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Report No. 91140-RW

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT SDR 65.9 MILLION

(US$100.00 MILLION EQUIVALENT)

TO THE

REPUBLIC OF RWANDA

FOR A

PUBLIC SECTOR GOVERNANCE PROGRAM-FOR-RESULTS

October 7, 2014

Macroeconomics and Fiscal Management, and Governance Global Practices
Country Department AFCE2
Africa Region

CURRENCY EQUIVALENTS

(Exchange rate effective as of August 31, 2014)

Currency Unit	=	Rwanda franc
US$1.00	=	RF 686
US$1.00	=	SDR 0.65859666

WEIGHTS AND MEASURES

Metric system

FISCAL YEAR

July 1–June 30

ABBREVIATIONS AND ACRONYMS

ACCA	Association of Certified Chartered Accountants
AAT	Association of Accounting Technicians
AfDB	African Development Bank
CAS	Country Assistance Strategy
CFO	chief finance officer
CPAF	Country Performance Assessment Framework
CPI	consumer price index
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CSO	civil society organization
DFID	Department for International Development (United Kingdom)
DLI	disbursement-linked indicator
DPO	Development Policy Operation
DSA	Debt Sustainability Assessment
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit
EICV	Integrated Household Living Condition Survey
ESSA	Environmental and Social Systems Assessment
FMIS	Financial Management Information System
GDP	gross domestic product
GFSM	Government Finance Statistics Manual
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Technical Cooperation)
ICPAR	Institute of Certified Public Accountant of Rwanda
ICT	information and communications technology
IDA	International Development Association
IDF	Institutional Development Fund
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPPIS	Integrated Personnel and Payroll System
IPSAS	International Public Sector Accounting Standards
IT	information technology
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LAFREC	Landscape Approach Forest Restoration project
LVEMP	Lake Victoria Environmental Management Project
LWH	Water Harvesting and Hillside Irrigation project
M&E	Monitoring and Evaluation
MDA	Ministries, Districts, and Agencies
MDG	Millennium Development Goal
MIFOTRA	Ministry of Public Service and Labor

MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NADA	National Data Archive
NISR	National Institute of Statistics of Rwanda
NPPA	National Public Prosecution Authority
NSDS	National Strategy for Development of Statistics
NSS	National Statistical System
OAG	Office of the Auditor General
OBL	Organic Budget Law
PAC	Public Accounts Committee
PAP	program action plan
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
PFMRS	Public Financial Management Reform Strategy
PforR	Program for Results
PPP	public-private partnership
PRSF	Poverty Reduction Support Financing
PSI	Policy Support Instrument
QAG	quality assurance group
REMA	Rwanda Environmental Management Authority
RF	Rwanda franc
ROSC	Report on Observance of Standards and Codes
RPPA	Rwanda Public Procurement Authority
RRA	Rwanda Revenue Authority
RSSP	Rwanda Rural Sector Support Projects
SEAS	Subsidiary Entities Accounting and Financial Reporting Systems
SmartFMS	Smart Financial Management System
SPIU	Single Project Implementation Project
SSP	Sector Strategic Plan
TSA	Treasury Single Account
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
USAID	U.S. Agency for International Development
VAT	Value Added Tax
WGI	Worldwide Governance Indicators

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REPUBLIC OF RWANDA
Public Sector Governance Program-for-Results

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Public Sector Governance Program For Results

PROGRAM APPRAISAL DOCUMENT

Africa Region

Report No. 91140-RW

Basic Information			
Date: October 9, 2014		Sectors:	Central government administration, sub-national government administration
Country Director:	Diarietou Gaye	Themes:	Public expenditure, financial management and pı decentralization; other public sector governance; policy and administration
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MFM Global Practice, Practice Manager:	Pablo Fajnzylber		
Governance Global Practice Senior Director:	Mario Marcel		
Governance Global Practice, Practice Manager:	Guenter Heidenhof		
Program ID:	P149095		
Team Leader(s):	Yoichiro Ishihara		

Program Implementation Period:	Start Date: 10/31/2014	End Date: 6/30/2018	
Expected Financing Effectiveness Date:	12/31/2014		
Expected Financing Closing Date:	12/31/2018		

Program Financing Data		
[ ] Loan [X] Credit	[ ] Grant	[ ] Other

For Loans/Credits/Others (US$ millions):

Total Program Cost :	172	Total Bank Financing :	100
Total Cofinancing :	0	Financing Gap: 0	

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Financing Source	**Amount (US$ millions)**
BORROWER/RECIPIENT	42

IBRD /IDA	100
Other Development Partners	30
Total	172

Borrower: Republic of Rwanda

Responsible Agency: Ministry of Finance and Economic Planning (MINECOFIN)

Contact:	Kampeta Sayinzoga	Title:	Permanent Secretary
Telephone No.:	250-78-831-2112	Email:	kampeta.sayinzoga@minecofin.gov.rw

Expected Disbursements (in USD Million)

Fiscal Year	FY2015 (Jul 14-Jun 15)	FY2016 (Jul 15-Jun 16)	FY2017 (Jul 16-Jun 17)	FY2018 (Jul 17-Jun 18)
Annual	30	35	32	3
Cumulative	30	65	97	100

Program Development Objective(s): To enhance Rwanda's Public Financial Management and statistics systems to improve transparency and accountability in the use of public funds, revenue mobilization and the quality and accessibility of development data for decision making.

Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the program meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

Overall Risk Rating: Substantial

Legal Covenants: N/A

Name	**Recurrent**	**Due Date**	**Frequency**

Description of Covenant: N/A

Team Composition

Bank Staff

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I. STRATEGIC CONTEXT

A. Country Context

1. **Rwanda's development performance over the past decade has been one of the best in the world.** A highly strategic approach to development, which has galvanized domestic and external resources around nationally defined medium- and long-term goals, has delivered strong economic growth (7–8 percent per year), a significant decline in poverty, and a modest reduction in inequality. Nonmaterial measures of well-being have also improved, with impressive progress across the Millennium Development Goals (MDGs).

2. **Reductions in both poverty and inequality—from high starting levels—have been impressive**. The poverty headcount dropped, with the share of the population living below the national poverty line falling from 59 percent in the early 2000s to 45 percent in 2011. In Kigali, home to 10 percent of Rwanda's population, the incidence of poverty decreased by six percentage points, from 22.7 percent in 2001 to 16.8 percent in 2011. Starting from a much higher base, the rest of the country experienced a 15 percentage point drop in poverty. The poverty gap ratio, which takes into account the distance separating the poor from the poverty line, dropped by almost 10 percentage points, from 24.4 percent in 2001 to 14.8 percent in 2011, indicating that people living below the poverty line are now closer to it than they were in 2001, an indicator that bodes well for future poverty reduction. Inequality, as measured by the Gini coefficient, fell from 0.52 in 2001 to 0.49 in 2011.

3. **Rwanda performed extremely well in the past decade. It is now time to focus on the challenging second-generation reforms that underpin the country's goal of reaching middle-income status by 2020.** [1] These challenges include (a) transforming the economy from one led by the public sector to one led by the private sector, (b) enhancing shared prosperity, (c) financing the development strategy, and (d) ensuring that institutions and capacity keep pace with growth. To a large extent, the Government's vision describes the policies and reforms needed to address these development challenges.

4. **The Government's medium-term vision and targets are set out in a series of sectoral, locality-specific, and overarching strategic development plans**. The clearest aggregation of medium-term goals is set out in the second Economic Development and Poverty Reduction Strategy (EDPRS 2), which aims to accelerate private sector–led growth and further reduce poverty, including extreme poverty, while reducing aid dependency, thus increasing self-reliance. The four thematic areas of EDPRS 2 are (a) economic transformation, to achieve high and sustained growth and restructure the economy toward services and industry; (b) rural development, to bring the national poverty rate below 30 percent; (c) productivity and youth employment, to ensure that growth and transformation are supported by appropriate skills; and (d) accountable governance, to improve service delivery and increase citizen participation in and satisfaction with the delivery of development. Eight foundational issues support these thematic

[1] Section IV of the Country Partnership Strategy (CPS) for FY2014–18 describes development challenges in more detail.

areas.[2] EDPRS 1 saw substantial progress on these ongoing long-term priorities as well as on seven cross-cutting issues.[3]

5. EDPRS 2 defines the role of public financial management (PFM) as the platform for the efficient management of nation's resources to achieve the EDPRS 2 goals of accelerating private sector–led growth and further reducing poverty, including extreme poverty.[4] EDPRS 2 highlights the following PFM priorities in the next five years: (a) increase resource mobilization from domestic and alternative sources of finance, with the objective of meeting increased public expenditure and making Rwanda progressively self-reliant; (b) scale up implementation of the Integrated Financial Management Information System (IFMIS); (c) strengthen PFM systems at the subnational level, including in districts and subsidiary units (sectors, schools, health facilities), to support fiscal decentralization and service delivery; and (d) enhance training, professionalization, and capacity building across all PFM disciplines, to sustain the reforms in the long run.

B. Sectoral and Institutional Context

6. **Rwanda has made remarkable progress in rebuilding core public sector institutions since the 1994 genocide.** Its leadership has demonstrated strong commitment and resilience despite a difficult environment. It has made significant progress in achieving peaceful political settlement and national security, with dividends to citizens in terms of increased access to services and poverty reduction. The Government has established its legitimacy and authority and maintained the rule of law. Rwanda has very robust anticorruption laws and oversight institutions for controlling corruption, and its leadership is committed to the fight against corruption. The Government's efforts have been so effective that Rwanda has remained a low corruption country.

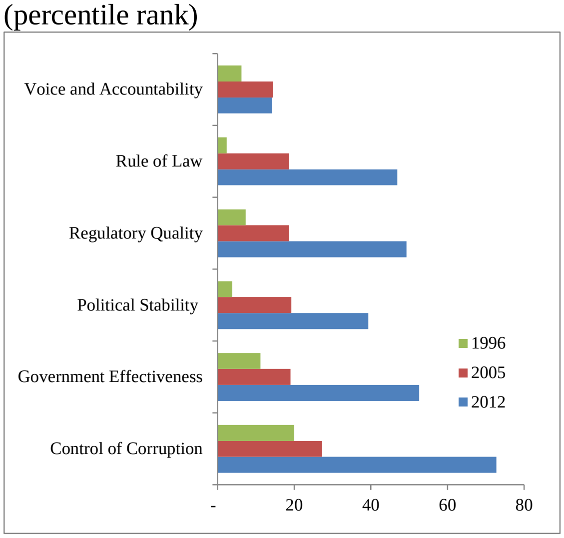
7. **These achievements are extraordinary, but Rwanda still faces significant capacity weaknesses and shortages in core skills and competencies needed to meet its ambitious development objectives under EDPRS 2.** The Government believes that it must implement ambitious public sector reforms to deliver results. It radically restructured the administration early on in the recovery phase in 1998–99, through a downsizing that dismissed more than 6,000 unqualified civil servants and removed more than 6,500 ghost workers from the payroll. To eliminate the incentive to supplement income through petty corruption and moonlighting, it then raised salaries for the much smaller number of staff by 40 percent. In 2012 the Government supported these civil service reforms by implementing the pay and retention policy,[5] following the prime minister's order to establish a performance appraisal and promotion process for public servants in 2010.[6] Introduction of an Integrated Personnel and Payroll System (IPPIS) in 2010

[2] The foundational issue areas are macroeconomic stability, demographics, food security, basic education, primary health care, rule of law, public financial management, and decentralization.
[3] The cross-cutting issue areas are capacity building, environment, gender, regional integration, HIV/AIDS and noncommunicable diseases, disaster management, and social inclusion.
[4] The government defines the foundational issues as strategic areas that constitute the bedrock of Rwanda's sustainable development over the long term.
[5] See http://www.mifotra.gov.rw/fileadmin/templates/downloads/IMPLIMENTATION.pdf.
[6] See http://www.mifotra.gov.rw/fileadmin/user_upload/Prime_Minister_s_orders/ITEKA_RYA_MINISITIRI_W_INTEBE_RIKORESHWA_MU_ISUZUMABUSHOBOZI_N_IZAMURWA_MU_NTERA_RY_ABAKOZI_BA_LETA.pdf.

has also supported implementation of the civil service reforms.[7] Beginning in 2000, in tandem with significant fiscal, political, and administrative decentralization reforms, central government ministries have been unbundled to create flatter and smaller structures and bring service delivery closer to the grassroots, in order to improve performance and accountability.

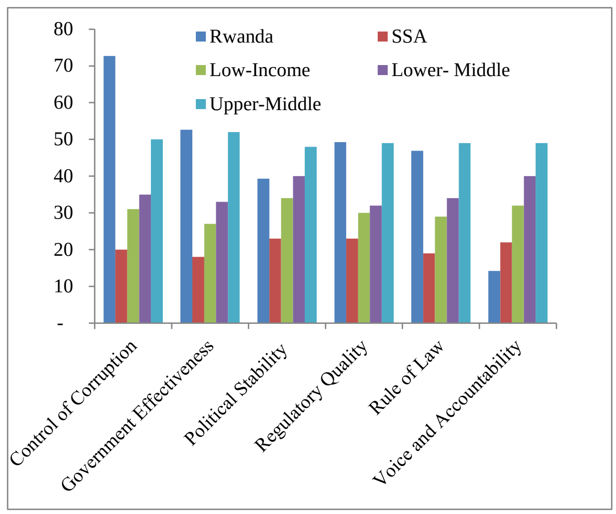
8. **Public sector reforms have improved governance.** Rwanda's performance significantly improved in all six dimensions of the Worldwide Governance Indicators (WGI) between 1996 and 2012 (figure 1).[8] It rose from the 20th percentile rank on control of corruption in 1996 to the 27th percentile in 2005 and the 73rd percentile in 2012. Government effectiveness rose from the 11th percentile in 1996 to the 53rd percentile in 2012. For some dimensions, Rwanda's rankings are now close to the average for middle-income countries (figure 2). Three dimensions—government effectiveness, regulatory quality, and rule of law—are almost at the middle-income country averages, and the ranking for control of corruption is much higher than the middle-income country average. In contrast, the percentile rank on voice and accountability is lower than other country groups (including Sub-Saharan Africa).

Figure 1: Measures of Governance in Rwanda, 1996–2012
(percentile rank)



Source: Worldwide Governance Indicators.

Figure 2: Measures of Governance in Rwanda and Selected Country Groups, 2012



Source: Worldwide Governance Indicators.

9. **Among the range of actions needed to improve accountability, better PFM is particularly central.** The literature confirms a positive relationship between PFM and accountability. Effective PFM systems can help strengthen democratic influence, oversight, and accountability in the decision-making processes related to the state budget. It can greatly enhance transparency, by making well-structured information available on the ways in which public resources have been used and the results that have been achieved, significantly strengthening the accountability process in parliament and public audit institutions.[9]

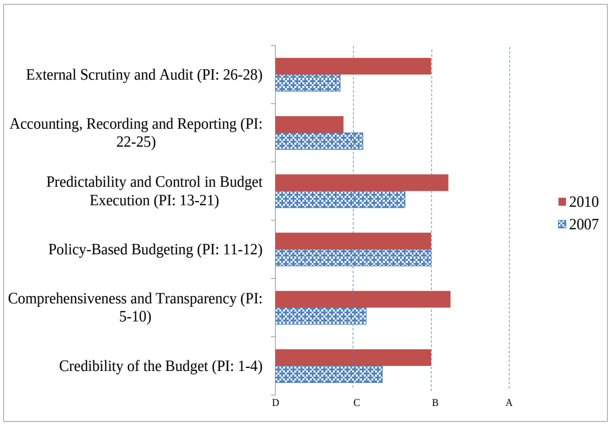
10. **The Government regards PFM systems and processes as key to the effective and efficient functioning of the public sector,** because they underpin the performance of all sectors

[7] The World Bank supported the IPPIS through the Eighth Poverty Reduction Support Financing in 2011.
[8] See http://info.worldbank.org/governance/wgi/index.aspx#home.
[9] SIDA (2007) *Public Finance Management in Development Co-operation: A Handbook for Sida Staff.*

and different levels of government.[10] The Government has defined the main objective of PFM reforms as "to ensure efficient, effective, and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery". It first embarked on comprehensive PFM reforms in 2008, with the comprehensive Public Financial Management Reform Strategy (PFMRS) for 2008–12. Building on progress under the PFMRS, in 2013 it formulated the PFM Sector Strategic Plan (SSP) 2013–18.

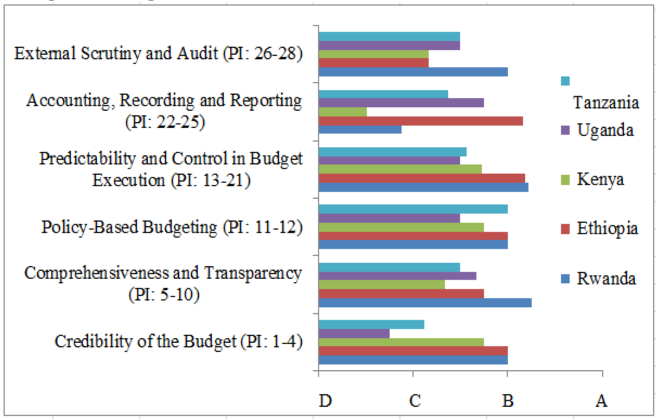
11. **Rwanda has made significant progress in PFM reforms.** The Public Expenditure and Financial Accountability (PEFA) report documents this improvement at the national level. Scores in all but one category improved between 2007 and 2010 (figure 3). Other assessments, such as an independent evaluation of the PFMRS, also show improvement. At the subnational level, the 2010 PEFA report assessed four districts. It found the nature and scope of external scrutiny of subnational governments to be satisfactory. Rwanda's performance is as good as or better than that of neighboring countries in all categories except accounting, recording, and reporting (figure 4).

Figure 3: Rwanda's PEFA Performance, 2007 and 2010



Source: PEFA and World Bank staff calculations.

Figure 4: PEFA Performance of Rwanda and Neighboring Countries

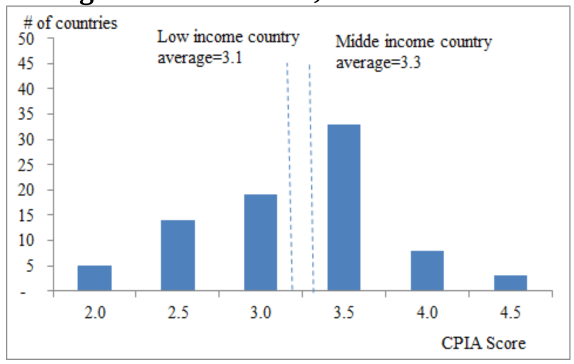


Source: PEFA and World Bank staff calculations.
Note: Data are from various years between 2010 and 2013.

[10] For example, EDPRS 2 states that "Rwanda's public finance management system is the platform for the efficient management of the nation's resources. Its reporting, audit and oversight functions are essential elements in providing effective Accountable Governance" (Para 6.27).

12. **Among 82 countries for which country data on the Country Policy and Institutional Assessment (CPIA) Indicator 13 (quality of budgetary and financial management rating) were available, Rwanda ranked 4th in 2013, with a score of 4.0.** Its score exceeds the average score of middle-income countries (3.3) (figure 5). Among 73 countries for which data were available for 2005 and 2013, only a third improved their score; another third deteriorated, and the remaining third remained the same. Rwanda showed improvement—a remarkable achievement given the absence of a functioning PFM system immediately after the 1994 genocide.

Figure 5: Quality of Budgetary and Financial Management in Rwanda, 2013



Source: World Bank WDI.
Note: Figure shows scores on Country Policy and Institutional Assessment (CPIA) Indicator 13.

13. **There is a need to consolidate the achievements made and to address other challenges.** Effective PFM is very important in Rwanda, because the central government budget represents a large share of GDP (29 percent), a share similar to that in Kenya and Tanzania (table 1). Rwanda's tax revenue to GDP ratio (14.2 percent) is slightly lower than the average for East African countries. The combination of high expenditures and low tax revenues has made Rwanda more aid dependent than its neighbors.

Table 1: Expenditures, Revenues, and Foreign Grants in Rwanda and Neighboring Countries, FY2012/13

Item	*Rwanda*	*Ethiopia*	*Kenya*	*Tanzania*	*Uganda*	*Average*
Total expenditures (percent of GDP)	29.0	18.0	30.5	28.0	18.9	24.9
Tax revenues (percent of GDP)	14.2	11.4	19.2	16.0	12.6	14.7
Foreign grants (percent of total expenditures)	27.3	11.1	1.9	12.8	8.9	12.4

Source: IMF reports.

14. **In addition to addressing these challenges, PFM systems in Rwanda have to keep up with the country's rapid development as well as changes in technology.** Nominal GDP almost tripled between 2006 and 2013, and the national budget almost doubled between FY2009/10 and FY2013/14. As part of decentralization, subnational governments were completely restructured in 2005. The availability of new technology offers an opportunity to enhance PFM systems and procedures. Advancing and implementing PFM reforms, including capacity building and institution strengthening, is an important component of Rwanda's development agenda, as reflected in the importance given to this area in both the country's medium-term plan and the Bank's Country Partnership Strategy (CPS).

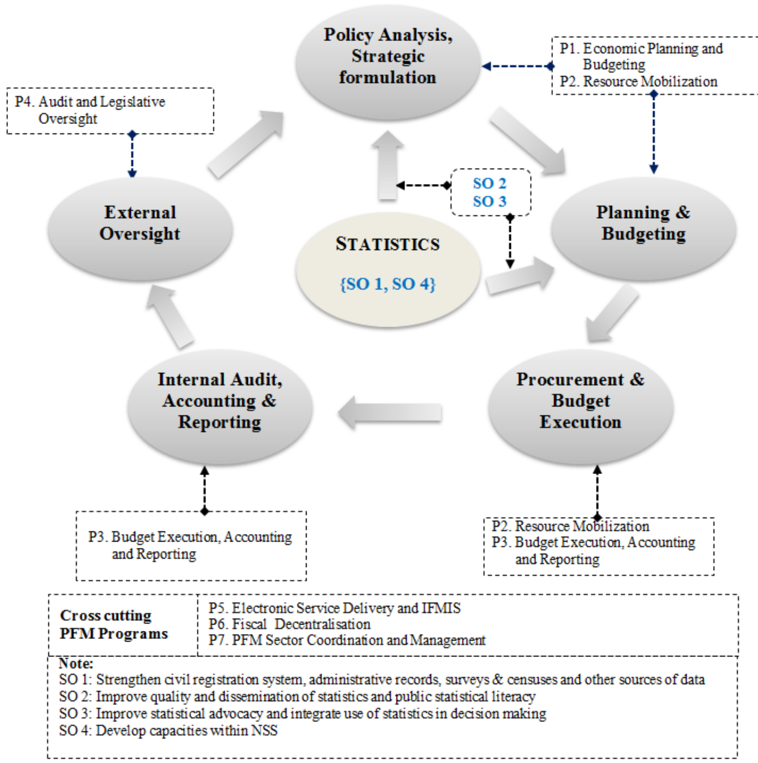
15. **Statistics are critical for supporting Rwanda's development agenda. They facilitate evidence-based policy making and support more efficient and effective use of public resources.** A regular flow of good-quality, comparable data on Rwanda's evolving social and economic conditions is fundamental for continuously improving the understanding of the country's development challenges, informing the design of well-targeted interventions to address them, measuring their impact on national poverty and social goals, and using that information to calibrate policy design and further improve the allocation of scarce public resources. Statistics arguably play a foundational role in PFM, particularly by informing policy analysis and strategy

formulation and supporting adjustments in planning and budgeting in light of information on the development results achieved through public sector programs**.**

16. Rwanda's first National Strategy for Development of Statistics (NSDS 1), covering 2009–14, helped establish a foundation for the development of the statistics sector. Building on successful implementation of the NSDS 1, the Government formulated NSDS 2[11], which covers 2014–19. Recognizing the important roles of statistics in the PFM cycle, NSDS 2 seeks to improve statistical advocacy and integrate the use of statistics in decision making.

17. **This Program for Results (PforR) operation (henceforth referred to as "the Program") intersects with Government programs in many ways (table 6).** For example, the Government program on economic planning and budgeting (P1) and resource mobilization (P2) contribute to policy analysis, strategic formulation, and planning and budgeting elements of the PFM cycle. The government program on electronic service delivery and IFMIS (P5) cuts across all elements of the PFM cycle. The strategic objectives on strengthening civil registration system, administrative records, surveys, censuses, and other sources of data (Strategic Objective [SO] 1) and developing capacities within the National Statistical System (NSS) (SO4) contribute to creating good-quality and timely statistics that can inform policy and strategy formulation and evaluation. The programs to improve the quality and dissemination of statistics and public statistical literacy (SO3) and improve statistical advocacy and integrate the use of statistics in decision making (SO4) are also expected to contribute to improved policy analysis and planning/budgeting.

Figure 6: PFM Cycle and Government Programs Supported by the Program



[11] NSDS 2 was approved by the Cabinet in September 2014.

18. **The Government has made progress on gender issues in both PFM and statistics reforms**. It introduced gender-responsive budgeting in five ministries in 2003, and fully operationalized it in 2008. Currently, all ministries and districts are required to submit gender budget statements and the gender distribution of employment during budget formulation. The National Institute of Statistics of Rwanda (NISR) started producing gender statistics in 2011; it currently covers both national and subnational levels. The Program will support government efforts to further enhance the mainstreaming of gender issues in both PFM and statistics programs.

19. **Enhancing PFM will contribute to poverty reduction and shared prosperity.** EDPRS 2 defines PFM as the platform for the efficient management of the nation's resources to achieve the EDPRS 2 goal of accelerating private sector–led growth and further reducing poverty, including extreme poverty. This idea mirrors the Bank's view that poverty reduction is not merely a question of spending more but also of using resources more effectively. Key to doing so is effective PFM systems.[12] Further enhancing PFM will allow the government to better allocate its scarce financial resources to achieve national development goals. It will also enable the government to become more accountable to Rwanda citizens on how public expenditures are executed in accordance with development goals.

20. **Good-quality statistics are key for making more effective use of existing resources.** NSDS 2 focuses on producing good-quality statistics relevant to poverty reduction and shared prosperity, such as household surveys, labor statistics, and agriculture survey. The systematic production and dissemination of economic and social statistics is fundamental for assessing the impact of expenditures on national poverty and social goals and informing adjustments in planning, budgeting, or both that improve the allocation of public funds.

21. **The Ministry of Finance and Economic Planning (MINECOFIN) is leading PFM reforms.** Several ministries and agencies are engaged in PFM as a foundational issue (table 2). MINECOFIN, the Rwanda Revenue Authority (RRA), the Rwanda Public Procurement Authority (RPPA), and the Office of the Auditor General (OAG) are the implementing agencies for this Program.

Table 2: Roles of Government Ministries and Agencies in PFM Reforms

Name	*Roles*
Program implementing agencies	
Ministry of Finance and Economic Planning (MINECOFIN)	• Lead ministry on PFM • Planning and budgeting, including gender-responsive budgeting • Resource mobilization, especially tax policy • Budget execution, internal control, accounting, and reporting • Electronic service delivery and IFMIS • Fiscal decentralization, including subnational PFM • PFM sector coordination and management, including capacity building
Office of Auditor General (OAG)	External oversight

[12] See "The Role of Public Financial Management for PRS Implementation," on the World Bank website (http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:21629917~menuPK:384207~pagePK:148956~piPK:216618~theSitePK:384201~isCURL:Y,00.html).

Name	*Roles*
Rwanda Public Procurement Agency (RPPA)	Public procurement
Rwanda Revenue Authority (RRA)	Tax administration
Other agencies	
Ministry of Local Government (MINALOC)	Working with MINECOFIN on PFM reforms at the subnational level
Ministry of Public Service and Labor (MIFOTRA)	Integrated Personnel and Payroll System (IPPIS)
Parliament (especially the Public Accounts Committee)	External oversight
Rwanda Governance Board	Working with MINECOFIN on PFM reforms at the subnational level

22. **Progress and key issues on PFM reforms have been discussed under the PFM Coordination Forum, which the Bank co-chairs.** The Forum includes relevant ministries and agencies as well as key development partners supporting PFM reforms, including the Bank; the Government of Belgium; the Department for International Development (DFID); the European Union (EU); the International Monetary Fund (IMF); and Kreditanstalt für Wiederaufbau **(**KfW), the German development bank.

23. **NISR is leading the statistics agenda.** It plays a coordination role in the NSS and is the implementing agency of the Program. NSS stakeholders include other data producers (for example, line ministries) and users. The Statistics Steering Committee is made up of government stakeholders and development partners (the European Union, DFID, One UN and the Bank). It functions as a discussion forum for key statistics issues. Although there is currently no formal institutional mechanism to discuss PFM and statistics reforms jointly, preparation of the Program has stimulated coordination between the two areas.

C. Relationship to the Country Assistance Strategy (CAS)/ Country Partnership Strategy (CPS) and Rationale for Use of This Instrument

Relationship to the CAS/CPS

24. **The Executive Directors discussed the Country Partnership Strategy (CPS) for fiscal years 2014–18 on June 5, 2014.**[13] EDPRS 2 is closely aligned with the Bank's twin goals of ending extreme poverty and promotes shared prosperity.[14] To support the Government's aspirations and development priorities articulated in EDPRS 2, the CPS sets out how World Bank Group resources can best help Rwanda achieve its nationally defined goals and targets and fulfill its ambitions of becoming a modern economy in which growing prosperity is shared across the population.

25. **In order to maximize impact with limited resources, the CPS concentrates International Development Association (IDA) resources in the energy, urban development, development, social protection, and accountable governance sectors**.[15] The CPS identifies three themes: (a) accelerating economic growth that is private sector driven and creates jobs; (b)

[13] http://documents.worldbank.org/curated/en/2014/05/19515271/rwanda-country-partnership-strategy-period-fy2014-2018.

[14] http://siteresources.worldbank.org/EXTPOVERTY/Resources/WB-goals_final.pdf.

[15] These areas are selected based on five criteria: (a) alignment with the EDPRS 2, (b) the Bank's comparative advantage, (c) synergies within the World Bank Group, (d) client demand, and (e) risk used to identify the areas in which to concentrate IDA resources.

improving the productivity and incomes of the poor through rural development and social protection; and (c) supporting accountable governance through PFM and decentralization, including likely IDA investment in fostering stronger results in PFM, fiscal decentralization, statistical systems, and open data. Although PFM and statistics cut across all three themes, the Program falls under Theme 3 of the CPS.

Rationale for Use of Instrument

Rationale for Bank Engagement

26. **The Bank has a comparative advantage in supporting PFM and statistics, and it has been engaged in public sector reforms in Rwanda for almost two decades.** In the late 1990s and early 2000s, the Bank helped Rwanda build capacity in the public sector through trust-funded activities, such as Institutional Strengthening Initiatives for the Legal Advancement of Women (TF050066) and Public Procurement Management Project (TF063056). The Multi Donor Trust Fund for Rwanda Public Financial Management (TF070485) was implemented in the second half of the 2000s. More recently, the Bank provided support to these areas through the Poverty Reduction Support Financing (PRSF) series and the Statistics for Results project (P124129). The Bank also implemented the Quality of Decentralized Service Delivery support Development Policy Operation (DPO) (P145114), which included national and subnational PFM. The Bank has also been one of the leading development partners in PFM and statistics, co-chairing the PFM Coordination Forum and serving as a core member of the Statistics Steering Committee. Consolidating the Bank's engagements into the Program is likely to achieve results.

27. **The Program builds especially on the Bank's 2013 Quality of Decentralized Service Delivery budget support operation.** The development objective of the DPO is to support the Government in clarifying "institutional roles and responsibilities for decentralized service delivery" and enhancing "public transparency, fiduciary accountability, and local government capacity for improved access to quality services." It focuses on national/subnational PFM issues, including capacity building at the subnational level. During the dialogue on the DPO, the Bank's shareholders requested that the Bank remain engaged in (a) gender mainstreaming; (b) the quality of data; (c) budget execution, reporting, and auditing; (d) revenue mobilization at the subnational level; (e) capacity building; and (f) donor coordination. The Program responds to this request.

28. **In addition to linking with past Bank operations, the Program is expected to complement other ongoing and planned Bank operations.** As PFM cuts across all sectors, enhancing PFM at the national and subnational levels benefits other Bank operations. For example, the Program will augment the fiduciary aspects of a planned development operation. Improved PFM, especially at the subnational level, will contribute to implementation of the Transformation of Agriculture Sector Program Phase 3 PforR (P148927). Improved quality and availability of statistics will benefit results frameworks of all Bank operations.

29. **The Government and other development partners have expressed their support for the Program**. During consultations with the Government and development partners during the identification mission in February 2014 and the assessment mission in March 2014, development partners supported the scope of the Program. They requested that the Bank ensure complementarity with existing and planned support by them. Their request was taken into consideration in preparing the Program, as described in the section on coordination with other development partners.

Rationale for Choice of Financing Instrument

30. **The PforR instrument was chosen for several reasons.** It is expected to (a) improve the efficiency of government expenditure programs by using program systems, (b) disburse directly against results, (c) help build institutions and capacity, and (d) enhance partnership with other development partners in supporting the same government program of expenditures.

31. **Using Program systems will improve the efficiency of government expenditure programs.** The Government's expenditure programs clearly reflect the development objectives articulated in EDPRS 2 and Sector Strategic Plans (SSPs). However, fluctuation in aid constrains the implementation of government expenditures programs. By anchoring disbursement against results, the Program will enhance the predictability of budget financing. The scope of the Program will also have a direct impact on improving the quality of government expenditures. Analytical work (existing and planned) and accompanying technical assistance will support the Government in improving the efficiency of public expenditures.

32. **A PforR instrument is a good fit for Rwanda, because its national development strategy (EDPRS 2) and SSPs are results based and it uses established monitoring and evaluation (M&E) mechanisms.[16]** By using the Government's own M&E mechanisms to the greatest extent possible, the Program will augment the Government's efforts to strengthen its results-based development management. Through its support to statistics development, the Program will directly improve Rwanda's results-based M&E systems. Institutional, organizational, and human capacity constraints in Rwanda at both the central and subnational levels have been key challenges. The proceeds of the Program will help the government implement capacity-building activities identified in the expenditure framework. By including capacity-building elements in Disbursement-Linked Indicators (DLIs) and program action plans (PAPs), the Program aims to help the Government address the capacity constraints.

33. **The Program will enhance partnership with other development partners in supporting the same government program of expenditures**. The Bank has forged strong partnerships with other development partners, through the PFM Coordination Forum and the Statistics Steering Committee. By jointly supporting the Government's own programs and expenditures in a complementary manner, the Program will further improve partnership with other development partners.

II. PROGRAM DESCRIPTION

A. Program Scope[17]

Government Program

a. PFM

34. **Building on progress made in the PFMRS in 2008–12, the Government crafted the PFM SSP 2013–18**. It consists of 7 programs and 23 subprograms (table 3), each based on analyses of challenges. Each program identifies expected outcomes (see Annex Table B-1), as

[16] As evidence of this, the Bank's PRSF series was based on the government's own results monitoring system, the Country Performance Assessment Framework (CPAF).
[17] Annex B describes the government programs and scope of the Program in detail.

well as specific actions and outcome indicators; the accompanying PFM sector implementation plan provides indicative costings. Emerging priorities identified in the PFM SSP are (a) increased resource mobilization; (b) scaling up of the implementation of IFMIS; (c) strengthening PFM systems at the subnational level; and (d) enhancing training, professionalization, and capacity building across all PFM disciplines.

Table 3: Government PFM Programs and Subprograms

Program	*Subprogram*
1 Economic planning and budgeting	1.1 National development planning
	1.2 Economic policy formulation
	1.3 Public investment programming
	1.4 Policy-based budgeting
2 Resource mobilization	2.1 Tax policy
	2.2 Tax administration
	2.3 External finance
3 Budget execution, internal control, accounting, and reporting	3.1 Budget execution
	3.2 Treasury management
	3.3 Internal audit
	3.4 Accounting and reporting
	3.5 Public procurement
	3.6 Fiscal risk management in public enterprises
4 External oversight and accountability	4.1 External audit
	4.2 Legislative oversight
5 Electronic service delivery and IFMIS	5.1 Integrated Financial Management System (IFMIS)
	5.2 Integrated Personnel and Payroll System (IPPIS)
6 Fiscal decentralization	6.1 Resource mobilization by decentralized entities
	6.2 Facilitation of fiscal transfers
	6.3 Strengthening of PFM systems and capacity at subnational level
7 PFM sector coordination and management	7.1 Sector coordination and management
	7.2 Coordination of human resource training and capacity building
	7.3 Monitoring and evaluation

Source: MINECOFIN.

