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IDA/R2018-0327/1

October 3, 2018

Closing Date: Tuesday, October 23, 2018 at 6:00 p.m.

FROM: Vice President and Corporate Secretary

Rwanda - Rwanda Public Finance Management Reform Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Rwanda for a Rwanda Public Finance Management Reform Project (IDA/R2018-0327), which is being processed on an absence-of-objection basis.

Distribution:
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

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Report No: PAD2881

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT

IN THE AMOUNT OF SDR 14.3 MILLION
(US$20 MILLION EQUIVALENT)

TO THE

REPUBLIC OF RWANDA

FOR THE

RWANDA PUBLIC FINANCE MANAGEMENT REFORM PROJECT

October 1, 2018

Governance Global Practice
Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective August 31, 2018

Currency Unit =	Rwandan Franc (RWF)
RWF 878=	US$1
US$1=	SDR 0.71357723

FISCAL YEAR
July 1 - June 30

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Carlos Felipe Jaramillo
Senior Global Practice Director:	Deborah L. Wetzel
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Task Team Leaders:	Oleksii Balabushko, Christine Anyango Owuor, Josphine Kabura Kamau

ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
CPA	Certified Public Accountant
CSO	Civil Society Organization
DA	Designated Account
DLI	Disbursement-linked Indicators
DPs	Development Partners
EDPRS	Economic Development and Poverty Reduction Strategy
e-GP	Electronic Government Procurement System
EU	European Union
FM	Financial Management
FMIS	Financial Management Information System
FY	Fiscal Year
GBE	Government Budget Entity
GDP	Gross Domestic Product
GoR	Government of Rwanda
ICB	International Competitive Bidding
ICPAR	Institute of Certified Public Accountants of Rwanda
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPPIS	Integrated Payroll and Personnel Information System
IPSAS	International Public Sector Accounting Standards
KPI	Key Performance Indicators
M&E	Monitoring and Evaluation
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MININFRA	Ministry of Infrastructure
MINISANTE	Ministry of Health
MTEF	Medium-term Expenditure Framework
NBA	Non-budget Agencies
NCB	National Competitive Bidding
NIRP	National Independent Review Panel
NST	National Strategy for Transformation
OAG	Office of the Auditor General
PBA	Performance-Based Allocation
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program for Results
PPSD	Project Procurement Strategy for Development
RPPA	Rwanda Public Procurement Authority
PRAMS	Procurement Risk Assessment Management System
RWF	Rwandan Franc
SBD	Standard Bidding Documents
SDR	Special Drawing Rights
SIDA	Swedish International Development Agency
SLA	Service Level Agreement

SPIU	Single Project Implementation Unit
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
UNDP	United Nations Development Programme

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Rwanda	Rwanda Public Finance Management Reform Project	
Project ID	Financing Instrument	Environmental Assessment Category
P164807	Investment Project Financing	C-Not Required

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
23-Oct-2018	28-Feb-2023

Bank/IFC Collaboration

No

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

Component Name	Cost (US$, millions)

PFM IT Systems Roll-Out	5.00
Accounting and Financial Reporting	3.45
Performance-Based Budgeting and Medium-Term Budgeting	0.70
Professionalization of PFM Staff – PFM Capacity Development	10.85

Organizations

Borrower:	Republic of Rwanda
Implementing Agency:	Ministry of Finance and Economic Planning

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

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	20.00	0.00	20.00
Total	**20.00**	**0.00**	**20.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023

Annual	1.60	4.40	5.40	5.30	3.30
Cumulative	1.60	6.00	11.40	16.70	20.00

INSTITUTIONAL DATA

Practice Area (Lead)
Governance

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Moderate

9. Other	
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✔
Performance Standards for Private Sector Activities OP/BP 4.03		✔
Natural Habitats OP/BP 4.04		✔
Forests OP/BP 4.36		✔
Pest Management OP 4.09		✔
Physical Cultural Resources OP/BP 4.11		✔
Indigenous Peoples OP/BP 4.10		✔
Involuntary Resettlement OP/BP 4.12		✔
Safety of Dams OP/BP 4.37		✔
Projects on International Waterways OP/BP 7.50		✔
Projects in Disputed Areas OP/BP 7.60		✔

Legal Covenants

Sections and Description

Section IV. A. No later than three (3) months after the Effective Date, the Recipient shall have upgraded the IFMIS to, inter alia, prepare consolidated financial reports and annual statements for projects, in form and substance satisfactory to the Association.

Conditions

Type	Description
Effectiveness	Article IV 4.01. Project Implementation Manual has been adopted by the Recipient, in form and substance satisfactory to the Association

I. STRATEGIC CONTEXT

A. 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 was approximately 11.61 million in 2016, 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. Rwanda's economy rebounded in 2017 posting 6.1 percent gross domestic product (GDP) growth, but the growth will likely continue to be below the high rates of the previous periods. 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 the last decade. Public spending went up from 22 percent of GDP in 2006 to 30.3 percent in 2014, though it declined to 27.3 in 2017. The increase was supported by growth in revenue, which went up by over 5 percentage points of GDP between 2006 and 2017. 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 47 percent in 2017, mostly driven by external debt including both public and publicly guaranteed. Despite the recent increase, public debt level remains manageable, and the joint International Monetary Fund (IMF)/World Bank Debt Sustainability Assessment analysis of 2017 confirmed Rwanda's status of low risk of debt distress.

5. The Government has 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 FY2016/2017 fiscal outturn was also in line with the IMF program target and stood at 4.6 percent of GDP, meeting the (adjusted) nominal program ceiling. Although the headline deficit in FY2016/2017 increased relative to FY2015/2016, 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 FY2016/2017 relative to FY2015/2016).

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) aims to achieve upper middle-income status by 2035 and high-income status by 2050. The implementation of the Vision 2050 will be operationalized through a series of medium-term strategies starting with the National Strategy for Transformation 2018-2024. 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 Economic Development and Poverty Reduction Strategy (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.

B. Sectoral and Institutional Context

8. In the context of the Vision 2050, the Government wants to continue improving the 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 prepared the Public Financial Management (PFM) Sector Strategic Plan 2018-2024 focusing on decentralization, accounting reform, capacity development, performance-based budgeting, procurement, and Integrated Financial Management Information System (IFMIS) roll out among others.

9. The PFM reforms in Rwanda started in 2008 and significant achievements have been made, yet certain weaknesses in budget credibility, financial control at the service delivery level and quality of reporting may undermine ultimate PFM objectives. The PFM reforms started with the Public Financial Management Reform Strategy (2008-2012) and continued with the five-year PFM sector strategic plan for 2013-2018. The World Bank-supported the US$100 million Public Sector Governance Program for Results (PforR, P149095) that provided support to some key PFM reforms. Several development partners (DPs) were also part of the PFM Basket Fund to better coordinate bilateral support.

10. The Public Expenditure and Financial Accountability (PEFA) Assessment was used to track reform progress over time. The last assessment was carried out in 2016. The assessment evidenced reasonable fiscal discipline, orderly budget preparation process, and financial controls. At the same time, weak connection between Medium-term Expenditure Framework (MTEF) and annual budgets and large in-year changes in the composition of expenditure highlight issues with budget reliability. 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. Since the PEFA assessment, the Government has achieved additional progress including with support from the Public Sector Governance Program-for-Results. An Electronic Government Procurement System (e-GP) was rolled out to all procuring entities of the central government; and there is improved financial statement submission with most government entities submitting on time and 60 percent of them receiving an unqualified audit opinion in 2016/2017. The initial stage of PFM training resulted in 665 government PFM staff being trained with at least the foundational level in accounting and holding an International Public Sector Accounting Standards (IPSAS) certificate. While considerably more capacity is required the training provided a basis for efficient use of government PFM systems.

