*") who have committed themselves to support the program with financial contributions to the DIPBF (hereinafter referred to as "*contributions*");

1.3. The Government has committed itself to provide an agreed level of funding to the Program, that shall at a minimum cover recurrent operational costs for DIP implementation, and the Development Partners have committed themselves to support the Program with financial contributions;

1.4. The financial contributions by the Development Partners will be decided on within the bilateral arrangements/agreements between the Government and the Development Partners. The Agreement does not aim to replace the individual bilateral or other agreements between the Government and the Development Partners' institutions;

1.5. Development Partners have committed themselves to the principles of harmonization as reflected in the Government of Rwanda Aid Policy, in the Paris Declaration on Aid Effectiveness and in this Memorandum of Understanding (hereinafter referred to as "*the Agreement*"). They commit to strive for the highest degree of alignment with the budgetary and accountability system and legislation of the Government so as to enhance effective implementation and sustainability of the Program, to reduce the administrative burden on the Government and to minimize transaction costs;

1.6. The Government and the Development Partners have reached an understanding on common procedures for consultation and decision-making, disbursement, monitoring and reporting, review and evaluation, audit, financial management and the exchange of information and cooperation between the Signatories as reflected in this Agreement;

## 2. Strategic Framework

2.1. The Government and the Partners consider the following to be the strategic framework for this partnership arrangement:

- Contributing towards the realisation of the Millennium Development Goals (MDGs), Vision 2020 and the national Economic Development and Poverty Reduction Strategy (EDPRS), especially the flagship programs on Governance and Vision 2020-Umurenge;
- Supporting the entrenchment of decentralized governance in line with the Government's Decentralization Policy and the Rwanda Decentralization Strategic Framework;
- Implementing the Decentralization Implementation Program;
- Strengthening Government systems for co-ordinated planning, budgeting and financial management – and sustainable management of decentralized governance;

- Leveraging available resources and opportunities to enhance the Program's objectives.

2.2. Operating within this strategic framework is considered critical for the continuation of the partnership between the Government and the Development Partners. Concerns regarding non-compliance by any Signatory with any of these aspects shall be handled through consultation and dialogue between the Government and the Development Partners at the appropriate level.

*Therefore, in the spirit of partnership aimed at enhancing good governance, promoting socio-economic development and reducing poverty through the implementation of Rwanda's Decentralization Policy agenda, the Government of Rwanda (represented by MINALOC) and the Development Partners signatory to this Agreement have reached the following understanding:*

### **3. Goals of the Program and scope of the Agreement**

3.1. The Program contributes towards the attainment of the Millennium Development Goals, the realisation of Rwanda's Vision 2020 and the National Economic Development and Poverty Reduction Strategy. The Program's goal is to contribute to achieving EDPRS objective of ensuring "equitable, efficient and effective pro-poor services and local development in an environment of Good Governance" as stated in the Rwanda Decentralization Strategic Framework dated July 2007. It is underpinned by the National Decentralization Policy of May 2000.

3.2. The Program document, the DIP, is a 'living' document, and will be brought up to date whenever required, taking into account ongoing implementation experience, periodic reviews, and changes in the reform environment. Agreement on changes to the DIP will be made by the Program Steering Committee (PSC), which represents both Government and Development Partners.

3.3. This Agreement sets forth the jointly decided provisions and procedures for financial support to the Program and serves as a coordinating framework for consultation with the Government, for joint reviews of detailed work plans and performance, for common procedures on disbursement, procurement and financial management, for reporting and for audits.

3.4. The Development Partners will establish bilateral arrangements/agreements that are compatible with the spirit and provisions of this Agreement and will refrain, as far as possible, from setting conditions in the bilateral arrangements/agreements which contradict or diverge from the spirit or from the provisions of this Agreement. If there is any inconsistency or contradiction between the provisions and conditions of this Agreement and any of the bilateral arrangements/agreements, the provisions of the bilateral arrangements/agreements will prevail. Insofar as specific provisions of a bilateral arrangement/agreement deviate from the Agreement, the Development Partner concerned will inform the Government and the other Development Partners thereof, by supplying a copy of it to the Government and each other Development Partner, specifying the provision(s) concerned.

3.5. The Development Partners will base their actual support on the progress attained in the implementation of the Program. Progress will be reported biannually to the PSC and measured through the common agreed performance indicators and milestones set out in the DIP.

### **4. Responsibilities and representation**

In pursuing the objectives, the Government and Development Partners will have the following responsibilities:

4.1. The Government will be fully accountable and responsible for the implementation of the Program and for the management of the financial contributions of the Development Partners. The Government will keep financial records of the support provided in accordance with best practice and Government of Rwanda accounting standards. The Government affirms that the support of the Development Partners will only be used to cover expenditures of the Program. The Development Partners will not bear any responsibility and/or liability to any third party with regard to the implementation of the Program.