35. **The PFM SSP identifies key challenges and proposes solutions in each program that are translated into a foundation for defining sector priorities and outcomes through FY2017/18** (see Annex Table B-1). Improving coherence between national strategies, the Medium Term Expenditure Framework (MTEF), and the annual budget process has been identified as an area for improvement under the first program, on economic planning and budgeting. In the second program, on resource mobilization, key challenges are inadequate resource mobilization, resulting in aid dependency at the national level and lack of discretionary revenues at the subnational level.[18] Across the PFM sector, particularly under program 7, on PFM sector and coordination, capacity and skill shortages are identified as key bottlenecks. Capacity and skill shortages are more pronounced at the subnational level, especially on core PFM areas such as accounting, auditing, budgeting, and reporting.

[18] The fiscal and financial decentralization program in the Governance and Decentralization SSP has also identified revenue mobilization challenges at the local level.

b. Statistics

36. **The overarching objectives of NSDS 2 are to produce relevant, reliable, and timely statistics to monitor the progress of EDPRS 2 and to strengthen the NSS**. Six strategic objectives and 19 strategies/outputs are structured to achieve the overarching objectives (table 4). NSDS 2 supports the changing requirements in terms of the nature and periodicity of data as Rwanda approaches middle-income status, which it aims to achieve by 2020. The expected outcome of NSDS 2 is a strengthened and well-coordinated NSS that is able to constantly monitor development outcomes and spur effective decision making and public accountability.

Table 4: Government Strategic Objectives and Strategies/Outputs on Statistics

Strategic objective	*Strategies/outputs*
SO1: Strengthen civil registration system, administrative records, surveys, censuses, and other sources of data	1.1: Strengthened vital statistics
	1.2: Strengthened administrative records
	1.3: Strengthened surveys, censuses and other sources of data
	1.4: Strengthened processes concerning data capture and production
SO2: Improve quality and dissemination of statistics and public statistical literacy	2.1: Improved quality of statistical data
	2.2: Improved dissemination of statistics and public statistical literacy
SO3: Improve statistical advocacy and integrate use of statistics in decision making	3.1: Policy and decision makers engaged in setting the statistical agenda
	3.2: Strengthened engagements with data users
SO4: Develop capacities within the NSS	4.1: Strengthened human resource management in NISR
	4.2: Human resources development within NSS
	4.3: Strengthened IT infrastructure for NISR and NSS
	4.4: Strengthened Physical assets of NISR
	4.5: Strengthened knowledge management within NSS
	4.6: Efficient implementation of NSDS 2
SO5: Consolidate coordination within the NSS	5.1: Improved coordination of statistical concepts and methods
	5.2: Strengthened coordination of statistical activities
SO6: Improve resources mobilization and build strategic partnerships	6.1: Effective resource mobilization for activities in the NSS
	6.2: Efficient resource management
	6.3: Strategic partnerships built

Source: NISR.

37. **NISR made significant progress in the quality, timeliness, and dissemination of data, mainly in the social and demographic domain, under the first NSDS (2009–14).** It implemented the main social surveys and the 2012 Population and Housing Census according to a timetable. In addition, solid progress was made on data access and dissemination through the creation of a National Data Archive (NADA), in which survey microdata can be readily downloaded for further analysis, and the establishment of an Open Data Portal, which has greatly improved citizens' access to statistical information. Under NSDS 1, Rwanda moved up 20 places on the World Bank's Statistical Capacity ranking, from 73rd (of 149 countries with valid data) at the end of 2008 to 53rd at the end of 2013.[19] Within sub-Saharan Africa, Rwanda ranked 6th in 2013 (fifth excluding South Africa), up from 10th in 2008.

[19] See http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/EXTWBDEBTSTA/0,,contentMDK:22284270~menuPK:9248396~pagePK:64168445~piPK:64168309~theSitePK:3561370,00.html, accessed in February 2014.

38. **NSDS 2 needs to address important gaps,** related in particular to the dearth of economic statistics (data on agriculture, businesses, and labor market activity) and the low capacity of the NSS. In addition, efforts to improve the frequency and quality of certain types of statistics need to be accompanied by improved access to data by users of statistics. The bank's open data readiness assessment (prepared for the Government of Rwanda in July 2013) concluded that improving data dissemination by expanding NISR's ongoing Open Data agenda would result in better and more use of data.

39. **NISR was established in 2005 as the coordinating agency of the NSS, including all agencies and ministries that provide statistical information to the public for planning and decision making.** It is governed by a board of directors, which determines its priorities and approves the action plan of the NSS. Since 2007 the Government and a multidonor basket fund development partners including the European Union, the European Union, and the Bank have funded NISR. All plans and activities of NISR need to be approved by its steering committee, which is chaired by the Chief Economist and includes representatives from the Government, civil society and academia, and development partners. The steering committee meets every quarter. The Bank is an active member of the steering committee.

Government Program to be Supported by the Program

40. **The Program supports a subset of the Government's own programs, articulated in the PFM SSP and NSDS 2.** The Program will support selected programs, subprograms and strategic areas essential to achieve the Program Development Objective (Table 5). The boundaries of the Program were defined based on strategic relevance, government demand, and the support of other development partners.

41. **All program and subprograms in the PFM SSP as well as the strategic objectives of NSDS 2 are interrelated and constitute an important element of the PFM cycle (table 6).** The Program covers almost all programs and subprograms of these strategies. However, some subprograms were excluded, based on the Bank's comparative advantage or the involvement of other development partners and the lead government agencies managing them. For example, the Ministry of Public Service and Labor (MIFOTRA) has been effectively managing Subprogram 5-2 (on IPPIS).[20] NISR will be able to cover SO5 of NSDS 2 (on consolidating coordination within NSS) and SO 6 (on improving resource mobilization and building strategic partnerships with support from the statistics basket fund).

42. MINECOFIN, RRA, RPPA, OAG, and NISR are the implementing agencies of the Program. Table 5 and 7 summarize their roles.

43. There are no high-risk activities in the Program that are or need to be excluded.

[20] The Bank is supporting IPPIS in the Eighth Poverty Reduction Support Financing (PRSF-8, P122247).

Table 5: Boundaries of the Program

Government Programs		World Bank PforR	
Strategy	Program, Sub-Program / Strategic Areas	Of which supported by the Program	Main Implementing Ministries and Agencies
PFM SSP	**1. Economic Planning and Budgeting**		
	(1) National Development Planning	☒	MINECOFIN (Planning Dept.)
	(2) Economic Policy Formulation	☒	MINECOFIN (Chief Economist)
	(3) Public Investment Programming	☒	MINECOFIN (Planning Dept.)
	(4) Policy Based Budgeting	☒	MINECOFIN (Budget Dept.)
	2. **Resource Mobilization**		
	(1) Tax Policy Formulation	☒	MINECOFIN (Chief Economist)
	(2) Tax Administration	☒	RRA
	(3) External Finance	☒	MINECOFIN (Planning Dept.)
	3. **Budget Execution, Internal Control, Accounting & Reporting**		
	(1) Budget Execution	☒	MINECOFIN (Accountant General)
	(2) Treasury Management	☒	MINECOFIN (Accountant General)
	(3) Internal Audit	☒	MINECOFIN (Chief Internal Auditor)
	(4) Accounting & Reporting	☒	MINECOFIN (Accountant General)
	(5) Public Procurement	☒	RPPA
	(6) Fiscal Risk Management in Public Enterprises	☒	MINECOFIN (Accountant General)
	4. **External Oversight and Accountability**		
	(1) External Audit	☒	OAG
	(2) Legislative Oversight	☐	
	5. **Electronic Service Delivery and IFMIS**		
	(1) IFMIS	☒	MINECOFIN (Accountant General)
	(2) Integrated Personnel & Payroll Systems (IPPS)	☐	MIFOTRA
	6. **Fiscal Decentralization**		
	(1) Resource Mobilisation by Local Administrative Entities	☒	RRA
	(2) Facilitation of Fiscal Transfers	☒	MINECOFIN (Budget Dept.)
	(3) Strengthening PFM Systems and Capacity at subsidiary Level	☒	MINECOFIN (Budget, Accountant General)
	7. Coordination of PFM Sector Activities Management		
	(1) PFM Coordination and Management	☒	MINECOFIN (SPIU)
	(2) Coordination of HR Training & Capacity Building	☒	MINECOFIN (Accountant General)
	(3) Monitoring & Evaluation	☒	MINECOFIN (SPIU)
NSDS 2	1. Strengthen civil registration system, administrative records, surveys and other sources of data.	☒	NISR
	2. Improve quality and dissemination of statistics and public statistical literacy.	☒	NISR
	3. Improve statistical advocacy and integrate use of statistics in decision making.	☒	NISR
	4. Develop capacity within NSS.	☒	NISR
	5. Consolidate coordination within NSS.	☐	
	6. Improve resource mobilization and build strategic partnerships	☐	

B. Program Development Objective

44. **The Program Development Objective (PDO) of this Program is to enhance Rwanda's Public Financial Management and statistics systems to improve transparency and accountability in the use of public funds, revenue mobilization and the quality and accessibility of development data for decision making.** The Program aims to achieve the following results:

- Increased efficiency in national and subnational revenue collection;
- Improved national and subnational transparency and accountability in the use of public funds; and
- Improved use of development data for decision-making.

C. Key Program Results and Disbursement-Linked Indicators

45. **The Program's results framework (Annex C) was formulated based on the Government's results frameworks in the PFM SSP and NSDS 2 toward achieving the PDO and the three results.** It was supplemented with additional information, such as information from the MTEF.

46. **The results framework represents a results chain for achieving the PDO**. It covers three key results areas: (a) increased efficiency in national and subnational revenue collection, (b) improved national and subnational transparency and accountability in the use of public funds, and (c) improved use of development data for decision making. Each results area is reflected in some DLIs, PAPs, and the Program Implementation Support Plan.[21]

47. **Three PDO indicators correspond to the three key results areas:** (a) the tax to GDP ratio, which measures national and subnational revenue collection;[22] (b) the percent of entities submitting monthly statements by the due date and making them publically available, which measures national and subnational transparency and accountability in the use of public funds; and (c) the share of ministries, districts, and agencies (MDAs) using official statistics for both analysis of current developments for short-term decision making and analysis of trends for longer-term policy formulation. Intermediate results indicators are intended to measure milestones toward achieving PDO indicators. For example, the tax to GDP ratio will be used to measure the first results area (enhanced national and subnational revenue collection). Intermediate results indicator 1-1 (hours per year for paying tax) attempts to measure the efficiency of tax administration from the taxpayers' viewpoint and hence taxpayers' voluntary compliance.[23] Intermediate results indicator 1-2 (number of districts using automated revenue collection system) measures revenue collection at the subnational level. Intermediate results indicator 1–3 (percentage of active small and micro taxpayers filing tax declarations using the e-tax Internet portal) measures increases in the tax base and compliance. The combined efforts on

[21] The Summary Results Framework in annex C describes the relationship between government programs and the Program.

[22] The targets are based on the latest targets described in the first review of the IMF's Policy Support Instrument in July 2014. EDPRS 2 set the tax to GDP ratio target at 14.7 percent for FY2015/16. Because of stronger than expected performance in the past few years, the Program includes more ambitious targets than those in EDPRS 2 (for example, the FY2015/16 target is 17.1 percent).

[23] The World Bank's Doing Business Survey captures these data. The Department for International Development (DFID) uses the same indicator for its results monitoring.

all three indicators point to a higher tax to GDP ratio as the overriding indicator toward achieving the PDO.

48. **The links between the Program scope and the objectives of achieving poverty reduction and shared prosperity are clear**. Progress on all PDO indicators is expected to help reduce constraints to achievement of the Bank's twin goals. For PDO Indicator 1 (national and subnational revenue collection), the relevant constraint is related to Rwanda's low domestic revenues and resulting high aid dependency. This dependency is one of the most important sources of macroeconomic vulnerability, as evidenced by the growth slowdown after the decline in aid in 2012. Given the high poverty rate in Rwanda, any adverse macroeconomic situation directly affects the lives of the poor. By reducing macroeconomic vulnerability, achievement of PDO Indicator 1 will thus contribute to the Bank's twin goals. Similarly, given that Rwanda has made less progress in improving voice and accountability than in other elements of governance (see figure 1 and figure 2), achieving PDO Indicator 2 (improved national and subnational transparency and accountability) would make a key contribution to the Government's efforts to ensure that that public resources are effectively used to improve access to services and the welfare of the poor.[24] Improving transparency and accountability is especially important at the subnational level, because local governments in Rwanda have important service delivery responsibilities. Improving effectiveness and efficiency in the use of public resources with a view to maximizing progress toward the twin goals depends to a large extent on the availability of good development statistics that can help improve the targeting of government expenditures and continuously measure their social and economic impact. Thus, PDO Indicator 3 (use of statistics for decision making and policy formulation) can also be considered a milestone toward achievement of the goals.

49. **Building on the results framework, the DLIs were selected to represent one or both of the following criteria**: (a) DLIs signal and monitor a milestone along the results chain without which the PDO cannot be achieved and (b) DLIs signal incentives for rewarding performance (Outputs, outcomes) to encourage the practice of managing for results (table 6 and Annex D).[25] Given the link between the DLIs and Program results areas (see the summary results framework in Annex Table C-1), attaining the DLIs will contribute to the Bank's twin goals through the above-mentioned links with the three Program results areas.

50. **The DLIs are combinations of outputs and intermediate outcomes; all of them meet the two criteria above.** For example, an increase in the proportion of MDAs receiving unqualified audit opinions directly contributes to the second results area of improved national and subnational transparency and accountability in the use of public funds.

[24] The World Bank brochure "End Extreme Poverty and Promote Shared Prosperity" (2013) states that increasing the welfare of the poor in low-income countries will require complex institutional and governance reforms that enhance the accountability of the state, raise the quality of service delivery, and improve the overall economic and social environment.

[25] See paragraphs 4–6 in Chapter 3 (on Disbursement-Linked Indicators and disbursement arrangements) of the Interim Guidance Note.

Table 6: Disbursement-Linked Indicators in the Program

Component/DLI	*Type* [a]	*Milestone to achieve PDO*	*Incentives for performance*
PFM			
DLI 1: Extent to which investment plans of pilot ministries comply with budget call circulars	Output, intermediate outcome	Yes	Yes
DLI 2: Extent to which Districts have adopted the automated local government revenue management system	Output	Yes	Yes
DLI 3: Extent to which the e-procurement system has been implemented	Output, intermediate outcome	Yes	Yes
DLI 4: Extent to which MDAs have improved in their compliance of financial management requirements	Output, intermediate outcome	Yes	Yes
DLI 5: Extent to which Sectors are using SEAS	Output, intermediate outcome	Yes	Yes
DLI 6: Extent to which government financial management staff are trained in public financial management	Output	Yes	Yes
Statistics			
DLI 7: Extent to which the production and timeliness of dissemination of economic statistics is enhanced	Output	Yes	Yes
DLI 8: Extent to which the variety of data available on NADA is enhanced	Output, intermediate outcome	Yes	Yes

a. Types include outputs, outcomes, process indicators, financing indicators, and key actions.

51. **The Program supports the Government's initiative to promote gender issues.** Gender-responsive budgeting is included in Subprogram 1.4 (policy-based budgeting) of the PFM SSP. The Program will support a gender-responsive budgeting training program for planning and budgeting officers. To strengthen the M&E of gender-responsive budgeting implementation, the 2013 Organic Budget Law includes a clause requesting an annual activity report on plans for gender balance.[26] Completing the annual activity report is part of the PAP. NISR started producing national and subnational gender statistics in 2011. Under NSDS 2, NISR committed to gender-disaggregated data collection of essential statistics such as labor statistics. The Program will support NISR's efforts in this area.

D. Key Capacity-Building and Systems-Strengthening Activities

52. **Results of the technical, fiduciary, environmental and social systems assessment identified capacity constraints and system-related risks.** For example, the fiduciary assessment notes the dearth of qualified officials to handle PFM functions, especially at the district level, where turnover of the few trained staff is high and the number of qualified staff is inadequate. The RRA also faces high staff turnover, with core functions permanently or temporarily understaffed. In the short term, the RRA may be short of staff to implement the centralization of districts' revenue collection.

[26] Article 68 of No.12/2013/OL of 12/09/2013 on Organic Law on State Finance and Property

53. **As the government recognizes that capacity building and systems strengthening are key for successful PFM and statistics reforms, the PFM SSP and NSDS 2 include capacity-building and systems-strengthening activities.** For example, Program 7 of the PFM includes a subprogram on coordination of training and capacity building. The fourth Strategic Objective of the statistics component focuses on developing capacities within the NSS.

54. **The Bank will support the Government's efforts in capacity building and systems strengthening through the Program and other activities.** Government activities to address capacity and system constraints are within the Program boundaries and thus within the expenditure framework (table 10), more than 20 percent of which relates to capacity building. In addition to the overall programs and subprograms for capacity building, every program includes capacity-building and system-strengthening elements. For example, in Program 1 (economic planning and budgeting), the Planning Department of MINECOFIN conducts annual training for central and subnational government staffs on cost-benefit analysis.[27] For PFM at the subnational level, the Budget Department of MINECOFIN conducts capacity-building initiatives for government officials at the subnational levels on planning and budgeting; bank accounts, debt, and arrears management; reporting procedures; consolidating procedures; and the IFMIS interface application. NISR plans to formulate skills development programs that provide training on statistics and data management. DLI 6 covers capacity building, and the PAP includes capacity-building elements such as a PFM learning and development strategy and an organizational development strategy of NISR. Through the Program Implementation Support Plan, the Bank will also augment existing M&E systems.

55. **Ongoing and planned Bank projects support capacity building and systems strengthening.** An Institutional Development Fund (IDF) project (P114616, to be completed in September 2014) has been supporting capacity development of public investment management The Bank plans to prepare a Report on Observance of Standards and Codes (ROSC) on accounting and auditing, a report on Harmonization of Use of Country Systems in financial management, and a Procurement System Performance Assessment. The Bank's programs and projects will be complemented by activities by other development partners, such as technical assistance from the IMF on domestic resource mobilization, fiscal decentralization, and budgeting. The Bank has been supporting activities in statistics strategies, including capacity development, through a Statistics for Results project (P124629, to be completed in June 2015). Its Quality of Decentralized Service Delivery project (P145114) supported capacity development at the subnational level. Other development partners also provide hands-on support. DFID, for example, has a country office–based statistician who supports NISR.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

56. **The Single Project Implementation Units (SPIU) of MINECOFIN will take the lead in implementing, monitoring, and reporting on the Program once implementation begins.** The Cabinet resolution of February 11, 2011 established SPIUs across line ministries and public agencies. The overall objective of SPIUs is to create institutional frameworks that guide the design and implementation of projects earmarked for fast-track realization of development

[27] Annex I includes detailed results frameworks by program.

targets envisaged in the SSPs.[28] The SPIU of MINECOFIN has accumulated relevant knowledge and experience.

57. **The multiplicity of processes, procedures, and information systems required by different donors create challenges for the Government**. These requirements increase the workload of accountants and procurement officers, create silos, and discourage the strengthening of country systems. It is therefore important for the SPIU to use a single system applicable to all projects, irrespective of donor. In the long run, increased use of country systems by development partners is expected to reduce transaction costs and increase the capacity to handle multiple tasks. In the short run, to ensure effective implementation of the Program, the Bank, through the Program Implementation Support Plan, will work with the SPIU, meeting periodically, for example, with the implementing agencies to review implementation progress.

58. **Each implementing agency will implement the relevant PFM programs and subprograms, with MINECOFIN's SPIU coordinating their efforts** (table 7). The MINECOFIN SPIU has been exercising a secretariat function on PFM reforms (organizing technical working group meetings and coordination forum, for example). It will be able to handle the coordination role. The unit will submit annual audited financial statements of the five implementing agencies within nine months of the close of each fiscal year.

59. **NISR will lead implementation of the statistical component of the Program.** NISR has solid program implementation capacity. It implemented NSDS 1 on schedule, with all major surveys and censuses conducted according to a timetable. An NSDS coordination team, consisting of procurement, financial management, M&E, and planning staff, is already in place. It has been trained by World Bank procurement and financial management specialists in the framework of the Bank's investment project support to NSDS 1.

[28] http://www.minecofin.gov.rw/index.php?id=58

Table 7: Role and Responsibilities of Implementing Agencies

Implementing Agencies and their Roles					*Overall Coordination*	*DLI Verification*
(1) PFM Component	Responsible Programs / Sub-Programs	DLI	PAPs	Component Coordination		
MINECOFIN						
(a) Planning Dep.	P1-(1): National Development Planning P1-(3): Public Investment Programming P2-(3): External Finance	DLI 1 (Extent to which investment plans of pilot ministries comply with budget call circulars)	- Planning and M&E policy and manual - Revised national investment policy	SPIU MINECOFIN	SPIU MINECOFIN	OAG (other than the one that OAG is implementing DLI)
(b) Chief Economist	P1-(2): Economic Policy Formulation P2-(1): Tax Policy Formulation					
(c) Budget Dep.	P1-(4): Policy Based Budgeting P6-(2): Facilitation of Fiscal Transfers P6-(3): Strengthening PFM Systems and Capacity at subsidiary Level		- Draft consolidated program template - Submit an annual activity report on how plans for gender balance have been implemented			
(d) Accountant General	P3-(1): Budget Execution P3-(2): Treasury Management P3-(4): Accounting & Reporting P3-(6): Fiscal Risk Management in Public Enterprises P5-(1): IFMIS P7-(2): Coordination of HR Training & Capacity Building	DLI 5 (Extent to which Sectors are using SEAS) DLI 6 (Extent to which government financial management staff are trained in public financial management)	- IPSAS roadmap - Roll out the current version of SmartFMS to the remaining entities - Reporting template for subsidiary entities - Placement of key staff for SEAS - Develop skills transfer policy from IFMIS vendors to staff			
(e) Chief	P3-(3): Internal Audit	DLI 4 (Extent to	- Revised internal audit structure			

Implementing Agencies and their Roles					*Overall Coordination*	*DLI Verification*
Internal Auditor		which MDAs have improved in their compliance of financial management requirements)				
(f) SPIU	P7-(1): PFM Coordination and Management P7-(3): Monitoring & Evaluation	DLI 6 (Extent to which government financial management staff are trained in public financial management)	- PFM learning and development strategy - Rwandan educational institutions accredited to provide training			
RRA	P2-(2): Tax Administration P6-(1): Resource Mobilization by Local Administrative Entities	DLI 2 (Extent to which Districts have adopted the automated local government revenue management system)	- Submission of amended tax code on areas of VAT exemptions to cabinet - Staff retention strategy - Action plan to improve VAT revenues			
RPPA	P3-(5): Procurement (including e-procurement)	DLI 3 (Extent to which the e-procurement system has been implemented)	- Procurement regulations revised and adopted			
OAG	P4-(1): External Audit	DLI 4 (Extent to which MDAs have improved in their compliance of financial management requirements)				
(2) Statistics Component	Responsible Programs / Sub-Programs	DLI	PAPs	Component Coordination		
NISR	1. Strengthen civil	DLI 7 (Extent to	- Organizational development	NISR		

Implementing Agencies and their Roles					*Overall Coordination*	*DLI Verification*
	registration system, administrative records, surveys and other sources of data. 2. Improve quality and dissemination of statistics and public statistical literacy. 3. Improve statistical advocacy and integrate use of statistics in decision making. 4. Develop capacity within NSS.	which the production and timeliness of dissemination of economic statistics is enhanced) DLI 8 (Extent to which the variety of data available on NADA is enhanced)	strategy of NISR developed			

B. Results Monitoring and Evaluation

60. **The Program's reporting arrangement will rely primarily on the existing M&E systems and procedures, such as the PFM quarterly and annual progress reports.** It will benefit from the M&E arrangement of the PFM Basket Fund, which covers almost all programs and subprograms of the PFM SSP. Table 8 shows the alignment between the M&E of the PFM SSP, the PFM Basket Fund, and the Program for the PFM component and the alignment between M&E of NSDS 2 and the Program for the statistics program.

Table 8: Alignment of Monitoring and Evaluation

PFM

PFM SSP	*Used for PFM Basket Fund*	*Used for PforR Program*		
Main monitoring exercise				
(1) Annual Joint Sector Review (JSR)	☒	☒		
(2) PEFA (2014 and 18)	☒	☒		
(3) Midterm Review (2016)	☒	☒		
(4) End of Term Review (2018)	☒	☒		
Monitoring indicators		DLIs	Results Framework	PAP
(1) Deviation between MTEF projections and annual budget allocations (percent)	—		PDO Sub-Indicator 2-3	—
(2) Taxes as percentage of GDP	—	-	PDO Indicator 1	—
(3) Proportion of MDAs receiving unqualified audit opinion	—	DLI 4	PDO Sub-Indicator 2-1	—
(4) Proportion of value of procurement tendered competitively	—	—	—	—
(5) Percent of approved budget audited by OAG	—	—	—	—
(6) Percent of qualifying public entities using a fully-fledged IFMIS	—	—	—	—
(7) Number of qualifying public entities using IPPIS modules and functionalities	—	—	—	—
(8) Percent of subsidiary entities using a simplified accounting and financial reporting application	—	DLI 5	PDO Sub-Indicator 2-2	—
(9) Cumulative percent of PFM outputs achieved over the SSP period	—	—	—	—
	Specific reports	Use for Program M&E		
—	(1) Progress reports (quarterly and annually)	☒		
—	(2) Work plans, procurement plans and budget (annual)	☒		
—	(3) Audit report (annual)	—		
—	(4) Unaudited financial statements (annual)	—		
—	(5) Annual and midterm reviews	☒		

PFM SSP	*Used for PFM Basket Fund*	*Used for PforR Program*
		Use for Program M&E
—	—	Progress on DLI, PAP, and expenditures as identified in expenditure framework (twice a year)
—	—	Audited financial statements of implementing agencies

Statistics

NSDS 2		*Used for PforR Program*
Main monitoring exercise		
(1) Annual reviews		☒
(2) Midterm Review		☒
(3) Final Review (2018/19)		☒
(4) User satisfaction survey (2014/15 and 2016/17)		☒
(5) World Bank Statistical Capacity Indicator		—
Monitoring indicators		
Overall	(1) Overall user satisfaction in statistics produced	PDO Indicator 3
	(2) World Bank Statistical Capacity Indicator	—
	(3) IMF's Special Data Dissemination Standard (SDDS) status	—
SO1: Strengthen civil registration system, administrative records, surveys, and other sources of data	(4) Production and publication of vital statistics	—
	(5) Production and publication of administrative statistics	DLI 8
	(6) Increase in frequency of EICV and Demographic and Health Survey (DHS)	
	(7) Introduction of establishments census , integrated business enterprise survey, and labor force survey	DLI 7, PDO Indicator 3-2
	(8) Production and development of economic statistical outputs: production and publication of regular economic statistics (national accounts, consumer price index: monthly, producer price index: quarterly, GDP: quarterly and annually, trade statistics: quarterly rebasing of national accounts every three years	DLI 7
SO2: Improve quality and dissemination of statistics and public statistical literacy	(9) Establishment of quality assurance framework for official statistics (all data produced by NISR and administrative data cleared by NISR)	—
	(10) Regular dissemination workshops and seminars	—
SO3: Improve statistical advocacy and integrate use of statistics in decision making	(11) Implementation of advocacy strategy	—
	(12) Number of participants in events and workshops/infographic competition	—
	(13) Number of statistics hits on website	—
SO4: Develop capacity within NSS	(14) Implementation of capacity-building plan	PAP SO4-(1) (organizational development strategy of NISR)
	(15) Annual reviews and evaluations conducted and findings implemented	—
	(16) Annual and quarterly plans and reports produced and approved	—

NSDS 2		*Used for PforR Program*
SO5: Consolidate coordination within NSS	(17) Use of standard classifications and manuals	—
SO6: Improve resource mobilization and build strategic partnerships	(18) Commitments for implementation of NSDS2	—
	(19) NISR score by Office of General Auditor	—

61. As the existing M&E framework does not cover all key information for effective implementation of the Program, the MINECOFIN SPIU will separately report the following information.

- progress on DLIs and PAPs: twice a year, by February and August
- progress on expenditures by programs and subprograms, as identified in the expenditure framework: twice a year, by February and August
- audited financial statements of implementing agencies: annually[29].

C. Disbursement Arrangements and Verification Protocols

62. On disbursement arrangements, DLI targets are given in an indicative annual time frame (Annex D). Confirmation that an indicator has been achieved/completed will be based on the agreed verification protocols. Once an indicator is achieved/completed, the Government can make a disbursement request up to twice a year. In order to implement activities to achieve DLIs, the Government has requested that 25 percent of Program proceeds be paid as an advance. In addition, if the Government achieves the first-year DLI 3 on E-Procurement before the signing of the legal agreement, the Bank will disburse an additional 5 percent of the Program proceeds as prior results.[30] (See Annex Table D-1.)

For selected DLIs, the Bank will apply for scalability for disbursement. For example, for the DLI 6 (Extent to which government financial management staff are trained in public financial management**)**, actual disbursement will be calculated based on the ratio between the gap between the actual number and baseline and the gap between the target and baseline.

63. In order to conduct the verification protocol, the MINECOFIN SPIU will be responsible for gathering all data, information, and evidence of completion of the DLIs from the implementing agencies, which it will deliver to the Bank and an independent body, such as OAG, for verification.[31] The Bank or the OAG, or both will conduct onsite visits. The financial resources required for verification have been included in the expenditure framework.[32] Verification is thus fully funded. The contents and quality of verification will have to be satisfactory to IDA.

[29] The audit shall cover all the implementing agencies (RRA, RPPA, OAG, NISR and MINECOFIN (with an annex to the MINECOFIN notes to the financial statements that will contain such information deemed classified expenditure which shall remain confidential to the government).
[30] Paragraph 14-16 of BP 9.00 – Program-for-Results Financing
[31] OAG not conduct verification of DLI 4, as they are in charge for data collection and provision. The Government will hire an external consultant for the verification of DLI 4. The terms of reference of the consultant will be agreed with the Bank.
[32] In case the OAG will have to hire a consultant, based on the past experience, US$70 thousands (annual) are included in the expenditure framework.

D. Coordination with Other Development Partners

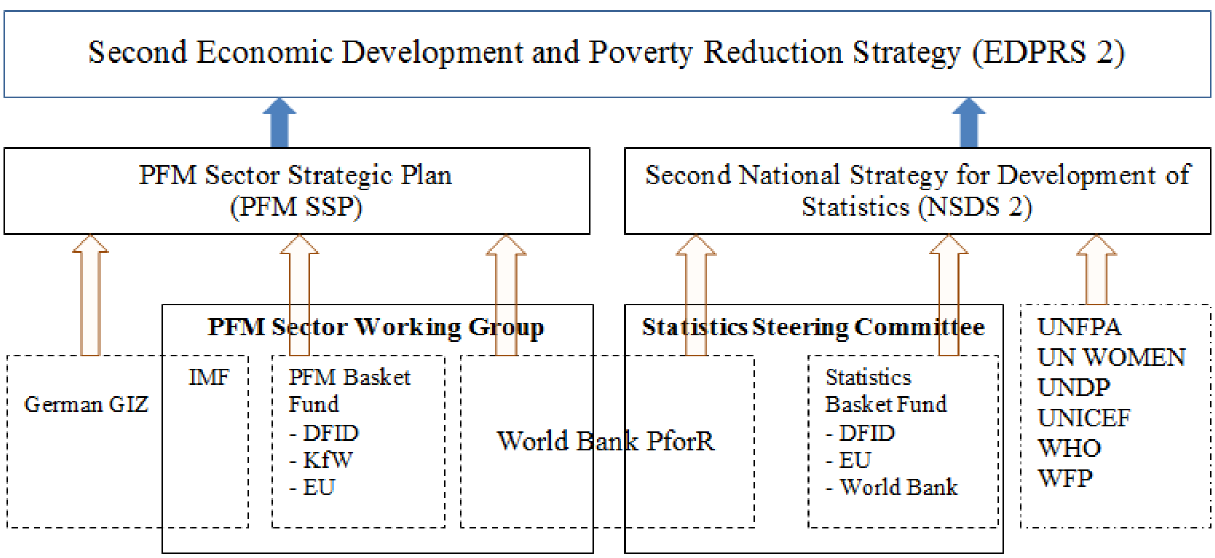
64. Other development partners, as well as other Bank projects, support PFM and statistics reforms (table 9). These activities are aligned with government programs under the PFM SSP and NSDS 2 (figure 7). The Government exercises its ownership to coordinate support from developing partners (including the Program) through existing discussion platforms. The Bank will further strengthen coordination with other development partners during implementation, by, for example, conducting dialogues during supervision missions.

Table 9: Development Partners' Ongoing and Planned Support to PFM and Statistics

Program component/ development partner	*Supports PFM SSP/ NSDS 2*	*Uses Government's own PFM/ procurement systems*	*Support activities*
PFM			
AfDB	☒	☒	• Funding of pilot on automated revenue collection
DFID	☒	☒	• Funding and technical assistance to support implementation of PFM SSP through PFM Basket Fund • Direct support to OAG • Financial support to the Bank to hire PFM specialist
European Union	☒	☒	• Funding and technical assistance to support PFM SSP implementation through PFM Basket Fund
GIZ	☒		• Technical assistance on fiscal decentralization and subnational PFM, TA to the Chief Internal Auditor, Training of Internal Auditors in districts, development of a simplified accounting and financial reporting application, accounting and reporting of subsidiary entities, procurement training of subsidiary entities, analysis of OAG reports of districts, training for district councilors.
IMF	☒		• Technical assistance on domestic resource mobilization, fiscal decentralization, program-based budgeting, PFM harmonization across East African Community (EAC), medium-term budgeting framework, financial reporting, budgeting, and Organic Budget Law.
KfW	☒	☒	• Funding and technical assistance to support PFM SSP implementation through PFM Basket Fund
World Bank	☒	☒	• IDF support to public investment management (P114616) (planned to be completed in September 2014) • Co-chairing of PFM Coordination Forum • Preparation of Report on Observance of Standards and Codes (Accounting and Auditing) • Use of Harmonization of Use of County Systems in financial management (IPSAS road map) • Technical assistance on procurement system performance assessment
Statistics			
AfDB	☒	☒	• Financial contribution to ongoing household survey (EICV 4)

Program component/ development partner	*Supports PFM SSP/ NSDS 2*	*Uses Government's own PFM/ procurement systems*	*Support activities*
DFID	☒	☒	• Funding to basket fund to support implementation of NSDS 2 • Provision of hands-on support by Country Office–based statistician
European Union	☒	☒	• Funding to basket fund to support implementation of NSDS 2
IMF	☒		• Technical assistance on national accounts, national account harmonization across EAC, government financial statistics, price statistics, open platform, monetary and financial statistics, and balance of payments and external statistics
UNDP	☒		• Technical assistance on IT issues
UNFPA	☒		• Execution of population census
UNWOMEN	☒		• Implementation of gender statistics
World Bank	☒	☒	• Support of NSDS 1 and 2 through Statistics for Results (P124629) • Support of capacity development of gender statistics (provided by DECDG)

Figure 7: Coordination among Development Partners



IV. ASSESSMENT SUMMARY

A. Technical Assessment (Including Program Economic Evaluation)[33]

Strategic Relevance

65. **EDPRS 2 identifies a catalytic role for the public sector in private sector–led development.** As part of key public sector reforms in Rwanda, improving PFM is expected to improve accountability as well as efficiency in resource allocation and utilization. Doing so is especially important for Rwanda, where the budget reaches almost 30 percent of GDP and the tax to GDP ratio is as low as 14 percent. Since the commencement of decentralization in 2000, the level of subnational expenditures has become an important part of overall expenditures (32 percent of domestic revenues). PFM reforms at the subnational and central levels are thus equally important. Statistics play a critical role by informing evidence-based policy making and supporting planning and budgeting, thereby contributing to more efficient and effective use of public resources.

