



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 28-Jun-2018 | Report No: PIDISDSA24639



BASIC INFORMATION

A. Basic Project Data

Country Rwanda	Project ID P164807	Project Name Rwanda Public Finance Management Reform Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 13-Aug-2018	Estimated Board Date 25-Sep-2018	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) MINECOFIN	Implementing Agency MINECOFIN	

Proposed Development Objective(s)

To improve budget reliability and control of funds for service delivery, enhance budget transparency and increase professionalization of the public finance officials.

Components

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	20.00
Total Financing	20.00
of which IBRD/IDA	20.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	20.00
IDA Credit	20.00



Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. Rwanda is a landlocked country in East Africa. It borders with the Democratic Republic of Congo to the west, Tanzania to the east, Uganda to the north, and Burundi to the south. According to World Bank data, the population of Rwanda is approximately 11.61 million, of which 52 percent are women.
2. Rwanda is a low-income country, however it experienced solid economic growth over the last two decades. Political stability, prudent macroeconomic policies, promotion of good governance and favorable investment climate contributed to the fast growth and low inflation. Recently Rwanda's economic growth has been decelerating and averaged 7.2 percent in 2012-2017 compared to 8 percent in 2007-2011. Rwanda's growth of past five years was affected by such adverse factors as the 2012 aid crisis and lower prices of its traditional export items, such as tea, coffee, and minerals. The fiscal consolidation in FY2015/2016, which was designed to reduce external vulnerabilities, had temporarily reduced the growth of domestic demand until fiscal policies became expansionary again in the second half of FY2016/2017.
3. The role of the government in the economy has been increasing during last decade. Public spending went up from 22 percent of GDP in 2006 to 30.3 percent in 2014, though it declined to 27.1 in 2016. The increase was supported by growth in revenue, which went up by 6.6 percentage points of GDP between 2006 and 2016. Because external grants were declining, in recent years the government has had to borrow more to fund public spending.
4. Rwanda's public debt has been on an upward trajectory since 2013. Public and publicly guaranteed debt increased from around 37 percent of GDP in 2015 to 44.4 percent in 2016, mostly driven by external debt including both public and publicly guaranteed. Despite the recent increase, public debt level remains manageable, and the joint IMF/World Bank Debt Sustainability Assessment analysis of 2016 confirmed Rwanda's status of low risk of debt distress. As Rwanda's indebtedness has risen, its fiscal space has narrowed with the ratio of the debt stock to tax base has increased from 1.7 in 2012 to 3 in 2016.
5. The Government acted to address growing imbalances through fiscal adjustment and exchange rate flexibility. In mid-2016, the Government moved quickly to address growing imbalances by a policy adjustment program supported by an IMF 18-month Standby Credit Facility. Fiscal tightening aimed at reducing external vulnerabilities and improving the foundations for growth, contributed to the temporary growth slowdown through decelerating credit and private consumption. As a result, 2015/2016 fiscal deficit was at 3.9 percent of GDP lowered by cuts in capital spending. The FY16/17 fiscal outturn was also in line with IMF program target and stood at 4.6 percent of GDP, meeting the (adjusted) nominal program ceiling. Although the headline deficit increased relative to FY15/16, this was a function of a large decline in grants partly offset by lower spending (i.e. the primary fiscal deficit excluding grants was lower in FY16/17 relative to FY15/16).



6. The macro-economic outlook for the medium term dictates the need to supplement strict fiscal discipline with stronger emphasis on allocative and operational efficiency of public spending during the coming years. Recent adjustments constrain future fiscal choices as fiscal buffers are largely depleted and cannot be used to boost aggregate demand through public spending.
7. A new development strategy (Vision 2050) under preparation aims to achieve upper middle-income status by 2035 and high-income status by 2050. The operational documents will be a series of medium-term strategies starting with seven-year “National Transformation Strategies” (NTS 1). The concept note for the Vision 2050 specifies five key priorities: high quality and standards of life, development of modern infrastructure and livelihoods; transformation for prosperity (developing high value jobs and sectors); sustaining and exploiting cultural values for Vision 2050 and positioning Rwanda internationally. The strategy draws from lessons of the EDPRS I and II, namely: ownership by a wide range of stakeholders; home-grown initiatives; community-based solutions; effective use of technology; and modernized institutional and legal frameworks.

