

U.S. Position for the World Bank's Proposed Second Support to the Social Protection System for Rwanda

March 14, 2013

This discussion of the Second Support to Social Protection System (SSPS-2) comes at a critical juncture in the relationship between Rwanda and its development partners. Working in partnership with multilateral and bilateral donors, Rwanda has achieved impressive gains in terms of economic growth and poverty reduction.

While working collaboratively with donors, however, Rwanda also must work in peaceful partnership with its neighbors in the region. African governments and donors broadly agree that regional cooperation and integration as well as peace and stability are crucial to the continent's economic future, and both groups have committed substantial resources toward these ends. The benefits of regional cooperation are especially evident for countries that have emerged from conflict, when they work together in pursuit of shared goals rather than compete to control scarce resources.

In the case of Rwanda, donors are faced with the dilemma of identifying ways to continue their support for the country's economic development while ensuring that such assistance does not contribute to regional instability. Donors want to help Rwanda continue its economic development and for the Rwandan people to flourish, and realize that reductions in aid will slow economic growth and disproportionately impact the poor, especially women and children.

The United States is concerned, however, about Rwanda's involvement in the eastern Democratic Republic of the Congo (DRC). The United States and other governments have urged Rwanda to end permanently all support to armed groups because it further destabilizes the region, escalates both violence and serious human rights violations, exacerbates an ongoing humanitarian and refugee crisis, undermines development in the eastern DRC, and could ultimately undermine hard-won development gains in Rwanda as well. While the UN Peace, Security, and Cooperation Framework Agreement is a laudable step toward a broader peace process, we remain concerned and urge the Framework's implementation. We continue to urge Rwanda to condemn the M23 rebel group, to permanently cease support to M23, to abide by its November commitments at Kampala, including to call on the M23 to lay down its arms and withdraw 20 kilometers from Goma, and to reach a credible and transparent political agreement that ends impunity for M23 leaders who have committed serious human rights abuses. This agreement should address the underlying regional security, economic, and governance issues while upholding the DRC's sovereignty and territorial integrity.

In light of current circumstances, the ideal delivery mechanisms for aid to Rwanda should offer maximum verifiability of how aid dollars are spent. There is considerable skepticism among donors that general budget support is an appropriate mechanism for aid delivery to Rwanda at this time. However, sectoral budget support is

a potential alternative – if it can be targeted appropriately to pro-poor sectors and if clear monitoring mechanisms can be established to verify that assistance is used for the intended purpose.

The policy dialogue that the SSPS-2 facilitates is a valuable one as it enhances the effectiveness and expands the coverage of Rwanda’s social protection system.

Rwanda has demonstrated a strong commitment to social protection. The SSPS series of DPOs is strengthening the institutions that provide these critical services.

Notwithstanding the value of the policy dialogue, the United States is disappointed that the funding provided under SSPS-2 will not be earmarked to pay for social protection services. The United States notes, for example, that the Rwandan ministry in charge of social protection programs – the Ministry of Local Government (MINALOC) – is not the recipient of the proceeds of the DPL, nor are the proceeds allocated to fund such services. The fact that the proceeds are not directly allocated to fund social protection services is particularly concerning when we consider that significant cuts were made to social sector spending in Rwanda’s revised FY12/FY13 budget, including in health and education, while the Ministry of Defense’s budget was protected from any cuts.

Given the apparent limitations of sectoral budget support at the World Bank, the United States urges the Bank to reprogram this and similar future operations to the extent feasible into alternative instruments and smaller tranches that permit greater control and verification.

The United States urges the Bank as well to work with the United Nations and other development partners on solutions to help reduce tensions in the region. The Bank should develop a regional approach to the Great Lakes region and should focus on promoting regional integration and cooperation, in support of the UN Framework agreement. It should also leverage its extensive experience operating in fragile and post-conflict situations to design projects that could foster positive, collaborative development across the region.

Both the citizens of Rwanda and the citizens of the eastern DRC deserve stability and prosperity, to be well-governed, and to live in peace with their neighbors. While the United States is voting in favor of this project today, the United States will continue to carefully consider its support to Rwanda, given continued U.S. concern with regard to Rwanda’s actions in eastern DRC.