11. The elements of MTEF are in place but linking the budget allocations with performance information has not yet been achieved. Considerable efforts have gone in linking the budget with sector priorities, institutional plans and national priorities reflected in EDPRS 2. In line with this, Ministerial budget consultations for FY2015/2016 were held during March 2015 and were fully informed by preceding planning consultations where broad priorities were agreed. The result is the production of estimates covering three financial years using administrative, economic and functional classifications, but the use of MTEF estimates for annual budgeting process is limited. The program classification is in place, however costing of programs remains a weakness. Under the draft PFM Strategic Action Plan, Government plans to improve costing of both capital expenditures and recurrent expenditure financing service delivery and link it with improved performance information and monitoring. The Government's focus on annual budgeting rather than medium-term budgeting hinders strategic planning, fiscal adjustment and spending agencies' ability to align their medium-term objectives and plans with the resources available.

12. The country's accounting system is not compliant with international standards, yet Article 99 of the Ministerial Order

001/16/10/TC of 26/01/2016 on Financial Regulations stipulates that central government and decentralized entities shall follow IPSAS. The adoption of accrual based IPSAS is backed by the Organic Law 12/2013/OL of 12/09/2013 on State Finances and Property, which indicates that the law allows the Minister to issue an order that determines the accounting standards and policies applicable to all public entities. Although the intention is to adhere and comply with IPSAS to the extent possible this has not been fully attained and omissions are very common, as stated by the Office of the Auditor General (OAG) in the Annual Report for the year ending June 2016. For example, not all the financial statements contain a consolidated cashflow statement supported by detailed reporting. The Ministry of Finance and Economic Planning (MINECOFIN) is currently finalizing a blueprint that will guide transition to accrual based IPSAS compliant accounting standards over six-year period. The IPSAS blueprint identified the existing gap in policies, human resources, systems and processes (See details of the IPSAS implementation plan in Annex 5).

13. The IPSAS implementation plan lays out the phased approach to accrual accounting reform whereby each year different items will be transitioned from cash-based accounting to accrual-based accounting. Comprehensive year-end closing instructions will be prepared and will be tailored to the items being transitioned and reported each year, taking into account the items that were transitioned in prior years. The accounting policies' gap analysis covers all accounting topics such as fixed assets, revenue, liabilities, consolidation as determined by accrual IPSAS.

14. Capacity in PFM across government agencies remains key to ensure efficient performance. The PFM Sector Strategic Plans 2013-2018 and 2018-2024 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, Vision 2020, as well as for achieving the targets of Vision 2050. The PFM Learning and Development Strategy has been developed and approved by MINECOFIN in August 2018. Both the PFM Sector Strategic Plan 2018-2024 and the PFM Learning and Development Strategy 2018-2022 focus at building capacities at both the national and subnational levels. The PFM Learning and Development Strategy aims at building a cadre of PFM professionals across the public sector targeting 5000 PFM staff trained during the first five years of implementation. It is based on the PFM competency framework developed to guide recruitment and retention of PFM professionals in the public sector (Annex 4 includes a summary of the draft strategy).

15. Gender imbalance in the PFM profession exists and is especially prominent at senior level positions. In 2017, around one third of public finance officials were female and two thirds were male, while most of managerial positions were occupied by males based on the MINECOFIN data from Financial Management Information System (FMIS) user registration database. This needs to be addressed by building a PFM cadre that will be gender balanced and will ensure that in the future both females and males will have the expertise that allows them to compete for the positions. The MINECOFIN plans to address the gender gap by ensuring training provides equal opportunities for participation of both males and females, thus building a gender balanced cadre for the future.

16. An IFMIS has been put in place 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.

17. The IFMIS roll out to all Central Government entities, agencies and districts has allowed improvement in financial controls, and the government has been able to enhance its functionality and expand coverage. The interface between e-Government Procurement and IFMIS is used to send budget and exchange rates to e-GP for procurement plan preparations and bidding processes. The IFMIS receives contracts from e-GP which are subsequently used during the issue of purchase orders to suppliers. The IFMIS is integrated with Internet Banking of the National Bank of Rwanda which helps in the timely processing of payments. IFMIS has been interfaced with the Government of Rwanda [GoR] Integrated Payroll and Personnel Information System (IPPIS).

18. Service delivery at the local level is undermined by lack of predictability in budgeting and lack of control over resources received and spent by the service delivery units. On the planning side, weak multi-year costing of service delivery and investment causes issues with execution and changes in the budget as compared to the MTEF. On the financial control side, according to the Auditor General report of FY2016/2017, there were over US$106 million dollars of revenue internally generated by service delivery units that were not properly captured in the IFMIS, and resulted in omissions in bank accounts, accounts payable and receivable and incurred expenditures. While these are mainly not related to corruption and embezzlement, existence of unconsolidated balances in some districts and arrears in others undermines cash management and reliability of funding for service delivery. 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). Also, the data is not used to prepare aggregated expenditure reports by type of service unit and geographical distribution for tracking analysis (as repeatedly reported by the OAG). The Government plans to roll out IFMIS to service delivery units in the next several years. Information and Communication Technology (ICT) infrastructure needs for roll out include enhanced server capacity, disaster recovery center, and improved network connectivity.

19. 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 Government Budget Entities (GBE);
   g. Enhance resource mobilization.

20. The MINECOFIN will be the key government agency in charge of coordinating the implementation of the PFM Sector Strategic Plan.

21. The proposed project will support the PFM Sector Strategic Plan building on achievements of the Public Sector Governance PforR. The PforR supported the GoR in select PFM areas, including initial stages of professionalization with over 600 staff obtaining PFM training, implementation of the FMIS and e-GP at the central level and district level, and establishing a macro-fiscal planning framework. All of these results will be further enhanced through the proposed project.

22. The project will also closely align with activities of other DPs. The PFM Basket Fund will focus its support on procurement training, FMIS expansion, and other PFM areas. The work plan for the PFM Basket Fund will be finalized after this project is approved, and the MINECOFIN will ensure complementarity of activities. The DFID will finance a program on fiscal decentralization, which the proposed project will supplement with the FMIS roll out to service delivery units and a massive professionalization program. The IMF is planning to launch advisory support for performance-based budgeting reform design. The project will help the MINECOFIN and line ministries to implement pilots in the Ministry of Education (MINEDUC), Ministry of Infrastructure (MININFRA), and the Ministry of Health (MINSANTE).

C. Relevance to Higher Level Objectives

23. The proposed Public Financial Management Reform Project will support the GoR PFM Sector Strategic Plan, and inter-alia implementation of the Vision 2020 and Vision 2050. The project aligns with the World Bank Group Country

Partnership Strategy 2014-2018, as revised and extended until FY2020 after the Performance and Learning Review of March 20, 2017[1]. The Country Partnership Strategy third theme focuses on Supporting accountable governance though PFM and decentralization.

24. The project is also aligned with the World Bank Group's twin goals of shared prosperity and reduced poverty as it supports government reforms that will enable the GoR to improve allocative efficiency of the PFM system and enable predictability of funding for service delivery. The proposed institutional reforms will strengthen the overall governance environment by improving transparency and accountability in PFM. The proposed project will improve value for money in government programs and facilitate service delivery.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

25. 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.

PDO Level Indicators

26. 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 budgeting[2]
    i. Baseline: Reliability of budgeting is above 20 percent.
    ii. Target: Reliability of budgeting is below 10 percent.
b. Improved control of funds for service delivery
    i. Baseline: Share of districts expenditure arrears to consolidated district budget is above 10 percent.
    ii. Target: Share of districts expenditure arrears to consolidated district budget is below 6 percent.
c. Improved budget transparency and citizens engagement
    i. Baseline: Citizens budget does not contain links between financing and results, does not incorporate citizens' feedback and is published in most of the years.
    ii. Target: Citizens budget is published annually and includes information on budget execution, the medium term financial program, analysis of links between financing and results for the three pilot ministries (MINEDIC, MININFRA, MINSANTE), and citizens' feedback on pilot ministries' programs along with suggested actions to address citizens' feedback on program performance.
d. Increased professionalization of the public finance officials
    i. Baseline: Number of public finance staff with a level of professional qualification achieved is 665.

[1] Performance and Learning Review of the Country Partnership Strategy for the Republic of Rwanda for the period of FY14-FY18, March 20,2017, Report No. 106731-RW.
[2] The indicator addresses weak reliability of the medium-term budgeting, bringing the deviation between the MTEF and the budget of the year t+1 down from above 20 percent to below 10 percent for MINEDUC, MININFRA, MINISANTE. The sectors were chosen based on the importance of funding education and health as well as ensuring completion of capital infrastructure projects.

ii. Target: Number of public finance staff with a level of professional qualification achieved is 1800.