4.2. The Government undertakes:

- To continue providing a comprehensive policy and legislative framework for the Program;
- To ensure that the Program receives the level of political commitment and priority necessary for its successful implementation;
- To ensure that the Decentralization Policy is integrated and implemented across Government;
- To co-ordinate Local Government reform and sector reform implementation;
- To have overall responsibility for planning, budgeting, managing and implementing the Program, based on the DIP as revised from time to time, and on the actual development of the reforms;
- To report on the implementation of the Program as agreed by the PSC;
- To ensure that the Development Partner contributions are reflected in the plans and budgets of MINALOC and reflected in turn in the Government budget; that disbursements are made in accordance with the DIPBF Procurement and Financial Management Manual, and that accounts for the Program are kept in accordance with generally accepted accounting practices and Government of Rwanda procedures.
- To provide in a timely manner increasing financial, human and other resources, that may be required over and above the Development Partner contributions, for the successful implementation of the Program.
- To inform the partners of any condition that interferes, or threatens to interfere, with the successful implementation of the Program, so that the Signatories can jointly take necessary actions.
- Lead the review process, in conjunction with Development Partners, to monitor and report on Program performance.
- To ensure that Development Partners disbursing funds to the Program outside the DIP Basket Fund adhere to the same principles for reporting. Any earmarked contributions will be fitted into the needs as defined by the overall Program and according to the planning of the DIP.

4.3. The Development Partners are committed:

- To establish an agreed disbursement schedule, in order to assist the Government in implementing the Program.
- To make funding available in a timely manner, on the basis of agreed Programs and budgets, through bilateral or other agreements with the Government of Rwanda, to be used exclusively to finance the Program. The total amount is to be agreed upon between the partners, according to the agreed needs of the Program and availability of funds.
- To facilitate the management of the Program by adhering to the general principles for budgeting and reporting set out in the DIPBF Procurement and Financial Management Manual.

- To support the Government of Rwanda's primary role in the management, coordination, and implementation of the Program;
- To ensure that all Development Partners' supported initiatives and activities relating to Local Government outside the Program are conceived and implemented in accordance with the Decentralization Policy, with related policies and with the Economic Development and Poverty Reduction Strategy (2008-2012), and are designed in such a way as to contribute to implementation of the Program.
- To provide constructive inputs to the dialogue on the management and implementation of the Program through the Decentralization Cluster and the PSC;
- To inform the partners and Government of Rwanda of any condition that interferes, or threatens to interfere, with the successful implementation of the Program, so that the partners can jointly take necessary actions;
- To lessen the administrative burden of their assistance on the Government by mounting joint missions, undertaking joint analysis, and using joint procedures to the extent possible and desirable.

4.4. The Development Partners will strive to ensure the predictability of their support by informing the Government as soon as possible of the support they anticipate providing for the period January 2008 to December 2012, which period corresponds with the implementation timeframe of the Program.

4.5. The Signatories will endeavor to cooperate and communicate with each other on all matters relevant to the implementation of the Program and this Agreement. Signatories will share information on aid flows, technical reports, and any other documentation/ initiative related to the implementation of the Program.

4.6. In matters pertaining to the implementation of this Agreement, the Government will be represented by MINALOC. The representatives of each Development Partner will be stated in the bilateral arrangements/ agreements.

## **5. Contributions**

5.1. The Development Partners will inform the Government as soon as possible of their intention to support the Program, the level and modality and the time span of their support. The Development Partners will confirm their precise contributions within the bilateral arrangements/agreements between the Government and the individual DIPBF Development Partner.

5.2. A basket funding arrangement, called the Decentralization Implementation Program Basket Fund, has been put in place to co-ordinate Development Partner contributions and to facilitate the budgeting and administration of the Program, and through which to channel Government of Rwanda and Development Partner funds.

5.3. The DIP Basket Fund will be managed by the National Decentralization Implementation Secretariat (NDIS), Ministry of Local Government, Good Governance, Community Development and Social Affairs (MINALOC), acting on a mandate agreed upon by all participants, and bound by the DIPBF Procurement and Financial Management Manual, as revised from time to time and approved by the Program Steering Committee.

5.4. The funds disbursed through the DIP Basket Fund will be overseen by the Program Steering Committee as set out in its terms of reference. The partners will deposit funds in a dedicated account

at the Central Bank of Rwanda and the approval of the Program Steering Committee will be required before the funds can be transferred to an operating account for use.

5.5. The Program Steering Committee members of the DIP Basket Fund will co-operate as far as possible to ensure that sufficient funds to run the Program for a twelve months period will be committed, and deposited in the dedicated account at least six months before they are required to be drawn down.