Sectoral and Institutional Context

8. In the context of the Vision 2050, it is important for Government to continue improve efficiency of public spending, enable better service delivery and develop instruments for strategic allocation of resources. The Government realizes that these require changes in the way it manages public finances. In response, the Government is finalizing the PFM Sector Strategic Plan 2018-2024 focusing on decentralization, accounting reform, capacity development, performance based budgeting, procurement, and FMIS roll out among others.
9. The PFM reform in Rwanda started in 2008 and significant achievements were made, yet certain weaknesses in budget credibility, financial control at the service delivery level and quality of reporting may undermine ultimate PFM objectives. The World Bank-supported USD 100 million Public Sector Governance Program for Results provided support to some of the key PFM reforms. Several development partners also formed PFM Basket Fund to better align bilateral support. The Public Expenditure and Financial Accountability (PEFA) Assessment was used to track reform progress over time. The 2016 assessment evidenced reasonable fiscal discipline, orderly budget preparation process, financial controls. At the same time, large in-year changes in the composition of expenditure highlight weak policy alignment of the budget. Budget programs are not fully linked with performance information, and costing of programs remains a weakness. Lack of continuous monitoring of payment arrears (annual monitoring only) and lack of performance information on service delivery may undermine value for money. The quality of reporting is undermined by inconsistent application of accounting standards. The initial stage of PFM training resulted in 655 government PFM staff with at least foundational level in accounting and holding IPSAS certificate. While considerably more capacity is required it provided a basis for efficient use of government PFM systems.
10. Accounting system is not compliant with international standards, but the MINECOFIN is currently finalizing a blueprint that will guide transition to accrual based IPSAS compliant accounting standards. IPSAS blueprint plans to implement accounting reform identified the existing gap in policies, human resources, systems and processes. It lays out a plan to implement accrual accounting reform in phased approach whereby each year different items will be transitioned.
11. Capacity in PFM across governments agencies remains key to ensure efficient performance. PFM Sector Strategic Plan 2013-2018 has identified enhancement of training, professionalization and capacity building across all PFM disciplines as a priority area that needs to be addressed to further strengthen and sustain accountability and



transparency in the management of public resources, and enable successful implementation of Government's efforts towards poverty eradication as envisioned in EDPRS2 and Vision 2020 as well as achieving the targets of Vision 2050. Gender imbalance in the PFM profession exists and is especially prominent at senior level positions. The MINECOFIN plans to address the gender gap by ensuring training provides equal opportunities for participation of both male and female and thus building a gender balanced cadre for the future.

12. IFMIS has been developed and covers the following functionalities: planning and budgeting, accounting and financial reporting and is composed of five modules - Budget Master, General Ledger, Accounts Payable, Revenue Management, and Supervision. The IFMIS can benefit from further improvements in interfaces with other PFM systems and roll out across all public entities. Service delivery at the local level is undermined by lack of predictability in funding and lack of control over resources received and spent by the service delivery units. According to the Auditor General report of FY2015/16, there were over US\$160 million dollars of unaccounted revenue generated by service delivery units, the report also points at considerable errors and omissions in bank accounts, accounts payable and receivable and incurred expenditures. The IFMIS has not been able to track revenue and expenditure up to the level of end users (i.e., individual schools and health facilities across the country). Expenditure reports by districts do not capture resources received in kind by non-budget agencies (NBA).
13. The PFM Sector Strategic Plan seeks to address key remaining weaknesses of Rwanda's PFM system by aiming to:
 - a. Improve and expand the coverage of IFMIS and other PFM ICT systems;
 - b. Build, develop and retain appropriate skills and partnerships for effective PFM;
 - c. Improve compliance with existing PFM systems;
 - d. Enhance subnational government PFM capabilities;
 - e. Enhance 'value for money' and support sound investment decisions;
 - f. Enhance the governance of GBEs;
 - g. Enhance resource mobilization for NST-1.
14. The MINECOFIN will be key government agency in charge of coordinating the implementation of the PFM Sector Strategic Plan.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