B. Project Components

27. The project design seeks to expand capabilities of the MINECOFIN in critical PFM areas and help the GoR to address binding constraints on PFM systems performance as laid out in the PFM Sector Strategic Plan. The project will consist of four components:

28. **Component 1 – PFM IT Systems Roll Out (US$5 million equivalent).** Building on the results of the Public Sector Governance PforR, and successful implementation of the FMIS and e-GP by the Government, this component will help stabilize the systems, expand their functionality and support the IFMIS roll out to service delivery units by enhancing functionality and stability of the system. The PFM Basket Fund will finance required training and support for the 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 (TA), training and some additional infrastructure.

29. **Component 2: Accounting and Financial Reporting (US$3.45 million equivalent).** The GoR has made a decision 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 on IPSAS reform that the GoR has prepared for a five-year period. The project will support the establishment of the IPSAS Implementation Unit within MINECOFIN; TA for implementation of the IPSAS, including preparation of accounting manual, unified chart of accounts, reporting templates and related change management activities. The project will support initial stages of the IPSAS reform and full implementation will happen after the project is completed (See Annex 5 for IPSAS reform stages).

30. **Component 3: Performance-Based Budgeting and Medium-term Budgeting (US$0.7 million equivalent).** This component will help the GoR strengthen its multi-year perspective of the budgeting and support implementation of performance-based budgeting methodology, including strengthening of the links between budgeting and sector strategic plans, in three line ministries. Currently, elements of MTEF are in place in Rwanda and program classification exists but weak linkage between the budget allocations, performance information and multi-year costing remains a weakness. The component will support the piloting of performance-based budgeting and program costing in select line ministries and will also help improve budget transparency by strengthening the feedback loop to assess citizen's satisfaction with public services financed under the budget programs. The feedback mechanisms will include annual public consultation on budget program performance reports for pilot line ministries. The format of consultations will vary, with healthcare and education relying on the series of regional consultations, while infrastructure focused consultations will be done in a more centralized project focused way. In addition, the MINECOFIN will use the online platform to gather citizens' questions and feedback and publish responses of the MINECOFIN to frequently asked questions.

31. **Component 4: Professionalization of PFM Staff – PFM Capacity Development (US$10.85 million equivalent).** The component will support implementation of the PFM Learning and Development Strategy building on achievements of the Public Sector Governance PforR. The component will fund a mass scale professionalization program for the public finance officials in the areas of accounting and audit, budgeting, procurement. It will finance capacity building

activities to support implementation of the PFM competency framework across the public sector for over 1000 public servants, bringing overall number of public servants with professional qualification to 1800. The Institute of Certified Public Accountants of Rwanda (ICPAR) will be supported under the proposed 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 the IPSAS. As part of the PFM capacity development component, the proposed project will seek to address the gender gap in the PFM profession by ensuring equal access to training and public sector jobs for both females and males. All trained officials will have a commitment to work for the Government for at least four years.

32. Detailed description of components is included in the Annex 2.

33. The total project cost is estimated at US$20 million (Table 1). This will be financed with an IDA credit in the amount of US$20 million. The GoR’s contribution will be in-kind including staff time and facilities. The amount of the Government contribution has not been estimated.

Table 1. Project Cost and Financing

Project Components	Project cost (US$ million)	IDA Financing (US$ million)
PFM IT Systems Roll Out	5.0	5.00
Accounting and financial reporting	3.45	3.45
Performance-Based Budgeting and Medium-Term Budgeting	0.70	0.70
Professionalization of PFM Staff – PFM Capacity Development	10.85	10.85
Total Costs	20.00	20.00
Total Project Costs	20.00	20.00
Front End Fees		
Total Financing Required	20.00	20.00

C. Project Beneficiaries

34. The immediate beneficiaries of the proposed project are the management and officials of the beneficiary institutions: MINECOFIN, Rwanda Public Procurement Authority (RPPA), Institute of ICPAR. The ultimate beneficiaries of the project are the private sector and households who will benefit from improvements in transparency and more efficient management of public resources which will ultimately lead to improvements in the volume and quality of public services. The gender aspect is taken into account by targeting equal representation of males and females in capacity development activities.

D. Results Chain

35. The project’s objective of improving budget reliability is expected to be achieved through TA and capacity development to improve program-based budgeting, MTEF and monitoring of performance information. In addition, IFMIS capability to capture performance information will be expanded. This should allow to improve reliability of

outer-year estimates and ensure better alignment between budgeting and policies by focusing on results. The achievement of the objective is based on the assumption that results focus will be embedded into decision making process of the legislature and executive.

36. The project's objective of improving control of funds for service delivery is expected to be achieved through roll out of IFMIS and building capacity in PFM across the public sector. This will increase ability of the Government to control resources, ensure reliable release of funds, and increase compliance with procedures by a more competent staff.

37. The project's objective of enhancing budget transparency and citizens engagement is expected to be achieved through improving quality of information as a result of accounting reform and transition to ISPAS, and support to establishing citizen's feedback mechanism as part of the performance-based budgeting reform. The project will support creating tools for collecting citizens feedback and incorporating it into the budgeting process.

38. The project's objective of increased professionalization of public finance officials is expected to be achieved through large scale training support to the PFM Learning and Development Strategy as well as strengthening capacity of local institutions to deliver public sector training.

39. The details of the theory of change are included into the Annex 3.

E. Rationale for World Bank Involvement and Role of Partners

40. The World Bank has vast experiences in supporting implementation of PFM reforms across the globe. Multiple projects of this nature are currently under implementation with World Bank support in Africa as well as other regions including Europe and Central Asia and East Asia.

41. TA support from the World Bank could cover the identified needs in building PFM training capacity, an initial stage of public sector accounting reform, roll out of the IFMIS, strengthening of performance-based budgeting and medium-term budget planning, as well as potential other needs to be identified related to revision of the regulatory framework, redesign of business processes and procedures, institutional and human capital development, and change management. The World Bank along with other DPs such as the European Union (EU), Swedish International Development Agency (Sida), and the IMF will help strengthen reform implementation and promote sustainability of project results. Other partners' ongoing TA and capacity development engagements, including regular TA missions of the IMF, will help ensure sufficient support is provided to the Government on reform implementation. Use of the PFM Basket Fund governance structure for coordination will help align DPs' efforts in support to the Government of Rwanda.

F. Lessons Learned and Reflected in the Project Design

42. The design of the project builds on the experience of several recent PFM operations with FMIS and PFM capacity development components implemented by countries in Africa, Europe and Central Asia. It also incorporates lessons learnt from twenty-five years of World Bank experience in supporting the development of FMIS systems that are documented in a 2011 World Bank study[3].

43. PFM reforms are complex, lengthy and high-risk undertakings. Adequate preparation and sequencing of the reforms is an important factor for their success. The design of the project takes this lesson into account. It builds on the ongoing Rwanda Public Sector Governance PforR, which supported implementation of the FMIS and e-GP, and

[3] Dener, Watkins, Dorotinsky, Financial Management Information Systems: 25 Years of World Bank Experience on What Worked and What Did Not, World Bank, 2011.

focuses on enhancements and roll out of the systems.