Technical Soundness

66. **Both the credibility of the strategies and the adequacy of its activities for achieving the PDO confirm the Program's technical soundness.** Both the PFM SSP and NSDS 2 fully or mostly meet key criteria, such as government ownership, realism and achievability, and comprehensiveness (see Annex Table E-2). Formulation of the strategies was fully led by government agencies, in close collaboration with all relevant stakeholders (including the Bank). On the adequacy of the Program activities for achieving the PDO the PFM SSP was formulated based on lessons learned from the previous strategy as well as the 2007 and 2010 PEFA assessments. The Bank and other development partners scrutinized existing mechanisms, such as annual work plans and quarterly technical working group meetings, for technical soundness. Activities the Program will support are essential to improving the PFM cycle and will thus directly contribute to achieving the PDO.

Governance Structure and Institutional Arrangements

67. **MINECOFIN, RRA, RPPA, OAG, and NISR are the implementing agencies for the Program.** They will implement relevant government programs and subprograms, as described in Table 5 and Table 7. The MINECOFIN SPIU will coordinate implementation, monitoring, and reporting on the PFM component. NISR will take the lead in the statistics component. Overall progress of the PFM SSP and NSDS 2 will be monitored quarterly through operationalized M&E frameworks, such as the PFM Coordination Forum and the Statistics Steering Committee, together with development partners. In addition, during supervision missions (at least twice a year), the Bank and implementing agencies will conduct in-depth discussions of progress and challenges related to the Program.

Expenditure Framework

68. **Total expenditure for the Program is US$172 million, to be disbursed between FY2014/15 and FY2017/18 (table 10). The PFM component accounts for 65 percent (US$113 million), and the statistics component accounts for 35 percent (US$59 million) of the Program.** Almost all expenditure activities are less than US$5 million; exceptions include activities in e-procurement, IFMIS, and the fifth household survey (EICV 5). Formulation of the

[33] See details in annex E.

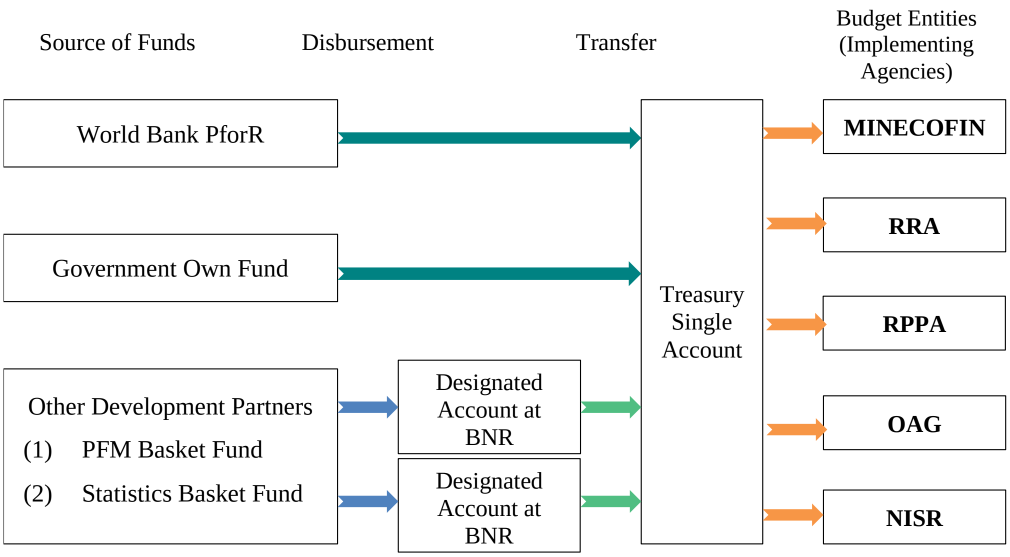
total expenditure framework built on costing exercises of the PFM SSP, NSDS 2, and the MTEF. With the support of US$100 million from the Program together with contributions from the government (US$41 million) and other development partners (US$30 million), the PFM and statistics programs will be fully funded.

69. **Given the importance of addressing capacity constraints, the Government plans to conduct capacity-building activities amounting to US$37 million (22 percent of total expenditures) during the Program implementation period.** According to the economic classification,[34] the Government plans to spend US$2 million (1 percent of the total) on compensation of employees in the MINECOFIN SPIU, US$122 million (71 percent of the total) on goods and services, and US$47 million (28 percent of the total) on fixed capital. Construction of the statistics training center is the Program's only physical activity. It was addressed in the environmental and social systems assessment (ESSA) (see Annex G). Other fixed capital activities include the purchase of software and related activities for e-procurement and the future IFMIS. Procurable items (total minus compensation of employees) account for 99 percent of total expenditures. Section IV of the Fiduciary Assessment analyzes the strengths and weaknesses of the procurement systems and practice. Weakness identified will be addressed through the Program (including through DLI and PAPs).

70. There are no high-risk activities in the Program that are or need to be excluded.

71. **Funds Flow of Program Expenditures.** The proceeds of the Program will be part of the budget. They will be disbursed against the Treasury Single Account (TSA) and then allocated to the implementing agencies (Figure 8). Execution of the budget follows relevant law and regulations.[35]

Figure 8: Funds Flow of Program Expenditures



[34] Based on the IMF's 2001 *Government Finance Statistics Manual* (https://www.imf.org/external/pubs/ft/gfs/manual/).

[35] Chapter IV (State Budget Execution) of the 2013 Organic Law on State Finance and Property defines budget execution. Practical guidelines for budget managers are included in Chapter 6 (Budget Execution) of the *Simplified Public Financial Guidelines for Chief Budget Managers*.

72. **Program Budget Structure and Classification:** The budget classification system is comprehensive and consistent with international standards. It is prepared in compliance with the IMF's Government Finance Statistics Manual (IMF-GFSM 2001). However, it is not classified based on SSPs or other sector strategies under the EDPRS 2. Therefore, in order to translate the information in the MTEF into the PFM SSP and NSDS 2, the government has manually reclassified the MTEF (see Annex 7 in the Technical Assessment).

73. **Program's Financial Sustainability and Funding Predictability**: Program's financial sustainability and funding predictability are considered to be appropriate. According to the latest IMF/Bank Joint Debt Sustainability Analysis (DSA), Rwanda's risk of debt distress rating has improved from moderate to low in the latest DSA in response to a broadened export base. A challenge is to improve the execution ability measured by the deviation between the budget and actual needs to be improved. The execution rates of the PFM program in the past two years are on average 80 percent. The expenditure framework does not include non-discretionary items such as wages and salaries, as the budget classification does not allow capturing wages and salaries by the specific programs and the government will finance wages and salaries by their own revenues.

74. **Efficiency of Program Expenditures: Institutional Arrangements and Expenditure Execution Incentive Mechanism.** Rwanda has a very good track record of results-based development management. For example, Rwanda was one of two countries whose national development strategy was rated "A" in the 2010 Paris Declaration survey among 77 countries surveyed. The results-based aspect was strengthened further in EDPRS 2 and SSPs. Results-based management has also been operationalized at the ministerial, agency, units, and staff levels, which has created strong incentive mechanism to achieve results. Efficiency of expenditures under PFM SSP has been scrutinized by existing mechanism (e.g., PFM Basket Fund), too.

Table 10: Program Expenditure Framework
(US$ millions)

	Government fiscal year					*Expenditure category*			
Component/expenditure type	*2014/15*	*2015/16*	*2016/17*	*2017/18*[a]	*Total*	*Capacity building*	*Wage and salaries*	*Goods and services*	*Fixed capital*
PFM	38	33	24	19	113	31	2	71	40
P1 Economic planning and budgeting	3	3	2	2	10	2	0	9	1
P2 Resource mobilization	11	5	3	1	20	1	0	14	6
P3 Budget execution, internal control, accounting, and reporting	7	13	7	4	30	12	0	21	9
P4 External oversight and accountability	2	2	2	2	7	5	0	6	1
P5 Electronic service delivery and IFMIS	8	5	5	5	23	1	0	3	20
P6 Fiscal decentralization	4	4	4	3	15	6	0	13	2
P7 PFM sector coordination and management	2	2	2	3	8	4	2	6	0
Statistics	17	15	13	15	59	6	0	51	8
Strengthen civil registration system, administrative records, surveys, and other sources of data	9	4	8	9	30	0	0	30	0
Improve quality and dissemination of statistics and public statistical literacy	0	0	0	0	1	0	0	1	0
Improve statistical advocacy and integrate use of statistics in decision making	0	0	0	0	0	0	0	0	0
Develop capacity within NSS	7	10	5	6	28	6	0	20	8
Total (PFM + Statistics)	54	47	37	34	172	38	2	122	48
Sources of funding									
Government	14	3	2	23	41	n.a.	n.a.	n.a.	n.a.
World Bank PforR	30	35	32	3	100	n.a.	n.a.	n.a.	n.a.
Other development partners	10	103	3	8	30	n.a.	n.a.	n.a.	n.a.
Total	54	47	37	34	172	n.a.	n.a.	n.a.	n.a.
Share of PforR in total (percent)	56	74	87	9	58	n.a.	n.a.	n.a.	n.a.

Source: MINECOFIN.
Note: n.a. = Not applicable.
a. Extrapolated based on ratio of FY2017/18 to FY2016/17.

Results Framework

75. **The results framework of the Program builds on the results frameworks of the PFM SSP and NSDS 2.** These government strategies include sound frameworks linking inputs/activities, outputs, intermediate outcomes, and outcomes toward national goals in EDPRS 2. The results framework includes three key results areas: (a) enhanced national and subnational revenue collection, (b) improved national and subnational transparency and accountability in the use of public funds, and (c) improved use of public data for decision making. Each results area is reflected in DLIs, PAPs, and the Program Implementation Support Plan.

Program M&E

76. **The MINECOFIN SPIU will coordinate the Program M&E. On PFM, the Program will draw on the M&E framework of the PFM SSP, the M&E plan for which includes several monitoring tools, such as a joint sector review of the sector, PEFA, and midterm/end of terms reviews.** The MINECOFIN SPIU has made progress on M&E of the PFM SSP. In the first year of implementation (2013/14), it consolidated three quarterly progress reports and one annual report for 2012/13 with inputs from other units of MINECOFIN and other agencies that are the implementing agencies of the Program. On statistics, the Program will draw on the M&E framework of NSDS 2, which includes a comprehensive logical framework with output and outcome indicators for each of its six strategic objectives. The results framework for the Program is a subset of the NSDS 2 logical framework. During NSDS 2, NISR will report on progress through quarterly, biannual, and annual progress reports. In addition, an independent consultant will carry out annual, midterm, and final reviews of progress. An independent user satisfaction survey will be conducted every two to three years to gauge use of and satisfaction with data produced and disseminated by the NSS by a wide variety of stakeholders (government, local and international organizations, research institutes, civil society, and so forth) to measure PDO Indicator 3.

M&E Capacity

77. **The MINECOFIN SPIU and NISR have demonstrated relevant M&E capacities. On PFM, the MINECOFIN SPIU published PEFA reports in 2007 and 2010 and an independent evaluation of the implementation of the PFM reform strategy for 2008–12.** M&E of the PFM SSP has progressed almost on schedule, with quarterly reports prepared for the PFM Basket Fund. Although progress related to RRA, RPPA, and OAG is covered in the M&E of the PFM SSP, these implementing agencies also periodically publish their own annual reports on their websites. On statistics, NISR regularly reported progress of NSDS 1 through the Statistics Steering Committee and plans to complete the NSDS 1 review.

Rationale for Public Provision

78. **The rationale for public provision of PFM and statistics is strong. PFM system and procedures are the platform for the efficient management of a country's resources; reporting, audit, and oversight functions are essential elements of accountability.** As improving PFM system and procedures is expected to create spillover effects to the rest of the economy, public provision is justified. On statistics, the processes of planning, policy making, and M&E of government policies require a wide variety of development statistics that only public investment can provide. Left to the market, there would likely be significant

underinvestment in statistics. These rationales are especially relevant in Rwanda, where the private sector is underdeveloped.

Economic Impact

79. **Returns to investment in PFM and statistics are likely to be high**. Improving PFM is expected to increase the effectiveness and efficiency of allocations of public resources.[36] In the PFM cycle, the planning and budgeting element is key in bringing national development priorities and allocation of a country's resources together. Planning and budgeting include public investment management. In the 2014/15 budget, the government plans to spend US$1.1 billion (45 percent of the total budget) on development. Public procurement plays a critical role in effective public expenditure management. In Rwanda, where annual procurement totals about US$0.8 billion, introducing e-procurement has huge potential for increasing efficiency in addition to transparency and compliance. A feasibility study commissioned by the Bank finds that "using a very conservative 1 percent of cost savings (including time, lower transaction costs, paper, travel and other), we estimate e-GP [e-government procurement], will save the country $8 million a year. The actual savings, based on other known cases with carefully planned implementations of e-GP, should be significantly higher, with a quick return on investment."[37] This savings is almost equivalent to the planned expenditure to design and implement e-procurement. The cost saving impact of e-procurement is to be observed in the medium term (if not sooner), suggesting that supporting e-procurement is well justified.

80. **The future IFMIS constitutes one of the largest spending items in the expenditure framework (US$16 million of US$171 million, or about 9 percent of the total).** According to an internal World Bank note,[38] the difficulties in measuring the benefits of a Financial Management Information System (FMIS) vary a great deal across projects in various regions; a comprehensive quantification of costs and benefits is generally not possible for large-scale PFM projects. At the same time, in all completed projects, client countries have reported improvements, including in revenue collection, cash forecasting, debt management, payment processing times, reliability and transparency in public accounts, procurement and payroll management, tracking of assets, and the publication of more accurate and timely reports on budget execution performance. They also report improved operational efficiency and reduced recurrent costs for information and communications technology (ICT) infrastructure.

81. **The main cost items for the future IFMIS are software acquisition and development (US$4 million) and implementation (US$8 million).** The Government has decided that the future IFMIS will build on the current system. The costs will therefore likely be much lower than they would be for acquiring a new system. The Government plans to add new modules, such as asset management, inventory management, procurement interface, and project management. The future IFMIS will also interface with other systems, such as e-procurement and the donor

[36] A 2013 report by the Overseas Development Institute "Linking PFM Dimensions to Development Priorities" (Working Paper 380) analyzes the relationship between PFM and development objectives such as macroeconomic stability, the efficient allocation of resources, service delivery, and nation building. It finds a positive relationship between PFM and macroeconomic stability and efficient allocation of resources; relationships with service delivery and nation building are less clear and more complex.

[37] Crown Agents. 2013. *Feasibility Study: To Conduct an e-GP Assessment for Rwanda's Public Procurement Authority*.

[38] "Measuring the Potential Impact of FMIS on PFM Improvements in IDA Countries," Internal World Bank Informal Note.

assistance database. Establishing interface with other systems is expected to increase benefits of the future IFMIS. The government plans to roll out the future IFMIS between FY2015 and FY2017. If the savings ratio of 0.5 percent is applied to the entire budget for Rwanda (about US$3 billion a year), annual saving would be US$15 million. As the future IFMIS builds on the current IFMIS, the cost saving impact would likely be lower, because of the diminishing rate of return. Nevertheless, even if a very conservative assumption (0.1 percent saving ratio) is applied, the annual saving would be US$3 million, and it would take just five years to reach the breakeven point.

82. **Good statistics bring tangible benefits in the form of improved policy and better development results and reduce waste caused by the misallocation of resources.** Having good statistics to guide targeting of social programs, for example, significantly reduces misallocation of resources.[39] Statistics are particularly important in Rwanda, where many social benefits (health insurance, cash transfers, participation in public works) are provided based on a household's social and economic status. Better agricultural, labor market and other economic and social statistics can also help improve the design and evaluation of a variety of development programs.

B. Fiduciary Assessment[40]

83. **The assessment covered the institutions that are directly responsible for the implementation of the Program, namely, MINECOFIN, RRA, OAG, RPPA, NISR, and one district council from each of the five provinces based on the size of budget transfers and population.**[41] The assessment also included meetings and discussions with key governance and anti-corruption oversight institutions on issues of fraud and corruption, including the Office of the Ombudsman (OM) and the National Public Prosecution Authority (NPPA). Nonstate actors that are familiar with and use government systems were also consulted, including Transparency International Rwanda and the Private Sector Federation.

Financial Management

84. **Financial management systems and processes have both strengths and challenges, as shown in recent PFM diagnostic reports**.[42] The strengths of the Program's financial management systems include (a) the simplified public financial guidelines for chief budget managers which provide clear descriptions for the various PFM processes;[43] (b) the orderly, participatory, and transparent planning and budget preparation process; and (c) a strong financial management legal framework. Challenges include (a) the dearth of suitably qualified and experienced staff, especially at the district level; (b) the inability of the responsible MDAs to properly budget and report at the targeted SSP program/subprogram level; (c) a large percentage

[39] Elbers, C., T. Fujii, P. Lanjouw, W. Yin, and B. Ozler. 2004. "Poverty Alleviation through Geographic Targeting: How Much Does Disaggregation Help?" World Bank Policy Research Working Paper 3419.
[40] See details in annex F.
[41] The districts are Gasabo (City of Kigali), Nyamagabe (South Province), Rusizi (West Province), Gatsibo (East Province), and Gicumbi (North Province). Districts are not implementing agencies of the Program.
[42] See the PEFA 2007 and 2010 assessments, sector public expenditure review reports, public expenditure tracking survey reports, and the independent midterm and end-term evaluations of the Public Financial Management Reform Strategy (2008–12).
[43] See http://www.minecofin.gov.rw/fileadmin/documents/MINICOFIN-PFM-Guidelines-July-2011.pdf.

of MDAs receiving qualified audit reports; and (d) a largely undeveloped internal audit function at both the national and subnational levels.

Procurement

85. **The government has an acceptable public procurement legal framework that is based on the United Nations Commission on International Trade Law (UNCITRAL) model.** The legal framework is robust and covers all aspects of public procurement at all levels of government. To improve compliance, efficiency, transparency, fair competition, and value for money and control in public procurement, the Government is moving toward modernizing its procurement function by introducing e-procurement. The planned introduction of e-procurement is reflected in the RPPA medium-term strategic plan for fiscal 2012/13–2014/15. With the assistance of the World Bank, Crown Agents conducted a feasibility study on e-procurement and prepared a conceptual design that was submitted to the Government. If the Government opts for direct contracting, it will require MINECOFIN to invoke Article 17 (impossibility to meet conditions for use of given method) of the Public Procurement Law to justify doing so. On construction of a statistics training center, NISR will select a consultant to conduct the design review related to renovating existing offices and designing of a training center. As NISR does not have a civil engineering department, it will receive technical support from the Rwanda Housing Authority, which will provide approval as a custodian of the government asset.

Fraud and Corruption

86. **Fraud and Corruption:** An assessment of the systems and processes for dealing with fraud and corruption (F&C) issues also shows that Rwanda has strong institutional, organizational and legal frameworks for controlling fraud and corruption. Rwanda strengthened the legal frameworks in 2013 with the amendment of a law to allow the OM to prosecute cases of corruption, although there is a transition to enable the OM to be properly prepared to take over prosecution of corruption cases from the NPPA. Organic Law n°61/2008 of 10/09/2008 on the Leadership Code of Conduct is also in place to promote integrity throughout the public sector. This is reinforced by the annual declaration of assets by selected public officers, which in the context of the Program, includes procurement officers and other functional offices in the implementing agencies. Implementation and enforcement of these laws and codes are quite robust and severe sanctions are applied to those found guilty of violation. The anti-corruption agencies also been effective and have reasonable capacity to do their job, including covering the Program. The OM data shows that 307 of 453 cases (68 percent) in 2009-2013 were investigated with only 9 sent to prosecution and 18 transmitted to other institutions, including the police. Many of the complaints received are related to maladministration, followed by local entities, procurement and justice sector.

87. **Overall, both the OM and the NPPA has reasonable capacity in terms of staffing and qualifications to investigate cases of corruption.** One constraint in the case of the OM is high turnover of investigators and length of time to replace them due to delays from MIFOTRA. Continuous professional development and capacity building for staff of the OM and NPPA will be necessary since majority of the investigators are quite young and new. Other challenges include (a) shortage of suitably qualified fiduciary staff and all 30 Districts have qualified audits which increases the risks for fraud and corruption in the Program; (b) difficulty of obtaining evidence and lack of information to prosecute allegations of corruption; prosecution rate is quite low, and (c) weaknesses in contract management, including delays in payments for contracts awarded. The PAP for this operation includes specific measures to strengthen PFM capacity

through training and professionalization of staff at the district levels. DLI 4 focuses on percent of MDAs receiving unqualified audit opinions and DLI 6 focuses on number of government PFM staff (including subnational governments) with at least foundation-level professional finance qualifications. These measures will have positive impact of reducing the risks for fraud and corruption, in addition to the regular checks and audits done by the RPPA, OM and OAG.

88. **The Parliamentary Public Accounts Committee is relatively new (established in April 2011).** However, it has proven to be a robust oversight institution for financial management with financial managers being regularly called to account. The PAC reviews and act on reports submitted by the Auditor General, including reports on the key implementing agencies (MINECOFIN and NISR) and these are having a positive impact in enhancing the accountability of public institutions and officials. Assessment of the implementing agencies of the Program also suggest the processes and systems for handing and reporting fraud and corruption are in place and functioning reasonably well, though in the case of districts more need to be done to improve oversight and internal controls due to capacity constraints as noted in the fiduciary assessment. In addition, the OM carries out surprise checks on public institutions such as MINECOFIN and NISR and these agencies are obliged to report for investigation allegations of fraud and corruption and these are reasonably enforced within the agencies assessed. The legal frameworks for controlling for fraud and corruption were reinforced by passing of the Whistle Blowers Protection Act in 2013.

89. **Handling complaints and allegations in the Program:** There is also a well-functioning system for receiving, recording and responding to complaints and grievances related to fraud and corruption in the oversight agencies (OM, NPPA, and RPPA) and also in the implementing agencies. Within the implementing agencies and the oversight agencies, there are multiple channels used including, telephone hotlines, dedicated emails, letters, complaint boxes for fraud and corruption in offices and public places. Complaints boxes for corruption are placed in all public institutions, including the implementing agencies and secured and managed by the OM. The OM also has informers all over the country, including districts that provide information on possible fraud and corruption to the HQ in Kigali. In addition, the OM carries out surprise checks on these agencies. However, more needs to be done to improve internal controls due to capacity constraints in the districts. This is part of the Program and will be expected to have positive impact on mitigating the risk of fraud and corruption. There are also third party systems and processes used to lodge complaints where members of the public or businesses feel less intimated (e.g. through TI-Rwanda and the Private Sector Federation).

90. **Application of World Bank Anti-Corruption Guidelines**: The assessment also reviewed the capacity and commitment of Government to apply the World Bank's Anti-Corruption Guidelines in the Program with the relevant government institutions including MINECOFIN, RRA, and NISR, as well as the oversight bodies (OM, NPPA, and RPPA). There was commitment on the part of the Government to apply the AGCs and this will be reflected in the legal agreement for the PforR. Specifically these includes (a) commitment that firms or individuals on the World Bank's debarment or suspended lists shall not be allowed to bid for contracts or benefit from a contract or proceeds of the program and the responsibility of MINECOFIN (the lead implementing agency) to ensure that all implementing and procuring entities have the updated list; (b) commitment that the NPPA and OM and implementing agencies will share information on fraud and corruption in the program with the World Bank; and (c) commitment to undertake investigations of any allegations of fraud and corruption by

OM and NPPA and that the World Bank's Institutional Integrity Vice Presidency may directly investigate any fraud and corruption allegations made against the entire program or part of the program.

91. **The fiduciary risk for the Program has been assessed as substantial (and can be lowered to moderate with mitigation**. The main fiduciary risks are (a) the dearth of qualified and experienced staff, especially at the district level; (b) the inability of the responsible MDAs to properly budget and report at the targeted SSP program/subprogram level; (c) a largely undeveloped internal audit function at both the national and subnational levels; (d) improper/incomplete books of accounts, leading to qualified audited financial statements; (e) the absence of a specialist on e-procurement to provide technical support and guide during procurement process and operationalization of e-procurement; (f) the absence of a civil engineering department within NISR to provide technical support related to design and construction of a training center; (g) inadequate arrangements to deal with fraud and corruption at the district level in the context of weak internal controls; and (g) contract management problems, including delays in payment.

92. **The agreed upon mitigation measures are deemed adequate to support the operation. They reduce the risk to moderate.** Key mitigation measures are suggested in the PAP (for example, the measures included in Section IV-E), which have been discussed with and agreed to by the implementing MDAs. Technical assistance—from the PFM Basket Fund (DFID, the European Union, and KfW and a dedicated subfund for the OAG, to protect its financial independence) and from the IMF, through its African Regional Technical Assistance Centers (AFRITACs) in the areas of revenue administration, PFM, and macro-fiscal analysis—will help progressively address challenges in order to meet the related DLIs. Overall, the assessment concludes that the systems in place and the implementation of the mitigation measures proposed for fiduciary and fraud and corruption would be adequate to provide reasonable assurance that the program financing will be used for intended purposes, with due attention to principles of economy, efficiency, effectiveness, transparency and accountability.

C. Environmental and Social Effects[44]

93. **Environmental and social risks are assessed as low.** The Program involves very few physical activities, and those that are envisaged have limited potential environmental and social impacts. Overall, national systems for handling environmental and social aspects in development operations are relatively strong, and Rwanda has a solid recent track record in complying with both national legislation and World Bank safeguards. No land acquisition is required for implementation of the Program, and no issues related to social conflicts are expected. The only civil works planned is construction of the national training center, which will be conducted within the existing NISR compound. Strengthening ICT infrastructure for NISR and the NSS, along with strengthening NISR's physical assets, will eventually require management of e-waste from old IT and other equipment. The scope of potential negative impacts is limited by the nature of the activities. Implementation will be closely monitored through routine program reporting and occasional field verification by Bank missions.

[44] See details in Annex G.

94. **The environmental risks associated with the construction of a training center within the premises of NISR are limited to construction phase impacts.** Strengthening ICT and physical assets of NISR and the NSS may cause environmental risks associated with e-waste management of old IT and equipment. Inappropriate e-waste management makes e-waste much more hazardous than many other types of municipal wastes, because electronic gadgets contain highly toxic chemicals and metals. Long-term exposure to these substances damages the nervous system, kidneys and bones, and reproductive and endocrine systems. Crude handling e-waste without environmental monitoring generates many kinds of poullutants, with serious problems for ecological and human environment. The open burning of cables to recover copper produces highly toxic dioxin emissions, which are emitted into the air.

95. **The Program is expected to have positive social impacts,** by improving (a) efficiency in national and subnational revenue collection, (b) national and subnational transparency and accountability in the use of public funds, and (c) the use of development data for decision making. There are no adverse social impacts.

D. Integrated Risk Assessment Summary[45]

96. **The overall risk rating is substantial (table 11).** The overall rating is derived from the risk ratings of the operating environment risks, which are moderate, and the program risks, which are substantial.

97. **The key risk areas in the program are technical and fiduciary.** Technical risks includes the risks associated with (a) coordination among Government leadership, (b) human resource capacity challenges, and (c) the extent to which citizens consider districts as credible as a result of centralized revenue collection. Fiduciary risks include the risks associated with (a) accounting and financial reporting at the district level, (b) internal control, (c) external audit, (d) human resources and capacity, (e) contract management, and (f) capacity for investigation of corruption (table 11). As the PDO is to enhance Public Financial Management and statistics systems to improve transparency and accountability in the use of public funds, revenue mobilization, and the quality and accessibility of development data for decision making, implementation of the Program (including DLIs, PAPs, and the Program Implementation Support Plan is expected to mitigate these risks).

Table 11: Risk Ratings of the Program

Type of risk	*Risk rating*
Overall	Substantial
Program	Substantial
1.1 Technical	Substantial
1.2 Fiduciary	Substantial
1.3 Environment and social	Low
1.4 DLI	Moderate
1.5 Other	Low

[45] See details in Annex H.

E. Program Action Plan[46]

98. **The PAP was formulated based on the results of the technical, fiduciary, environmental, and social impact and integrated risk assessments. It seeks to improve the Program in three areas**: (a) changes to the technical dimension and to formal rules and procedures, (b) actions to enhance capacity and performance, and (c) risk mitigating measures.

99. **The Government has made significant progress by formulating rules and procedures (such as the recent enactment of the Organic Law on State Finance and Property), but there is room for further improvement.** The Bank and the Government agreed to include key rules and procedures to be formulated to enhance implementation of the Program. They include a revised national investment policy (under Subprogram 1.2, on public investment management) and amendment of the tax code on value added tax (VAT) exemptions (under Subprogram 2.2, on tax administration).

100. **All of the assessments identified capacity issues as key constraints**. The Bank and the Government agreed to include key actions to address the constraints in the PAPs. These actions include a PFM consolidated sector capacity-building plan by the MINECOFIN SPIU and formulation of a staff retention strategy and human resources development strategy by RRA. Proceeds of the Program will support implementations of these strategies.

101. **The key risks of the Program are the technical and fiduciary risks (their risk ratings are substantial) (see paragraph 92).** Accounting and financial reporting risk at the district level is one of the fiduciary risks. In order to mitigate this risk, the PAPs include "developing a roadmap toward the International Public Sector Accounting Standards (IPSAS) compliance overtime." The roadmap will build on an IPSAS gap analysis that will help define the format, content, and frequency of reporting by public entities to be prescribed in the financial regulations. MINECOFIN will develop PFM learning and development strategy by June 2015.

[46] See details in Annex I.

Annex A: Public Sector Reforms

1. **Rwanda has achieved remarkable progress in recovery and rebuilding the core institutions of the state over the last two decades**. It has established a political settlement and maintained national security in a very difficult (post genocide) environment. Such a remarkable transformation from violence to peace and security with significant development achievements is in stark contrast with many conflict-affected countries in Africa and other regions. Rwanda scores high on indicators of government effectiveness and control of corruption, including relative to other countries in the region (see figures 1 and 2).

2. **As part of its development vision, the top leadership has vigorously pursued a zero-tolerance approach to corruption, which has been fundamental to creating the environment for strong growth and service delivery performance recorded over the past decade.** Transparency International has ranked Rwanda as the least corrupt country in the East African Community and among the least corrupt in Africa,[47] a trend also consistently reflected in the Mo Ibrahim Index for the past 10 years. A raft of oversight institutions has been established to control corruption and promote integrity, and a constitutionally upheld asset declaration process for public officials is in place, albeit not public.

3. **Rwanda has also made good progress in instilling a culture of performance in public service, backed by legal and administrative sanctions and discipline.** The Government has taken the approach that to deliver results it must drive forward ambitious public sector reforms. It radically restructured the administration early on in the recovery phase in 1998–99 through a large-scale downsizing. More than 6,000 civil servants were dismissed because they were not qualified, and more than 6,500 ghost workers were removed from the payroll. Salaries to the much smaller number of staff were increased by 40 percent to reduce the practice of supplementing income through petty corruption and moonlighting. The civil service reforms were supported by the implementation of the pay and retention policy[48] in 2012, following the Prime Minister Order establishing the procedures for the performance appraisal and promotion of public servants in 2010.[49] The introduction of an Integrated Personnel and Payroll System (IPPIS) in 2010 enabled the effective implementation of the civil service reforms.[50] Beginning in 2000, in tandem with significant fiscal, political, and administrative decentralization reforms, central government ministries have been unbundled to create flatter and considerably downsized structures and bring service delivery closer to the grassroots for enhanced performance and accountability.

4. The Government has **a strong performance orientation. Clear performance targets that have to be met through the national *Imihigo* performance contract system.** This system has changed attitudes and behavior, helping create a performance and result-oriented culture (annex box A-1).

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[47] According to the 2013 Corruption Perception Index, Rwanda is ranked 49 among 175 countries.
[48] http://www.mifotra.gov.rw/fileadmin/templates/downloads/IMPLIMENTATION.pdf
[49] http://www.mifotra.gov.rw/fileadmin/user_upload/Prime_Minister_s_orders/ITEKA_RYA_MINISITIRI_W_INTEBE_RIKORESHWA_MU_ISUZUMABUSHOBOZI_N_IZAMURWA_MU_NTERA_RY_ABAKOZI_BA_LETA.pdf.
[50] The World Bank supported the IPPIS through the Eight Poverty Reduction Support Financing in 2011.

Annex box A-1: **How Has Rwanda Delivered Development?**

Rwanda's performance since the 1994 genocide has been remarkable in terms of social and economic outcomes. How did it do what it did, and can others learn from its experience? Some important factors include the following:

- **An imperative to rebuild from the worst possible situation, innovating where necessary.** Rwanda faced no alternative but to deliver. The country had been devastated in every aspect. The new Government quickly realized the importance of reviving and restoring confidence in the economy and the fabric of society. During this period, it achieved much through a combination of innovative institutional delivery and participatory community-based approaches that rebuilt Rwandans' collective spirit.
- **A clear vision, motivated by challenging objectives, supported with resources that did not leak**. A series of strategies and plans developed over the past 20 years consistently targeted poverty reduction and social and human development outcomes. The attack on corruption and improvements in PFM (for example, introduction of a meaningful MTEF) meant that public resources were spent on achieving the vision. Clarity on the end goals has been an important unifying force across different levels of government and across executive and administrative branches. The development of strong statistical systems has allowed progress to be monitored, adjustments to be made, and accountability to be enforced.
- **Contracts for results that cascade through the system and high standards of government effectiveness**. The President's Office and the Prime Minister's Office have driven the culture of performance. They track progress toward EDPRS goals to hold government staff accountable for achieving results through the fulfillment of performance contracts (the *Imihigo*). These contracts, which specify the results to be delivered over the coming year, and are now formalized around strategic indicators and targets linked to the EDPRS and the MDGs. Rwanda motivates government workers by using incentives (such as national pride) in combination with consequences for insufficient performance (such as termination). The Annual National Leadership Retreat publicly evaluates officials in front of their peers; the performance of the president himself is assessed against EDPRS goals and actions. This effort has proven very effective in achieving results. Through the National Dialogue Council (*Umushyikirano*), coordinated by the prime minister and chaired by the president, citizens debate issues relating to the state of the country, the state of local government, and national unity.
- **A desire for learning and a cycle of experimenting, measuring, learning, and adapting that generates powerfully productive home-grown solutions.** Beginning with simple budget monitoring and expanding into a more sophisticated monitoring system, processes have been developed over time that inform the accountability relationships between the top level of government, line ministries, and districts. These relationships are formalized with established monthly, quarterly, and annual reports to measure progress toward the EDPRS targets. As part of efforts to reconstruct Rwanda and nurture a shared national identity, the Government drew on aspects of Rwanda culture and traditional practices to enrich and adapt its development programs to the country's needs and context. The result is a set of home-grown, culturally customized solutions (such as *Gacaca* and *Umushyikirano*) that have translated into sustainable mechanisms for addressing Rwanda's social and economic development challenges.

5. **Past public sector reforms have improved service delivery and governance indicators. Access to basic services has increased significantly among poor rural households.** In Rwanda 98 percent of the poor live in rural areas. Between 2006 and 2011, access to public primary education among the rural poor increased from 68 percent to 75 percent, and access to health centers rose from 63 percent to 81 percent (Annex Table A-1). These

improvements took place during the same period in which decentralization was accelerated. These improvements notwithstanding, important challenges remain to deliver basic services to the poorest citizens (Annex Table 1-2). Electrification, for example, has mostly benefitted the wealthiest households: The proportion of families in the top income quintile with access to electricity rose from 18 percent in 2006 to 39 percent in 2011, but only about 1 percent of households in the bottom two quintiles (the poorest 40 percent) have access to electricity. Increases in access to other services, including education, health, and water and sanitation, have been more income neutral or even pro-poor. Access to improved sanitation increased by more than 50 percent among the bottom 20 percent compared with 12 percent among the top 20 percent. Access to safe drinking water also increased at a (slightly) faster rate among the poor. Health insurance increased by almost 60 percent in all **income** quintiles, with a slightly greater increase for women (from 44 percent to 70 percent) than men.

Annex Table A-1: Access to Selected Services by Poor Rural Households in Rwanda, 2006 and 2011

(percent)

Institution	*Use*		*Satisfaction rate*	
	2006	*2011*	*2006*	*2011*
Public primary schools	67.5	74.7	61.7	74.8
Health centers	63.1	80.6	74.1	84.7
District offices	35.8	55	68.6	74.8

Source: NISR.