15. The project development objective (PDO) is to improve budget reliability and control of funds for service delivery, enhance budget transparency and increase professionalization of the public finance officials.

Key Results

16. The project is expected to achieve the PDO through improving the Government's ability to strengthen policy alignment of the budget through use of performance based budgeting and MTEF, ensure predictability of funding for service delivery and control of resources received by service delivery units, improve reporting of accurate financial information, and increase PFM capacity across all government entities. The achievement of the PDO will be assessed on the basis of the following results and the respective indicators:
 - a. Improved reliability of the budget



- i. Baseline: Deviation between MTEF (t+1) and expenditure budget for MINEDUC, MININFRA, MINESANTE is above 20 percent
 - ii. Target: Deviation between MTEF (t+1) and expenditure budget for MINEDUC, MININFRA, MINESANTE is below 10 percent
 - b. Improved control of funds for service delivery
 - i. Baseline: Share of districts with arrears and overdue payments below 5% of total district budget is below 30 percent
 - ii. Target: Share of districts with arrears and overdue payments below 5% of total district budget is above 70 percent
 - c. Improved budget transparency
 - i. Baseline: Citizens budget does not contain links between financing and results and published in most of the years
 - ii. Target: Citizens budget is published annually and includes information on budget execution, the medium term financial program and analysis of links between financing and results
 - d. Increased professionalization of the public finance officials
 - i. Baseline: Number of certified public finance staff is 100
 - ii. Target: Number of certified public finance staff is 1300

D. Project Description

17. The project design seeks to expand capabilities of the MoF in critical PFM areas and help the Government of Rwanda to address binding constraints on PFM systems performance as laid out in the PFM Sector Strategic Plan. The project will consist of four components:
18. **Component 1 – PFM IT Systems Roll Out.** Building on the results of the Governance Program-for-Reforms, and successful implementation of the FMIS and e-Government Procurement (e-GP) by the Government, this component will help stabilize the systems, expand their functionality and support the roll out FMIS to service delivery units by enhancing functionality and stability of the FMIS. PFM Basket Fund will finance required training and support to actual roll out. The project will support consultations with service delivery units and spending agencies on roll out of the PFM IT systems to ensure the change management issues are adequately addressed. As both FMIS and e-GP are developed in-house, the project will finance technical assistance, training and some additional infrastructure.
19. **Component 2: Accounting and financial reporting.** The Government of Rwanda has decided to move to the accrual IPSAS. The transfer to standards compliant with IPSAS will: help improve the quality of financial statements; allow better management of public assets; provide greater transparency and facilitate better understanding of the Government's financial position; facilitate budget efficiency spending; improve the quality of strategic planning, management of public finances and development of economic policy; allow comparability of financial statements with those in other countries This component will finance activities related to the initial stage of implementation of public sector accounting reforms. The activities are a subset of the implementation plan that the Government of Rwanda has prepared for a five-year period on IPSAS reform. The project will support the establishment of the IPSAS Implementation Unit within MINECOFIN; technical assistance for implementation of the IPSAS, including preparation of accounting manual, unified chart of account, reporting templates and related change management activities.