44. The project incorporates the following lessons learned from the Rwanda Governance PforR engagement:

   a. Result Indicators should be realistic and align with the overall PDO to assess achievements adequately. Despite the good early progress on results achievement, the Public Sector Governance PforR did not achieve two out of three PDO indicators (i.e. Tax to GDP and submission and publication of monthly financial statements). The PforR also had to restructure disbursement-linked indicators (DLIs) to ensure they were applicable to the domestic context. Consequently, the design of the PFM Reform Project has been a widely consultative process, with keen attention paid to what can realistically be achieved, measured and is relevant to the overall developmental objective.

   b. Adoption of policies, systems, procedures, plans needs to be supplemented with support to their implementation and roll out. The project supports the implementation of Performance-Based Budgeting, IPSAS and the PFM Learning and Development Strategy (developed during the PforR period, however not fully implemented). Similarly, the PFM Project will facilitate the stabilization of PFM IT systems, expand their functionality and support the roll out of the FMIS to service delivery units.

   c. The coordination, sequencing and achievement of complimentary PFM reforms will directly influence the achievement of results under the project. The project will rely on the Technical Working Group and Steering Committee of the PFM Basket Fund to coordinate the PFM Reform agenda across the Government.

   d. Lack of trained and qualified PFM staff in the sectors (e.g. hospitals, schools and health centers) affected the roll out of systems to the subnational level. The lack of trained and qualified accountants impacted on the successful roll out of the GoR's accounting system to NBA. The PFM Project therefore invests a large amount of resources to support not only the professionalization of PFM Staff (large number of which are at the subnational level), but continuous capacity building and change management to enhance operational skills and competencies.

45. Political commitment and system-user ownership are critical for the success of PFM reforms and FMIS implementation. Considerable efforts have been taken during project preparation in ensuring broad stakeholder consultation encompassing central agencies, line agencies and oversight institutions and then developing a shared national vision for PFM reform. In addition, the Project will support MINECOFIN's change management agenda including through establishment of the public sector accounting reform unit within MINECOFIN to implement IPSAS.

46. PFM capacity is critical for success in PFM reforms. Th project builds on achievement of the PforR operation which supported foundation level professional finance qualifications for 665 staff and aims at bringing the overall number to 1800 staff. The project focuses on building capacity within local institutions to continuously deliver required PFM training. This approach is based on the Operations Evaluation Department's evaluation of capacity building efforts in Africa[4] and Africa Region Capacity Building Strategy, which stress need to partner with local institutions.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

47. 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 the PFM Basket Fund and

[4] Operations Evaluation Department. 2005. Capacity Building in Africa: An OED Evaluation of World Bank Support. Washington, DC: World Bank.

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.

48. 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 (FM) and procurement) and monitoring and evaluation (M&E) functions for this project. The World 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.

49. 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.

50. 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 DPs, 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.

B. Results Monitoring and Evaluation Arrangements

51. Results M&E will be vested with the SPIU. The M&E specialist will collect and analyze data on implementation progress for all components, subcomponents, and activities. The M&E exercise will be conducted on a continuous basis, and the focal points for each of the component-implementing entities will be the primary source of data and information. The reports will be framed on the basis of the project results framework established and agreed upon. The Results Framework provides a matrix of indicators that will be assessed and the milestones to be achieved during each stage of the implementation period, including the final outcome and intermediate outcome values planned by project completion for the whole project as well as for each component. This matrix also includes baseline and target values.

52. In addition to regular monitoring of the results indicators, the SPIU will compile a data on the professionalization program, including breakdown by gender, levels of government where the public finance officials work for both classes starting the program and placement after the professional qualification is obtained.

C. Sustainability

53. The outputs generated during the project period – changes to regulatory framework, procedures and business processes and capacity building – are permanent system improvements. The change management strategies supported by the project, including communications, consultations and stakeholder workshops, are expected to deepen ownership of the reforms within and across institutions. Broad-based training in technical and soft skills will generate benefits for civil servants and reduce sustainability risks from staff turnover. Building capacity of the local institutions to deliver PFM training will help build sustainable and cost-effective solutions to addressing training needs in PFM. Reforms are also expected to generate tangible benefits in terms of improvements in the efficiency of public spending, improvements in transparency and efficiency in processing of public procurement and reallocations in resources towards service delivery and productive investments which should help build a broader constituency in support of reforms.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

54. The project design draws on the 2016 PEFA assessment, which evidenced reasonable fiscal discipline, orderly budget preparation process, and financial controls with improvements in annual budgeting process. At the same time, large in-year changes in the composition of expenditure highlight weak policy alignment of the budget. Annual monitoring of payment arrears 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.

55. The project is based on the PFM Sector Strategic Plan 2018-2024. The selection of interventions was chosen by the MINECOFIN and the World Bank based on the Government' priorities, support from other DPs through the PFM Basket Fund and bilaterally, and building on the activities financed under the PforR which supported IFMIS and e-GP initial development and provided the basis for the professionalization of the accountants. Table 2 summarizes the key capabilities that the project will help build.

Table 2. PFM Capabilities Targeted by the Proposed Project

Capability	Issues	Project Activities	Status at the end of the project	Impact on service delivery and fiscal predictability
Reliability and result-orientation of the budget	The elements of MTEF are in place and program classification, but linking the budget allocations with performance information has not yet been achieved and costing remains a weakness	Performance budgeting TA	The quality of performance indicators improved and methodology of costing capital and recurrent program has improved and in use in three pilot ministries.	Improved alignment of resources with policy objectives and basis established for focusing on results in budgeting.
Quality of accounting and reporting	Financial statements are not consistent with international accounting standards.	Accounting TA, Performance budgeting TA	MINECOFIN approved Unified Chart of Accounts integrated with the budget classification. The conceptual framework for public sector accounting reform, implementation plan and first standards are approved.	Improve fiscal discipline through better oversight of fiscal risks, Ability to improve efficiency of service delivery through accounting of not only cash expenses but future liabilities

Reliability and control of funding for service delivery	Significant level of transaction outside of fiscal reporting/high expenditure arrears at the local level	IFMIS expansion and roll out – hardware and TA	Service delivery units are covered under IFMIS allowing the Government to control resources received and used at the service delivery level. IFMIS is connected with the e-GP covering the procure to pay cycle	Improving appropriation and operational controls will contribute to planning and implementing service delivery budgets in efficient transparent and reliable manner. This will reduce potential for diverting funds at the service delivery units level, as well as help MINECOFIN better manage liquidity and thus ensure availability of funds.
PFM capacity	Lack of accounting, audit and procurement professionals	Training and TA	At least one thousand eight hundred public finance officials received PFM qualification. The budget department staff and key line ministry staff are trained on MTEF and performance-based budgeting. All the training will be performed in the context of competency framework developed by the Government	Enable better PFM processes by ensuring adequate capacity will support better service delivery and fiscal discipline.

56. Selection of the training is based on two criteria: Government priorities as laid out in the PFM Learning and Development Strategy, and linkage with the TA component of the project. As a result, capacity development activities under the project will focus on accounting, procurement, IFMIS, and budgeting.

57. Economic and financial analysis of the project considers direct benefits and costs associated with the changes in economic welfare arising from the project. The reforms proposed under PFMRP are expected to generate economic benefits, mainly in the form of efficiency gains. However, quantifying many of these benefits presents a challenge. The approach is to provide a qualitative discussion of some efficiency gains expected as a result of the project and supplement it with financial analysis of costs and selected benefits, which could be realistically estimated. The analysis presented below focuses on the qualitative assessment of efficiency gains expected to result from selected project activities (mainly expansion of the IFMIS coverage and respective increase of control over spending for service delivery).

58. Implementation of medium-term budgeting, strengthened result orientation, improved data quality following unified chart of accounts and public sector accounting reform are likely to bring efficiency gains to the government. The expansion of the IFMIS will generate, among others, cost savings stemming from more effective expenditure controls, public procurement, and treasury and cash management. There will be potential improvements in transaction processing and record keeping through automation that can reduce administrative overhead costs.

59. Financial benefits considered for this analysis are related to expansion of the IFMIS coverage resulting in increase in cash availability, reduction of borrowing requirements, and savings from reduction in bank fees for balances currently outside of Single Treasury Account. According to the 2017 Auditor General report, around US$106 million of internally generated revenue was not included in the consolidated government statements, aside from being part of disclosure notes. Should the full balance be brought into the Single Treasury Account, given the current interest rate of 6.6 percentage points on T-bills, it will generate over US$1,000,000 savings per year from reduced borrowing needs, fully covering investments into the IFMIS roll out. The certification program support will help generate savings by removing need to obtain more expensive procurement and accounting certifications outside of Rwanda.