Annex Table A-2: Access to Selected Services by Poor Rural Households in Rwanda, by Income Quintile,

(percent)

Income quintile	*Electricity*		*Safe drinking water*		*Improved sanitation*		*Health Insurance*	
	2006	*2011*	*2006*	*2011*	*2006*	*2011*	*2006*	*2011*
1 (bottom)	0.0	0.4	66.6	68.4	42.4	64.7	33.2	52.9
2	0.2	0.8	66.7	71.4	51.1	72.1	37.6	61.4
3	0.1	2.1	67.2	71.5	55.6	71.9	45.5	69.3
4	0.6	5.6	68.9	73.2	60.9	74.7	47.7	74.5
5 (Top)	17.8	38.8	79.6	84.0	76.6	85.6	51.5	84.5
Overall	4.3	10.8	70.3	74.2	58.5	74.5	43.3	68.8

Source: NISR.

6. **The Worldwide Governance Indicators [51] show that Rwanda's performance significantly improved in all six dimensions between 1996 and 2012** (see figure 1). For example, the rank of control of corruption rose from 20th percentile in 1996 and 27th percentile in 2005 to 73rd in 2012. Similarly, government effectiveness improved from 11th percentile in 1996 to 53rd percentile in 2012. Not only did Rwanda improve its percentile ranks overtime, its ranks for some dimensions became comparable to the averages for middle-income countries (see Figure 2). Control of corruption is much stronger than in the average middle-income country. On three dimensions—government effectiveness, regulatory quality, and rule of law—Rwanda is almost at the middle-income average level. In contrast, Rwanda's rank on voice and accountability is much lower than other groups (including Sub-Saharan Africa).

7. **Rwanda's scores are mixed on voice and accountability.** Rwanda's constitution upholds a free press, a number of private radio stations operate in Rwanda, and new laws are making their way through Parliament to take forward a process of media reform. The laws move toward self-regulation, allowing journalists to determine what to publish without outside interference. However, international human rights organizations have expressed concern over restrictions on journalists and civil society. The Press Freedom Index of Reporters without Borders ranked Rwanda 156th out of 178 countries in 2012. Freedom House ranked Rwanda 178th out of 197 countries in its 2012 World Press Freedom Index. And the IREX Media Sustainability Index indicates a downward trend since 2008. National civil society advocacy is

[51] http://info.worldbank.org/governance/wgi/index.aspx#home.

relatively underdeveloped in Rwanda, perhaps as a corollary of the strong government presence. On the other hand, Rwanda Civil Society Development Barometer (2012) shows that 81 percent of citizen respondents perceived that civil liberties were ensured. The same survey shows that 69 percent of CSO respondents perceived that press freedom was ensured.

8. **Enhancing PFM is expected to improve accountability as well as efficiency in resource allocation and utilization.** According to the Swedish International Development Cooperation Agency (Sida), "Effective PFM systems will strengthen democratic influence/oversight and accountability in the decision-making processes related to the state budget. Transparency is a key element. Well-structured information on the ways in which public resources have been used and the results that have been achieved will significantly strengthen the accountability process at parliament and public audit institutions."[52] According to the World Bank, "Sound PFM ensures accountability and efficiency in the management of public resources, which are critical to the achievement of public policy objectives, including achievement of the Millennium Development Goals (MDGs)."[53] More effective and efficient use of public resources requires improving the alignment between national development priorities and objectives and the allocation of public resources, by, for example, improving the coherence between national strategies and the MTEF and annual budget process, achieving value for money in public procurement, and enhancing transparency and accountability in the use of resources.

9. **Improving PFM is especially relevant for Rwanda**. EDPRS 2 identifies PFM as a priority, because PFM system and procedures are the platform for the efficient management of the nation's resources and reporting, audit, and oversight functions are essential elements in providing effective accountable governance (the fourth pillar of EDPRS 2). Rwanda is making good progress in PFM reforms, but there is a need to consolidate and deepen its achievements. The size of Rwanda's budget as a share of GDP (29 percent in FY2012/13) is comparable to that of Kenya (30.5 percent) and Tanzania (28.0 percent) (see Table 1). Rwanda's tax revenues to GDP ratio (14.2 percent) is slightly lower than the average (14.7 percent). The combination of relatively high expenditures and low tax revenues has made Rwanda more aid dependent than its neighbors.

10. **Reflecting its commitment to create an enabling environment for civil society organizations (CSOs), the Government opted for the Global Partnership for Social Accountability (GPSA) program in 2013**. To help hold officials accountable, GPSA supports CSOs in monitoring service delivery on the ground and providing third-party oversight. Participation and partnership with nonstate actors will be key ingredients in the Program's reforms.

11. **Public administration will have to be more robust to support the Government's goal of reaching middle-income status by 2020.** The public sector will need to operate in a different way, developing a more sophisticated capacity for policy making, cross-sector coordination, private sector negotiation, and regulation. It will be imperative to have sufficient numbers of skilled public servants deployed in the right places, with effective incentives to develop,

[52] SIDA. 2007. *Public Finance Management in Development Co-operation: A Handbook for Sida Staff.*
[53] World Bank. 2004. "Public Financial Management in World Bank Operations: Strengthened Approach to Enhance Development and Fiduciary Objectives."

motivate, and retain them. Toward that end, the Government developed and launched the Strategic Capacity Building Initiative in 2011.

12. **Rwanda's public administration still faces significant institutional capacity challenges that will affect long-term resilience and overall governance capacity if left unaddressed.** The skills deficit is still significant, and many of the new institutions lack the right staff and coordination mechanisms. Better incentives for attracting, promoting, and retaining staff are needed to reduce high (by regional standards) vacancy and turnover rates.

13. **Sector working groups and coordination forums have been functioning as the main discussion forums for stakeholders, including relevant government agencies, development partners, CSOs, and others.** This coordination environment applies for the public sector such as governance, decentralization, and PFM. MINALOC and Germany co-chair the sector working group on governance and decentralization, with participation of key development partners, including the government of Belgium, UNDP, the Netherlands, the European Union, and the World Bank (Annex Table A-3).

Annex Table A-3: Sector Working Groups in Rwanda

Issue	*Chair ministry*	*Co-chair*	*World Bank participation*
Agriculture	Agriculture	European Union	☒
Capacity development (not yet operationalized)	Finance and Economic Planning	Belgium	
Education	Education	DFID	
Energy	Infrastructure	World Bank	
Environment	Environment	UNDP	
Financial sector	Finance and Economic Planning	DFID	☒
Governance and decentralization	Local Government	Germany	☒
Health	Health	United States	
Information and communications technology (ICT)	Youth and ICT	USAID	
Justice, reconciliation, law, and order	Justice	Netherlands	
Public financial management	Finance and Economic Planning	World Bank	☒
Private sector development and youth	Commerce	AfDB	☒
Social protection	Local Government	DFID	☒
Transport	Infrastructure	AfDB	
Urban and rural settlement ((not yet operationalized)	Infrastructure	World Bank	☒
Water and sanitation	Infrastructure	Japan	

Source: MINECOFIN.

Annex B: Detailed Program Description

A. Government Programs

PFM SSP

1. Building on progress made in the first comprehensive PFMRS (2008–12), the Government articulated the PFM SSP 2013–18. It consists of 7 programs and 23 subprograms (Annex Table B-1), formulated based on analyses of challenges and proposed solutions. Each program has expected outcomes, specific actions, and outcome indicators, with indicative costing in the accompanying PFM sector implementation plan. Emerging priorities identified in the PFM SSP are (a) increasing resource mobilization; (b) scaling up implementation of IFMIS; (c) strengthening PFM systems at the subnational level; and (d) enhancing training, professionalization, and capacity building across all PFM disciplines.

Annex Table B-1: Government's PFM Program and Means of Addressing PFM Challenges

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
1 Economic planning and budgeting	Weaknesses in economic planning and budgeting: Long-term budget planning, including MTEF program- and performance-based budgeting, need improvement in order to increase impact of public expenditures on economic development and poverty reduction.	Processes and structures to support implementation of MTEF program- and performance-based budgeting are in place. Training and capacity building are needed to institutionalize these concepts in planning and budgeting processes, particularly in linking sector strategies to budgets and	• Increased emphasis on performance-based budgeting to support fiscal budgeting • Significant improvement in preparation of MTEF, so that it becomes effective planning tool • Inclusion of funding from donor partners in budget documentation • Ministry budgets that reflect sector priorities				
1.1 National development planning				• Increase capacity of central and subnational governments • Strengthen link between SSPs and the budget	• PAP P1-(1), P3-(3) • Expenditure Framework		PFM Basket Fund
1.2 Economic policy formulation				• Increase staff capacity • Improve revenue forecasting • Increase production and frequency of good-quality economic statistics	Expenditure Framework		PFM Basket Fund
1.3 Public investment programming				• Formulate investment plans, including feasibility study	• DLI 1 • PAP P1-(2) • Expenditure Framework		• PFM Basket Fund • IDF

Government PFM programs				Specific challenge	Means of addressing specific challenge		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*		*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
		costing programs.	• Strengthened risk management in budget planning • Maintenance of government debt at sustainable levels	• Increase staff capacity • Link PIM with PPP	• Implementation Support Plan		(P114616)
1.4 Policy-based budgeting				• Increase effectiveness of MTEF • Increase staff capacity • Develop fully costed sector strategies • Properly record off-budget foreign assistance	• Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • IMF
2 Resource mobilization	Erratic flow of external resources and inadequate domestic resources: Despite significant progress in resource mobilization, Rwanda remains highly dependent on external aid.	Emphasis will be on increasing domestic resources, by crafting new tax policies that broaden the tax base and by implementing administrative reforms to increase taxpayer compliance.	• Significant increase in level of domestic revenue collection • Increased transparency, simplicity, and understandability of taxes and efficiency of collection • Increased government capacity to access international markets to raise additional finance • Exploration of				
2.1 Tax policy				• Increase domestic revenues, in order to reduce aid dependency • Improve policy formulation	• Expenditure Framework • Implementation Support Plan		• IMF TA
2.2 Tax administration				• Increase staff capacity • Expand tax base	• DLI 2 • PAP P2-(1) and (3) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • IMF
2.3 External finance				• Generate accurate aid data for macroeconomic forecasting and MTEF • Increase staff	• Expenditure Framework		

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
			alternative nontraditional sources of finance • Increased use of country systems in management of external aid	capacity			
3 Budget execution, internal control, accounting, and reporting	Weaknesses in budget execution, accounting, and reporting: Expenditure management, compliance with procurement procedures, and contract management remain challenges, as OAG reports suggest. Internal audit is inadequate.	Strategy is to strengthen internal audit function and oversight by RPPA to narrow gaps in compliance by establishing procedures and procurement rules and regulations. Legal and regulatory framework will also be strengthened to address identified weaknesses.	• Budgets that reflect sector and ministerial priorities and budget execution that reflects budget plan. • Improvement in quality and timeliness of in-year budget monitoring reports • Improvement in quality and usefulness of financial reports produced for public consumption • Improved cash management procedures • Full compliance with government rules on				
3.1 Budget execution				• Reduce variation between budget and execution	• DLI 6 • PAP P3-(1) and (5) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • IMF
3.2 Treasury management				• Ensure timely revenue transfers • Track actual expenditures at subsidiary entities	• DLI 6 • PAP P3-(1), (5) Expenditure Framework • Implementation Support Plan		
3.3 Internal audit				• Increase number of qualified accountants • Operationalize audit committees	• DLI 6 • PAP 3-(4) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • GIZ
3.4 Accounting and reporting				• Increase quality and timeliness of financial reporting	• DLI 6 • PAP P3-(1) and (5), P6-(1)		• PFM Basket Fund • IMF

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
			procurement • Improvement of internal audit structure • Introduction of more modern audit techniques to improve internal audit standards	• Improve reporting by subsidiary entities • Increase capacity at subnational level • Generate in-year financial reporting at subnational level	• Expenditure Framework • Implementation Support Plan		• GIZ • World Bank ROSC
3.5 Public procurement				• Increase staff capacity • Operationalize procurement law • Improve filing system • Reduce use of uncompetitive methods • Reduce delays in submitting monthly procurement reports	• DLI 3, 6 • PAP P3-(2) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • GIZ • World Bank Procurement System Assessment
3.6 Fiscal risk management in public enterprises				• Increase staff capacity of public enterprises	• DLI 6 • Expenditure Framework		• PFM Basket Fund
4 External oversight and accountability	Audit and legislative oversight: Scope and coverage of external audits are limited. Capacity of relevant parliamentary committees and district councils is inadequate to exercise effective	Audit function continues to be developed with emphasis on introducing modern audit techniques and building capacity of district councils to exercise fiduciary	• Increased scope and coverage of external audits • Attainment of highest standards of external audit, through professionally qualified staff at OAG, using modern audit techniques and				
4.1 External audit				• Increase staff capacity • Reduce large share of qualified audit • Increase capacity of district councils and Parliament	• DLI 4, 6 • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • GIZ
4.2 Legislative oversight				• Increase capacity of Parliament			• UNDP • GIZ

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
	external oversight over use of public finances.	oversight.	facilities • Support to parliamentary committees on budget and public accounts, to enable them to engage in greater scrutiny of allocation and use of public finances				
5 Electronic service delivery and IFMIS	Challenges in implementing IFMIS: MINECOFIN has made significant progress in implementing IFMIS since 2012. However, it has not established a full-fledged IFMIS, which is critical to PFM.	Implementation of IFMIS is in progress, with efforts to roll it out to more institutions and expose more users to IFMIS environment. Initiative has been started to determine Government's long-term IFMIS requirements.	• Roll out of current version of SmartFMS to remaining entities • Determination of Government's long-term IFMIS requirements • Implementation of IFMIS that will meet Rwanda's needs into the 2020s • Full integration with other key IT systems, such as revenues, IPPIS, payroll, and human resources • Training of government staff in operation and				
5.1 Integrated Financial Management System (IFMIS)				• Stabilize current IFMIS • Upgrade and enhance IFMIS with new modules and functionalities • Increase staff capacity	• PAP P5-(1), (2) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund
5.2 Integrated Personnel and Payroll System (IPPIS)				• Roll out IFMIS to subsidiary entities		• Implemented by MIFOTRA	

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
			use of IT systems • Completion of IPPIS systems through development of human resources modules and payroll upgrades				
6 Fiscal decentralization	Overall financial resources of local governments are still not sufficient to cover needs, and share of budget over which local governments have discretionary control (from own revenues and central government transfers) is still small. Weak PFM systems at the subnational level: Strengthening PFM systems at the subnational service delivery level (sectors, health facilities, schools. and so forth) has not	Key issues that have to be addressed in the long run include (a) ensuring effective tax administration by local governments; (b) increasing the budget and revenue base in local governments; and (c) improving financial management of nonbudget agencies, in local government. Next phase of reforms will focus on strengthening PFM systems at	• Strengthening of PFM systems at subnational service delivery units • Increased revenues collections at subnational level and accounting for all revenues • More equitable and realistic distribution of central government funds at subnational level • Strengthening of budget planning capacity at subnational level • Enabling of senior managers at subnational level to assume responsibility for				
6.1 Resource mobilization by decentralized entities				• Increase own revenue collection at subnational level • Increase capacity at the subnational level • Develop stronger regulatory framework	• DLI 2 • Expenditure Framework • Implementation Support Plan		• AfDB • PFM Basket Fund • IMF • GIZ
6.2 Facilitation of fiscal transfers					• DLI 6 • Expenditure Framework		• PFM Basket Fund • IMF • GIZ
6.3 Strengthening of PFM systems and capacity at subnational level				• Improve reporting of subsidiary entities • Increase capacity at subnational level • Improve reporting systems for subsidiary entities	• DLI 4, 5, 6 • PAP P6-(1), (2) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • IMF • GIZ

Government PFM programs					*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*	*Specific challenge*	*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
	received sufficient attention in the past.	service-delivery level units. MINECOFIN has already formulated legal and regulatory framework to guide PFM systems at subnational level.	making devolved financial decisions (long-term aim)				
7 PFM sector coordination and management	Inadequate human resource capacity across all PFM disciplines: Developing IT systems can be regarded as step 1. Step 2 is development of skilled staff to maximize use of IT systems and increase overall staff PFM knowledge and skills.	Staff training and capacity building in all PFM disciplines is major sector priority. Since 2009 basic capacity has been developed through hands-on training. Next phase will consolidate these efforts. Government will seek ways to institutionalize training and capacity building.	• Strengthened PFM management and coordination mechanisms • Effective M&E of PFM SSP • Establishment of communications process that informs all stakeholders on progress in implementation of SSP and reform strategy. • Increase in numbers and quality of staff with professional qualifications (which will require ongoing financial support				
7.1 Sector coordination and management				• Coordinate across relevant ministries and agencies	• Expenditure Framework • Implementation Support Plan		• PFM Basket Fund • World Bank (co-chair of PFM Coordination Forum)
7.2 Coordination of human resources training and capacity building				• Increase capacity of PFM sector • Develop human resources strategy	• DLI 6 • PAP P7-(1), (2) • Expenditure Framework • Implementation Support Plan		• PFM Basket Fund
7.3 Monitoring and evaluation	Coordination and management of PFM reforms: PFM sector	Lessons learned from implementation of first phase of		• Conduct timely and accurate M&E	• Expenditure Framework • Implementation		• PFM Basket Fund

Government PFM programs				*Specific challenge*	*Means of addressing specific challenge*		
Program/subprogram	*Broad challenge*	*Proposed solution*	*Expected outcome*		*World Bank PforR Program*	*Government alone*	*Other development partners /World Bank*
	includes diverse range of stakeholders and implementation partners. Various coordination and management challenges were encountered in implementation of the reform program.	PFM reforms will be applied in formulating and implementing next strategy. In particular, the sector working group and technical teams will be strengthened. SPIU at MINECOFIN will coordinate implementation of the PFM SSP.	for ICPAR). • Increase in capacity of all staff working n PFM • Establishment of effective incentive schemes where capacity improvement is needed • Proper training of staff in PFM systems and procedures		Support Plan		

a. Although the Government refers to performance-based budgeting in the PFM SSP, it does not plan to implement it in the short term, given its requirements (for example, good-quality development data, and establishment of performance standard). Instead, the government is taking a step-by-step approach to improving the budget, adopting program-based budgeting and building on progress to date (for example, the MTEF and program structure of the budget).

Statistics

2. **NSDS 2 seeks to boost the use of development data for decision making to improve the use of public resources.** The two overarching objectives of NSDS 2 are to (a) produce relevant, reliable, and timely statistics to monitor and evaluate the progress of EDPRS 2 and (b) strengthen NSS for changing requirements in terms of nature and periodicity of data as Rwanda approaches middle-income status.

3. **Although strong progress was made during NSDS 1, some shortcomings remain.** The recent review of NSDS 1 identified the relative lack of economic statistics, the variable quality of administrative records (routine statistics produced by line ministries), and the low capacity within the NSS (especially the limited number of professional statisticians) as the main challenges. The lack of appropriate infrastructure facilities, such as a well-equipped training center, has hindered the rapid transfer of skills and knowledge. Major surveys need to be carried out more frequently, and gaps in some areas, such as business statistics, need to be filled. Further improvements are needed in the quality and timeliness of statistics across the NSS. A strong communication and advocacy approach is needed to increase awareness of the importance of statistics and the need for additional resources to implement various activities within NSS.

4. **NSDS 2 seeks to address these challenges** by (a) setting up a comprehensive system of agricultural, business, and labor market statistics to inform economic policies; (b) improving the quality of administrative records, in particular the civil registration system; and (c) building statistical capacity within NSS. The new focus on economic statistics will not jeopardize the gains made in social and demographic statistics during NSDS 1. The main social surveys (the EICV and the DHS) will continue to be implemented during NSDS 2, and their frequency will be increased, from every five years to every three years, allowing closer monitoring of the poverty and social impacts of EDPRS 2.

5. **NSDS 2 also aims to accelerate progress on data dissemination and the use of data for policy making.** Having more regular, more reliable, and higher-quality data will yield benefits only if the data are actively disseminated, widely available for use and reuse, and actively used for decision making. During NSDS 1, NISR made solid progress on data dissemination by establishing a national data archive, from which raw survey data can be downloaded free of charge; publishing thematic survey reports in a timely manner; and organizing high-profile events highlighting both the importance of statistics and their wide availability in Rwanda. NSDS 2 will continue these good practices and explore other ways to actively disseminate data. It will scale up statistical advocacy to promote the use of data at all levels of policy (planning, design, M&E, and so forth).

6. **NSDS 2 has six strategic objectives**: (a) strengthen civil registration systems, administrative records, surveys, and other sources of data; (b) improve the quality and dissemination of statistics and raise public statistical literacy; (c) improve statistical advocacy and integrate the use of statistics in decision making; (d) develop capacity within the NSS; (e) consolidate coordination within the NSS; and (f) improve resource mobilization and build strategic partnerships (Annex Table B-2).

Annex Table B-2: Strategic Objectives of NSDS 2

Government program			*Means of addressing specific challenges*	
Strategic objective	*Outputs and activities*	*Specific challenges*	*World Bank PforR program*	*Other development partners/World Bank*
SO 1: Strengthen civil registration system, administrative records, surveys, and other sources of data	• Strengthen vital statistics and establish sound administrative records (in education, health, infrastructure, and social security, for example). • Improve surveys like the Household Income and Expenditure Survey for poverty measurement, the Demographic and Health Surveys and introduce Integrated Business Enterprise Surveys and Labor Force Surveys. • Conduct periodic establishment censuses and other surveys, including surveys for monitoring GDP and inflation. • Strengthen data capture and production processes.	NSS needs to develop administrative record systems, including civil registration system, to provide much-needed data, including vital statistics, to complement census and survey data. Major surveys need to be carried out more frequently, and gaps in some areas, such as business statistics, need to be filled.	• DLI 7 • Expenditure Framework	• AfDB • IMF • Statistics basket fund • UNFPA • UNWOMEN • World Bank Gender statistics • World Bank Statistics for Results
SO2: Improve quality and dissemination of statistics and public statistical literacy	• Put in place standard quality assurance frameworks to guide and ensure good-quality statistical production. • Facilitate improved dissemination of statistical data on NISR's website and other IT tools that foster easy access to both published data and micro data. • Develop basic public statistical literacy.	Quality and timeliness of statistics needs to improve across NSS.	• DLI 8 • Expenditure Framework	• Statistics basket fund • World Bank Statistics for Results
SO3: Improve statistical advocacy and integrate use of statistics in decision making	• Engage policy and decision makers in setting statistical agenda, and hold continuous dialogue with data users.	Strong communication and advocacy approach is required to increase awareness of importance of statistics and need for additional resources to implement various activities within NSS.	• Expenditure Framework	• Statistics basket fund • World Bank Statistics for Results

Government program			*Means of addressing specific challenges*	
Strategic objective	*Outputs and activities*	*Specific challenges*	*World Bank PforR program*	*Other development partners/World Bank*
SO4: Develop capacities within the NSS	• Strengthen human resource management in NISR and human resource development within NSS. Strengthen ICT infrastructure for NISR and NSS. • Strengthen NISR's physical assets • Strengthen knowledge management within NSS. • Facilitate implementation of NSDS2.	Statistical capacity remains inadequate. Number of professional statisticians at NISR and other NSS institutions is too low. Lack of appropriate infrastructure facilities, such as a well-equipped training center, has hindered rapid transfer of skills and knowledge. Many users are not equipped with skills needed to use statistics effectively.	• PAP SO4-(1) • Expenditure Framework	• Statistics basket fund • World Bank Statistics for Results • UNDP
SO5: Consolidate coordination within the NSS	• Improve coordination of statistical concepts and methods. • Strengthen coordination of statistical activities across sectors.	Although effective coordination mechanisms for NSDS1 have been established within NISR, and between NISR and other NSS institutions, coordination efforts within sectors are still lacking, mainly because of lack of capacity and absence of statistics units within member institutions of NSS. Overall, coordination is still a challenge within NSS.		• Statistics basket fund • World Bank Statistics for Results
SO6: Improve resources mobilization and build strategic partnerships	• Efficiently manage resources and build strategic partnerships.	Immediate needs for statistics by users according to tight deadlines meant that NISR required more resources than were available, leaving a gap in resources available for capacity development.		• Statistics basket fund

Scope of the Program

7. **The Program supports a subset of the Government's own programs articulated in the PFM SSP and NSDS 2:** national and subnational PFM as well as statistics to support effective PFM. The Program will support selected programs, subprograms, and strategic areas essential to achieve the PDO (see Table 5). The Program boundaries were defined based on strategic relevance, government demand, and the support of other development partners.

8. **Rationale for the Program Boundaries:** All program and subprograms in the PFM SSP as well as the strategic objectives of NSDS 2 are interrelated and constitute an important element of the PFM cycle (figure 6). Therefore, the Program covers almost all programs and subprograms of these strategies. A few subprograms were excluded based on the Bank's comparative advantage and the involvement of other development partners and the lead government agencies managing them. For example, the Ministry of Public Service and Labor (MIFOTRA) has been effectively managing Subprogram 5.2 (on IPPIS).[54] On NSDS 2, NISR will be able to cover Strategic Objective 5 (consolidate coordination) within the NSS and Strategic Objective 6 (improve resource mobilization and build strategic partnerships) on its own.

9. There are no high-risk activities in the Program that are or need to be excluded.

Description of the PFM Component of the Program

10. The PFM SSP consists of 7 programs and 23 subprograms. The Program covers all 7 programs and 21 subprograms except Subprogram 4.2 (on legislative oversight) and 5.2 (on IPPIS).

Program 1: Economic Planning and Budgeting

11. **Outcomes:** Program 1 has six expected outcomes: (a) stronger links between the budget allocation and strategic planning processes, leading to a sharper focus on the Government's policy priorities;[55] (b) significant improvement in the preparation of the MTEF, so that it becomes an effective planning tool; (c) inclusion of funding from donor partners in budget documentation; (d) changes to ministerial budgets so that they reflect sector priorities; (e) stronger risk management in the budget planning area; and (f) maintenance of government debt at sustainable levels.

12. **Subprograms:** Program 1 is divided into four subprograms, each of which has specific outputs and priority actions (Annex Table B-3).

Annex Table B-3: Outputs of Program 1 (Economic Planning and Budgeting), by Subprogram

Subprogram	*Output*
1.1 National development planning	1: Strategic planning in line with EDPRS 2 priorities strengthened
1.2 Economic policy formulation	1: Macroeconomic framework improved 2: Debt management practices improved 3: Capacity in revenue forecasting, tax policy, and negotiation skills built
1.3 Public investment programming	1: Public investment programming strengthened
1.4 Policy-based budgeting	1: Realism of MTEF projections improved 2: Reporting on externally financed projects improved 3: Effectiveness of gender budget statements enhanced

[54] The Bank is supporting the IPPIS in the Eighth Poverty Reduction Support Financing (PRSF-8, P122247).

[55] In the PFM SSP, the Government describes this outcome as "increased emphasis on performance-based budgeting to enforce accountability and facilitate prioritization."

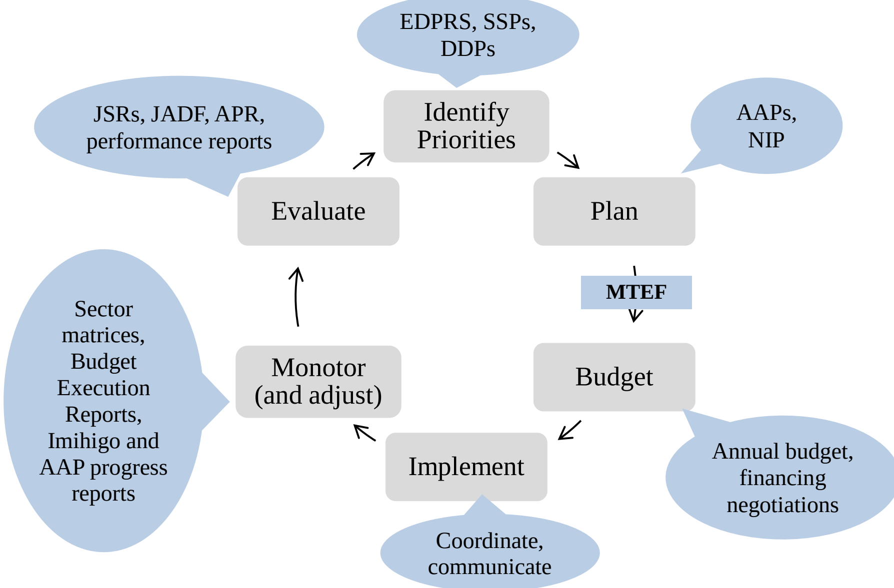
13. **Priority actions and outputs**: In order to strengthen strategic planning in line with EDPRS 2 priorities (Output 1 under Subprogram 1.1), the Government plans to conduct capacity-building activities for planners at both the central and district levels and to reinforce data-collection systems through electronic M&E system. Recognizing that economic policy formulation (Subprogram 1.2) is a foundation for development planning, the Government aims to improve the macroeconomic framework (Output 1), debt management (Output 2), and revenue forecasting (Output 3) through capacity-building activities, including through the use of a technical advisor on the macroeconomic and fiscal framework. On public investment management (Subprogram 1.3), the policy framework, formulated in 2009, is outdated. To strengthen public investment management, the Government will revise the public investment policy to incorporate public-private partnership (PPP). Together with public investment management, policy-based budgeting (Subprogram 1.4) is a key component of the program. To improve the realism of the MTEF (Output 1), the Government plans to conduct an analysis and implement reforms, with support from the IMF. Improvement in reporting on externally financed projects (Output 2) is essential to improve the MTEF. The Government has implemented gender budgeting and plans to enhance it (Output 3) by training planning and budget officers.

14. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram.

- **Subprogram 1.1: National Development Planning**. The national development planning process is defined by the implementation framework for EDPRS 2 (annex figure B-1).[56] Accompanying the SSPs, other strategies, such as NSDS 2 and district development plans, function as implementation tools for EDPRS 2. The SSPs and other strategies are reviewed in backward-looking Joint Sector Reviews conducted few months after the end of the fiscal year. These reviews are updated in forward-looking Joint Sector Reviews produced a few months before the beginning of each fiscal year. The mechanism has been operationalized, but capacity at both the central and subnational levels needs to be strengthened. It is also essential to establish a clear link between the SSPs and district development plans and to establish the budget (see Subprogram 1.4, on policy-based budgeting).

[56] Chapter 7 includes implementation and M&E.

Annex figure B-1: National Development Planning Process



Source: MINECOFIN (Planning Guidelines under the 2nd Budget Call Circular).

- **Subprogram 1.2: Economic Policy Formulation**. Economic policy formulation is the foundation for PFM, as governments allocate financial resources based on their economic policy. The macroeconomic unit of MINECOFIN has improved the macroeconomic policy framework, debt management, and domestic revenue mobilization policies (related to Subprogram 2.1, on tax policy) through the IMF's Policy Support Instrument (PSI). For example, the medium-term macroeconomic framework is described in the budget framework paper.[57] Debt management and macroeconomic policies are well coordinated. An annual borrowing plan for government financing informs the medium-term debt management strategy. The annual borrowing plan forms part of the budget framework paper. Domestic revenue mobilization is a core theme for the new IMF PSI, which commenced in 2014. MINECOFIN has formulated a medium-term tax reform plan for 2013–16, which will be regularly updated with support from the IMF (for more details, see the discussion of Program 2, on Resource Mobilization).

- **Subprogram 1.3: Public Investment Programming**. Public investment programming plays an essential role in planning and budgeting. Rwanda's development budget accounts for about 45 percent of the FY2014/15 budget. Public investment also has medium-to long-term implications, through future operational and maintenance costs. The policy on public investment management is defined in the National Public Investment Policy of 2009, but implementation and application of the policy was weak until recently. For example, the Public Investment Committee, which has decision-making authority over the public investment program (that is, the development budget), was not operationalized until the formulation of the FY2014/15 budget. Public investment projects were discussed without feasibility studies. Future budget implications were not taken into consideration in formulating the MTEF. Although leveraging the private sector is a key principle of EDPRS

[57] http://www.minecofin.gov.rw/fileadmin/General/2014-17-BFP.pdf

2, the National Public Investment Policy does not cover PPP. To address these issues, the Government made some reforms in preparing the FY2014/15 budget operationalizing the Public Investment Committee, for example.[58] New investment project proposals now need to be accompanied by project profile documents, three-year investment plans, and feasibility studies. The Government also plans to revise the National Investment Policy (covering both public investment and PPP).

- **Subprogram 1.4: Policy-Based Budgeting.** A multiyear perspective is expected to improve fiscal management by (a) improving control over the aggregate fiscal position, (b) allocating expenditure across sectors and policy priorities more effectively, and (b) using public resources more effectively and efficiently. These benefits are especially important for Rwanda, which is aiming to reduce its aid dependency. The MTEF introduced in 2002 has been fully incorporated into the budget cycle at both the national and subnational levels. Despite progress, however, the multiyear fiscal management framework and procedures are not yet effective. Fully costed sector strategies are not in place, and the link between sector strategies and budget is weak, resulting in limited use of the MTEF by stakeholders. Investment planning and its budgetary impact are not fully captured in the current MTEF. Tighter integration of taxation and expenditure formulation is needed, so that tax expenditure decisions are included in the budget cycle. Although the budget framework paper plays a critical role in linking planning and budgeting, in practice budgeting and planning are separate processes. Additional challenges include the need to include external sources in the budget, link the budget and policy priorities, cost sector strategies and programs, and improve the availability of key statistics (for example, labor statistics) to measure performance. Because of these limitations, Rwanda's performance on multiyear fiscal management is relatively weak, and the last two PEFA assessments improvements identified no improvements.[59] In 2001 the Government initiated gender-responsive budgeting. In 2003 it piloted it in five ministries; it fully operationalized the practice in the FY2010/11 budget.[60] The first evaluation, conducted in FY2013/14, identified key areas for improvement, including high staff turnover of budget and planning officers and the lack of gender statistics. The Program will support a gender-responsive budgeting training program for planning and budgeting officers. NISR has started producing national and subnational gender statistics. To strengthen the M&E of gender-responsive budgeting implementation, the 2013 Organic Budget Law includes a clause requesting an annual activity report on plans for gender balance (part of the PAPs).[61] Annex figure B-2 displays the planning and budgeting process.

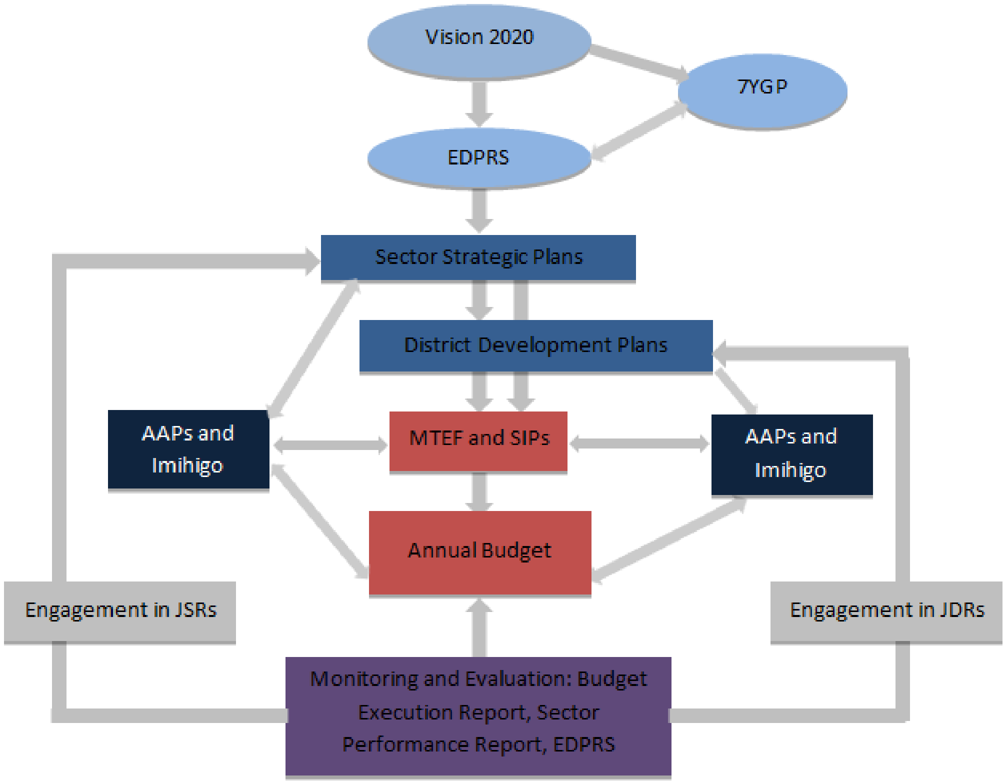
[58] Details are found in the first and second planning budgeting call circulars for the 2014/15 fiscal year (October 2013 and February 2014).