## **6. Consultations and decision making**

6.1. Regular consultation among the Signatories is considered critical to the effective implementation of the Program.

6.2. The Signatories will meet every six months, constituted as the Program Steering Committee, to discuss the implementation of the Program. The meetings will be called and chaired by the Government represented by MINALOC.

6.3. The Government will submit, for the consideration and approval of the DIPBF Development Partners in the Program Steering Committee, an overarching progress report of DIP implementation for the six month period prior to the meeting; all other internal and external reports; a plan and budget for the next six months period plus a liquidity request; an audit report and a financial report on an annual basis.

6.4. The NDIS, on behalf of MINALOC will be responsible for submission of all inputs for the meetings, and these will be submitted to the Development Partners not later than four weeks prior to the meeting.

6.5. Key subjects to be discussed during the consultations include implementation performance, financial performance and findings and actions taken on previous audits, plans and budgets for the coming six month period, and reports on matters arising from the decisions of the last meeting. In addition the Signatories will be free to raise issues under the agenda item 'any other business'.

6.6. Development Partners who are contributing only to a particular activity of the Program and not through the DIPBF will be able to decide only on issues relating to that activity.

6.7. The results of the meetings will be recorded in Agreed Minutes. The Agreed Minutes will be drafted by the Government and a draft will be sent to all Development Partners, for their comments, within two weeks of the meeting. The Development Partners will inform the Government of their comments within two weeks of receipt of the draft.

6.8. Development Partners not contributing to the Basket Fund don't have decision rights concerning the Fund. However, they shall play an advisory role for DIPBF Development Partners as desired or necessary.

6.9. Additional consultation meetings may be requested by the Government and/or a/the Development Partner(s) on any subject relevant to the implementation of the Program.

## **7. Organizational structure**

7.1. Coordination on the Program between the Signatories will be organized through the following joint committee(s) to ensure proper planning, coordination and implementation of the Program:

- The Program Steering Committee, (PSC), and
- The Decentralization Cluster (DC)

7.2. The PSC will convene biannually, while the DC meets every two months. The main responsibilities of the PSC are also set out in paragraph 4 above. The Government will be responsible for the agenda of each meeting, although the Development Partners may make proposals in this regard. The Signatories may call for an interim meeting at any time.

7.3. The PSC will in particular perform the following functions:

- (a) Approve the financing plan for the DIPBF and agree on transfers of funds into and out of the Basket Account;
- (b) Approve the Medium Term Plan and Budget for the DIP;
- (c) Approve the DIP Annual Plan and Budget, and, six-monthly, approve budget ceilings;
- (d) Endorse selection of auditors for the DIPBF;
- (e) Receive and review audit reports;
- (f) Review and amend, as the need arises, the provisions of the Procurement and Financial Management Manual.

## **8. Disbursements**

8.1. The DIPBF Development Partners will specify in their bilateral arrangements their respective disbursement schedules, which will be based on the budgets approved by PSC.

8.2. The contributions of the Development Partners will be transferred in annual installments upon receipt and approval by the PSC of written payment requests and the applicable financial and progress reports. In determining the actual installments the DIPBF Development Partners will take into account the actual progress achieved against the Annual Action Plan and actual Program liquidity needs.

8.3. Each DIPBF Development Partner may establish its exact and final financial contribution to the Program upon receipt and approval of the final report and the financial accounts of the Program. Funds which have been placed at the partner government's disposal and which remain after completion of the Program will be returned to the Development Partners in proportion to their respective contributions.

8.4. If the Government carries out only part of the Program, the Development Partners may adjust any outstanding instalments to be paid to the Government accordingly on a fair *pro rata* basis, or may earmark the remaining part for the contribution to purposes to be decided on by the Signatories.

## **9. Procurement and Financial Management**

9.1. The Government will perform all procurement in accordance with its procurement laws, guidelines and procedures. The DIPBF Procurement and Financial Management Manual, as revised and updated periodically and approved by the PSC, will govern all aspects of the Program's financial management.

## **10. Reporting for the DIPBF**

10.1. The Government will provide the Development Partners with all information relevant to the implementation of the Program. Reporting will be done on a six-month base on the basis of the

plans, budgets, indicators and milestones described in the DIP and Annual Plan and Budget. In particular the Government will provide the reports specified in paragraph 4 above.

10.2. The six-month progress reports, in the mutually accepted format, will contain an overview of Program activities, a strategic risk analysis, information on actual outputs compared to planned outputs, a financial statement showing allocation and use of the funds, problems encountered or anticipated and any other information relevant to the implementation of the Program.

10.3. The financial reporting for the DIPBF should compare costs for actual activities for the current reporting period with the budget for the same period in USD and Rwandan Francs. The financial reports should be prepared in a form and at a level of detail that enables comparison of the budget with actual progress on attainment of DIP objectives and expected outcomes. The financial reporting should therefore be linked to the monitoring and evaluation framework. Financial reports will be produced every six months (covering a six-month period) in addition to annual financial reports (covering a one-year period).