60. In terms of cost efficiency, the project capitalizes on already achieved results from the previous interventions and is expanding the use of the existing IFMIS and e-GP system, which brings down the cost as compared to building the systems from scratch. It also helps the GoR to build domestic capacity to train and provide professional qualifications to PFM officials, which is a more cost-efficient alternative to using foreign training institutions. The mass scale training of five thousand public finance officials is expected to cost only around US$1,600 per person, and around 1,000 people (in addition to existing 665 people) of 5,000 are expected to achieve a certain level of professional qualification by the end of the project.

B. Fiduciary

(i) Financial Management

61. The World Bank conducted an assessment of the FM arrangements for the project in February 2018 and confirmed that the arrangements are satisfactory and acceptable for project implementation. All fiduciary functions for the project, including procurement, FM and disbursement, will be carried out by the SPIU. The MINECOFIN SPIU is experienced in DPs financed projects (EU, United Nations Development Programme (UNDP) and World Bank-financed Public Sector Governance PforR) and is adequately staffed with one Financial Manager (Association of Chartered Certified Accountants (ACCA)) overseeing three accountants (pursuing Certified Public Accountant or ACCA).

62. The overall FM risk of the proposed project is moderate and the proposed mitigation measures are: (i) the upgrade of IFMIS to prepare project consolidated financial reports and annual statement for project managed by multiple implementing entities, and to classify and retrieve information by project component and disbursement categories; (ii) the induction training of SPIU FM staff on World Bank disbursement guidelines and procedures; and (iii) and training of Internal audit on World Bank financed project risks. The SPIU has some experience of applying the World Bank fiduciary rules.

(ii) Procurement

63. Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016, hereafter referred to as 'Procurement Regulations'. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016.

64. As per the requirement of the Procurement Regulations, a Project Procurement Strategy for Development (PPSD) has been prepared. The PPSD sets out the selection methods to be followed by the Recipient during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the World Bank. The underlying procurement plan discussed and agreed during negotiations will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

65. The proposed project will use Systematic Tracking of Exchanges in Procurement (STEP), a planning and tracking

system that will provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

66. A procurement capacity and risk assessment has been carried out by the World Bank for the SPIU-MINECOFIN to review the organizational structure for implementing the project. Based on the assessment, the procurement risk is rated moderate.

C. Safeguards

(i) Environmental Safeguards

67. The proposed project has been rated as Category C for environmental purposes. None of the envisaged activities trigger environmental safeguards. The Climate and Disaster Risk screening was applied to the project, which did not show any exposure or risks.

(ii) Social Safeguards

68. The project is likely to have positive social impacts and mitigate some of the key deficiencies associated with the current budgetary process. Consultations with civil society organizations (CSOs) have been carried out. The citizens feedback will be collected as part of the performance-based budgeting implementation and actions of the GoR to address feedback will be included into the annual reports.

69. Performance-based budgeting could be an entry point to improving transparency of the budget process. Reports of budgetary spending by different departments are not linked to concrete budgetary objectives and so it is difficult to assess the extent to which budgetary objectives have been achieved. The project will address this concern by assisting the MINECOFIN to strengthen strategic budget planning, integrate a program approach to budget preparation, and improve public access to information about program allocations and spending. Lack of budget transparency hinders gender-focused analysis, concealing the impact of public policy on men and women. The project will support program budgeting reform by developing a methodology to assess various social issues including how gender considerations could be introduced in selected relevant programs and which gender-disaggregated data could be collected.

(iii) Other Safeguards

70. The project is limited to the provision of TA to support reforms to the PFM system. It does not trigger World Bank safeguard policies.

(iv) Grievance Redress Mechanisms

71. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

72. The overall risk rating for the proposed project is moderate due to moderate or low risks on all dimensions except for institutional capacity, which will require significant attention during the preparation and implementation stages.

73. The institutional capacity risk is assessed as substantial. The proposed project will be implemented by MINECOFIN and while MINECOFIN has performed well in implementation of the PforR, it has not recently implemented investment projects. The existence of the SPIU as well as suggested training to the SPIU and MINECOFIN staff will mitigate this risk. Procurement of ICT for IFMIS out may pose significant fiduciary risks to the project as IT procurement may require specific skills and capacity to manage supplies. The World Bank will work closely with MINECOFIN to ensure a transparent competitive process for procurement of the ICT and will provide IT procurement training.

VI. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Rwanda
Rwanda Public Finance Management Reform Project

Project Development Objectives(s)

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

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
		2019	1	2	3	4	2023
Improved reliability of budgeting							
Improved reliability of budgeting (Percentage)		20.00	20.00	20.00	15.00	10.00	10.00
Improved control of funds for service delivery							
Share of districts expenditure arrears to consolidated district budget (Percentage)		10.00	10.00	10.00	8.00	6.00	6.00
Improved budget transparency and citizens engagement							
Improved budget transparency and citizens engagement (Text)		Citizens budget does not contain links between financing and results, does not incorporate citizens' feedback and published in most of the years	Citizens budget does not contain links between financing and results, does not incorporate citizens' feedback and published in most of the years	Citizens budget is published and includes information on budget execution, the medium term financial program	Citizens budget is published annually and includes information on budget execution, the medium term financial program and analysis of links between financing,		Citizens budget is published annually and includes information on budget execution, the medium term financial program, analysis of links between financing

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
		2019	1	2	3	4	2023
					results, and inputs from citizens		and results for the three pilot ministries (MINEDIC, MININFRA, MINSANTE), and citizens' feedback on pilot ministries programs along with suggested actions to address citizens' feedback.
Increased professionalization of public finance officials							
Number of public finance staff with a level of professional qualification achieved (Number)		655.00	665.00	800.00	1,200.00		1,800.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
		2019	1	2	3	2023
PFM IT Systems Roll-Out						
FMIS coverage of performance information (Percentage)		0.00	0.00	10.00	50.00	90.00
FMIS coverage of education institutions (Percentage)		0.00	0.00	10.00	50.00	90.00
Accounting and Financial Reporting						
Number of approved IPSAS standards (Number)		0.00	2.00	4.00	5.00	7.00

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
		2019	1	2	3	2023
Performance Based-Budgeting and Medium-Term Budgeting						
Improved program budgeting methodology in use (Text)		Program budgeting methodology has weaknesses in connecting financial and performance information	Program budgeting methodology has weaknesses in connecting financial and performance information	Program budgeting methodology has been drafted to connect financial and performance information for budgeting and reporting purposes	Program budgeting methodology has been approved and is piloted.	Program budgeting methodology improved to connect performance and financial information by program.
Professionalization of PFM Staff – PFM Capacity Development						
Number of public finance officials who recieved training or are in training under the project (Number)		0.00	100.00	2,500.00	3,500.00	5,000.00
Number of female trained qualified accountants (Number)		0.00	800.00			2,000.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Improved reliability of budgeting	The indicator assesses deviation between MTEF (t+1) and annual budget for MINEDUC, MININFRA, MINISANTE. The sectors were chosen based on the importance of funding education and health as well	Annual	MTEF documents, annual budget law, budget execution reports	The data is collected by the MINECOFIN from the MTEF document, annual budget law approved, and annual budget execution reports.	MINECOFIN

	as ensuring completion of capital infrastructure projects. The indicator is assessed as a percentage difference between the MTEF (t+1) estimate for a line ministry and subsequent annual budget allocation for the same line ministry.				
Share of districts expenditure arrears to consolidated district budget	The indicator measures the control of funds for service delivery as the level of expenditure arrears at the local level. As most of service delivery occurs at the local level, high level of expenditure arrears may undermine timely delivery of services and drive up the cost of service provision.	Annual	Budget execution reports, Auditor General reports.	The data will be collected from the IFMIS budget execution reports and Auditor General annual reports.	MINECOFIN
Improved budget transparency and citizens engagement	The indicator measures improvements in transparency and citizens feedback in the annual citizens budget. The citizen's feedback will be incorporated as a part of the gradual implementation of the performance based budgeting. Target result is citizens budget published	Annual	Citizens budgets as published.	The data will be collected from the published citizens budget and execution reports on program performance of the three pilot ministries (MINEDIC, MININFRA, MINSANTE).	MINECOFIN

	annually, which includes information on budget execution, the medium term financial program, analysis of links between financing and results for the three pilot ministries (MINEDIC, MININFRA, MINSANTE), and citizens' feedback on pilot ministries' programs along with suggested actions of the Government to address citizens' feedback on program performance.				
Number of public finance staff with a level of professional qualification achieved	The indicator measures the professionalization of public finance officials as a number of public officials with PFM qualifications.	Annual	MINECOFIN administrative data	The data will be collected by the MINECOFIN based on the information on staff progress in PFM qualification training programs.	MINECOFIN