[59] Rwanda's score on the 2010 "PEFA PI-12 on Multi-Year Perspective in Fiscal Planning, Expenditure Policy and Budgeting" was C+, unchanged from 2007. The assessment states that "the failure of the MTEF (see PI-12) to deliver its true objective of linking policy targets with actual budget allocations and thus ensure at the same time a strategic allocation of resources and fiscal sustainability, is also especially costly in Rwanda, given the vast amount of capacity invested in the multiyear planning process, which is very extensive and involves a large variety of activities throughout the budget preparation cycle, across all sectors" (pp. 27–28).

[60] The guidelines for preparation of budget estimates for FY2014/15 and the MTEF for FY2014/15–FY2016/17 include annex 22, on "Instructions for the Preparation of the Gender Budget Statement."

[61] Article 68 of No.12/2013/OL of 12/09/2013 on Organic Law on State Finance and Property.

Annex figure B-2: Planning and Budgeting Process



Source: MINECOFIN (Planning Guidelines under the 2nd Budget Call Circular).

Program 2: Resource Mobilization

15. **Outcomes**: Program 2 has five expected outcomes: (a) significantly higher domestic revenue collection; (b) transparent, simple, and understandable tax policies and efficient tax collection; (c) greater Government capacity to access international markets to raise additional finance; (d) exploration of nontraditional sources of finance; and (e) increased use of country systems in the management of external aid.

16. **Subprograms**: Program 2 is divided into three subprograms, each of which has specific outputs and priority actions (Annex Table B-4).

Annex Table B-4: Outputs of Program 2 (Resources Mobilization), by Subprogram

Subprogram	*Output*
2.1 Tax policy	1: Tax reform strategy developed 2: Investment code revised 3: Agreements on avoidance of double taxation revised and new ones initiated 4: Law on mining enacted 5: Single customs territory negotiated 6: Debt management strategy updated
2.2 Tax administration	1: Tax revenue mobilization maximized 2: Service delivery to external and internal customers improved
2.3 External finance	1: External resources mobilization strategy produced and implemented 2: Coordination of development partners enhanced 3: Development assistance database upgraded

17. **Priority Actions and Outputs**: Outputs under Subprogram 2.1 focus on developing a new strategy (for example, Output 1, on new tax reform strategy) and reforming regulatory frameworks (for example, Output 2, on revising the investment code and outputs 4 on the revised mining law). Domestic revenue mobilization is expected to be achieved not only by reforming the regulatory framework but by improving applications of the framework (Subprogram 2.2., on tax administration). Therefore, Output 1, on maximizing tax revenue mobilization, includes priority actions such as e-tax filing and payment and implementation of electronic billing machines. Although reducing aid dependency is an important medium-term goal, achieving the development objectives in EDPRS 2 depends on external finance at least in the short term (Subprogram 2.3). In order to improve the use of aid, this subprogram aims to formulate an external resource mobilization strategy (Output 1); better coordinate development partners (Output 2), through organizing forums; and upgrade the development assistance database (Output 3).

18. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram.

- **Subprograms 2.1 and 2.2: Tax Policy and Tax Administration**. Increasing domestic revenues to expand fiscal space is one of the most important policy priorities in Rwanda. Tax revenue as a share of GDP increased from 12.0 percent in FY2009/10 to 14.2 percent in FY2012/13. Significant progress was also made in tax policy, tax administration, and tax systems in the past few years. The Government introduced various tax policy and administrative measures, including a new VAT law (introduced in December 2012), a new tax system for small and medium-size enterprises (introduced in September 2012), and electronic billing machines. Despite progress, the tax revenue to GDP ratio is one of the lowest in Sub-Saharan Africa, where the average rate is above 18 percent.[62] Domestic revenue mobilization is the most important subject of the IMF's new Policy Support Instrument, which began in 2014. The government showed its strong commitment to revenue mobilization in the accompanying Memorandum of Economic and Financial Policies.[63] To operationalize the commitment, MINECOFIN developed the Medium-Term Tax Reforms Plan 2013–16, which identifies tax policies and administrative measures aimed at (a) broadening tax bases (including by reducing exemptions and improving compliance), (b) further strengthening tax administration (including e-filing), and (c) strengthening risk management. To improve transparency, the Government plans to publish tax expenditures to be incorporated into the national budget.[64] Improving subnational PFM, such as local revenue mobilization, is a key priority of the Government's decentralization strategy. The Bank has been supporting these efforts.[65]

[62] According to the IMF's *Regional Economic Outlook* (October 2013), the average ratio was 26.6 percent in 2012.
[63] http://www.imf.org/external/pubs/ft/scr/2013/cr13372.pdf.
[64] "In FY2014/15, the emphasis will be on broadening the base for VAT through a revision of the schedules for exemptions and zero-ratings; and preparing a review of tax expenditures to be submitted jointly with the budget" (p. 13 of the IMF's seventh review).
[65] The Decentralized Service Delivery Development Policy Operation 2013 (P145114) (2013) supports the 2012 presidential order establishing the List of Fees and Other Charges Levied by Decentralized Entities and Applicable Thresholds. It clarifies district powers to impose a range of fees and charges and determine rates. The focus on local revenue mobilization in the proposed operation gives continuity to earlier Bank support.

- **Subprogram 2.3: External Finance.** The External Finance Unit (EFU) serves as the main interface between the Government and development partners on all issues of external support. It is responsible for coordinating aid to Rwanda so that it best supports the Government's socioeconomic policy objectives. The EFU plays a leading role in the strategic cooperation framework for donors, mobilization of external resources, management of development partnerships, appraisal of financing agreements/projects agreements, assessment of the quality and effectiveness of aid, and overall review of the country cooperation portfolio. It is the central interface on information on aid flows. To this end, the external resource mobilization strategy was formulated in 2012. A key challenge is aid data for macroeconomic forecasting model and the MTEF. Achievements made may be difficult to sustain unless it increases.

Program 3: Budget Execution, Accounting, and Reporting

19. **Outcomes**: Program 3 has seven outcomes: (a) budgets that reflect sectoral and ministerial priorities and budget execution that reflects the budget plan, (b) higher-quality and more timely in-year budget monitoring reports, (c) higher-quality and more useful financial reports produced for public consumption, (d) better cash flow management procedures, (e) full compliance with government rules on procurement, (f) a stronger internal audit structure, and (g) more modern audit techniques to improve internal audit standards.

20. **Subprograms**: Program 3 is divided into six subprograms, each of which has specific outputs and priority actions (Annex Table B-5).

Annex Table B-5: Outputs of Program 3 (Budget Execution, Accounting, and Reporting), by Subprogram

Subprogram	*Output*
3.1 Budget execution	1: Sectoral performance of the budget improved 2: Public awareness of the budget improved
3.2 Treasury management	1: Cash management enhanced 2: Timely processing of payment from Treasury achieved 3: Timely and accurate production of Treasury reports achieved 4: Recording and reporting of public debt and guarantees enhanced 5: Capacity in Treasury management operations and the debt management and financial management system (DMFAS) developed
3.3 Internal audit	1: Internal audit structure enhanced 2: Internal audit coverage and quality of internal audit function improved 3: Internal audit skills improved 4: Follow-up of audit recommendations improved
3.4 Accounting and reporting	1: Monthly financial statements by budget agencies prepared and submitted to public account unit 2: Annual financial statements at budget agency level and consolidation level prepared 3: Legal and regulatory framework for financial reporting strengthened 4: Fixed asset register for government established 5: Capacity for accounting cadre built and strengthened
3.5 Public procurement	1: Monthly and annual procurement reports submitted by procuring entities 2: Legal and regulatory framework for public procurement reviewed and updated 3: Capacity of procurement cadre reinforced 4: Rwanda Institute of Procurement established
3.6 Fiscal risk management in public enterprises	1: Corporate governance and risk management in public enterprises improved 2: Capacity of management and boards of government business enterprises built

21. **Priority Actions and Outputs**: Subprogram 3.1, on budget execution, aims to improve the sectoral performance of the budget (Output 1) by developing a strategy and guidelines to minimize the risks of variation from the budget as well as improve public awareness of the budget (Output 2) by making simplified budget information available to citizens. Subprogram 3.2, on Treasury management, attempts to further improve cash management (Output 1), timely payment processing (Output 2), timely Treasury and debt report production (Outputs 3 and 4), and capacity development on debt management (Output 5). Internal audit function has much room for improvement; Subprogram 3.3 aims to address key issues of internal audit structure (Output 1), coverage and quality (Output 2), capacity (Output 3), and implementation of audit recommendations (Output 4), mainly through capacity-building activities. Subprogram 3.4, on accounting and reporting, focuses on refining process and procedures (for example, updating financial reporting templates to improve monthly financial statement [Output 1]); the legal framework (for example, revision of the Organic Budget Law to strengthen legal and regulatory framework [Output 3]); and capacity building (for example, providing training for all cadres of accounting officers [Output 5]). Subprogram 3.5, on public procurement, focus on refining the processing, legal, and regulatory framework and building capacity to achieve/improve monthly procurement reporting (Output 1). To improve PFM of a broader public sector, Subprogram 3.6 focuses on management of public enterprises. Activities under this subprogram include publishing policy guidelines and a simplified booklet on financial management as well as providing training for directors general and board members) of public enterprises.

22. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram**.**

- **Subprogram 3.1: Budget Execution**. Variation between budgeted and actual spending means that public resources are not spent as planned to achieve national objectives. To reduce the variation, a tighter link is required between the budget and planning (see Program 1, on economic planning and budget) as well as between the budget and cash flow. Significant improvements have been made in linking planning and budgeting recently. MINECOFIN drew up a report on alignment with EDPRS 2 and national budget programs to harmonize planning priorities with expenditure priorities. A costing guidance for the MTEF has been drafted. The objective of the guideline is to enhance efficient and effective resource utilization and reduce variations between budgeted and actual spending. A draft execution report guideline and template were developed, with the objective of integrating performance and budgeting reporting. At the national level, a citizen guide to the national budget is now available on the MINECOFIN website.[66]At the subnational level, although some initiatives have been taken (for example, the Joint Action Development Forum), citizen participation in the budget formulation process remains challenging.[67] Districts have started producing annual local government budget books, which increase fiscal and financial transparency and citizen engagement at the local level.
- **Subprogram 3.2: Treasury Management**. A Treasury Single Account (TSA) concept is in place. The RRA uses commercial banks as collection agents, requiring them to transfer collections to the central bank within three days. Payments by MDAs are made from the

[66] http://www.minecofin.gov.rw/uploads/media/The_National_Budget_-_a_Citizen_s_Guide_2013-2014_01.pdf.
[67] According to the 2012 Citizen Report Card, 38 percent of citizens participated in the budget formulation process in 2011.

central bank TSA. The Auditor General's report notes that delayed banking of revenue collections is still persistent in many public entities, especially districts. For example, banking of cash collections totaling RF 380 million was late, with delays ranging from a few days to almost a year (330 days in the Gicumbi District). Transfers to districts are processed directly by the Treasury to improve cash management. However, subdistrict entities (sectors, pharmacies, schools) receive transfers as grants, which are expensed at the point of issue in the district's books. Consequently, the Government's accounting system does not capture actual expenditures by nonbudget agencies. There are challenges in tracking transfers to and through the districts.

- **Subprogram 3.3: Internal Audit**. Effective internal audit is essential for improved transparency and accountability. The 2010 PEFA assessment gave PI-(21) (on effectiveness of internal audit) a C rating. The key constraint is that the existing structure of internal audit inhibits the attraction of people with the right capacities. Initiatives are in the pipeline to address the internal audit structure, with a view to addressing staff turnover and retention. In July 2012 MINECOFIN published a model audit committee charter, followed by a handbook that provides broad guidelines that can be used by audit committees in MDAs and government businesses. All 30 district councils have had audit committees since 2011; by December 2013, 83 percent of them were submitting reports to councils. The status of the implementation of audit recommendations is being monitored quarterly; improvement in implementation has been observed at both the central and subnational levels. During the first quarter of 2014, 75 percent of audit recommendations were implemented at the central level, and 67 percent were implemented at the subnational level. A new chief internal auditor was appointed in March 2014. Seventeen of 21 MDAs have established internal audit committees, but very few have held meetings.[68] With only 2 internal auditors per district of about 200 subsidiary entities, capacity is tightly constrained. Internal audit reports cite control weaknesses, poor records management, and noncompliance with procurement rules. On internal control, a number of issues cut across both central and subnational levels. The Government has developed a financial management manual, which lays out the requirements of an internal control system. It is used at both the national and subnational levels. The team noted weaknesses within the internal control systems that cut across reporting entities, such as inaccurate and incomplete financial statements, noncompliance with procurement rules and regulations on expenditures, irregular expenditures, and inaccurate posting of financial records to IFMIS. Various interventions are being implemented to strengthen the systems.
- **Subprogram 3.4: Accounting and Reporting**. The quality and timeliness of financial reporting is essential to improve transparency and accountability at both the national and subnational levels. Progress has been made, especially at the national level. At the national level, in-year budget reports are prepared quarterly, with reasonably accurate data broken down to at least the program or functional level. Reconciliation of banking and fiscal records is comprehensive and timely. The roll-out of IFMIS has contributed to progress. However, several challenges remain. A consolidated government statement is prepared annually within three months of the end of the fiscal year, but essential information is missing, giving rise to

[68] The Government recently established the Audit Committees of the national police, the Ministry of Internal Security (MININTER), and the National Women's Council established. Other institutions have been reminded to create audit committees and are looking for suitable candidates.

a disclaimer audit opinion on the consolidated government statement. At the subnational level, in-year financial reporting is nonexistent, and the quality of the annual report remains weak.

- **Subprogram 3.5, Public Procurement:** Public procurement in Rwanda is about US$0.8 billion a year. It plays a critical role in effective public expenditure management. Introducing e-procurement could increase efficiency in addition to transparency and compliance.[69] E-procurement would be a timely addition to the progress achieved so far in public procurement, which includes establishment of the Rwanda Public Procurement Agency (RPPA) and enactment of the Law on Public Procurement. The public procurement function was fully decentralized in February 2011. Accordingly, the RPPA focuses on control and monitoring of the decentralized procurement functions. Despite progress, especially in setting up procurement systems, challenges remain.[70] The filing system is poor; nontransparent, noncompetitive methods are used; and monthly procurement reports are not submitted on time.
- **Subprogram 3.6: Fiscal Risk Management in Public Enterprises**. Public enterprises play significant roles in Rwanda. As of July 2014, there were 12 public enterprises across 5 sectors (finance and services, transportation, infrastructure, mining, and agriculture).The Government has significant investment in public enterprises (RF 700 billion [US$1 billion] in mid-2014). Efficient management of these enterprises is therefore essential for the PFM sector. Management of public enterprises by the government in general and MINECOFIN in particular is described in Policy Guidelines on Management of Business Portfolio.[71] The guidelines define the roles of portfolio line ministries and provide guidance on boards, financial management, reporting, risk management, and financial returns to the government/dividend policy. In order to strengthen the legal framework for managing public enterprises, the Government is drafting a law on public enterprises. MINECOFIN has been taking the lead in capacity building of boards of public enterprises.

Program 4: External Oversight and Accountability

23. **Outcomes**: Program 4 has two expected outcomes; (a) greater scope and coverage of external audits and (b) achievement of the highest standards of external audit, through a professionally qualified staff at OAG using modern audit techniques and facilities.

24. **Subprograms**: Program 4 has two subprograms, with specific outputs and priority actions (Annex Table B-6). However, the Program covers only Subprogram 4.1.

[69] The PFM SSP was formulated in July 2013. E-procurement is not thus included. However, the Government has been developing e-procurement as an essential part of PFM reforms.

[70] RPPA conducted procurement audits of 57 entities (including 13 districts). It identified areas for improvement in the RPPA Annual Activity Report 2012–13 (http://www.rppa.gov.rw/fileadmin/files/docs/RPPA_Activity_Report/RPPA percent20Annual percent20Activity percent20Report percent202012-2013.pdf).

[71] The guidelines were validated in September 2010 and updated with the new Law on State Finance and Property in February 2014.

Annex Table B-6: Outputs of Program 4 (External Oversight and Accountability), by Subprogram

Subprogram	*Output*
4.1 External audit	1: Independence of the OAG enhanced 2: Institutional capacity strengthened, in line with the OAG mandate 3: Professional audit capacity built and strengthened 4: OAG's capacity to engage stakeholders strengthened 5: Coordination, implementation, and monitoring enhanced

25. **Priority Actions and Outputs**: Program 4 consists of external audit by the Office of Auditor General (OAG) (Subprogram 4.1) and legislative oversight by Parliament (Subprogram 4.2). To improve the scope and coverage of high-quality external audit, the Government aims to ensure independence of the OAG (Output 1) through operationalization of the new public audit law and capacity building of stakeholders (Outputs 2, 3, and 4). As external audit involves multiple ministries and agencies, coordinating external audit is essential (Output 5).

26. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of Subprogram 4.1 are summarized below.

- **Subprogram 4.1: External Audit**. Timely and quality external audit is an integral part of improving transparency and accountability. OAG has been playing a key role in external audit. Its new organizational structure was approved in 2012, and a new law on OAG was enacted in late 2013.[72] The scope and coverage of external audits has been widened in recent few years, with coverage increasing from 60 percent in 2007 to 79 percent for the fiscal year ending June 2013.[73] Despite the increase in coverage, only 32 percent of the 139 audit reports obtained an unqualified (clean) audit opinion; the remaining 68 percent received qualified audit opinions. None of the 30 districts or Kigali City obtained an unqualified audit opinion, although 3 districts (Kamonyi, Ruhango, and Gakenke) improved their status from an adverse to an "except for" opinion. Factors affecting the high proportion of qualified audits include the failure to implement some prior year audit recommendations, the omission of balances of nonbudget agencies from financial statements in districts, and noncompliance with existing law and regulations. The capacity of the relevant parliamentary committees and district councils is still inadequate to exercise effective external oversight over the use of public finances. To address these challenges, the PFM SSP aims to (a) ensure full compliance with government rules on procurement, (b) introduce more modern audit techniques to improve internal audit standards, and (c) address the weaknesses of the current internal audit structure.

Program 5: Electronic Service Delivery and IFMIS

27. **Outcomes**: Program 5 has three expected outcomes: (a) the roll-out of the current version of SmartFMS to the remaining entities, (b) determine the long-term IFMIS requirements for the Government, and (c) implement IFMIS that will meet the Government's needs into the 2020s.

28. **Subprograms**: Program 5 has one subprogram, with specific outputs and priority actions (Annex Table B-7).

[72] Law N° 79/2013 of 11/9/2013 determining the mission, organization, and functioning of the Office of the Auditor General of state finances.
[73] Report of the Auditor General of State Finances for the year Ended 30 June 2012 (http://www.oag.gov.rw/IMG/pdf/Annual_Report_2013.pdf).

Annex Table B-7: Outputs of Program 5 (Electronic Service Delivery and IFMIS), by Subprogram

Subprogram	*Output*
5.1 Integrated Financial Management System (IFMIS)	1: Current IFMIS core modules implemented in all budget agencies and projects 2: Full-fledged IFMIS with appropriate interfaces with identified subsidiary systems of government designed and implemented

29. **Priority Actions and Outputs**: Subprogram 5.1 aims to stabilize the current IFMIS (Output 5.1) and ensure a seamless transition by the future IFMIS (Output 5.2). Priority actions include system enhancement, maintenance, and support, as well as roll-out to budget entities not yet connected to IFMIS.

30. Rationales, Challenges, and Progress to Date**: The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram.**

- **Subprogram 5.1: IFMIS**. The capability and performance of IFMIS is critical to the Government's ability to deliver improvements in every aspect of the PFM cycle, including the timeliness and quality of financial reports, the availability of information required by managers for decision-making purposes, and transparency in and accountability for the use of public resources. The SmartFMS system is a custom-developed financial management information system that supports budget preparation, expenditure management, and financial reporting. It began operating in 2010 and has been implemented at 262 sites, including all line ministries, all 30 districts and Kigali City, and various other government-funded bodies. Limited expansion of the system is planned. A number of government bodies with specialized functions will continue to run on separate systems.

Program 6: Fiscal Decentralization

31. **Outcomes**: Program 6 has five expected outcomes: (a) strengthened PFM systems at subnational service delivery units, (b) increased revenue collections at the subnational level and the accounting for of all revenues, (c) a more equitable and realistic distribution of central government funds at the subnational level, (d) stronger budget planning capacity at the subnational level, and (e) the long-term aim of enabling senior managers at the subnational level to assume responsibility for making devolved financial decisions.

32. **Subprograms**: Program 6 is divided into three subprograms, each of which has specific outputs and priority actions (Annex Table B-8).

Annex Table B-8: Outputs of Program 6 (Fiscal Decentralization), by Subprogram

Subprogram	*Output*
6.1 Resource mobilization by decentralized entities	1: Decentralized entities' revenue collection and administration performance enhanced 2: Access to decentralized entities' borrowing and investment for financing local capital infrastructures and in getting dividends from investments in companies improved
6.2 Facilitation of fiscal transfers	1: Clarified and cost (output-based) assignment of functions between tiers of government and within sectors to enhance upward and downward accountability implemented 2: Comprehensiveness and transparency of intergovernmental fiscal relations improved

Subprogram	*Output*
6.3 Strengthening of PFM systems and capacity at subnational level	1: Participation of decentralized entities in budget preparation, setting of policy priorities, and development of a bottom-up approach to preparation of the budget submissions by decentralized entities improved 2: Predictability and control local administrative entities' budget execution enhanced 3: Accountability of subsidiary entities improved, through development and implementation of simplified accounting and financial reporting system 4: Accounting and reporting of decentralized entities improved 5: PFM systems and capacities at decentralized and subsidiary entities improved 6: PFM capacity at decentralized entities improved

33. **Priority Actions and Outputs**: Subprogram 6.1 (resource mobilization by decentralized entities) aims to achieve two outputs: (a) enhanced revenue collection and administration performance of decentralized entities (Output 1) and (b) improved access to decentralized entities' borrowing and investment for financing local capital infrastructures and getting dividends from investments in companies (Output 2). Priority actions for Output 1 include implementation of a study on local government revenue potential and automated revenue collection systems. Subprogram 6.2 (facilitation of fiscal transfers) focuses on enhancing accountability through clarification of functional assignment (Output 1) and improvement of transparency of intergovernmental fiscal relations (Output 2). The Government aims to produce these outputs through a series of assessments and reviews (of the current functional allocation and review of intergovernmental fiscal transfers, for example). Subprogram 6.3 (strengthening subnational PFM systems and capacity) aims to improve key aspects of PFM, such as budget execution, accounting, and reporting, and to develop capacity through reviews of existing systems, implementation of a simplified accounting systems, and capacity development activities.

34. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram.

- **Subprogram 6.1: Resource Mobilization by Decentralized Entities.** Strengthening revenue mobilization at the subnational levels is a core objective of the Government. Considerable efforts have been made to mobilize local revenues, including through a strengthened legal framework.[74] Nevertheless, the utilization of local governments' revenue sources is suboptimal and uneven across districts, which in addition to weakening fiscal sustainability raises issues of unequal treatment of taxpayers. In the FY2013/14 budget, the share of own revenues in the total ranged from 4 percent to 49 percent (on average 17 percent); transfers from the central government financed the remainder. Increasing local revenues would reduce the dependence of subnational governments on transfers from the central government, strengthen the fiscal space for central government budgets, and increase the discretionary share of districts' budgets. To strengthen revenue mobilization at the subnational level, the Government commissioned the Local Government Revenue Potential Study, which found weak tax administration capacity at the subnational level. In combination

[74] Law Establishing the Sources of Revenue and Property of Decentralized Entities and Governing their Management in 2011 followed by the Presidential Order establishing the List of Fees and Other Charges Levied by Decentralized Entities and Applicable Thresholds in 2012.

with devolution of three tax sources to the districts, the Government has decided to transfer collection responsibilities for local revenues (business license, property, and rental income taxes) from districts to the RRA.

- **Subprogram 6.2: Facilitation of Fiscal Transfers**. MINECOFIN, in collaboration with the Rwanda Governance Board, developed a draft Prime Minister Order to guide line ministries in implementing sectoral decentralization.[75] The legal and regulatory framework was assessed to determine the status quo in terms of expenditure responsibilities. A draft of the revised block grant formula is being developed to improve allocation efficiency to districts taking their fiscal capacity into account. Every year MINECOFIN issues guidelines on the earmarked transfers that provide the terms, under which the earmarked funds are allocated, transferred, spent, and accounted for by the parties involved. The format of submission of the earmarked transfer guidelines was modified under the Budget System Improvement Program.
- **Subprogram 6.3: Strengthening PFM Systems and Capacity at the Subnational Level**. Timely and transparent financial information at the subnational level is key to improving the effective and efficient use of public resources not only at the subnational level but also at the national level (about 80 percent of district budgets are financed by transfers from the central government). Financial information below the district level (subdistrict, cell, hospital, school) is nonexistent. To address the issue, the Government developed a simplified accounting and financial reporting application (SEAS) for subnational entities below the district level. It launched a pilot of the application in December 2013. As of April 2014, 88 of 416 subdistricts had completed the pilot.

Program 7: PFM Sector Coordination and Management

35. **Outcomes**: Program 7 has seven expected outcomes: (a) strengthened PFM management and coordination mechanisms; (b) effective M&E of the PFM SSP; (c) a communications process that informs all stakeholders on progress in implementing the SSP and reform strategy; (d) increases in the number and quality of staff with professional qualifications, including through ongoing financial support for the Institute of Certified Public Accountant of Rwanda (ICPAR); (e) improvements in the capacity of all staff working within PFM areas; (f) effective incentive schemes where it is considered desirable to improve capacity; and (g) training in PFM systems and procedures of all relevant staff.

36. **Subprograms**: Program 7 is divided into three subprograms, each of which has specific outputs and priority actions (Annex Table B-9).

[75] Given the fact that most of the district budget is centrally financed (own revenues are less than 20 percent), the current administrative decentralization is considered “deconcentration,” which implies the outsourcing of central government functions to local or regional offices.

Annex Table B-9: Outputs of Program 7 (PFM Sector Coordination and Management), by Subprogram

Subprogram	*Output*
7.1 Sector coordination and management	1: SPIU well-functioning and strengthened 2: Coordination of PFM development partners and stakeholders improved 3: Visibility of PFM sector improved
7.2 Coordination of human resource training and capacity building	1: PFM consolidated sector capacity-building plan developed and validated 2: Internship and secondment program established 3: Partnerships with education institutions and professional bodies established and strengthened
7.3 Monitoring and evaluation	1: M&E framework for sector elaborated and operationalized 2: Detailed PFM SSP implementation plan formulated

37. **Priority Actions and Outputs**: The three outputs of Subprogram 7.1 are expected to be achieved through capacity building of the SPIU and facilitation of the sector working group. Capacity building and training are included in all programs under the PFM SSP. Subprogram 7.2 led by the Accountant General Office coordinates training and capacity building in the sector by, for example, developing a consolidated capacity development plan (Output 1) and partnering with other institutions and bodies. Subprogram 7.3 includes priority actions to operationalize M&E, including Joint Sector Reviews and PEFA assessments.

38. **Rationales, Challenges, and Progress to Date:** The rationales, challenges, and progress to date of each subprogram are summarized for each subprogram.

- **Subprogram 7.1: Sector Coordination and Management**. This subprogram supports various functions of the SPIU in MINECOFIN, the main coordination unit implementing the PFM SSP, including sector coordination (for example, facilitation of the PFM COORDINATION FORUM) and capacity building.
- **Subprogram 7.2: Coordination of Human Resources Training and Capacity Building**. Capacity constraints (organizational, institutional, and human) are prevalent across the programs to be supported by the Program. Skills levels will need to be raised significantly as part of the implementation of the Program. Staff recruited for financial management positions are required to have a bachelor’s degree in accounting or finance, but few have any professional qualifications. None of the internal audit staff, for example, are professionally qualified auditors. The capacity of universities and postgraduate training institutions appears to be a constraint on improving skills levels and delivering professionally qualified staff. The certification body for accountants in Rwanda (ICPAR) has been established, but no institutions have yet been certified to provide professional training in accounting or auditing.
- **Subprogram 7.3: Monitoring and Evaluation.** Progress of the PFM SSP has been regularly monitored through annual and quarterly progress reports on the PFM Basket Fund. PEFA assessments have been used to measure the overall progress of the PFM sector. Assessments were conducted in 2007 and 2010; the 2010 assessment included assessment of four districts. The next PEFA assessments at the national and subnational levels (including eight districts) are scheduled to be completed in the second half of 2014.

Description of the Statistics Component of the Program

39. The statistics component of the Program includes four strategic objectives:

- **Strategic Objective 1: Strengthen Civil Registration Systems, Administrative Records, Surveys and Other Sources of Data.** This strategic objective focuses on the design and progressive roll-out of priority economic surveys on agriculture, private sector activity, and the labor market. Despite the importance of agriculture in employment (70 percent of households in Rwanda depend on agriculture) and poverty reduction, agricultural statistics are scarce and infrequent, constraining agricultural policy making. The Government will design and roll out an annual best-practice agricultural survey. Support to business and labor force surveys is highly strategic, given Rwanda's demographic developments. Both in absolute and relative terms, the working-age population will grow rapidly over the coming decade, creating a demographic dividend.[76] Taking advantage of this opportunity will require substantial job creation to accommodate the growing labor force. Formulation of effective employment policies is hampered by the lack of data. The increased availability of economic source data will also feed into the system of national accounts, which will be upgraded and rebased more frequently.

- **Strategic Objective 2: Improve the Quality and Dissemination of Statistics and Raise Public Statistical Literacy**. During NSDS 1, NISR made solid progress on data dissemination, through the establishment of a National Data Archive (NADA), from which microdata from surveys and censuses can be easily downloaded by anyone free of charge. This flagship initiative has greatly facilitated access to data: The 2012 User Satisfaction Survey showed that accessibility of official statistics greatly improved since the start of NSDS 1, in 2009. While making more and more data easily accessible ("open") will not by itself increase the use of data for decision making, it is a necessary condition for achieving this goal.
- **Strategic Objective 3: Improve Statistical Advocacy and Integrate Use of Statistics in Decision Making.** This strategic objective consists mainly of awareness raising and outreach activities to highlight the easy access to statistical data and emphasize the importance of data for better decision making. Greater and easier accessibility of data must be accompanied by measures to promote the use of data for decision making and policy formulation. Although data in Rwanda are widely available and easily accessible, the use of data is hampered by the lack of awareness about them among policy makers, researchers, and civil society.
- **Strategic Objective 4: Develop Capacity within the NSS**. The low level of statistical skills within the NSS constrains the use of statistics for decision making. The final review of NSDS 1 identified important statistical capacity gaps resulting from the limited number of trained statisticians and the absence of appropriate training infrastructure. Low capacity constrains not only the demand side of statistics (its use in decision making) but also the supply side: The quality of statistics produced by line ministries ("administrative statistics") is highly variable. Development of skills within the NSS through the design, construction, and operationalization of a statistical training center within NISR is one of the key activities of this strategic objective. Once operational, the training center will offer hands-on courses in operational statistics and promote a culture of evidence-based decision making among public sector officials within the NSS.

[76] World Bank. 2004. *Fifth Rwanda Economic Update*.

Annex C: Results Framework

Annex Table C-1: Summary Results Framework: Relationships between PDO, Results Framework, DLIs, and PAPs

Government programs (PFM SSP, NSDS 2)		*World Bank PforR Program*			
Government program supported by PforR program	*Selected results*	*PDO*	*Program results*	*DLI*	*PAP*
PFM		To enhance Public Financial Management and statistics systems to improve transparency and accountability in the use of public funds, revenue mobilization and the quality and accessibility of development data for decision making			
P1: Economic planning and budgeting	Improved multiyear fiscal management		Results Area 2: Improved national and subnational transparency and accountability in use of public funds	DLI 1 (Extent to which investment plans of pilot ministries comply with budget call circulars)	P1-(1) through (3)
P2: Resource mobilization	Enhanced national and subnational revenue collection		Results Area 1: Enhanced national and subnational revenue collection (including Government Subprogram P6-(1) on local revenues)	DLI 2 (Extent to which Districts have adopted the automated local government revenue management system)	P2-(1) through (3)
P3: Budget execution, accounting, and reporting	Strengthened accounting and financial reporting at national and subnational level		Results Area 2: Improved national and subnational transparency and accountability in use of public funds	DLI 3 (Extent to which the e-procurement system has been implemented)	P3-(1) through (5)
P4: Audit and legislative oversight	Strengthened and independent external oversight and accountability			DLI 4 (Extent to which MDAs have improved in their compliance of financial management requirements)	
P5: Electronic service delivery and IFMIS	Strengthened financial information system			DLI 5 (Extent to which Sectors are using SEAS)	P5-(1) through (2)
P6: Fiscal decentralization	Strengthened PFM at subnational level			DLI 2, DLI 3, DLI 4, DLI 5 and DLI 6	P6-(1) and (2)
P7: PFM sector coordination and management	Improved staff capacity of PFM sector		Results Areas 1 and 2	DLI 6 (Extent to which government financial management staff are trained in public financial management)	P7-(1) and (2)
Statistics					
SO1: Strengthen civil registration system, administrative records, surveys and censuses and other sources of data	Improved production of statistics		Results Area 3: Improved use of public data for decision making	DLI 7 (Extent to which the production and timeliness of dissemination of economic statistics is enhanced)	
SO2: Improve quality and dissemination of statistics and public statistical literacy	Improved quality and availability of statistics			DLI 7	
SO3: Improve statistical advocacy and integrate use of statistics in decision making	Improved use of statistics for decision making			DLI 8 (Extent to which the variety of data available on NADA is enhanced)	
SO4: Develop capacities within NSS	Improved staff capacity across NSS			n.a.	SO4-(1)

Note: P = program. SO = strategic objective. n.a. = Not applicable. Annex I provides details on the PAPs.