20. **Component 3: Performance Based Budgeting and Medium-Term Budgeting.** This component will help the Government of Rwanda strengthen multi-year perspective of the budgeting and support development/revision of program based budgeting methodology, including strengthening of the links between budgeting and sector strategic plans. Currently, elements of MTEF are in place in Rwanda and program classification exists, but linking the budget allocations with performance information and multi-year costing remains a weakness. The component will fund review of the current program based budgeting system, improvement of the program based budgeting and performance monitoring and budget transparency by improving strengthen the feedback loop to assess citizen’s satisfaction with public services financed under the budget programs.
21. **Component 4: Professionalization of PFM Staff – PFM Capacity Development.** The component will support implementation of the PFM Learning and Development Strategy building on achievement of the Governance Program-for-Results. The component will focus on capacity in the areas supported under other components of the project – accounting and audit, budgeting, procurement. It will finance capacity building activities to support implementation of the PFM competency framework across the public sector, including training covering implementation of the medium-term budgeting, performance- based budgeting, accounting and procurement, publication of training materials, training of trainers, etc. Component resources will also be used for various forms of communication activities to raise awareness of and support for PFM reforms, including workshops, conferences, study visits. The Institute of Certified Public Accountants of Rwanda (ICPAR) will be supported under the Project as a key institution in charge of auditors and accountants training. MINECOFIN intends to do phased trainings for the accountants who will be assisting in implementation of IPSAS. For instance, in year one of IPSAS implementation where update of policies and less complex receivables and payables will be transitioned, the accountants will be trained by ICPAR on that. In year two of IPSAS implementation, the accountants will be trained on items being transitioned in that year only. As part of the PFM capacity development component, the proposed Project will seek to address gender gap in the PFM profession by ensuring equal access to training and public-sector jobs by female and male.

E. Implementation

Institutional and Implementation Arrangements

22. MINECOFIN will be responsible for the day-to-day management and implementation of the project. The proposed project will support ongoing PFM reform and will require close coordination with PFM Basket Fund and Government’s own activities. MINECOFIN will provide strategic alignment of the project with other government priorities and initiatives. The Permanent Secretary of the MINECOFIN will be a high-level Project Coordinator, while the Accountant General will ensure leadership at the day to day level.
23. The Single Project Implementation Unit (SPIU) of the MINECOFIN will be used to manage implementation of the project activities. MINECOFIN has experience in managing donor-funded projects. SPIU will perform fiduciary (financial management and procurement) and M&E functions for this project. The Bank will provide additional training to ensure sufficient capacities to manage and implement the project, including change management, and to comply with the World Bank procurement procedures or proper use of the country procedures in the Bank projects.
24. The MINECOFIN, RPPA and ICPAR will appoint focal points for each component, respectively. The technical working groups will function to ensure technical coordination across different department and agencies on



an ongoing basis.

- 25. To ensure strategic alignment with the PFM Program and Government’s broader reform program, the project will utilize a Technical Working Group under the PFM Basket Fund as a Steering Committee for coordination across different PFM reform initiatives. This will allow to have a forum for coordination, which includes key development partners, MINECOFIN and other relevant Government officials. The Steering Committee will consult with line ministries and districts by inviting them to the Steering Committee meetings and to working groups on components to ensure awareness and ownership for reforms that impact other agencies is maintained.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Kigali

G. Environmental and Social Safeguards Specialists on the Team

George Bob Nkulanga, Social Safeguards Specialist
Emmanuel Muligirwa, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Forests OP/BP 4.36	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Pest Management OP 4.09	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.



Physical Cultural Resources OP/BP 4.11	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Indigenous Peoples OP/BP 4.10	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Involuntary Resettlement OP/BP 4.12	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Safety of Dams OP/BP 4.37	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Projects on International Waterways OP/BP 7.50	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.
Projects in Disputed Areas OP/BP 7.60	No	No safeguards are triggered as the project finances only technical assistance, training, and IT procurements.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

NA

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

NA

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

NA

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The project is Category C and mainly financed capacity development, technical assistance and some OCT procurement.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

B. Disclosure Requirements



C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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Borrower/Client/Recipient

MINECOFIN

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APPROVAL

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