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
FMIS coverage of performance information	The indicator measures capacity of the IFMIS to capture non-financial performance information	Annual	IFMIS	The data will be produced by the MINECOFIN from the IFMIS reports.	MINECOFIN

	for budget programs including monitoring progress in achieving results indicators.				
FMIS coverage of education institutions	The indicator measures coverage of all educational institutions by the IFMIS in terms of payments and committments.	Annual	FMIS/MINECOFIN data	Through annual project monitoring reports	MINECOFIN
Number of approved IPSAS standards	The indicator measures number of approved IPSAS compliant standards as part of the accrual accounting reform implementation.	Annual	Accounting legislation of Rwanda	The data will be collected from the MINECOFIN reports on IPSAS implementation.	MINECOFIN
Improved program budgeting methodology in use	The indicator is qualitative and measures improvements in program budgeting to capture the performance information and linking financial and non-financial performance.	Annual	MINECOFIN documents, budget submissions	MINECOFIN and team assessment of the budget documents based on a sample of budget programs.	MINECOFIN
Number of public finance officials who recieved training or are in training under the project	The indicator measures progress in training program. As opposed to the PDO level indicator it focuses on the staff in training rather than staff who successfully completed training with the PFM qualification.	Annual	MINECOFIN administrative data		MINECOFIN
Number of female trained qualified accountants	The indicator measures composition of the public	Annual	MINECOFIN administrativ		MINECOFIN

	finance officials in training by gender.		e data		

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Rwanda
Rwanda Public Finance Management Reform Project

Project Institutional and Implementation Arrangements

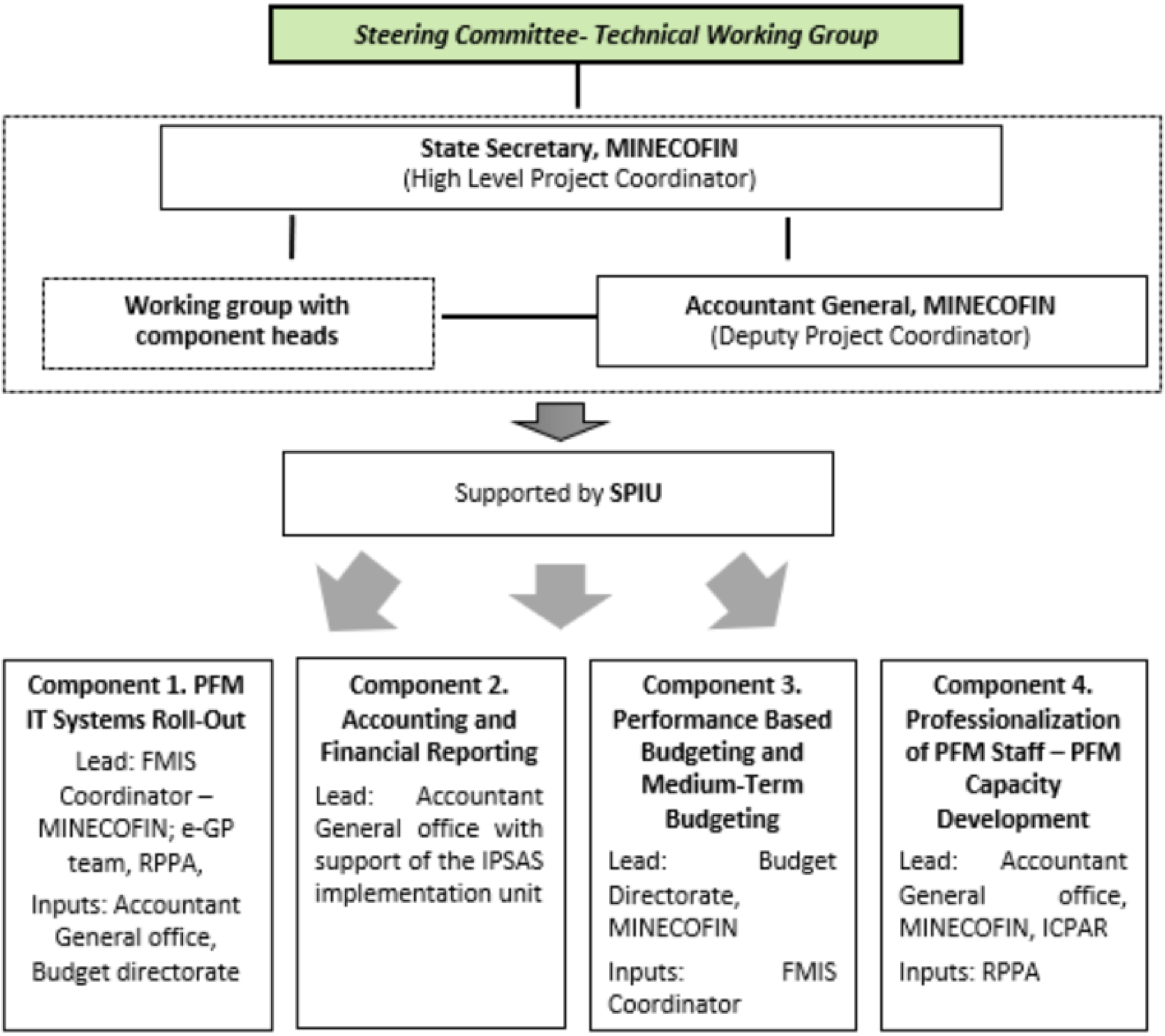
1. The proposed project will be implemented over a four-year period by the MINECOFIN. MINECOFIN will be responsible for the day-to-day management and implementation of the project. The proposed project will support ongoing PFM reform and will require close coordination with PFM Basket Fund and Government's 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.

2. The 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 (FM and procurement) and M&E functions for this project. The World 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.

3. The MINECOFIN, RPPA and ICPAR will appoint focal points for each component, respectively. 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 for coordination across different PFM reform initiatives. This will allow to have a forum for coordination, which includes key DPs, 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.

4. The figure 1.1 below represents roles and responsibilities of different agencies and departments within the MINECOFIN in project implementation, including by component.

Figure 1.1 Project Implementation Governance Structure



Financial Management

1. The MINECOFIN has adequate FM capacity. The GoR's PFM law and regulations are acceptable and will apply to the project FM. It will be complemented by the World Bank disbursement guideline and the harmonized financial report template developed for World Bank financed project. The MINECOFIN SPIU is experienced in DPs financed projects (EU, UNDP, and World Bank-financed Public Sector Governance PforR) and is adequately staffed with one Financial Manager (ACCA) overseeing three accountants (pursuing Certified Public Accountant [CPA] or ACCA).

2. The overall FM risk of the project is moderate and the proposed mitigation measures are: (i) the upgrade of IFMIS to prepare project consolidated financial reports and annual statement for project managed by

multiple implementing entities, and to classify and retrieve information by project component and disbursement categories; (ii) the induction training of SPIU FM staff on World Bank disbursement guidelines and procedures; and (iii) and training of Internal audit on World Bank-financed project risks.

Country System and Use of Country System

3. Rwanda PFM system is anchored in:

    a. The 2003 Rwanda Constitution revised in December 24, 2015, Articles 162 to 166.

    b. The Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property that establishes principles and modalities for sound management of State finances and property. The organic law applies to all budget entities at Central and decentralized level and sets up fundamental public finance management principles as comprehensiveness, transparency, accountability, uniformity, consolidation and gender balance in public State finance management.

    c. The Ministerial Order n°001/16/10/TC dated 26/01/2016 on financial regulations that regulates the structure and functioning of PFM, the preparation and implementation of the State budget; the accounting and reporting of all financial transactions, and the financial control. The Order applies to the management of public finances of all public entities including the Central Government entities, decentralized entities, public institutions and subsidiary entities.

    d. The Government Accounting Policies Manual.

    e. The Articles 165 and 166 of the Rwanda revised Constitution and the Law N° 79/2013 of 11/9/2013 determines the mission, organization and functioning of the OAG of State finances.