Annex Table C-2: Results Indicators

Item	*Core*	*DLI*	*Unit of measure*	*Baseline (2012/13)*	*Target value*			*Frequency*	*Data source/ methodology*	*Responsibility for data collection*
					2014/15	*2015/16*	*2016/17*			
PDO-level results indicator										
PDO Indicator 1: Enhanced national and subnational revenue collection, measured by tax to GDP ratio			Percent of GDP	14.2	15.8 (higher if IMF PSI target is revised)	17.1 percent (higher if IMF PSI target is revised)	17.4 (higher if IMF PSI target is revised)	Annual	RRA; calculated based on IMF Government Finance Statistics standard	MINECOFIN
PDO Indicator 2: Improved national and subnational transparency and accountability in use of public funds, measured by percent of entities submitting monthly financial statements by due date and made publically available			Percent	40	50	65	80	Annual	MINECOFIN	MINECOFIN
PDO Indicator 3: Share of MDAs using official statistics for both analysis of current developments for short-term decision making and analysis of trends for longer-term policy formulation			Percent	68	71	None	75	Every two to three years	NISR / User satisfaction survey	NISR
Results area										
Results Area 1: Enhanced national and subnational revenue collection										
Intermediate Results Indicator 1: Hours per year spent paying taxes	☒		Hours	113 (2014 Doing Business Survey)	110	105	100	Annual	World Bank, based on Doing Business definition	World Bank
Intermediate Results Indicator 2: Increased tax collection, measured by number of districts using automated revenue collection system		☒	Number	0	3	6	11	Annual	RRA data	RRA
Intermediate Results Indicator 3: Proportion of active small and micro taxpayers filing tax declarations using e-tax Internet portal			Percent	69.3 (June 2014)	80	83	87	Annual	RRA data	RRA
Results Area 2: Improved national and subnational transparency and accountability in the use of public funds										
Intermediate Results Indicator 1: Proportion of MDAs receiving unqualified audit opinions		☒	Percent	32	37	42	47	Annual	OAG	OAG

Item	*Core*	*DLI*	*Unit of measure*	*Baseline (2012/13)*	*Target value*			*Frequency*	*Data source/ methodology*	*Responsibility for data collection*
					2014/15	*2015/16*	*2016/17*			
Intermediate Results Indicator 2: Proportion of subdistricts using simplified accounting and financial reporting application		☒	Percent	0	30	60	80	Annual	MINECOFIN	MINECOFIN
Intermediate Results Indicator 3: Gap between annual budget and second-year MTEF formulated previous year	☒		Percent	20 (FY2014/15 budget)	17 percent (FY2015/16 budget)	14 percent (FY2016/17 budget)	11 percent (FY2017/18 budget) <10 percent (FY2018/19 budget)	Annual	Law determining state finance in various fiscal years; calculation based on the law	MINECOFIN
Results Area 3: Improved use of public data for decision making										
Intermediate Results Indicator 1: Annual national agricultural survey conducted and disseminated		☒	Yes / No	Experimental agricultural survey conducted in 2013 based on experimental best-practice methodology combining area-based and listing sampling frames	Full 2014 national agricultural survey conducted based on lessons learned from 2013 experimental agricultural survey and report produced and disseminated by June 2015	Full 2015 national agricultural survey conducted incorporating lessons learned from previous round and report produced and disseminated by June 2016	Full 2016 national agricultural survey conducted, report produced, and disseminated by June 2017	Annual	NISR	NISR
Intermediate Results Indicator 2: Annual labor market statistics collected and disseminated		☒	Yes / No	No comprehensive and systematic labor statistics	Establishment census conducted and report produced and disseminated by June 2015	Integrated business enterprise survey conducted and report produced and disseminated by June 2016	First national labor force survey conducted and report produced and disseminated by June 2017	Annual	NISR	NISR

Note: n.a. Not applicable

Annex D: Disbursement-Linked Indicators, Disbursement Arrangements, and Verification Protocols

Annex Table D-1: Disbursement-Linked Indicator Matrix

Disbursement-Linked Indicator	*Total financing allocated to DLI (US$ millions)*	*Percent of total financing*	*DLI baseline*	*Indicative timeline for DLI achievement*		
				DLI in year 1	*DLI in year 2*	*DLI in year 3*
DLI 1: Extent to which investment plans of pilot ministries comply with budget call circulars			0	1 DLR#1.1:SDR 3,295,000 for which an amount of SDR 3,295,000 is allocated for the first pilot ministry	3 DLR#1.2: SDR 2,965,750 for which an amount of SDR 1,481,842.49 is allocated for each compliant ministry additional to the first compliant pilot ministry	5 DLR#1.3: SDR 1,976,750 for which an amount of SDR 987,894.99 is allocated for each compliant ministry additional to the three compliant pilot ministries
Allocated amount in US$ million equivalent	12.5	12.5	n.a.	5.0	4.5	3.0
DLI 2: Extent to which Districts have adopted the automated local government revenue management system			0	3 DLR#2.1: SDR 3,295,000 for which an amount of SDR 1,097,661.10 is allocated for each compliant District	6 DLR#2.2: SDR 2,635,750 for which an amount of SDR 878,128.88 is allocated for each compliant District additional to the three compliant Districts	11 DLR#2.3: SDR 2,306,750 for which an amount of SDR 461,017.66 is allocated for each compliant District additional to the six compliant Districts
Allocated amount in US$ million equivalent	12.5	12.5	n.a.	5.0	4.0	3.5
DLI 3: Extent to which the e-procurement system has been implemented			No e-procurement system implemented	Approval of (i) technical proposal and financial proposals and (ii) roadmap for e-procurement system by the Minister of MINECOFIN DLR#3.1: SDR 3,295,000	Functioning of IFMIS and E-Procurement interface protocols DLR#3.2: SDR 2,306,750	Use of e-Tendering and application of IFMIS and E-procurement interface protocols for 5 pilot budget entities DLR#3.3: SDR 2,635,750 for which an amount of SDR 526,877.33 is

Disbursement-Linked Indicator	*Total financing allocated to DLI (US$ millions)*	*Percent of total financing*	*DLI baseline*	*Indicative timeline for DLI achievement*		
				DLI in year 1	*DLI in year 2*	*DLI in year 3*
						allocated for each budget entity that is compliant
Allocated amount in US$ million equivalent	12.5	12.5	n.a.	5.0	3.5	4.0
DLI 4: Extent to which MDAs have improved in their compliance of financial management requirements			32 (FY2012/13)	37 DLR#4.1: SDR 3,295,000 for which an amount of SDR 658,596.66 is allocated for each percentage increase above 32 percent	42 DLR#4.2: SDR 2,635,750 for which an amount of SDR 526,877.33 is allocated for each percentage increase above 37 percent	47 DLR#4.3: SDR 2,635,750 for which an amount of SDR 526,877.33 is allocated for each percentage increase above 42 percent
Allocated amount in US$ million equivalent	13.0	13.0	n.a.	5.0	4.0	4.0
DLI 5: Extent to which Sectors are using SEAS			21 percent (as of April 2014)	30 DLR#5.1: SDR 3,295,000 for which an amount of SDR 365,887.03 for each percentage increase above 21 percent	60 DLR#5.2: SDR 2,635,750 for which an amount of SDR 87,812.89 for each percentage increase above 30 percent	80 DLR#5.3: SDR 2,306,750 for which an amount of SDR 115,254.42 for each percentage increase above 60 percent
Allocated amount in US$ million equivalent	12.5	12.5	n.a.	5.0	4.0	3.5
DLI 6: Extent to which government financial management staff are trained in public financial management			294 (as of Sep 2014: full professional (20), intermediate level (182), and foundation level (92)	350 DLR#6.1: SDR 3,295,000 for which an amount of SDR 58,804.59 is allocated for each additional staff beyond the number 294 who achieves foundational level professional qualifications in finance	400 DLR#6.2: SDR 2,635,750 for which an amount of SDR 52,687.73 is allocated for each additional staff beyond the number 350 who achieves foundational level professional qualifications in finance	450 DLR#6.3: SDR 2,306,750 an amount of SDR 46, 101.77 is allocated for each additional staff beyond the number 400 who achieves foundational level professional qualifications in finance
Allocated amount in	12.5	12.5	n.a.	5.0	4.0	3.5

Disbursement-Linked Indicator	*Total financing allocated to DLI (US$ millions)*	*Percent of total financing*	*DLI baseline*	*Indicative timeline for DLI achievement*		
				DLI in year 1	*DLI in year 2*	*DLI in year 3*
US$ million equivalent						
DLI 7: Extent to which the production and timeliness of dissemination of economic statistics is enhanced			Last comprehensive agricultural survey dates from 2008 (experimental agricultural survey was conducted in 2013); no systematic program of business or labor statistics, GDP with base year 2011.	Full national agricultural survey conducted based on lessons learned from experimental survey and report produced and disseminated DLR#7.1: SDR 3,295,000	Integrated business enterprise survey conducted and report produced and disseminated DLR#7.2: SDR 2,965,750	GDP estimates rebased with base year updated to 2014, and results disseminated DLR#7.3: SDR 1,976,750
Allocated amount in US$ million equivalent	12.5	12.5	n.a.	5.0	4.5	3.0
DLI 8: Extent to which the variety of data available on NADA is enhanced			National Data Archive (NADA), from which survey microdata can be downloaded by anyone free of charge, established in 2010; no access to administrative data produced by line ministries	Microdata of experimental agricultural survey (2013) and at least 5 percent of data of the population and housing census (2012) released on NADA DLR# 8.1: SDR3,295, 000	Microdata of EICV4 poverty survey (2013/14) released on NADA DLR# 8.2: SDR 2,306,750	Open Data initiative extended to administrative source data collected by one of main data-producing line ministries (Ministry of Health or Ministry of Education) for at least five development indicators DLR#8.3:SDR 2,306,750
Allocated amount in US$ million equivalent	12.0	12.0	n.a.	5.0	3.5	3.5
Total financing allocated in US$ million equivalent	**100**	**100**	**n.a.**	**40**	**32**	**28**

Annex Table D-2: Verification Protocol for Disbursement-Linked Indicators

				Protocol to evaluate achievement of DLI and data/result verification		
Number	*DLI*	*Definition/description of achievement*	*Scalability*	*Data source/agency*	*Verification entity*	*Procedure*
1	Extent to which investment plans of pilot ministries comply with budget call circulars	Budget call circular for FY2014/15 budget requests feasibility study (including both technical and financial) for new projects exceeding US$1 million.	Yes	MINECOFIN	OAG	MINECOFIN counts number of pilot ministries satisfying the DLI criteria and sends official letter (including detailed list of new projects) to OAG and the Bank.
2	Extent to which Districts have adopted the automated local government revenue management system	Using is defined as functioning of the registration and filing module of the system	Yes	RRA	OAG	RRA will report to MINECOFIN on the progress of roll-out of the system. MINECOFIN will submit the report to the Bank and OAG. OAG will conduct onsite visits of various collection centers
3.1	Approval of (i) technical proposal and financial proposals and (ii) roadmap for e-procurement system by the Minister of MINECOFIN	In order to construct an e-procurement system, RPPA will formulate a roadmap (including timeframe till operationalization). As the first step to implement the roadmap, a project team will be established.	No	RPPA	OAG	MINECOFIN will submit a copy of the technical proposal, the financial proposal and the roadmap for e-Procurement implementation from the selected provider together with an official copy of the approval by the Minister of MINECOFIN to OAG and the Bank.
3.2	Functioning of IFMIS and E-Procurement interface protocols	The interface protocols will provide the functionality of blocking the budget release for a contract which was not published in the e-Procurement system in accordance with the legislation. IFMIS and E-Procurement interface protocols link (i) budget; (ii) procurement process (including procurement plans, evaluations, and contract awards) and (iii) payment process. This can be achieved through the IFMIS system which would run a cross-check in the e-Procurement system to verify the required	No	RPPA	OAG	MINECOFIN will produce a report on the test results which demonstrate the interface protocols are functioning as designed. The report will be submitted to the Bank and OAG. OAG will conduct on-site check of selected pilot budget entities.

Number	DLI	Definition/description of achievement	Scalability	Protocol to evaluate achievement of DLI and data/result verification		
				Data source/agency	Verification entity	Procedure
		advertising of the contract prior to releasing the budget for this contract. If the contract was not advertised in the e-Procurement system, the IFMIS system would block the processing of the payment request. To this end, in year 2, project management teams of IFMIS and E-Procurement will jointly design the interface protocols to be approved by the chair (Accountant General) of the Project Management Team. Afterwards, IFMIS and E-Procurement teams will customize their software. To make sure that the internet protocols functions as designed, the teams conduct test-runs.				
3.3	Use of e-Tendering and application of IFMIS and E-procurement interface protocols for 5 pilot budget entities	Selected pilot entities will use the e-Procurement system for e-Tendering including the distribution of electronic bidding documents and the submission of electronic bids	Yes	RPPA	OAG	OAG will check e-procurement system used by the pilot entities whether bidding procedure including the distribution of electronic bidding documents and the submission of electronic bids is done by using the e-procurement system.
4	Extent to which MDAs have improved in their compliance of financial management requirements	Percent of MDAs including other central government agencies, boards, government business enterprises, ministries, districts and city of Kigali, provinces and government projects receiving unqualified audit opinion.	Yes	OAG	External consultant	OAG will submit a list of audit results to MINECOFIN, and an external consultant will conduct onsite visit at OAG for sample checking of consistency between the list and the audit reports.
5	Extent to which Sectors are using SEAS	Using is defined as processing, accounting transactions, reconcile accounts and generate both	Yes	MINECOFIN	OAG	MINECOFIN will produce a report describing status of operationalization of SEAS in each

Number	*DLI*	*Definition/description of achievement*	*Scalability*	*Protocol to evaluate achievement of DLI and data/result verification*		
				Data source/agency	*Verification entity*	*Procedure*
		monthly and financial statements				sector approved by the Accountant General. The report will be submitted to OAG and the Bank. OAG and the Bank will conduct onsite visit.
6	Extent to which government financial management staff are trained in public financial management	PFM staff includes (i) external auditors, (ii) internal auditors; (iii) accountants; (iv) directors of administration and finance; and (v) directors/director generals/heads of institutions in both the central and subnational governments. Foundational level professional finance qualification is 3 papers of the professional stream of ACCA and foundation level 1 of CPA Rwanda or Kenya; the IPSAS/IFRS certificate offered by CIPFA and other organizations recognized by IFAC on top of the Foundational level 1 of CPA and Knowledge level of ACCA	Yes	MINECOFIN	OAG	MINECOFIN prepares for the list of staff profile (the same format as table 12 of the fiduciary assessment) and submit to the Bank and OAG. OAG will verify it.
7.1	Full national agricultural survey conducted based on lessons learned from experimental survey and report produced and disseminated	NISR completes fieldwork for national agricultural survey, completes data entry and analysis, and produces and publishes survey report by end of May 2015.	No	NISR	OAG	Upon launch/publication of the survey report, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting the publication of the agricultural survey report on NISR's website.

Number	DLI	Definition/description of achievement	Scalability	Protocol to evaluate achievement of DLI and data/result verification		
				Data source/agency	Verification entity	Procedure
7.2	Integrated business enterprise survey conducted and report produced and disseminated	NISR completes fieldwork for the integrated business enterprise survey, completes data entry and analysis, and produces and publishes survey report on its website by end of May 2016.	No	NISR	OAG	Upon launch/publication of the survey report, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting the publication of the agricultural survey report on NISR's website.
7.3	GDP estimates rebased with base year updated to 2014, and results disseminated	NISR updates base year of national accounts from 2011 to 2014 and publishes new GDP data by end of April 2017 (tentative timeline).	No	NISR	OAG	Upon launch/publication of the survey report, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting the publication of the agricultural survey report on NISR's website.
8.1	Microdata of experimental agricultural survey (2012/13) and at least 5 percent of data of the population and housing census (2012) released on NADA	NISR publishes anonymized microdata from 2013 agricultural survey on its website (through NADA) by June 2015 and uploads at least 5 percent (data on at least 121,245 households – 5 percent of the total of 2,424,898 households enumerated during the census).of anonymized microdata from 2012 population and housing census to its website (through NADA) by June 2015 (to protect confidentiality of respondents and following international best practice, only a sample of census data can be made available for public use).	No	NISR	OAG	Upon publication of the micro-data of both surveys on NADA, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting (i) the publication of the micro-data of the 2013 Agricultural Survey on NADA, and (ii) the publication of at least 5 percent of the micro-data of the 2012 Population and Housing Census (data on at least 121,245 households) on NADA. OAG will verify if the data is effectively available and ready for downloading and whether at least 5 percent of the census data is available (data on at least 121,245 households).

Number	DLI	Definition/description of achievement	Scalability	Protocol to evaluate achievement of DLI and data/result verification		
				Data source/agency	Verification entity	Procedure
8.2	Microdata of EICV4 poverty survey (2013/14) released on NADA	NISR publishes anonymized microdata from 2013/14 EICV4 poverty survey on its website (through NADA) by end of June 2016.	No	NISR	OAG	Upon publication of the micro-data of the EICV4 on NADA, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting the publication of the micro-data of the EICV4 on NADA. OAG will verify if the data is effectively available and ready for downloading.
8.3	Open Data initiative extended to administrative source data collected by one of main data-producing line ministries (Ministry of Health or Ministry of Education) for at least five development indicators	NISR extends Open Data agenda to administrative data collected by a main data-producing line ministry (the Ministry of Health or Ministry of Education). Administrative source data collected through management information system of selected ministry for at least five development indicators (local indicators (EDPRS 2, Vision 2020) or global indicators (MDGs)) must be freely accessed and downloaded by public through ministry' website by June 2017.	Yes	NISR	OAG	Upon making the non-confidential data of the Management Information System of the selected Ministry publicly accessible, NISR, through MINECOFIN SPIU, will address an official letter to OAG and the Bank attesting the expansion of the open data initiative to the administrative data produced by the selected Ministry. OAG will verify if the data is effectively available and ready for downloading.

Annex Table D-3: Bank Disbursements

DLI #	*DLI*	*Bank financing allocated to DLI*	*Of which financing available for*		*Indicative timeline for achievement* [a]	*Minimum value to be achieved to trigger disbursements of Bank financing* [b]	*Maximum DLI values expected to be achieved for Bank disbursements purposes* [c]	*Determination of financing amount to be disbursed against achieved and verified DLI values* [d]
			Prior results	*Advances*				
1	Extent to which investment plans of pilot ministries comply with budget call circulars	12.5	0.0	5.0	1 (year 1) 3 (year 2) 5 (year 3)	1	5	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.
2	Extent to which Districts have adopted the automated local government revenue management system	12.5	0.0	5.0	3 (year 1) 6 (year 2) 11 (year 3)	1	11	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.
3.1	Approval of (i) technical proposal and financial proposals and (ii) roadmap for e-procurement system by the Minister of MINECOFIN	5.0	5.0	0	Year 1	n.a.	n.a.	Payment will be made against the achievement of the DLI.
3.2	Functioning of IFMIS and E-Procurement interface protocols	3.5	0.0	0	Year 2	n.a.	n.a.	Payment will be made against the achievement of the DLI.
3.3	Use of e-Tendering and application of IFMIS and E-procurement interface protocols for 5 pilot budget entities	4.0	0.0	0	Year 3	1	5	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.
4	Extent to which MDAs have improved in their compliance of financial management requirements	13.0	0.0	5.0	37 (year 1) 42 (year 2) 47 (year 3)	Above 32	47	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.

DLI #	DLI	Bank financing allocated to DLI	*Of which financing available for* Prior results	*Of which financing available for* Advances	Indicative timeline for achievement [a]	Minimum value to be achieved to trigger disbursements of Bank financing [b]	Maximum DLI values expected to be achieved for Bank disbursements purposes [c]	Determination of financing amount to be disbursed against achieved and verified DLI values [d]
5	Extent to which Sectors are using SEAS	12.5	0.0	5.0	30 (year 1) 60 (year 2) 80 (year 3)	Above 21	80	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.
6	Extent to which government financial management staff are trained in public financial management	12.5	0.0	0	350 (year 1) 400 (year 2) 450 (year 3)	Above 294	450	Payment will be made in proportion to the achievement against amount allocated in Annex Table D-1.
7.1	Full national agricultural survey conducted based on lessons learned from experimental survey and report produced and disseminated	5.0	0.0	0.0	Year 1	n.a.	n.a.	Payment will be made against the achievement of the DLI.
7.2	Integrated business enterprise survey conducted and report produced and disseminated	4.5	0.0	0	Year 2	n.a.	n.a.	Payment will be made against the achievement of the DLI.
7.3	GDP estimates rebased with base year updated to 2014, and results disseminated	3.0	0.0	0	Year 3	n.a.	n.a.	Payment will be made against the achievement of the DLI.
8.1	Microdata of experimental agricultural survey (2012/13) and at least 5 percent of data of the population and housing census (2012) released on NADA	5.0	0.0	5.0	Year 1	Above 5 percent	n.a.	Payment will be made against the achievement of the DLI.
8.2	Microdata of EICV4 poverty survey (2013/14) released on NADA	3.5	0.0	0.0	Year 2	n.a.	n.a.	Payment will be made against the achievement of the DLI.

DLI #	*DLI*	*Bank financing allocated to DLI*	*Of which financing available for*		*Indicative timeline for achievement* [a]	*Minimum value to be achieved to trigger disbursements of Bank financing* [b]	*Maximum DLI values expected to be achieved for Bank disbursements purposes* [c]	*Determination of financing amount to be disbursed against achieved and verified DLI values* [d]
			Prior results	*Advances*				
8.3	Open Data initiative extended to administrative source data collected by one of main data-producing line ministries (Ministry of Health or Ministry of Education) for at least five development indicators	3.5	0.0	0	Year 3	1	2	Payment will be made against the achievement of the DLI.

Note: n.a. = Not applicable.

a. Indicative target dates. Once it is confirmed that a DLI has been achieved/completed before the Bank financing closing date, a disbursement request can be made.
b. If the DLI has to remain at or above a minimum level to trigger Bank disbursements (for example, DLI baseline), please indicate such level.
c. Please insert the DLI values above which no additional Bank financing will be disbursed.
d. Specify the formula determining the level of Bank financing to be disbursed on the basis of level of progress in achieving the DLI, once the level of DLI achievement has been verified by the Bank. Such formulas may be of various types, including pass/fail, linear, or other types, as agreed between the Bank and the borrower.

Annex E: Summary Technical Assessment

1. **This annex summarizes the full technical assessment in six areas**: strategic relevance and technical soundness, expenditure framework, results framework and M&E, governance structure and institutional arrangements, economic justification, and technical risks.

A. Strategic Relevance and Technical Soundness

Strategic Relevance

2. **A range of actions are needed to improve accountability, but improvements to PFM are particularly central.** The literature supports a positive relationship between PFM and accountability. According to a report by Sida, for example, "Effective PFM systems will strengthen democratic influence/oversight and accountability in the decision-making processes related to the state budget. Transparency is a key element. Well-structured information on the ways in which public resources have been used and the results that have been achieved will significantly strengthen the accountability process at parliament and public audit institutions."

3. **In Rwanda PFM systems and processes are regarded as key to the effective and efficient functioning of the public sector,** as they underpin the performance of all sectors, as well as different levels of government.[77] The government has rightly defined the main objective of PFM reforms as "to ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery." The government embarked on comprehensive PFM reforms more than five years ago, with the comprehensive Public Financial Management Reform Strategy (PFMRS) for 2008–12. Building on progress of PFMRS, the PFM Sector Strategic Plan (SSP) 2013–18 was formulated in 2013 to advance PFM reforms.

4. **Rwanda has made significant progress in PFM reforms.** At the national level, the improvement is demonstrated by the Public Expenditure and Financial Accountability (PEFA) assessment. The comparison between 2007 and 2010 shows improved scores in all but one category (see figure 3). Other assessments such as an independent evaluation of the PFMRS (2008–12) also showed improvement. At the subnational level, the 2010 PEFA assessed four districts and found that the nature and scope of external scrutiny of subnational governments to be satisfactory. The comparison with neighboring countries shows that Rwanda's performance is better in most categories than neighboring countries, other than in accounting, recording and reporting (see figure 4).

5. **An international comparison in 2013 using CPIA Indicator 13 (quality of budgetary and financial management rating) showed that Rwanda ranked fourth among 82 countries for which country data were available.** Rwanda's score (4.0) exceeded the average score of middle-income countries (3.3) (see figure 5). Furthermore, among 73 countries for which comparison between 2005 and 2013 was possible, only one-third improved their score (another third deteriorated, and the remaining third remained the same). Rwanda was one of the countries that showed improvement. Its progress is remarkable given the fact that there seemed to be no functioning PFM system immediately after the 1994 genocide.

[77] For example, the EDPRS 2 states that "Rwanda's public finance management system is the platform for the efficient management of the nation's resources. Its reporting, audit and oversight functions are essential elements in providing effective Accountable Governance" (PARA 6.27).

6. **Nevertheless, challenges remain, and there is a need to consolidate the achievements made to date.** Effective PFM is equally as or more important to Rwanda than it is to neighboring countries. The size of the central government budget, as a share of GDP, is high (at 29 percent) and comparable to Kenya and Tanzania. The tax revenue to GDP ratio in Rwanda (14.2 percent) is slightly lower than the average. The combination of the high expenditures and low tax revenues has made Rwanda the most aid dependent country among the neighboring countries. Among key PFM components, accounting, recording, and reporting deteriorated between 2007 and 2010 and lag behind neighboring countries (see table 1).

7. **Besides addressing these challenges, PFM systems in Rwanda have to keep up with the country's rapid development process.** Rwanda's nominal GDP almost tripled between 2006 and 2013. The size of its national budget almost doubled between FY2009/10 and FY2013/14. As part of decentralization, subnational governments were completely restructured in 2005. The availability of new technology offers an opportunity to enhance PFM systems and procedures. Thus, PFM reforms (including capacity building and institution strengthening) represent an ongoing agenda in Rwanda.

8. **Statistics is critical for evidence-based policy making, planning, and budgeting, which contribute to the efficient and effective use of public resources.** More effective and efficient use of public resources requires better alignment between national development priorities and objectives and the allocation of public resources. Such an alignment can be achieved by improving the coherence between national strategies, the MTEF, and the annual budget process, for example, as well as by achieving value for money in public procurement and enhancing transparency and accountability in the use of resources. Statistics plays a foundational role in PFM, particularly in informing policy analysis, strategy formulation, and planning and budgeting. Without accurate and timely statistics and their effective use, improvement in coherence will be difficult to achieve.

9. **NSDS 1, covering 2009–14, contributed to establishing a foundation for the development of the statistics sector.** Building on its successful implementation, the Government formulated NSDS 2, covering 2014–19. Recognizing the important roles of statistics in the PFM cycle, NSDS 2 seeks to "improve statistical advocacy and integrate use of statistics in decision making."

Technical Soundness

10. **Credibility of government programs.** Both the PFM SSP and NSDS 2 are assessed as worthy of Program support based on seven criteria of a credible reform program (Annex Table E-1).[78]

[78] The assessments are conducted based on "How to Note: Managing Fiduciary Risk in DFID bilateral aid programs" (DFID 2008, 19).

Annex Table E-1: Assessment of Credibility of the PFM SSP and NSDS 2

Criterion	*PFM SSP*	*NSDS 2*
1. Program is led by the Government, enabling full political ownership and leading to effective harmonization and donor intervention	Fully met: MINECOFIN is lead ministry of the PFM component. PFM Reform Steering Committee, comprising representatives of implementing agencies and development partners, oversees implementation of the PFM SSP.	Fully met: NSDS 2 was developed by NISR in close collaboration and consultation with all relevant stakeholders. It is fully aligned with EDPRS 2.
2. Program is realistic and achievable, based primarily on available local capacity and set within an appropriate timeframe	Mostly met: Human resource challenges may affect pace of reforms.	Fully met: Although ambitious, NSDS 2 targets and objectives are attainable, given strong implementation capacity of NISR.
3. Program has comprehensive framework that is effectively sequenced	Fully met: The PFM SSP framework is comprehensive and attempts to sequence activities in various reform pillars. Institutional strengthening and human capacity development could be better articulated.	Fully met: NSDS 2 is a comprehensive plan with clear targets and milestones. To the extent possible, main activities are sequenced to not overburden the organization at a single point in time.
4. Program is relevant and sustainable; it adapted to the country context, targeted to meet key fiduciary risks, and designed to avoid overreliance on external technical assistance	Fully met: Reform measures are designed to maintain positive trajectory of PFM reforms and tackle remaining challenges that pose risk to efficient and effective use of public funds.	Mostly met: NSDS 2 is relevant and adapted to country context; it presents a clear and realistic roadmap toward the objectives of the plan. However, reliance on external technical assistance is expected to remain high in the short run in specific relevant statistical areas that require technical capacity in methodologies until NISR builds its own capacity
5. Program develops local capacity	Mostly met: Terms of reference for various types of technical assistance have skills transfer element. However, in accounting, despite the establishment of ICPAR, the Government still continues to fund its employees to take international examination.	Fully met: NISR has developed a five-year capacity building plan that will be implemented during NSDS 2.
6. Program builds demand for change, promoting a sustainable track record of improvement based on previous success	Fully met: Good positive trajectory of PFM reforms. PFM-SSP is conceived as one of foundational issues in EDPRS 2.	Fully met: During NSDS 1, NISR built a reputation for timely delivery of high-quality statistics. Perceived strong performance of NISR greatly increased government demand for data on ever-increasing range of topics.
7. Program includes specific performance indicators	Fully met: The PFM SSP and accompanying action plans identify clear objectives/outcomes, with some milestones to ascertain progress toward achievement of long-term reform objectives.	Mostly met: NSDS 2 includes comprehensive logical framework with output and outcome indicators at each of its six strategic objectives.

11. **Adequacy of program activities.** The Government programs and subprograms to be supported by the Program are key aspects of the PFM cycle described in table 6. Therefore, the Program activities are adequate to achieve the PDO of the PforR Program.

PFM

12. **Formulation of the PFM SSP built on lessons learned from the PFMRS and other assessments, such as the 2007 and 2010 PEFA assessments.**[79] The PEFA assessments document improvement at the national level in all but one category (see figure 5). At the subnational level, the 2010 PEFA assessed four districts. It found the nature and scope of the external scrutiny of subnational governments satisfactory. PEFA assessment was conducted under an internationally recognized framework and methodology,[80] and development partners (including the Bank) provided inputs in formulating the PFM SSP. Therefore, programs and subprograms under the PFM are considered to be technically sound.

13. The technical soundness of activities supported by the Program was scrutinized through existing coordination mechanisms, such as the annual work plan of the PFM Basket Fund and quarterly and annual technical working group meetings. Through existing coordination mechanisms, the Government and development partners discussed and agreed on value for money for key activities.

14. Every government program supported by the Program is an important element of the PFM cycle (see figure 6) and will contribute to achieving the PDO.

15. **Program 1: Economic Planning and Budgeting.** Activities under Program 1 contribute not only to strengthening economic planning and budgeting but also to linking planning and budgeting, which is key for effective, efficient, and accountable use of public resources. Subprogram 1.2 (public investment management) aims to improve the efficiency of public investment by introducing financial and economic feasibility studies in the selection of public investment. The Bank has supported this initiative through the IDF-funded task (capacity building of economic and financial analysis). Activities under Subprogram 1.4 (policy-based budgeting) aim to ensure that budgets at the ministerial level reflect sector priorities. The IMF is providing technical assistance on performance-based budgeting and the MTEF.

16. **Program 2: Resource Mobilization.** The effectiveness of Program 2 is proved by the significant increase in taxes as a share of GDP, from 12.1 percent in FY2009/10 to 14.2 percent in FY2012/13 (the ratio still remains much lower than other Sub-Saharan Africa countries.) Domestic resource mobilization is the core of the IMF's PSI, and the IMF has been providing technical assistance in both tax policy and administration. The Government commits to continue resource mobilization efforts as described in the PDO Indicator 1 on the tax to GDP ratio.

17. **Program 3: Budget Execution, Accounting, and Reporting.** Much progress has been made in Program 3, although more needs to be done. To strengthen internal audit functions, audit committees have been operationalized in MDAs since 2011. Their main function is to follow up internal and external audit recommendations. As of March 2014, 75 percent of audit recommendations had been implemented by the central government, and 67 percent had been implemented by the districts. The technical soundness of this Program has also been scrutinized by other Bank's operations. For example, Quality of Decentralized Service Delivery (P145114) has supported operationalization of audit committees at the district level.

[79] The Government plans to conduct PEFA assessments at the national and subnational (for selected districts) to be completed in the second half of 2014.

[80] https://www.pefa.org/en/content/pefa-framework.

18. **Program 4: External Oversight and Accountability.** Timely and quality external audit is an integral part of improving transparency and accountability. The organizational and legal frameworks were recently established (for example, the 2013 law on the Office of Auditor General). Therefore, Program activities such as institutional review and implementation are key to achieving the PDO through the second result area (improved national and subnational transparency and accountability in the use of public funds). The technical soundness of the activities has been scrutinized through the Joint Coordination Committee (JCC) of the OAG subfund under the PFM Basket Fund. The Bank has been contributing to JCC.

19. **Program 5: Electronic Service Delivery and IFMIS.** IFMIS was operationalized in July 2010 and effectively rolled out at 275 sites, including all line ministries and 30 districts (plus Kigali city) as of 2014. Given the strategic importance of IFMIS, the Government has been carrying out external quality assurance reviews. These Quality Assurance Group (QAG) missions were conducted in 2009, 2010, and 2011. The Bank has been part of QAG and provided technical assistance. The Government plans to conduct the fourth mission in the second half of 2014 to follow up recommendations made during the last mission as well as to provide support to the future IFMIS. Through the preparation of the Program, the Bank has been supporting organizing the fourth mission and will participate in the mission itself.

20. **Program 6: Fiscal Decentralization.** Program 6 covers two of the three result areas at the subnational level (increased revenue collection, and improved transparency and accountability). Activities under Subprogram 6.1 (resource mobilization by decentralized entities) build on analyses and recommendations of the 2013 Local Government Revenue Potential Study. The study found lack of district capacity to collect taxes; centralization of local tax collection (DLI 2) is response to this finding. Activities under Subprogram 6.3 (PFM systems and capacity at the subnational level) also build on various analytical works and policy papers, such as district capacity-building plans.[81]

21. **Program 7: PFM Sector Coordination and Management.** PFM is a cross-cutting sector involving several government agencies (MINECOFIN, RRA, OAG, and RPPA) as well as development partners. Coordinating the PFM sector is therefore critical to achieve the PDO. Activities under Subprogram 7.1 are contributing to effective coordination of the PFM sector. The MINECOFIN SPIU has a good track record of coordination activities. The Bank has been supporting it by co-chairing the PFM Coordination Forum. The technical and fiduciary assessments identify capacity building as critical issues for Program success. Activities under Subprogram 7.2, together with related capacity-building activities in other programs, will address capacity constraints. DLI 6, PAP P7-(1) and (2) are milestones toward capacity building.

Statistics

22. **Development of NSDS 2 took into account lessons learned from NSDS 1.** It consolidates the gains of NSDS 1, related mainly to social and demographic data production and dissemination, while addressing its shortcomings, related mainly to the dearth of economic statistics, the poor quality of administrative statistics, and capacity constraints within the NSS. NSDS 2 is fully aligned with EDPRS 2 and seeks to provide data required for the M&E of EDPRS 2. In line with NSDS 2 priorities, the Program seeks to address data production,

[81] The Bank has supported the formulation of district capacity building plans through Quality of Decentralized Service Delivery (P145114).

dissemination, and quality enhancement needs in several priority areas while promoting sustainability by strengthening statistical skills within the NSS. The steering committee scrutinized the technical soundness of strategic objectives and accompanying activities under NSDS.

23. **Strategic Objective 1**: **Strengthen civil registration systems, administrative records, surveys, and other sources of data.** Under this strategic objective, the Program will support the development of agricultural, business, and labor market statistics and the upgrading of the system of national accounts. These statistics are essential to achieve national objectives.

24. **Strategic Objective 2**: **Improve the quality and dissemination of statistics and public statistical literacy, Improve statistical advocacy, and integrate the use of statistics in decision making**: The consolidation and expansion of NISR's Open Data initiative is a key area. During NSDS 1, NISR made solid progress on data dissemination through the establishment of a National Data Archive (NADA), where microdata from surveys and censuses can be easily downloaded by anyone free of charge. This flagship initiative has greatly facilitated access to data: According to the 2012 User Satisfaction Survey, accessibility of official statistics has greatly improved since the start of NSDS 1, in 2009. While making more and more data easily accessible ("open") will not by itself increase the use of data for decision making, it is a necessary condition for achieving this goal.

25. **Strategic Objective 3**: **Improve statistical advocacy, and integrate the use of statistics in decision making**: To date, all statistical advocacy activities have been ad hoc. NSDS 2 aims to address this issue by developing and implementing an integrated advocacy strategy. The strategy will be geared toward stimulating use of statistics by decision-makers and researchers/civil society.

26. **Strategic Objective 4**: **Develop capacity within the NSS**: The Program will support the establishment and operationalization of a statistical training center within the existing premises of NISR. With support from the operation, NISR will prepare a master plan for the set-up of the training center, including its design and construction. NISR already conducted a skills training needs analysis of government officials in the NSS institutions. It will develop courses (including e-learning modules) based on the results of the needs assessment.

B. Expenditure Framework

27. **Expenditure framework**. Building on costing exercises of the PFM SSP, NSDS 2, and MTEF, the total expenditure framework amounts to US$171 million between FY2014/15 and FY2017/18 (Table 10). The PFM component accounts for 65 percent (US$112 million), and the statistics component accounts for 35 percent (US$59 million) of the Program. Almost all expenditure activities are less than US$5 million. Exceptions include e-procurement, the future IFMIS, and the fifth household survey (EICV 5). With the support of US$100 million from the Program together with contributions from the government (US$41 million) and other development partners (US$30 million), the PFM and statistics programs will be fully funded.

28. Given the importance of addressing capacity constraints, the Government plans to conduct capacity-building activities amounting to US$37 million (22 percent of total expenditures) during the Program implementation period. The expenditure framework by economic classification (based on the IMF's 2001 *Government Finance Statistics Manual*) shows that the Government plans to spend US$2 million (1 percent of the total) on the

compensation of employees, US$122 million (71 percent of the total) on the use of goods and services, and US$47 million (28 percent of the total) on consumption of fixed capital. Construction of the statistics training center is the Program's only physical activity; it is discussed in the environmental and social systems assessment (ESSA) (see Annex G). Other activities in this category are the purchase of software and related activities for e-procurement and the future IFMIS. Procurable activities (total minus compensation of employees) account for 99 percent of total expenditures. Section IV of the fiduciary assessment analyses strengthen and weakness of the procurement systems and practice. The Program will address the identified weaknesses, including through DLIs and PAPs.

29. There are no high-risk activities in the Program that are or need to be excluded.

30. **Funds flow of Program expenditures**. The proceeds of the Program will be part of the budget and will be disbursed against the Treasury Single Account (TSA) followed by allocation to the implementation agencies (see Figure 8). The execution of the budget follows relevant law and regulations.