## **11. Review and evaluation**

11.1 The review process of the support of the Development Partners to the Program will be common for all Development Partners and will be aligned with the Government's review process. The Government and the Development Partners will maintain a close dialogue regarding the support and the implementation of the Program. As far as possible the annual joint review process will be aligned and contribute to the EDPRS review process.

11.2 The joint reviews will be scheduled in such a way that the need for input into the policy dialogue and decision-making processes of the Development Partners are accommodated and that the national budget process is facilitated to the extent possible. The costs of review mission will accrue to the budget of the Program.

11.3 The Development Partners reserve the right, after due consultation with the Government, to carry out or commission an independent evaluation of the Program or part of it, if considered necessary.

## **12. Audit**

*General: The financial performance of the Program will be audited annually by an external auditor agreed by the PSC, and approved by Auditor General.*

12.1 The Government will be responsible for contracting independent auditors. The terms of reference for and selection of the auditors will be done by the Government in consultation with the DIPBF Development Partners. Costs of the audits will accrue to the Program budget.

12.2 The Government will furnish the DIPBF Development Partners with copies of the audit report prepared by the external audit firms not later than 14 days in advance of the planned date of the PSC meeting. The audit reports, and any other relevant related information, will be discussed in the PSC meetings.

12.3 The Government will ensure that the statutory annual audits of the Local Government Authorities cover the management of, and accounting for DIP funds and that the audits are completed within the statutory time frame. The Program will work with the Auditor Generals Office to identify and support capacity building needs to ensure that the audits are completed on time and are of appropriate quality.

12.4 Value for money audits will be carried out in 10 sample District Councils each year from 2009/10 to monitor the effectiveness and efficiency of usage of DIPBF funds. The recommendations for procedural changes arising will be submitted to the PSC for approval and taken into account in subsequent reviews and audits.

### **13. Non-compliance, *force majeure***

13.1 In the case of (serious) non-compliance with the provisions of this Agreement and/or violation of the fundamental principles set out in this Agreement on the part of the Government, the Development Partners may suspend further disbursements to the Program and reclaim the funds already transferred in whole or part.

13.2 If a DIPBF Development Partner intends to suspend new disbursements or terminate its support, the Development Partner will call for a meeting with the other Signatories in order to reach a joint position on the measures, remedial or otherwise, required or to inform the other Signatories of its intentions regarding the continuation or discontinuation of support.

13.3 DIPBF Development Partners may suspend or reduce new disbursements in the event of extraordinary circumstances which hinder effective implementation of the Program. If a Development Partner considers suspending new disbursements, it will consult with the Government in advance. The Development Partner shall decide to lift the suspension as soon as these circumstances have ceased to exist and appropriate remedial actions have been implemented by the Government.

### **14. Corruption**

14.1 The Government will require that its staff and consultants under the Program refrain from offering third parties, or seeking, accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.

14.2 The Government will promptly inform the Development Partners of any instances of corruption as referred to in this paragraph.

### **15. Modification, Development Partner accession and withdrawal**

15.1 The Signatories will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this Agreement.

15.2 Any modification/amendment of/to the provisions of this Agreement will only be approved if agreed in writing by all Signatories.

15.3 The Signatories welcome participation in this Agreement by other Development partners who wish to support the Program.

15.4 Upon a new Development Partner's written request and written acceptance of the provisions of this Agreement, the Government may, as an annex to this Agreement authorize in writing that Development Partner to become a Signatory. The Government will consult with the other Signatories in advance and promptly furnish them with a copy of the letter of acceptance.

15.5 Each Development Partner may withdraw/terminate his support for the Program by giving the other Signatories six months written notice. If a Development Partner intends to withdraw/terminate

his support, that Development Partner will call for a meeting to inform the other Signatories of his decision (and to consult with them about the consequences for the Program).

**16. Dispute settlement**

16.1 If any dispute arises between Signatories as to the interpretation, application or implementation of this Agreement, Signatories will consult with each other in order to reach an amicable solution.

**17. Entry into effect**

17.1 This Agreement will come into effect for each Development Partner on the date of signature by the signatories. The Signatories to this Agreement agree to cooperate in the implementation of the Decentralization Implementation Program (2008 – 2012) unless this Agreement is earlier revoked or revised by the Signatories.

For the GOVERNMENT OF RWANDA,  
Ministry of Local Government,

Belgium

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Canada

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European Union

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Germany

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Netherlands

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Sweden

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Switzerland

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United Kingdom (DFID)

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United Nations Development Program

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United Nations Community Development Fund

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United States of America (USAID)

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World Bank

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