4. Since 2008, the PFM system had undergone a series of reforms guided by the PFM strategy plan 2008-2012 and the SSP 2013-2018. At the national level, progresses have been made in budget planning, expenditures efficiency, enhancement of the internal audit function, expansion of external audit coverage, and financial reporting. The PEFA 2016 (2016 methodology) confirmed these attributes. Nevertheless, areas for improvement remain and relate to low participation in the budget planning, absence of timely availability and access to in year fiscal information, lack of critical mass of qualified PFM staff, sizable part of internally generated revenue by non-budget entities not consolidated in the GoR annual consolidated financial statement. At Districts level, these weaknesses are exacerbated and result in adverse or qualified audit opinions in annual audit reports. To address these deficiencies, many policy reforms and initiatives led by the Government and supported by DPs (PFM Basket Funds and PforR Public Sector Governance) are ongoing to strengthen the PFM system at Central and Decentralized level. The Local Government PEFAs was completed in 2017 for eight pilot Districts and the conclusions will nurture ongoing and future reforms at local government level.

5. The Public Finance Management Reform Project financial system will rely on the GoR PFM system with some amendments to consider the World Bank specific FM requirements on disbursement and financial reporting.

Table 1.1 Key areas of improvement and Action Plan to reinforce the control environment

Significant Weaknesses or risks	Actions	Responsible	Completion
IFMIS information not yet classified by project component or disbursement categories, Project implemented by multiple entities financial reports cannot be consolidated	Upgrade IFMIS	SPIU	No later than three months after the Effective Date
Internal audit awareness and skills on project related risks is still moderate	Organize induction training on project's risks	SPIU/World Bank	No later than three months after the Effective Date

Staffing

6. The SPIU is staffed with qualified and experienced accountants composed of one Financial Manager, ACCA holder, and three accountants pursuing ACCA or CPA. These staff are experienced in DPs financed project. The FM staff have managed EU, UNDP financed project and the World Bank-financed Public Sector Governance PforR operation. An induction training will be provided to the FM staff on World Bank Investment Project Financing disbursement guidelines and other FM requirements.

Planning and Budgeting

7. The project will comply with the GoR planning and budgeting processes guided by the Organic law on State Finances and Property (2013) and Ministerial Order on Financial Regulations (2016). The SPIU will prepare the MTEF, annual plan and budget, with the disbursement forecast in coordination with the MINECOFIN planning and budgeting Department. The budget shall be consistent with the procurement plan. The planning and budgeting documents alongside with the disbursement forecast shall be communicated to the World Bank for review and advice before inclusion in the state budget and enactment by the Parliament. This will mitigate the risk of unreliable budget widely noticed due to inadequate coordination during the planning and budgeting process.

8. The project expenditures in the budget report is classified following the economic classification for the monthly reporting to the MINECOFIN: current expenditure, including employee compensation costs, payments of goods and services. Nevertheless, a reclassification per project components and disbursement categories shall be done in the annual budget execution report to be sent to the World Bank to meet with the need to monitor the project via these line items. A comprehensive analysis of budget performance indicator with detailed corrective action shall be included in the budget performance report.

Accounting Arrangements

9. The project will comply with the GoR accounting policies, modified cash basis of International Public Sector Accounting Standard, that is considered acceptable. Once accrual IPSAS is effective, the project accounting and financial reporting will comply with accrual accounting.

10. An Integrated Financial Management Information System (SMART-IFMS) rolled out by MINECOFIN is in use at all Government agencies. The project will be managed via the IFMIS from planning, budgeting, accounting and reporting and integrated into the IFMIS not later than three month after the project effectiveness.

Financial Reporting

11. The SPIU will prepare monthly financial report as per the GoR requirement but a Semester report will be submitted to the World Bank within 45 days after the end of the calendar semester and shall include:

    a. Revenues and expenditures statement
    b. Financial position statement
    c. Cash flow statement
    d. Designated account (DA) activity statement
    e. Budget execution report
    f. Notes on accounting policies, and annex
    g. The annual financial statements template is the same for the periodic financial report and prepared in accordance with the GoR accounting policies, modified IPSAS cash basis. The financial report and annual financial statement will be revised once accrual accounting becomes effective.

Internal Control and Internal Audit

12. The GoR PFM regulation provides a clear segregation of duties between the Chief Budget Manager, the accountant and the Internal auditor and describes well procedures applied to budgeting, accounting and reporting chain. The Internal control environment is characterized by low risk of collusion. The World Bank disbursement guideline will complement the existing GoR PFM law, regulations, and procedures.

13. The MINECOFIN internal audit is adequately staffed and is using a risk based internal audit methodology. Internal audit regulatory framework is based on internal and best practices. The alignment of Internal audit three years plan with the annual plan with identified risks is an area for improvement. The internal audit function is mostly focused on the financial audit and shall also put emphasis on performance and value for money audit. This move will require enhanced capacity building supported by appropriate level of financing. The awareness of the risk profile of the World Bank supported project is low or moderate resulting in adequate three years plans and annual audit plan. An induction training of key risk areas for the World Bank financed project shall be organized to draw attention to the Internal audit function.

External Audit

14. There is a well-established Supreme Audit Institution (SAI) called the OAG mandated for undertaking the external audit of the government revenues and expenditures and which provides external audit for World Bank supported projects. The audits are undertaken in accordance with International Standards on Auditing od Supreme Audit Institution(ISSAI). The annual audited financial statement of the project shall be prepared and submitted to the World Bank within six months after the end of the fiscal year. The audit report should be inclusive of a management letter (opinion on compliance) setting out any internal control deficiencies or noncompliance with laws, regulations, financial agreement or performance or value for money standards.

15. In line with the access to information policy date July 2010, the project audited financial statement will be made public by the World Bank and the Borrower is requested to publish the project financial audit report using largely and easily accessible communication channel as website.

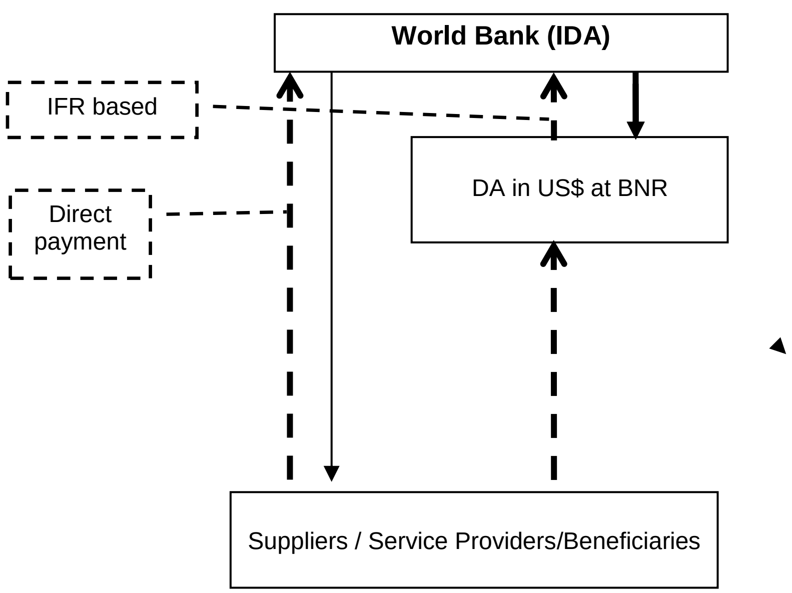
Table 1.2 FM actions

Action	Date due by	Responsible
Induction training on World Bank disbursement guidelines	Project launch	World Bank
Use of IFMIS for the project	No later three months after effectiveness	SPIU (MINECOFIN)

Disbursements

16. The flow of funds arrangement chart is below. Funds will flow from the World Bank into one DA held at the National Bank of Rwanda in US$ using the IFR based method of disbursement. The request of funds shall be made via client connection and signed by the signatories appointed by the GoR. The signatories shall be appointed prior to the financing agreement signing ceremony and the signatories letter signed and submitted to the World Bank at the same time with the financing agreement. The DA ceiling is flexible and based on 6 months cash flow need. The cash flow forecast shall be based on reliable budget and work plan estimates. The four methods of disbursement are: Advance, Reimbursement, Direct payment and special commitment.