31. **Program budget structure and classification.** The budget classification system is comprehensive and consistent with international standards. The budget is prepared in compliance with the IMF's 2001 *Government Finance Statistics Manual* (GFSM).[82] The Chart of Accounts is also comprehensive to allow for preparation of full set of financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). The expenditure program is based on the approved MTEF covering FY2014/15-2016/17, but two challenges remain. The MTEF includes information on program, subprogram, project/output and activity. However, it is not classified based on SSPs or other sector strategies under the EDPRS 2. Therefore, in order to translate the information in the MTEF into the PFM SSP and NSDS 2, the government has manually reclassified the MTEF. Also, while the MTEF covers until FY2016/17, the PforR program aims to provide financing resources until FY2017/18. Therefore, based on the discussion with the government, expenditures in FY2017/18 are obtained by extrapolating the growth rate in the previous fiscal year.

32. **Program's financial sustainability and funding predictability are considered to be appropriate**. According to the latest IMF/Bank Joint Debt Sustainability Analysis (DSA), Rwanda's risk of debt distress rating has improved from moderate to low in the latest DSA in response to a broadened export base. The total public debt outstanding at the end of 2012 stood at 26 percent of GDP and the DSA shows that Rwanda's external debt remains below the indicative thresholds under all scenarios examined. The execution ability measured by the deviation between the budget and actual needs to be improved. The execution rates of the PFM program in the past two years are on average 80 percent. On the contrary, the rates of the statistics program were 88 percent in FY2011/12 and 94 percent in FY2012/13. By directly supporting the PFM sector, the Program itself is expected to address execution capacity of the government.

33. **The composition of the expenditure framework suggests that Program expenditure is not rigid.** The expenditure framework does not include nondiscretionary items such as wages

[82] Article 33 of the OBL dealing with "format of revenue budget appropriation" requires that "the revenues of Central Government or decentralized entities shall adhere to internationally accepted standards of classification of revenues." http://www.minecofin.gov.rw/uploads/media/Official_Gazette_no_Special_of_05_11_2013_06.pdf

and salaries for two reasons. First, the budget classification does not allow us to allocate wage and salaries into specific programs. Second, the government considers that wages and salaries should be financed by their own revenues.[83] The exclusion of wages and salaries from the expenditure framework has made it less rigid.

34. **There is good track record of predictability of donor financing.** On PFM, developing partners participating in the PFM Basket Fund (the United Kingdom, Germany, and the European Union) have a good track record of channeling financial resources in the past several years. The new Memorandum of Understanding covering FY2014/15 and FY2017/18 has been signed.

35. **Institutional arrangements and expenditure execution incentive mechanism.** Rwanda has a very good track record of results-based development management. For example, Rwanda was one of two countries whose national development strategy was rated "A" in the 2010 Paris Declaration survey among 77 countries surveyed.[84] The results-based aspect was strengthened further in EDPRS 2[85] and SSPs. Results-based management has also been operationalized at the ministerial, agency, units, and staff levels, which has created strong incentive mechanism to achieve results.

C. Results Framework and Monitoring and Evaluation

Results Framework

36. **The Program's results framework was formulated based on the Government's own results frameworks, including the frameworks of the PFM SSP and NSDS 2**. Three key results areas form integral parts of the PFM cycle: (a) enhanced national and subnational revenue collection, (b) improved national and subnational transparency and accountability in the use of public funds, and (c) improved use of public data for decision making. Each results area is reflected in DLIs, PAPs, and the Program Implementation Support Plan.

37. **Results Area 1**, **Enhanced National and Subnational Revenue Collection**: The main indicator of the results area is the tax to GDP ratio with Subindicator 1-(1) on "Hours per year for paying tax"; Subindicator 1-(2) on "increased tax collection, measured by the number of districts using automated revenue collection system" and Subindicator 1-(3) on "proportion of active small and micro taxpayers filing tax declarations using e-tax Internet portal. The targeted outcomes in this results area will be achieved by DLI 2 centralization of subnational revenue collections, PAPs under PFM SSP program 2 on resource mobilization, activities supported by the Program under PFM SSP Program 2 on resource mobilization and sub-program 6.1 on resource mobilization by decentralized entities.

38. **Results Area 2**, **Improved National and Subnational Transparency and Accountability in the Use of Public Funds**: The main indicator of the results area is "percent of entities submitting monthly statements by the due date and make them publically available" accompanied by Subindicator 2-(1) on "proportion of MDAs receiving unqualified audit opinions"; Subindicator 2-(2) on "proportion of subdistricts using a simplified accounting and financial reporting application." And Subindicator 2-(3) on gap between annual budget and

[83] Except for salaries and wages for the staff in the SPIU of MINECOFIN, which are included in Subprogram 7.1.
[84] http://effectivecooperation.org/files/resources/2011 percent20Report percent20on percent20Monitoring percent20the percent20Paris percent20Declaration percent20ENGLISH.pdf.
[85] Joint Staff Advisory Note.

second-year MTEF formulated previous year. The targeted outcomes in this results area will be achieved by DLI 3 on e-procurement, DLI 4 on percent of MDAs receiving unqualified audit opinion, DLI 5 on percent of subdistricts using a simplified accounting and financial reporting application. Relevant PAPs and government activities under PFM SSP P3 (budget execution, accounting and reporting), P4 (audit and legislative oversight), P5 (electronic service delivery and IFMIS), P6 (fiscal decentralization) will also contribute to this results area.

39. **Results Area 3**, **Improved Use of Public Data for Decision Making**: The main indicator of the results area is "the share of MDAs for official statistics using both (a) Analysis of current developments for short-term decision making and (b) Analysis of trends for longer-term policy formulation" [86] accompanied with Subindicator 3-(1) on "Annual national agricultural survey conducted and disseminated" and Subindicator 3-(2) on "Annual labor market statistics collected and disseminated." In addition, inputs/activities, outputs and intermediate outcomes in Strategic Objective 1 (Strengthen civil registration system, administrative records, surveys and censuses and other sources of data), Strategic Objective 2 (Improve quality and dissemination of statistics and public statistical literacy), Strategic Objective 3 (Improve statistical advocacy and integrate use of statistics in decision making); and Strategic Objective 4 (Develop capacities within NSS) under the NSDS 2 will help achieve the outcome targets.

Monitoring and Evaluation

40. **Building on already established M&E frameworks in the government's PFM and statistics programs, the MINECOFIN SPIU will take a coordination role in the Program M&E.** The SPIU is the main interface in preparing and implementing the Program. It will keep coordination roles in implementation and M&E. The SPIU has a track record of managing externally funded projects and program including the PFM Basket Fund.

41. **On PFM, the Program will draw on the existing M&E framework of the PFM SSP. The SSP includes a section on Monitoring and Evaluation Plan describing how progress of the PFM SSP will be monitored.** The section also includes several monitoring tools such as Joint Sector Review of the sector, PEFA and midterm/end of terms reviews. The SPIU has made progress on M&E of the PFM SSP. In the first year of the implementation of the SSP (FY2013/14), the SPIU consolidated three quarterly progress reports and one annual report for FY2012/13 with inputs from other units of MINECOFIN and other agencies (for example, RRA, RPPA and OAG), which are the implementing agencies of the Program.

42. **On statistics, the Program will draw on the existing M&E framework of NSDS 2 to monitor progress toward milestones.** NSDS 2 includes a comprehensive logical framework with output and outcome indicators at each of the six strategic objectives it aims to accomplish. The results framework for the Program is a subset of the NSDS 2 logical framework. During NSDS 2, NISR will report on progress through quarterly, six-monthly, and annual progress reports. In addition, an independent consultant will be sourced to carry out annual, midterm, and final reviews of the progress on NSDS 2. An independent user satisfaction survey will be conducted every two years to gauge use of and satisfaction with data produced and disseminated by the NSS among a wide variety of stakeholders (government, local and international organizations, research institutes, civil society, and so forth) to measure PDO Indicator 3.

[86] Questions 4.1.1 and 4.1.2 of User Satisfaction Survey.

D. Governance Structure and Institutional Arrangements

43. **On PFM, preparation of the Program was coordinated by the MINECOFIN SPIU**, which will take the lead in implementing, monitoring, and reporting on the Program. Rwanda has taken a positive step following Cabinet resolution of February 11, 2011, regarding the formation of the SPIU[87] across Line Ministries and Public Agencies, with overall objective of creating an effective institutional framework that will guide the process of designing and implementing projects that are earmarked to fast track realization of development targets envisaged in the various sector strategic plans. However, there are challenges of multiplicity of processes, procedures and information systems resulting from the requirements of individual donors. This in turn doubles the work load of the accountants, creates silos and does not encourage strengthening of country systems. It is therefore important for the efficiency of the SPIU to harmonize and have a single system applicable to all projects under the SPIU irrespective of the donor. While in the long-run, using country systems by development partners is expected to increase capacity to handle multiple tasks, in the short-run, the Bank through the Program Implementation Support Plan will work with the SPIU to ensure effective implementation of the Program.

44. **NISR will lead the implementation of the statistical component under the proposed Program.** NISR has solid program implementation capacity. NSDS 1 was implemented according to schedule, with all major surveys and censuses conducted according to a pre-determined timetable. An NSDS coordination team (NCT), consisting of procurement, financial management, M&E, and planning staff, is already in place and have been trained by World Bank procurement and financial management specialists in the framework of the Bank's investment project support to the previous NSDS 1.

45. **Reporting arrangement.** As the Program builds on the PFM SSP and NSDS 2 and following the principle of use of country systems, the Bank will basically relies on the existing M&E systems and procedures for the strategies such as the PFM quarterly and annual progress reports. However, as the existing M&E systems do not cover all key information for effective implementation of the Program, additional information such as progresses on DLIs, Program Action Plans and actual expenditures as identified in the expenditure framework will be separately reported by the SPIU as also described in the Implementation Support Plan. Other reporting issues arising through the implementation will be discussed between the government and the Bank.

E. Economic Justification

Rationale for Public Provision and/or Financing

46. **Public provision of PFM and statistics has a strong rationale.** PFM systems and procedures are the platform for the efficient management of the nation's resources; reporting, audit, and oversight functions are essential elements of accountability. In addition, improving PFM systems and procedures is expected to contribute to other development priorities, such as macroeconomic stability, by providing timely and reliable fiscal and financial information.[88] As improving PFM system and procedures is expected to create spillover effects to the rest of the

[87] http://www.minecofin.gov.rw/index.php?id=58.

[88] Welham, Bryn, Philipp Krause, and Edward Hedger. 2013 "Linking PFM Dimensions to Development Priorities." ODI Working Paper 380, Overseas Development Institute.

economy, public provision is justifiable. On statistics, the process of planning, policy making, and M&E of government policies requires a wide variety of development statistics, which only public investment can provide. Although the private sector can and does collect specific statistics, it is unlikely to invest in a complete statistical system; left to the market, there would likely be significant underinvestment in statistics. In addition, statistics are a public good. Once produced, they can be used by different levels of government, citizens, and businesses to facilitate evidence-based decisions in their spheres of interest. Public provision of statistics thus creates positive externalities. These rationales are especially strong in Rwanda, where the private sector is underdeveloped.

Economic Impact of the Program

47. **Returns to investment in PFM and statistics are likely to be high.** Improving PFM is expected to bring effective and efficient allocation of public resources.[89] In the PFM cycle, planning and budgeting are key to bringing national development priorities and allocation of nation's resources together. Planning and budgeting include public investment management. In FY2014/15 budget, the Government plans to spend US$1.1 billion for development budget, which accounts for 45 percent of the total budget. Public procurement plays a critical role in public expenditure management. In Rwanda, which has annual procurement of about US$0.8 billion, introducing e-procurement would offer a huge potential for increased efficiency in addition to transparency and compliance. According to a feasibility study commissioned by the Bank, "Using a very conservative 1 percent of cost savings (including time, lower transaction costs, paper, travel, and other), we estimate e-GP, will save the country $8 million a year. The actual savings, based on other known cases with carefully planned implementations of e-GP, should be significantly higher with a quick return on investment." [90] The amount is almost equivalent to the planned expenditure to design and implement e-procurement. The cost saving impact of e-procurement will be observed at least in the medium-term, supporting e-procurement can be justified.

48. **The future IFMIS** constitutes one of the largest spending items in the expenditure framework (US$16 million out of US$172 million, or about 9 percent of the total). According to an internal note, "the difficulties in measuring the benefits of FMIS vary a great deal among projects in various regions, as one would expect. A comprehensive quantification of costs and benefits is not possible for large scale PFM projects." [91] At the same time, the note states that "Nevertheless, in all completed projects, the client countries reported improvements in revenue collection, cash forecasting, debt management, reduction of payment processing times, greater reliability and transparency in public accounts, better procurement and payroll management, tracking of assets, and the publication of more accurate and timely reports on budget execution

[89] "Linking PFM Dimensions to Development Priorities" (ODI Working Paper 380), for example, analyzes the relationship between PFM and development objectives such as macroeconomic stability, efficient allocation of resources, service delivery and state building. It finds a positive relationship with macroeconomic stability and efficient allocation of resources. Relationships with service delivery and state building are less clear and complex.

[90] Crown Agents. 2013. "Feasibility Study: To Conduct an e-GP Assessment for Rwanda's Public Procurement Authority."

[91] World Bank, "Measuring the Potential Impact of FMIS on PFM improvements in IDA Countries," Internal Informal Note.

performance, in addition to improved operational efficiency and reduced recurrent costs for the ICT infrastructure." More specifically, the note describes three potential benefits:

- **Large interest savings from the centralization of government cash balances**, as well as substantial reductions in opportunity costs from idle balances: As evidenced in reports from New Zealand and Kenya, such savings/costs can range from 0.1 percent to 0.7 percent of public expenses. Considering that the total amount of expenses/revenues in 31 IDA/blend countries was more than US$100 billion in 2009, the savings from centralized Treasury Single Account (TSA) systems established in 25 countries could be as high as US$500 million annually, assuming an average rate of 0.5 percent for savings (or opportunity costs) on cash balances.
- **More timely payments made**: Based on the feedback provided in the implementation completion reports of FMIS projects, introduction of a TSA and centralized payment systems resulted in substantial reduction in the processing time of government payments. Reports indicate that the total duration for the payment of invoices and other operational expenses was reduced from three to four weeks to one to three days in most cases.
- **Improved transparency, accountability and participation**: Most IDA/blend countries have Government/Ministry of Finance websites that publish reliable and timely information on fiscal flows and stocks as well as budget execution performance. Public access to budget and performance information produced by Treasury/FMIS solutions reduces the risk of corruption. The Ministry of Finance web sites of Bolivia, Honduras, Nicaragua, Tanzania, and Timor-Leste are fine examples of such platforms.

49. **In the case of Rwanda, the main cost items of the future IFMIS are software acquisition/development (US$4 million) and implementation (US$8 million).** The Government has decided that the future IFMIS will build on the current IFMIS. It is therefore likely that the costs will be much lower than the costs of acquiring a new system. In the future IFMIS, the Government plans to add new modules, on asset management, inventory management, procurement interface, and project management. The future IFMIS will interface with other systems, such as e-procurement and the donor assistance database. Establishing interface with other systems is expected to increase the benefits of the future IFMIS. The Government plans to roll out the future IFMIS between FY2015 and FY2017. If the savings ratio of 0.5 percent is applied to the entire budget for Rwanda (about US$3 billion a year), the annual savings would be US$15 million. As the future IFMIS builds on the current IFMIS, the cost savings impact would be lower, because of possible diminishing rate of return. Nevertheless, even if a very conservative assumption (0.1 percent saving ratio) is applied, the annual saving would be US$3 million, and it would take just five years to reach the breakeven point.

50. Most arguments for investment in statistics show that good statistics bring tangible benefits in the form of improved policy and better development results and reduce waste due to misallocation of resources. A concrete application of the value of statistics is its use in targeting of social programs: having good statistics to guide targeting leads to large effectiveness gains and significantly reduces misallocation of resources.[92] This is particularly important in Rwanda, where the government provides a large body of social benefits (health insurance, cash transfers,

[92] Elbers, C., T. Fujii, P. Lanjouw, W. Yin, and B. Ozler. 2004. "Poverty Alleviation through Geographic Targeting: How Much Does Disaggregation Help?" World Bank Policy Research Working Paper 3419.

and participation in public works) based on a household's social and economic status. Quality statistics are also important to the financial system, as according to a recent IMF study, they tend to reduce the cost of borrowing from private capital markets. The study indicates that countries that subscribe to the IMF Special Data Dissemination Standard (SDDS) and participate in the General Data Dissemination System (GDDS) initiatives registered a positive impact on their sovereign borrowing in private capital markets—that is, they experienced a reduction in the launch spreads of sovereign borrowing by 0.2–0.5 percentage points. These positive impacts or discounts are also evident when launch yields are analyzed in sovereign bond issues.[93]

F. Technical Risks

51. **The overall technical risk rating of the Program is substantial. On PFM, the technical risk rating is substantial.** The main risks include (a) the need for coordination among government leadership such as collective agreement on e-procurement model; (b) human resource capacity challenges in implementing the wide ranging reform program; and (c) the districts' credibility with citizens may be weakened, as a result of the move to centralized revenue collection systems. These technical risks can be mitigated through (a) the preparation of the Program has contributed to improve coordination among key government agencies leading PFM, and the implementation of the Program is expected to further consolidate the coordination; (b) having in place CFOs and internal auditors who are at least accounting technicians depending on the budget size and risk environment together with knowledgeable and experienced budget officers and procurement officers would improve the quality of the PFM functions; (c) local government scheme of service for CFOs, procurement officers, planners and budget officers established; and (d) technical assistance to strengthen the districts' role and capacity on revenue management, including taxpayer compliance, will mitigate the risk

52. **On statistics the technical risk rating is moderate.** During NSDS 1, NISR showcased its implementation capacity and its technical capability to conduct complex statistical undertakings, such as the population and housing census. Several new surveys will be introduced during NSDS 2, and the frequency of existing surveys will be increased. This means that NISR will need to manage an increased number of often simultaneously running surveys while also addressing the need to improve the quality of administrative statistics. Achievement of NSDS 2 and of the Program will require a significant number of new staff, both in the core technical fields and in support services. Delays in hiring additional staff could cause delays in Program implementation, negatively affecting progress and attainment of results measured against the DLIs.

G. Program Action Plan[94]

53. The selection of the PAPs is based on the Program's results framework (Annex 8 and Annex 9 in the technical assessment). It builds on the technical assessment and the fiduciary assessment.

54. The PAPs are grouped into three types: (a) changes to the technical dimensions of the Program and to the formal rules and procedures governing the organization and management of

[93] Cady, John, and Anthony Pellechio. 2006. "Sovereign Borrowing Cost and the IMF's Data Standards Initiatives," IMF Working Paper WP/06/78.

[94] Annex I includes a list of PAPs.

the systems used to implement the Program; (b) actions to enhance the capacity and performance of the agencies involved; and (c) risk mitigating measures to increase the potential for the Program to achieve its results and to address fiduciary, social, and environmental concerns.[95] (detailed PAPs are described in Annex I).

[95] Paragraph 11 of Attachment 1.2 under the Interim Guidance Note on Technical Assessment

Annex F: Summary Fiduciary Systems Assessment

1. A fiduciary assessment for the Rwanda Public Sector Governance PforR was carried out, taking into account recent PFM diagnostic reports and meetings and discussions with key officials in the proposed implementing agencies and other stakeholders. The assessment followed the Draft Guidance Notes on PforR Operations and requirements of OP/BP 9.00, Program for Results. The assessment used the four pillars approach of the Organisation for Economic Co-operation and Development–Development Assistance Committee (OECD-DAC) to define the inherent risks in the procurement environment. In line with the Sector Board's practices manual, the potential FM risks for the various PFM elements are rated as low (L), modest (M), substantial (S), or high (H). The assessment is also mindful of the gaps that may exist between form (policies, laws, structures, instructions/manuals) and actual functionality or practices of the PFM system. Mitigation measures are proposed to reinforce the government's PFM reform efforts. Critical measures are included in the PAPs.

2. The assessment covered the institutions directly responsible for implementing the Program (MINECOFIN, RRA, OAG, RPPA, NISR) and one district council from each of the four provinces and Kigali City based on the size of budget transfers and population.[96] It also included meetings and discussions with key governance and anticorruption oversight institutions, including the Office of the Ombudsman and the National Prosecution Authority. In addition, it solicited the views of nonstate actors, such as Transparency International Rwanda and members of the Private Sector Federation.

3. The Program contributes to EDPRS 2 in general and the fourth thematic area (on accountable governance) in particular to improve service delivery and increase citizen participation in and satisfaction with delivery of development. In order to implement EDPRS 2, the Government developed 14 sector strategic plans.

4. The fiduciary assessment entailed a review of the capacity of a sample of the implementing agencies on their ability to (a) record, control, and manage all program resources and produce timely, understandable, relevant, and reliable information for the borrower and the Bank; (b) follow procurement rules and procedures, capacity, and performance, focusing on procurement performance indicators and the extent to which the capacity and performance support the program development objectives and risks associated with the Program and the implementing agency; and (c) ensure that implementation arrangements are adequate and risks reasonably mitigated by the existing framework, including arrangements for mitigating and resolving governance and corruptions issues if they occur.

5. Rwanda's financial management systems and processes have both strengths and challenges, as recent PFM diagnostic reports show.[97] The strengths of the Program's financial management systems include (a) the simplified public financial guidelines for chief budget managers, which provide clear descriptions of the various PFM processes;[98](b) the orderly, participatory, and transparent planning and budget preparation process; and (c) a strong financial

[96] Gasabo, Nyamagabe, Rusizi, Gatsibo, and Gacumbi.

[97] Examples includes the 2007 and 2010 PEFA assessments, sector public expenditure review reports, public expenditure tracking survey reports, and independent midterm and end-term evaluations of the Public Financial Management Reform Strategy (2008–12).

[98] http://www.minecofin.gov.rw/fileadmin/documents/MINICOFIN-PFM-Guidelines-July-2011.pdf.

management legal framework. A number of challenges still remain, however, with regard to (a) the dearth of suitably qualified officials to handle PFM functions, especially at the district level, where there are serious concerns about high turnover of few trained staff; (b) failure to consolidate transactions for subsidiary entities and resulting weak annual financial statements quality; (c) internal control weaknesses (for example, poor records management, over expenditure on budget lines); and (d) submission of annual audit reports to Parliament 10 months after the end of the fiscal year.

6. Assessment of the systems and processes for dealing with fraud and corruption issues shows that Rwanda has strong institutional, organization, and legal frameworks for controlling fraud and corruption. Rwanda strengthened the legal frameworks in 2013 with the amendment of the law to allow the Office of the Ombudsman to prosecute cases of corruption, it will take time before the office take over prosecution of corruption cases from the National Public Prosecution Authority (NPPA). In the transition period the NPPA will continue to prosecute cases of corruption.

7. Overall, most stakeholders agree that Rwanda has strong institutional arrangements for controlling and prosecuting fraud and corruption, but there is agreement that there is soft corruption in the ways things are done and difficulty getting information and evidence because of fear. Although the Rwanda Bribery Index shows strong public trust in institutions, almost 20 percent of victims or witnesses of corruption do not report, and private businesses are even more reluctant to report for fear of not getting government contracts.

Summary Findings

8. The main fiduciary risks to the Program are (a) the dearth of suitably qualified and experienced staff, especially at the district level; (b) the inability to properly budget and report at the targeted SSP program/subprogram level within the responsible MDAs; (c) a largely undeveloped internal audit function at both the national and subnational levels; (d) improper/incomplete books of accounts, leading to qualified audited financial statements; (e) the absence of a specialist on e-procurement to provide technical support and guidance during the procurement process and the operationalization of e-procurement; (f) the absence of a civil engineering department within NISR to provide technical support on the design and construction of a training center; (g) inadequate arrangements to deal with fraud and corruption issues at the district level in the context of weak internal controls; and (h) weak contract management.

9. **Human resources**: There is a dearth of suitably qualified personnel to handle PFM functions, especially at the district level, where there are serious concerns about high turnover of few trained staff. More than half of the total number (1,065) of accountants and auditors (internal and external) has a first degree, but there are only 16 fully qualified professional accountants in the government (2 percent). Even in the Internal Audit Department in MINECOFIN, there were five unfilled positions as of February 2014.

10. **Planning and budget preparation**: The budget is formulated through systematic consultations with spending ministries and the legislature, adhering to a fixed budget calendar. MDAs plan their expenditure allocations by programs and subprograms based on their strategic priorities and the national MTEF that is communicated to them in the budget call circular. It is important to track budget for the reform activities from the budget for day-to-day. PFM functions. For example, the PFM program budget under MINECOFIN depicts the subprograms shown in the expenditure framework (table 10), which are only manually aligned with the PFM-SSP

pillars/themes. This system undermines proper conceptualization of program-based budgeting. MINECOFIN is resorting to matching tables prepared outside the budget classification to cross-reference the budget with the SSPs. Despite these efforts, specific reports are not prepared showing allocation to and spending on the SSPs.

11. **Treasury management and funds flow**: Predictability of available funds to undertake planned activities to meet the program objectives is hampered by the variability of cash releases (total shortfall of 23 percent in FY2012/13). A good TSA system is well functioning, especially for ministry and agency operations through quarterly allocations to subaccounts within the central bank, from which all payments are made. However, time lags between revenue collection and banking at the district and sector level need to be reduced, as noted in the Auditor General's report.

12. **Accounting and financial reporting**: In-year and annual financial statements are timely and of reasonably good quality. A cash flow statement is not included in the consolidated financial statements.[99] The Auditor General qualifies the district council annual financial statements, largely because of failure to consolidate sectors and other nonbudgeting agencies transactions and balances. District councils expense transfers to sectors and nonbudgeting agencies at the point of transfer. Accountability occurs subsequently but outside the district financial statements. The authorities have agreed to undertake an IPSAS gap analysis and develop a roadmap toward compliance over time. The gap analysis will help with the format, content, and frequency of reporting by public entities to be prescribed in the financial regulations. The Government's intention to embark on accrual basis accounting will need to be carefully reconsidered as part of the IPSAS (cash basis) gap analysis.

13. **Integrated Financial Management Information System (IFMIS)**: IFMIS has three core modules in active use: general ledger, accounts payable, and revenue management. It is operational in 131 of 156 budget agencies (84 percent) and covers 83 percent of government payments. It has improved timeliness of reporting. IFMIS should be seen as a tool and not a silver bullet that will address the PFM challenges, however. A multi-prong approach that ensures sustained progress in the other reform areas will be essential. Internal audit information systems audit capability through the use of computer-aided audit techniques (CAATs) and audit command language will help detect the fraud inherent in an IT environment. There is a need to develop a robust business continuity management and disaster recovery plan as part of the information security policy for IFMIS.

14. To ensure real-time management of information and decision making, the Government is developing and implementing a modern IFMIS. MINECOFIN management has decided to upgrade the existing bespoke system to meet all the Government's financial management needs across all qualifying entities. The review identified areas of IFMIS linkage with e-procurement, including (a) linkage of procurement plan functions of e-procurement with budget function of IFMIS, where the procurement plan is linked to an approved budget of IFMIS; (b) linkage of contract award of e-procurement to government commitment to budget expenditure; (c) linkage of inspection and delivery of supplies of e-procurement to inventory of IFMIS; (d) invoice by supplier in e-procurement to payment of IFMIS; and (e) acknowledgement of receipt of goods by

[99] Based on the review of the consolidated financial statement during the assessment mission in March 2014.

e-procurement. With this modality, MINECOFIN is convinced that there is no duplication and the two systems stand alone.

15. **Internal controls (including internal audit)**: The main internal controls are in place and documented in the government financial management and procedural manuals.[100] The main internal control issues identified in the management letters for external audits and internal audit reports include (a) noncompliance with procurement policy and guidelines; (b) poor documentation and filing of accounting records; (c) irregular and unauthorized expenditure; (d) weak controls over the management of fixed assets, cash collections, and bank transactions; and (e) over expenditure on budget lines, despite the IFMIS in-built budget controls. Article 19 7º of the 2013 Organic Law on State Finances and Property (commonly called the OBL) requires the chief budget manager "to establish and maintain effective, efficient and transparent systems of internal controls and risk management." With the 2013 OBL and regulations in place, business processes will need to be reengineered to strengthen existing processes, such as budget controls, requisitioning, purchase orders, invoicing, payment authorization and approval, accounting, and reporting. The emerging business processes together with functionalities in the future IFMIS will lead to the development of a Comprehensive Operating Procedures Manual (COPM).

16. **Internal audit**: The internal audit function is in its early stages of development. Starting from a level of 1–2 of the public sector internal audit capability model (IA-CM) in 2010, the Office of the Government Chief Internal Auditor targets achieving level 4 by 2017. An internal audit service has been established in all government institutions. It is estimated that there are currently 200 internal auditors in Rwanda but only 2 qualified certified professional accountants (CPAs) on the job. The internal audit structure is flat; it does not specify a head of unit, which poses a challenge in terms of leadership of the internal audit function at the MDA level.

17. **Audit committee**: Since 2001, 68 of the 94 MDAs have had audit committees and submitted reports either to the district councils (83 percent by December 2013) or to heads of entities. In July 2012, MINECOFIN published a model audit committee charter. In 2013 it published a handbook that provides broad guidelines that audit committees in ministries, districts, agencies and government business enterprises can use. At the central government, 14 out of 21 ministries and agencies have established audit committees, but very few have held meetings. About 30 budgeting agencies are yet to establish the required internal audit committees.

18. **External audit**: For FY2011/12, 72 percent of the MDA audit reports (97 reports) were qualified, mainly because of avoidable and easily addressable factors. For FY2012/13, 68 percent of the MDA audit reports (94 reports) were qualified. The number of entities that obtained reports with unqualified (clean) audit opinion increased from 37 (28 percent) in FY2011/12 to 45 (32 percent) in FY2012/13. All 30 districts received qualified audit reports. The districts that the Bank team visited during the identification and preparation missions (Gasabo, Bugesera, Kamonyi and Rulindo districts) all received adverse audit opinions.

19. **Public Accounts Committee (PAC)**: There has been notable improvement in the implementation of audit recommendations: 60 percent of all recommendations were fully implemented in FY2012/13, up from 49 percent in FY2011/12. The PAC conducts public

[100] The most important internal controls may be remembered by the mnemonic SOAPMAPS: segregation of duties, organization, authorization and approval, physical, management, arithmetical and accounting, personnel, and supervision.

hearings on the audit reports;[101] this oversight includes the audit reports for the district councils. There is no PAC similar to the one in the Chamber of Deputies at the district level. District council audit committees are yet to start conducting public hearings.

20. **Procurement**: The Government has an acceptable public procurement legal framework that is based on the United Nations Commission on International Trade Law (UNCITRAL) model. The legal framework is quite robust and covers all aspects of public procurement at all levels of government. To further improve compliance, efficiency, transparency, fair competition, and value for money and controls in public procurement, the Government is moving toward modernizing its procurement function by introducing e-procurement. The planned introduction of e-procurement is reflected in the RPPA medium-term strategic plan for FY2012/13 to FY2014. With the assistance of the Bank, Crown Agents conducted a feasibility study on e-procurement and prepared a conceptual design that has been submitted to the Government. The study proposed a competitive open bid to select an e-procurement solution. At the same time, the Government asked Korea Tel-Com to submit both technical and financial proposals to implement a solution based on the Korean e-procurement. As of September 2014, the Government is reviewing the technical and financial proposals. Direct contracting would require MINECOFIN to invoke Article 17 (impossibility to meet conditions for use of given method) of the Public Procurement Law to justify the direct contracting. On construction of a statistics training center, NISR will select a consultant to conduct the design review related to existing office renovation and designing of a training center. As NISR does not have a civil engineering department, it will receive technical support from the Rwanda Housing Authority, which will provide approval as a custodian of the Government asset.

21. **Governance and anticorruption issues**: The assessment also covered the capacity of the governance systems and arrangements to handle risks of F&C, including capacity and commitment to use the Bank's Anti-Corruption Guidelines (ACGs) in PforR financing, the use of complaints mechanisms and how such risks are managed and mitigated. From the Bank's assessment, Rwanda has relatively sound institutional and legal frameworks to deal with fraud and corruption cases. There is clear division of responsibilities between the Offices of the Ombudsman which deal with cases of corruption and the Criminal Investigation Department (CID), which deals with cases of fraud. The NPPA prosecutes cases on F&C after investigations. The legal provisions are strong for investigation, prosecution and prevention of fraud corruption; corruption is comprehensively defined in the Organic Law of the Penal Code [102] and complemented by several other laws to help fight, prevent, investigate and punish fraud and corruption[103]. Rwanda also passed the Whistle Blowers Protection Act, 2013. An Organic Law n°61/2008 of 10/09/2008 on the Leadership Code of Conduct is also in place to promote integrity in the public sector. Implementation and enforcement of these laws are quite robust both in the PforR implementing agencies specifically and the public sector in general. Severe sanctions are

[101] Members of Parliament applaud public funds management - http://www.newtimes.co.rw/news/index.php?i=15401&a=68177.

[102] Article 633 of Organic Law No. 01/2012/OL of 02/05/2012

[103] The laws include Organic Law Nº 61/2008/0L of 10/9/2008 o leadership code of conduct, Organic Law Nº23/2003 of 7/8/2003 Concerning Prevention, Organic Law Nº12/2007 of 27/3/2007 on national procurement; Organic Law Nº12/2013/OL of 12/09/2013 on government property and assets; Organic Law Nº76/2013 of 11/9/2013 which is amended law defining powers and mandate of the ombudsman, including the power to prosecute cases of corruption; Ministerial Order Nº001/08/10/Min of 16 on national procurement.

applied to those found guilty of fraud and corruption, including imprisonment, dismal from office and publications of names of those convicted in the media and website of the OM. Overall, both the Office of the Ombudsman and the NPPA have reasonable capacity in terms of staffing and qualifications to investigate cases of corruption. Out of about 453 complaints received between 2009 and 2013, the OM investigated 307 (about 68 percent) (Annex Table F-1). One constraint in the case of the Ombudsman is high turnover of investigators and the length of time it takes to replace them due to delays from MIFOTRA.

Annex Table F-1: Complaints received on corruption by the Office of Ombudsman

Year	*Cases received*	*Cases investigated and concluded*	*Cases transmitted to prosecution*	*Cases transmitted to police and other institutions.*	*Pending cases*
2009-2010	225	187	3	12	23
2010-2011	65	24	1	0	40
2011-2012	117	72	3	5	37
2012-2013	46	24	2	1	19
Total	**453**	**307**	**9**	**18**	**119**

Source: OM

22. Continuous professional development and capacity building for staff of the OM and NPPA will be necessary since majority of the investigators are quite young and new. Other challenges include (a) shortage of suitably qualified fiduciary staff and all 30 Districts have qualified audits which increases the risks for fraud and corruption in the Program; (b) difficulty of obtaining evidence and lack of information to prosecute allegations of corruption; prosecution rate is quite low, and (c) weaknesses in contract management, including delays in payments for contracts awarded. The PAP for this operation includes specific measures to strengthen PFM capacity through training and professionalization of staff at the district levels. DLI 4 focuses on percent of MDAs receiving unqualified audit opinions and DLI 6 focuses on number of government PFM staff (including subnational governments) with at least foundation-level professional finance qualifications. These measures will have positive impact of reducing the risks for fraud and corruption, in addition to the regular checks and audits done by the RPPA, OM and OAG.

23. The Parliamentary Public Accounts Committee established in April 2011 has proven to be a robust oversight of financial management with financial managers being regularly called to account. Reports submitted by the Office of the Auditor General to the PAC are scrutinized and recommendations followed up; these are having a positive impact in enhancing the accountability of public institutions and officials. Assessment of the implementing agencies also suggest the processes and systems for handling and reporting fraud and corruption are in place and functioning reasonably well, though in the case of districts more need to be done to improve oversight and internal controls due to capacity constraints. In addition, the OM carries out surprise checks on these agencies. The agencies are obliged to report for investigation allegations of fraud and corruption and these are reasonably enforced within the agencies assessed.

24. **Application of World Bank Anti-Corruption Guidelines**: The assessment also reviewed the capacity and commitment of Government to apply the World Bank's Anti-Corruption Guidelines in the Program with the relevant government institutions including MINECOFIN, RRA, and NISR, as well as the oversight bodies (OM, NPPA, and RPPA). There was commitment on the part of the Government to apply the AGCs and this will be reflected in

the legal agreement for the Program. Specifically these includes (a) commitment that firms or individuals on the World Bank's debarment or suspended lists shall not be allowed to bid for contracts or benefit from a contract or proceeds of the program and the responsibility of MINECOFIN (the lead implementing agency) to ensure that all implementing and procuring entities have the updated list; (b) commitment that the NPPA and OM and implementing agencies will share information on fraud and corruption in the program with the World Bank; and (c) commitment to undertake investigations of any allegations of fraud and corruption by OM and NPPA and that the World Bank's Institutional Integrity Vice Presidency may directly investigate any fraud and corruption allegations made against the entire program or part of the program.

25. **The assessment also reviewed the capacity and commitment of the Government to apply the World Bank's Anti-**Corruption Guidelines in the PforR program in the relevant government institutions including MINECOFIN and NISR, the oversight bodies (OM, NPPA, and RPPA). There is commitment on the part of the Government to apply the ACGs and this will be reflected in the legal agreement for the PforR and includes: (a) commitment that firms or individuals on the World Bank's debarment or suspended lists shall not be allowed to bid for contracts or benefit from a contract or proceeds of the program; (b) commitment that Government and implementing agencies will share information on fraud and corruption in the program with the World Bank; and (c) commitment to allow the World Bank's Institutional Integrity Vice Presidency to investigate any fraud and corruption allegations made against the entire program or part of the program.

26. In 2013 the Ombudsman was given the powers to prosecute cases of corruption in order to speed up the process of prosecution, though there is a transition period that will enable the OM to fully set up and staff an Investigation Directorate. The NPPA has a team of 12 prosecutors to handle corruption cases and each district has one prosecutor to handle corruption cases. During this transition period the NPPA still prosecutes cases of corruption.

27. **The Auditor General's report provides pointers to potential cases of fraud and corruption, in addition to the public providing information through hot lines and other media[104].** One concern in sharing of information on F&C is that while OAG is required by Article 184 of the Constitution to provide copy of the Auditor General's report to the Prosecutor-General, the Auditor General is not required to give a copy to the Ombudsman which is responsible for investigation of cases of corruption. This is a gap that can be bridged administratively rather than an amendment to the law.

28. **Handling complaints and grievances allegations in the Program:** Assessment of the implementing agencies also suggest the processes and systems for handing and reporting fraud and corruption are in place and functioning reasonably well, though in the case of districts more need to be done to improve oversight and internal controls due to capacity constraints. The NPPA and Ombudsman have multiple sources of receiving complaints, including hotlines, secure complaints boxes in most public organizations and in each of the 30 districts, via email and letters etc. The implementing agencies for the Program also follow the complaints mechanisms for procurement and fraud and corruption cases. The assessment within MINECOFIN and NISR suggests that complaints and grievance handling mechanisms are

[104] The hotline to report suspected cases of fraud and corruption to NPPA is 3677.

functioning reasonably well. In addition, the OM deploys teams to districts and MDAS to carry out surprise checks on these agencies. The agencies are obliged to report allegations of fraud and corruption to OM and NPPA for investigation and these are reasonably enforced within the agencies assessed. In the case of procurement at the district level, complaints normally go to the Chief Budget Manager and if it is established to be purely procurement issue is handled through the District Procurement Appeal Committee and could go up to the National Procurement Appeal Committee if the complainant is not satisfied. If the procurement complaint is related to fraud and corruption allegations it goes directly to either the NPPA or OM for investigation. However, more needs to be done to improve internal controls due to capacity constraints in the districts. This is part of the Program and will be expected to have positive impact on mitigating the risk of fraud and corruption.

29. Concerns that emerged from the assessment of risks of F&C for the Program are capacity gaps in staffing at the district level, concerns about internal controls, and all 30 districts having qualified audits. There are also concerns in contract management, including suspicious delays in payments not always due to cash flow problems but rent seeking behavior by those responsible for processing payments. One mitigating factor is the multiple audits that districts and central government agencies are subjected to, including by the Ombudsman, OAG, NPPA and RPPA.

30. Some of the weaknesses identified in procurement and FM pose potential risks in fraud and corruption in the PforR program, including use of non-open competitive methods in awarding contracts and not publishing contract awards in media that is widely accessible to the public. Recommended actions in the PAP will help to mitigate these risks.

31. **The Auditor General's report provides pointers to potential cases of F&C, in addition to the public providing information through hot lines and other media[105].** One concern in sharing of information on fraud and corruption is that while the Office of the Auditor General is required to provide copy of his report to the Prosecutor-General[106], he is not required to give a copy to the Ombudsman which is responsible for investigation of cases of corruption. This is a gap that can be bridged administratively rather than an amendment to the law.

32. **The overall risk for the Program was assessed as substantial.**[107] The agreed mitigation measures will be adequate to support the operation. Key mitigation measures are suggested in PAP (Annex I), which the implementing agencies discussed and agreed on. Technical assistance from the PFM Basket Fund (DFID, the European Union, KfW, and a dedicated subfund for the OAG to protect its financial independence) and the IMF-AFRITAC-e TA in the areas of revenue administration, PFM, and macro-fiscal analysis will help Rwanda progressively address the challenges in order to meet the related DLIs.

[105] The hotline to report suspected cases of fraud and corruption to NPPA is 3677
[106] Article 184 of the Rwandan Constitution
[107] See the fiduciary assessment for risk concepts.

Annex G: Summary Environmental and Social Systems Assessment (ESSA)

1. The Bank team conducted an ESSA of the Program, per the requirement of Operational Policy OP 9.00. The aim of the ESSA was to review the capacity of existing government systems to plan and implement effective measures for environmental and social impact management and to determine if any measures would be required to strengthen them.

2. The ESSA drew on a wide range of data, including the following:

- **Desk review of policies, the legal framework, and program documents**. The review examined the national policy and legal requirements related to environment and social management as well as technical and implementation support documents from previous and ongoing Bank projects and programs in Rwanda.
- **Institutional analysis**. Institutional analysis was carried out to identify the roles, responsibilities, and structure of the institutions responsible for implementing the program, including coordinating different entities at the national and subnational levels. Sources included existing assessments of key institutions focusing on environmental and social assessment and management processes. The analysis also reviewed the Rwanda Environmental Management Authority (REMA), which has the overall mandate for enforcing environmental and social impact assessment at the national level.
- **Field visits**. The ESSA drew on filed visits and reports conducted for preparation of a parallel PforR in the agriculture sector. Assessment of the performance and capacity of the existing system used data gathered for other projects, such as the Rwanda Rural Sector Support projects (RSSP), the Water Harvesting and Hillside Irrigation project (LWH), the Landscape Approach Forest Restoration project (LAFREC), and the Lake Victoria Environmental Management project (LVEMP).
- **Stakeholder consultation process**. The Program has very limited environmental impact. Thus, the consultations conducted during the preparation of the Program are deemed sufficient. The consultations included the three main stakeholders: Ministry of Finance and Economic Planning (MINECOFIN), Ministry of Local Government (MINALOC) as the lead ministry of the Governance and Decentralization and Rwanda Development Board (RDB) as the entity reviewing and approving the environmental impact assessments for all development projects in the country.

3. **The environmental and social risks of the Program are assessed as low.** The Program involves very few physical activities, and those that are envisaged have limited potential environmental and social impacts. Overall, Rwanda’s national systems for handling environmental and social aspects in development operations are relatively strong, and there is a solid recent track record in compliance with both national legislation and Bank safeguards policy. No land acquisition is required for implementation of the Program, and no issues related to social conflicts are anticipated. The only civil works planned include construction of the national training center, which will be conducted within the existing NISR compound. In addition, strengthening ICT infrastructure for NISR and NSS, along with strengthening NISR’s physical assets, will require the eventual need for management of e-waste from old IT and other equipment. The scope of potential negative impacts is limited by the nature of the activities. Implementation will be closely monitored through routine program reporting and occasional field verification by Bank missions.

4. **Environmental and social impacts of the Program.** The anticipated adverse environmental and social impacts of the Program are expected to be low, given that proposed construction is relatively small and within the premises of NISR and mitigation measures for construction and operation as well as e-waste management are known and effective provided proper care and oversight.

a. Environmental effects: The only physical investment under the program it the construction of a training center within the premises of NISR. There environmental risks of this activity are limited to construction phase impacts. The ICT and physical assets capacity strengthening to NISR and NSS of the program may cause environmental risks ssociated with e-waste mangement of old IT and equipment. E-waste is much more hazardous than many other municipal wastes, because electronic gadgets contain toxic chemicals and metals. Long-term exposure to these substances damages the nervous systems, kidney, and bones, and reproductive and endocrine systems. The crude method of handling e-waste without environmental monitoring generates many kinds of poullutants, which cause serious problems for the ecological and human environment. The open burning of cables to recover copper produces highly toxic dioxin emissions, which are emitted to the ambient air.

b. Social effects: The Program is expected to have positive social impacts by improving (a) the efficiency of national and subnational revenue collection, (b) national and subnational transparency and accountability in the use of public funds, and (c) the use of development data for decision making. It will increase the effectiveness and efficiency of national and subnational governments, strengthening transparency and accountability by improving access to information through the use of information technology. The Program will have no adverse social impacts. It does not involve land acquisition, as the construction of training center will be within the existing NISR premises.

5. **Applicability of core principles of ESSA**: The six core principle areas that guide the ESSA analysis are as follows:

1. General principle of environmental and social management
2. Natural habitats and physical cultural resources
3. Public and worker safety
4. Land acquisition
5. Indigenous peoples and vulnerable groups
6. Social conflict.

6. **Core principle areas 2, 4, 5, and 6 are not applicable.** Core principles on the general principle of environmental and social management (1) and public and worker safety (3) are applicable (Annex Table G-1).

Annex Table G-1: Consistency of the Program with Relevant Core ESSA Principles

Core principle area	*Strengths*	*Gaps*	*Opportunities*	*Risks*
1: General principle of environmental and social management	Government has solid environmental legal and policy framework in place to protect, conserve, and mitigate adverse impacts. A well-defined policy framework enhances transparency of development projects.	Implementation of legal and regulatory provisions faces challenges (related to multiple regulations, overstretched regulatory authorities, weak monitoring, and other issues).	Government has experience integrating rules and procedures for environmental and social management in individual agriculture investments (for example, LVEM, LWHP, RSSP and LAFREC projects). It has strengthened environmental and social management rules and procedures to manage impacts in these projects.	• Addressing environmental management needs in national project depends on building capacity of key sector organizations in terms of human resources and training and monitoring. • Implementation of strengthened environmental and social management rules and procedures could be weak.
3: Public and worker safety	• Government's contract conditions include provisions for public and worker safety (for example, regulations on use of explosives, provision of barricades at construction sites, use of personal protection gear by workers, disposal of construction debris and waste water, prevention of creation of conditions conducive to disease vectors, and so forth). • The Government has issued guidelines/regulations on aspects of public and worker safety risks associated with construction and operation of facilities. • Legal/regulatory system includes provisions for safeguarding water resources and ecologically significant areas from pollution and is thus applicable to regulating the disposal of toxic chemicals and hazardous waste. The Ministry of Youth and ICT published a draft policy on e-waste in June 2012. In May 2013 a study by REMA revealed urgent need to take further steps to finalize and strengthen e-waste legislation. Proposed activities will not be conducted in areas prone to natural hazards, and Program will not include rehabilitation or reconstruction of infrastructure.	Implementation capacities need to be strengthened to monitor and supervise safety and protection provisions.		• Systematic implementation of these provisions requires enhancing awareness in key sector organizations and strengthened monitoring. • Resources availability for implementation of the Environmental and Social Management Plan

7. **The ESSA makes two recommendations.** First, when required, proactive management of the procurement process should be applied for ICT equipment, in order to ensure that the strategy for disposal of expired equipment is established during equipment acquisition. This recommendation can be achieved through regular training of ICT staff and proper recordkeeping of equipment purchased, reused, and auctioned. Second, sustainable construction practices should be applied in the establishment of the statistical training center within NISR. Doing so can set a best-practice example for future public construction projects and promote environmentally friendly practices as part of the knowledge management strengthening objective of the Program.

Annex H: Integrated Risk Assessment

1. **The integrated risk assessment is based on the Interim Guidance Note to Staff on Integrated Risk Assessment (Annex H-1).** The assessment framework aims to identify key risk areas that affect the achievements of the PDO and the related DLIs. Risks comprise operating environment risks and program risks. Operating environment risks are divided into country risks and stakeholder risks. Program risks are divided into technical, fiduciary, social and environmental, DLI, and other risks (optional).

Overall Risk Rating: **Substantial**

2. The overall risk rating of the Program is substantial (see table 11). This rating is derived from the risk ratings of the operating environment risks, which are moderate, and the program risks, which are substantial.

Annex Table H-1: Results of Integrated Risk Assessment of Program

1. Program risks				
1.1 Technical risk	Rating: Substantial			
Description: Main risks for PFM component include (a) need for coordination among government leadership, such as collective agreement on e-procurement model; (b) human resource capacity challenges in implementing wide-ranging reform program, especially on PFM, which may undermine achievement of PFM-related DLIs; and (c) extent to which citizens consider the district as credible may be weakened, as a result of a move to centralized revenue collection arrangements.	Risk management: Preparation of the PforR Program has improved coordination among key government agencies leading PFM. Implementation is expected to further consolidate coordination.			
	Responsibility: Government and the Bank	Stage: Ongoing	Due date: Continuous	Status: Ongoing
	Risk management: chief finance officers (CFO) and internal auditors who are at least accounting technicians depending on the budget size and risk environment together with knowledgeable and experienced Budget officers and procurement officers would improve the quality of the PFM functions (this is the same risk management measure to mitigate human resources and capacity risks in 2.2 Fiduciary Risks).			
	Responsibility: MINECOFIN / MIFOTRA	Stage: Ongoing	Due date: Ongoing	Status: Ongoing
	Risk management: Technical assistance to strengthen the districts' role and capacity on own revenue management, including tax payer compliance, will mitigate the risk.			
	Responsibility: RRA	Stage: Preparation	Due date: Ongoing	Status: Ongoing
Description: Main technical risk for statistics component is insufficient staffing and human resource capacity. NISR will need to manage increased number of often simultaneously running surveys while also addressing need to improve quality of administrative statistics. Delays in hiring additional staff could cause delays in Program implementation.	Risk management: The Program supports the NSDS 2 strategic objective on developing capacity within NSS. Implementation of this strategic objective is expected to mitigate risk by progressively building the capacity of NSS staff. The Bank will support NISR through the Program Implementation Support Plan as well as the Statistics for Results Facility (P124629).			
	Responsibility: NISR and the Bank	Responsibility: Ongoing	Responsibility: Ongoing	Responsibility: Ongoing
1.2 Fiduciary risk	Rating: Substantial			
Description: Planning and budget preparation. This risk is assessed as Medium. The program budget being supported by this operation is not properly aligned with the SSPs as disclosed in the budget books, but the authorities were able to extract the eligible program expenditure. The SSPs are being implemented in an orderly and predictable manner, as shown in the analysis for Treasury management and funds flow.	Risk management: Mapping of EDPRS 2 initiatives by Classification of Functions of Government (COFOG) is deepened to the MDA level to allow for better attribution of the EDPRS2 outcomes to the SSP and to demonstrate extent of linkage between policy, planning and budget preparation, and execution and hence contribute to overall performance management system.			
	Responsibility: Budget department in MINECOFIN	Stage: Preparation	Due date: September 2014	Status: Not yet due
Description: Treasury management and funds flow. These risks are assessed as Medium. The quarterly allocation process complemented by the TSA provides predictability in = availability of funds for commitment	Risk management: The Government commits to make allocations at the program objective and subchapter level of the economic code segment.			
	Responsibility: MINECOFIN	Stage: Preparation	Due date: July 2015	Status: Not yet due

of program expenditures.				
Description: Accounting and financial reporting. These risks are assessed as Substantial, especially at the district level. The full consolidated annual financial statements are not made public. Internal audit reports show serious concerns about poor records management, limiting scope of ascertaining credibility of financial reports for decision making and accountability.	Risk management: Undertaking an IPSAS gap analysis and developing a roadmap toward compliance over time will help with the format, content, and frequency of reporting by public entities prescribed in the financial regulations. This risk management measure is part of the PAPs.			
	Responsibility: AGD in MINECOFIN	Stage: Preparation	Due date: December 2014	Status: Not yet due
	Risk management: Having in place key SEAS IT support teams (see Annex 5 of the fiduciary risk report) in each district, but a hub approach could also be considered to provide much needed support for completion of roll-out to the sectors. This risk management measure is part of the PAPs.			
	Responsibility: Government	Stage: Preparation	Due date: Ongoing	Status: Not yet due
	Risk management: Continued roll-out and training on the SEAS to district hospitals and pharmacies will improve the accuracy, timeliness, and comprehensiveness of financial reporting by districts. This risk management is linked to DLI 5.			
	Responsibility: IFMIS department in MINECOFIN	Stage: Ongoing	Due date: Ongoing	Status: In progress
Description: Risk associated with internal audits is assessed as Substantial. Established controls are not fully complied with, and the internal audit function is understaffed and lacks qualified staff.	Risk management: With the new Organic Budget Law and regulations in place together with the future IFMIS, the Government commits to develop a Comprehensive Operating Procedures Manuals (COPM). This risk management measure is part of the PAPs.			
	Responsibility: MINECOFIN	Stage: Preparation	Due date: June 2016	Status: Not yet due
	Risk management: Risk management includes (a) creation of an internal audit cadre to establish the right staff for internal auditors at every public sector institution in the country, with a clear professional progression path and commensurate compensation package and (b) strengthening of district council audit committee membership and co-opting of competent members based on agreed sitting fee. These risk management measures are part of the PAPs. .			
	Responsibility: Internal audit department in MINECOFIN	Stage: Preparation	Due date: June 2015	Status: Not yet due
Description: External audit risk is assessed as Substantial. OAG's track record shows that audit opinion on the program would not be available within six months of the year end.	Risk management: Reduction of time to submit audit report to no more than nine months after the year-end.			
	Responsibility: OAG	Stage: Ongoing	Due date: September 2015	Status: Not yet due
	Risk management: Establishment of district-level PACs to bring accountability much closer to the electorate.			
	Responsibility: MINECOFIN / MINALOC	Stage: Preparation	Due date: December 2015	Status: Not yet due
Description: There is a dearth of qualified officials to	Risk management: Risk management includes (a) development of a scheme of service for the PFM			

<table>
<tr><td rowspan="2">handle PFM functions, especially at the district level, where there are serious concerns about high turnover of the few trained staff. As of February 2014, all but five staff positions in the internal audit department had been filled. More than half of public sector’s accountants and auditors (internal and external) have a first degree, but only 16 (2 percent) are fully qualified professionals. RRA faces high staff turnover and either permanent or temporary understaffing of core functions. In the short term, it may be short of staff to ensure centralization of districts’ revenues.</td><td colspan="4">job family together with an attraction and retention policy and strategy to enhance the capability of the PFM job family or cadre; (b) establishment of appropriate organizational structure for the PFM cadre to have in place CFOs and internal auditors who are at least accounting technicians depending on budget size, complexity of the environment, and risk profile, together with knowledgeable and experienced budget officers and procurement officers; and (c) inclusion of staffing issues in RRA in annual performance plans, with technical assistance provided by development partners. DLI 6 focuses on capacity building, and PAPs include accreditation of Rwandan educational institutions.</td></tr>
<tr><td>Responsibility: MINECOFIN, RRA, MIFOTRA</td><td>Stage: Preparation</td><td>Due date: June 2015</td><td>Status: Not yet due</td></tr>
<tr><td>1.3 Environmental and social risk</td><td colspan="4">Rating: Low</td></tr>
<tr><td rowspan="2"><u>Description:</u> Program involves very few physical activities, and those that are envisaged have limited potential environmental and social impacts. Overall, national systems for handling environmental and social aspects in development operations are relatively strong, and Rwanda has a solid recent track record in complying with both national legislation and Bank safeguards. No land acquisition is required for implementation of the Program, and there are no anticipated issues related to social conflicts. The only civil work planned is construction of the national training center, which will be built within the existing NISR compound. Strengthening ICT infrastructure for NISR and NSS, and strengthening NISR’s physical assets, will eventually require management of e-waste from old IT and other equipment.</td><td colspan="4">Risk management: Implementation will be closely monitored through routine program reporting and occasional field verification by Bank missions.</td></tr>
<tr><td>Responsibility: Government and the Bank</td><td>Stage: Ongoing</td><td>Due date: Continuous</td><td>Status: Ongoing</td></tr>
<tr><td>1.4 Disbursement-Linked Indicator risks</td><td colspan="4">Rating: Moderate</td></tr>
<tr><td rowspan="2"><u>Description:</u> Program’s results framework builds on results frameworks in PFM SSP and NSDS 2. The Government has a strong track record of managing its own results framework. For example, it has operationalized annual backward-looking and forward-looking Joint Sector Reviews (JSRs) to review progress of the previous year and to plan for the following year. PFM SSP is subject to JSRs. Although the JSRs do not apply to NSDS 2, NISR conducted periodical reviews</td><td colspan="4">Risk management: The Program Implementation Support Plan includes Bank support to review implementation progress and achievements of the Program results framework and the DLIs. Bank support is likely to address the challenges and therefore contribute not only to the Program’s results framework but also to the Government’s results framework.</td></tr>
<tr><td>Responsibility: Government and the Bank</td><td>Stage: Ongoing</td><td>Due date: Continuous</td><td>Status: Ongoing</td></tr>
</table>

of results under NSDS 1. The Government has established the operationalized results management systems, but timely collection of data and information has been a challenge.				
Description: Most DLIs were selected from the Government's own results frameworks (including programs as well as monitoring indicators). Definitions, baselines, and targets were fine-tuned based on updated information and dialogues with the Government. Specific risks of each DLI are as follows: • DLI 1 (Extent to which investment plans of pilot ministries comply with budget call circulars): Weak capacity of pilot ministries may affect investment plans. • DLI 2 (Extent to which Districts have adopted the automated local government revenue management system): Delay in procurement of the system may affect this DLI. • DLI 3 (Extent to which the e-procurement system has been implemented): Risks associated with this DLI includes leadership, capacity, acquisition of the e-procurement application, and Internet connectivity. DLIs in each year were designed to address these risks. • DLI 4 (Extent to which MDAs have improved in their compliance of financial management requirements): Main risk in achieving the DLI is capacity at the subnational level. • DLI 5 (Extent to which Sectors are using SEAS): Main risks are capacity weaknesses at the subnational level and lack of equipment (for example, computers) and connectivity. • DLI 6 (Extent to which government financial management staff are trained in public financial management): Main risk is unwillingness of staff to take training. • DLI 8 (Extent to which the variety of data available on NADA is enhanced): Although there is commitment by pilot line ministries at this stage,	Risk management: The Bank will offer support to implementation in the following areas: (a) reviewing implementation progress and achievement of Program results and DLIs; (b) helping the Government resolve implementation issues and to carry out institutional capacity building; (c) monitoring the performance of Program systems, including the implementation of the PAP; and (d) monitoring changes in Program risks as well as compliance with the provisions of legal covenants. Scalability has been proposed for some DLIs (for example, DLI 5 on SEAS) to provide incentives for the Government to achieve results. Reviews (for example, at the midterm reviews) will be conducted to measure feasibility of DLIs as well as to introduce other mitigation measures if necessary.			
	Responsibility: Government and the Bank	Stage: Ongoing	Due date: Continuous	Status: Ongoing

accomplishment of third-year DLI is subject to capacity and willingness of pilot line ministries at time of implementation.				
Description: Several government agencies (MINECOFIN, OAG, RRA, RPPA, and NISR) will be involved in implementing the DLIs. There is therefore a risk of coordination failure. Capacity of SPIU in MINECOFIN, the main coordination unit, could be a constraint to M&E of DLI implementation.	Risk management: To address the capacity constraint of the MINECOFIN SPIU, the Bank will offer support through Program Implementation Support Plan.			
	Responsibility: Government and the Bank	Stage: Ongoing	Due date: Continuous	Status: Ongoing
1.5 Other risks (optional)	Rating: Low			
Description: The Program was formulated with close collaboration with other development partners such as DFID, KfW, EU, and the IMF (for PFM) as well as EU and DFID (for statistics). PFM support programs of DFID, KfW, and EU are coordinated in the PFM Basket Fund. Activities supported by the programs have been reported through the PFM Coordination Forum, which the Bank co-chairs. Technical assistance from the IMF has been well informed. Statistics support programs of the EU and DFID have been well coordinated through the steering committee.	Risk management: The Bank will maintain close dialogue and engagement with other development partners supporting PFM and statistics throughout the implementation period.			
	Responsibility: Bank team	Stage: Ongoing	Due date: Continuous	Status: Ongoing
Overall risk	Rating: Substantial			

Annex I: Program Action Plan

Component/action	*Criteria* [a]	*DLI* [b]	*Covenant* [c]	*Due date*	*Responsible party*	*Completion measurement*
1. PFM						
P1. Economic planning and budgeting						
P1-(1) Planning and M&E policy and manual / results-based management policy	1	☐	☐	June 30, 2015	Planning Department of MINECOFIN	Publication on MINECOFIN website
P1-(2) Revised national investment policy	1	☐	☐	June 30, 2015	Planning Department MINECOFIN	Publication on MINECOFIN website
P1-(3) A draft consolidated program template to assist FY2016/17 budget preparation and monitoring and evaluation processes in identified pilot MDA	1	☐	☐	June 30, 2015	Budget Department of MINECOFIN	MINECOFIN will share program template with the Bank.
P2. Resource mobilization						
P2-(1) Submission of Amended tax code on VAT exemptions to cabinet	1	☐	☐	June 30, 2015	RRA	Publication on RRA website
P2-(2) Staff retention strategy	2	☐	☐	June 30, 2015	RRA	RRA will share the strategy with the Bank.
P2-(3) Action plan to improve VAT revenues	2, 3	☐	☐	June 30, 2016	RRA	Official letter from MINECOFIN
P3. Budget execution, accounting, and reporting						
P3-(1) IPSAS roadmap which includes Government accounting policy for fixed assets	1	☐	☐	June 30, 2016	Accountant General Office of MINECOFIN	Official letter from MINECOFIN
P3-(2) Revised and adopted procurement regulations	1	☐	☐	June 30, 2015	RPPA	Publication on RPPA website
P3-(3) Submission of annual activity report on how plans for gender balance have been implemented (as stipulated in Article 68 of the 2013 Organic Budget Law)	1, 2	☐	☐	June 30, 2015	Budget department of MINECOFIN	Official letter from MINECOFIN accompanied by annual activity report
P3-(4) Revised internal audit structure adopted (Ministerial Order issued)	3	☐	☐	June 30, 2016	OGCIA, MINECOFIN	Ministerial Order by the Minister of MINECOFIN
P3-(5) Dissemination of Financial Policies and Procedures	1			June 30, 2016	Accountant General, MINECOFIN	Submit the updated financial policies and procedures to the Bank and disseminate it publicly.
P5. Electronic service delivery and IFMIS						
P5-(1) Roll out of current version of SmartFMS to	3	☐	☐	July 31,	Accountant General	Official letter from MINECOFIN

Component/action	*Criteria* [a]	*DLI* [b]	*Covenant* [c]	*Due date*	*Responsible party*	*Completion measurement*
remaining entities [d]				2015	Office of MINECOFIN	
P5-(2) Development of skills transfer policy from IFMIS vendors to staff	2	☐	☐	June 30, 2017	Accountant General Office of MINECOFIN	Official letter from MINECOFIN
P6. Fiscal decentralization						
P6-(1) Development of reporting template for subsidiary entities	1	☐	☐	September 30, 2015	Accountant General Office of MINECOFIN	Official letter from MINECOFIN with supporting materials
P6-(2) Placement of key staff with suggested profile for SEAS [e]	3	☐	☐	June 30, 2017	Accountant General Office of MINECOFIN	Official letter from MINECOFIN including names, roles, and compliance with Annex 7.
P7. PFM sector coordination and management						
P7-(1) PFM learning and development strategy developed	2, 3	☐	☐	June 30, 2015	Accountant General Office, MINECOFIN	Official letter from MINECOFIN
2 Rwandan educational institutions accredited to provide professional training under ICPAR, ACCA, AAT	2, 3	☐	☐	June 30, 2016	Accountant General Office, MINECOFIN	MINECOFIN prepares evidence that a Rwandan education institution is accredited
2. Statistics						
SO4: Development of capacities within NSS						
SO4-(1) Organizational development strategy of NISR developed	2	☐	☐	December 31, 2015	NISR	NISR will share the strategy.

Notes:

a. The PforR guidance includes three criteria: (1) changes to the technical dimensions of the Program and to the formal rules and procedures governing the organization and management of the systems used to implement the Program; (2) actions to enhance the capacity and performance of the agencies involved; and (3) risk mitigating measures to increase the potential for the Program to achieve its results and to address fiduciary, social, and environmental concerns.

b. This column should indicate the reference, if any, to a Program DLI, legal covenant, or both, as appropriate.

c. This column should indicate the agreed upon basis for determining whether the action has been satisfactorily completed.

d. There are 12 remaining entities including Rwanda Development Board, embassies and high commissions etc.

e. Please see Annex J.

Annex J: SEAS IT Support Team Profile

(1) Technical support

- Strong database management experience especially MySQL, MS SQL Server and Oracle
- Data center management experience
- Understanding of Networking and TCP/IP protocols
- Extensive knowledge and experience supporting the software products used
- A thorough knowledge of software packaging and deployment.
- Infrastructure Management (responsible for the maintenance of the infrastructure across the network).
    - Application Packaging and Deployment
    - Enterprise anti-virus software
- Knowledge and experience with the management of network
- Experience with virtualization and storage - desirable
- Strong verbal and written communication skills – essential
- Relevant bachelor degree qualification in an IT related discipline such as Computer Science, Statistics, Mathematics, Physics, and Business Administration. Specialized Database Administration training and qualifications for common large RDBMSs e.g. Oracle, SQL are a must. Possession of a relevant post graduate qualification will be an added advantage.
- At least 2 years' working experience directly related to the duties and responsibilities as specified is essential. Preferably in the Public Sector.
- Knowledgeable about IT and web applications,
- Knowledgeable about Java j2ee technology and object oriented programing,
- Interested in keeping up to date with changing technology.
- Understand the laws regarding privacy and data storage
- Prior experience in the successful management of application build, testing, implementation and quality assurance activities of automated financial management systems will be an advantage.
- Dynamic and proactive individual with the ability to produce technical work plans and monitor performance against them
- Strong track record in performance management is vital (setting targets, monitoring delivery, planning)
- A sound, operating knowledge of computers is essential.

(2) Functional support

- Strong experience and knowledge about the Government's PFM processes:
    - Planning and budget preparation
    - Budget execution and control
    - Revenue forecasting and administration
    - Expenditure control
    - Accounting and financial reporting
- Knowledge about IMF-GFSM 2001
- Good knowledge of using computer desktop applications preferably Microsoft Office products and internet
- Strong verbal and written communication skills

- Ability to provide training and supervision to end users
- Ability to travel across the country
- Self-motivated and willingness to learn
- Relevant graduate qualification in public finance, business or economics from a recognized university. Possession of a relevant post graduate qualification will be an advantage.
- At least 2 years' working experience in Financial Management preferably in the Public Sector.
- Possession of Membership to a professional accountancy body which is a full member of the International Federation of Accountants [IFAC] will be an advantage.
- Prior experience in the successful management of application build, testing, implementation and quality assurance activities of automated financial management systems will be an advantage.
- Dynamic and proactive individual with the ability to produce technical work plans and monitor performance against them
- Strong track record in performance management is vital (setting targets, monitoring delivery, planning)
- A sound, operating knowledge of computers is essential.
- Applicants must be Rwandese nationals.

Annex K: Implementation Support Plan

1. The Implementation Support Plan is based on the Interim Guidance Note on the Technical Assessment,[108] adapted to the design and risk profile of Program. Although the borrower is responsible for overall implementation, the Bank and the borrower agreed that the Bank will offer support to implementation in the areas of (a) reviewing implementation progress and achievement of Program results and DLIs; (b) helping the Government resolve implementation issues and carry out institutional capacity building; (c) monitoring the performance of Program systems, including implementation of the PAP; and (d) monitoring changes in Program risks and compliance with the provisions of legal covenants.

2. Most of the Bank team members who participated in the preparation of the Program will join the Bank's implementation support team (including fiduciary, safeguards, and governance and anticorruption). The support team will ensure timely, efficient, and effective implementation support to the borrower. Formal implementation support missions will be carried out twice a year. In addition, members of the support team based in Rwanda or the region will provide support as needed more frequently over the life of the Program.

3. The Bank's implementation support team will provide support in (but not limit its support to) the following areas:

- Due diligence of DLIs: The Bank team will work with the borrower to conduct due diligence of the DLIs based on agreed upon verification protocols.
- M&E: The Bank team will meet periodically with the borrower to review implementation progress. Its M&E will include, but not be limited to, review of Program implementation data on the number and value of DLIs met, together with supporting evidence and the quantitative and qualitative indicators listed in the Program results framework. The Bank team will, to the extent possible, use the existing M&E framework (including backward- and forward-looking Joint Sector Reviews and materials being prepared for the PFM sector working group) for this purpose.

4. **Program progress reports**: To facilitate the monitoring of progress (including DLIs and associated disbursements) and identify bottlenecks and/or emerging issues and potential risks to the Program results (including the DLIs and associated disbursements), the borrower will produce a progress report at least twice a year.

5. **Midterm review**: A Bank team will be deployed during the Program's midterm review. The joint review team, consisting of the Bank and borrower teams, will assess overall progress, coordination arrangements, disbursements, technical assistance, and capacity development activities (including activities initiated by the borrower and supported by the Bank and other development partners). Recommendations will be made for necessary Program adjustment.

6. **Environmental and social impact aspects:** Social and environmental specialists on the Bank task team will give ongoing advice on the development of management systems on a needs basis and join at least one implementation support mission per year to review progress in the field. They should give particular attention to the following:

[108] Section VII of the Interim Guidance Note on the Technical Assessment

- Satisfactory implementation of national laws during construction of the national training center, with supporting supervision visits to the NISR office. Encouragement of the use of sustainable construction practices, which can set a best-practice example for future government construction projects and promote environmentally friendly practices as part of the knowledge management strengthening objective of the Program.
- Proactive management of issues related to e-waste management (by the SPIU, the NSDS Coordination Team, and other stakeholders), in accordance with the draft e-waste policy paper developed by the Ministry of Youth and ICT, based on international best practices.
- Adaptation to technology-based service delivery, including strengthening of capacity building that promotes a behavioral change from manual to automated services. This change will require learning from successful programs and sharing knowledge and training on the use of technology.
- Strengthening of the existing system of contact points for complaint management.

Annex Table J-1: Focus of Implementation Support of Program and Estimated Resource Costs

Time	*Focus*	*Skills needed*	*Resource estimate*	*Partner*
First 12 months	Monitoring and implementation support of DLIs and PAPs; establishment of a DLI verification protocol; communication with implementing agencies (MINECOFIN, RRA, RPPA, OAG, NISR);	Fiduciary, PFM, statistics, M&E, environmental and social	Two implementation support missions (2 x 15 people x 2 weeks = 60 weeks) Two short missions (2 x 4 people x 1 week = 8 weeks)	KfW, DFID, EU, IMF
12–48 months	Monitoring and implementation support of DLIs and PAPs; establishment of a DLI verification protocol; communication with implementing agencies (MINECOFIN, RRA, RPPA, OAG, NISR)	Fiduciary, PFM, statistics, M&E, environmental and social	Two implementation support mission per year, including a midterm review (2 x 3 years x 15 people x 2 weeks = 180 weeks over three years)	KfW, DFID, EU, IMF

Annex Table J-2: Task Team Skills Mix Requirements for Implementation Support

Skills needed	*Number of staff weeks*	*Number of trips*	*Comments*
Legal			
Fiduciary			
M&E			
Environmental and social			
PFM			
Statistics			

Annex Table J-3: Role of Partners in Program Implementation

Name	*Institution*	*Role*
Ruben Alba Aguilera	European Union	Oversight and supervision through PFM Basket Fund
Daniela Beckmann	KfW	Oversight and supervision through PFM Basket Fund
Scott Caldwell	DFID	Oversight and supervision through PFM Basket Fund
Various missions	IMF	Technical assistance (on tax policy and administration, fiscal decentralization, and budget system improvement program, for example)

Annex L: Country Map