Figure 1.2 Flow of Funds under the Project



Legend	*Transfers of funds* *Flow of documents* *Payment to suppliers*	

17. The project has a single disbursement category.

Table 1.3. Cost by Disbursement Category

Category	Amount of the Financing Allocated (expressed in US$)	% of Expenditures to be Financed (Inclusive of Taxes)
Goods, non-consulting services, consulting services, training and incremental operating costs for the project	20,000,000	100
TOTAL AMOUNT	20,000,000	100

Procurement

18. Procurement for the project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016, hereafter referred to as 'Procurement Regulations'. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016.

19. As per requirements in the Procurement Regulations, a PPSD has been finalized during the project appraisal. The procurement plan sets out the selection methods to be followed by the Borrower during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the World Bank. The procurement plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

20. **STEP:** The project will use STEP, a planning and tracking system, which will provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

21. **Procurement risk assessment:** A procurement capacity and risk assessment has been carried out by the World Bank for the implementing agency, SPIU-MINECOFIN to review the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement duties and management of the agency. The Procurement Risk Assessment and Management System (PRAMS) will be finalized in due course. Based on the procurement assessment and taking note of the roles and responsibilities of the SPIU-MINECOFIN, responsible for procurement, the procurement risk rating is **'moderate'**.

22. The proposed project will be implemented by SPIU-MINECOFIN. SPIU-MINECOFIN has long experience and good track record in implementing DPs financed projects. SPIU-MINECOFIN is currently managing many DPs financed projects, of which 2 Works Contract, 3 Goods Contracts and 9 Consultants, total 14 contracts are high value contracts. The largest contract managed by SPIU-MINECOFIN in the last five years is "Northern Corridor Kigali-Gatuna road rehabilitation project with contract value of Euro 52,695,387. The largest single contract value of supply contract managed by the SPIU Euro 3,500,000. Similarly, consultancy service with contract value of Euro 4,900,000 has been managed by the SPIU. The assessment revealed that SPIU-MINECOFIN had gained adequate experience in procurement management of all categories from high to low value contracts.

23. Starting July 1, 2017, all procurement entities in the country are using the E-Procurement system for government financed and most DPs financed projects. However, the e-procurement is not yet applied to World Bank-financed projects. The Government has requested the World Bank to approve the use of e-

Procurement for World Bank-financed projects. The World Bank has assessed the Rwanda e-Procurement system in March 2018 and the arrangement on use of the e-Procurement system in the World Bank-financed projects are being finalized.

24. Suppliers of goods, works and services are available in sufficient number and qualification. The average number of bidders for all categories is 6. Average number of suppliers and Contractors of Goods and Works is 5, while for Consultants the average is 6. The most common procurement methods used are International Competitive Budding (ICB) and National Competitive Bidding (NCB) for Goods and Works and QCBS for Consultancy Services. Bid prices are commonly in reasonable range compared to estimates of the procurement plans.

25. There is internal audit structure under the Minister of Finance and Economic Planning to oversee both the corporate service and SPIU procurements. In addition, the external procurement audit by OAG is undertaken on an annual basis. RPPA will also conduct annual procurement audit. However, RPPA has never audited MINECOFIN-SPIU, though it is in their plan for the current FY. Last year the audit report was clean. Before that the major finding was not implementing full procurement plan (3 out of 34 procurements were not implemented). There has been good record keeping system in the SPIU. Since the e-GP has become effective, the records are captured in the system and it was not necessary to keep analogue filing.

26. There is adequate complaint review and resolution mechanism in Rwanda. There is a National Independent Review Panel (NIRP) independent of government, that deals with complaints received from bidders or consulting firms, as provided in the procurement law. Since roll out of e-GP, complaints are submitted and addressed through the e-GP. No major complaints were received in FY17.

27. SPIU-MINECOFIN has two procurement specialists, in line with the requirement of the organizational structure. The two procurement specialists have adequate experience and qualification. Despite the number of DPs funded projects managed by the SPIU-MINECOFIN the existing two procurement specialists are adequate to manage the proposed project in addition to their current work load.

28. In general, the assessment revealed that the track record of procurement performance of SPIU-MINECOFIN is satisfactory. However, as the procurement unit has never implemented project using the Procurement Regulations, under the New Procurement Framework, there is a need to organize training by World Bank, before the project effectiveness.

29. A list of the items together with a cost estimate and a preliminary procurement plan is included in the PPSD. World Bank's standard procurement documents would be used for all ICB contracts.

30. **Use of national procurement procedures:** All contracts falling under the national market approach shall follow the procedures set out in the Rwanda Public Procurement Law (Law No. 12 of 2007) as revised in 2013 (Law No. 5 of 2013). The RPPA governs purchase of works, goods, and services using public resources by the national and district government entities, sectors, health and education institutions and City of Kigali. The RPPA as a regulatory body sets out the rules and procedures of public procurement and provides a mechanism for enforcement of the law. The procurement function is decentralized to individual procuring entities. The RPPA has oversight and regulatory function including undertaking

procurement reviews and audits. The provisions of the procurement law are consistent with the World Bank Procurement Regulations Section V - Paragraph 5.4, National Procurement Procedures.

31. **Procurement of works:** no procurement of works is expected under the project at this stage.

32. **Procurement of goods and IT:** Goods and IT Equipment to be procured under the project include; servers, network equipment, working station and software. Procurement of goods and IT other than through ICB would use the national procedures and SBDs as agreed with and deemed satisfactory to the World Bank. Direct contracting will be used where the PPSD dictates so to the benefit of the project. Procurements while approaching the international market will be done using the World Bank's Standard Procurement Documents. Procurements while approaching the national market will be done using the National Standard Bidding Documents with an additional annex to address the World Bank's Anticorruption Guidelines and to ensure universal eligibility.

33. **Procurement of consultancy services:** Consulting services to be procured under the project include; Consultancy on designing professional certificate in procurement, developing curriculum and undertaking initial training in partnership with local institutions, procurement induction trainings, FMIS and e-GP consultancy to prepare a disaster recovery plan including establishing back-up center for FMIS and e-GP, TA to support e-GP, Security review of the FMIS to ensure highest standards of data integrity and security, Consultancy on implementation of IPSAS – accounting manual, chart of accounts, fixed asset valuation, review current system of program budgeting and provide recommendation, develop program costing methodology (capital and recurrent) and carry out initial training, deep dive into reviewing performance indicators in two-three priority sectors, study tours to one-two countries, Support to establishment Public Sector Training Unit within ICPA and curriculum development and IPSAS training and change management. Procurement methods to be used are specified in the PPSD. Any staff required for project implementation support will be recruited/selected following Project Implementation Support Personnel, Paragraph 7.32 of Procurement Regulations.

34. **Operating costs:** These items will be procured using the Borrower's national procurement and administrative procedures acceptable to the World Bank including selection of project implementation support personnel. The Borrower will also pay for costs associated with any resettlement, land acquisition, compensation, and relocation of services from counterpart funds.

35. **Record keeping:** All records pertaining to award of tenders, including bid notification, register pertaining to sale and receipt of bids, bid opening minutes, bid evaluation reports and all correspondence pertaining to bid evaluation, communication sent to/with the World Bank in the process, bid securities, and approval of invitation/evaluation of bids will be retained by respective agencies and also uploaded in STEP.

36. **Disclosure of procurement information:** The following documents shall be disclosed on the agencies websites: (a) a procurement plan and updates; (b) an invitation for bids for goods and works for all contracts; (c) request for expression of interest for selection/hiring of consulting services; (d) contract awards of goods, works, and non-consulting and consulting services; (e) a monthly financial and physical progress report of all contracts; and (f) an action taken report on the complaints received on a quarterly basis.

37. The following details shall also be published in the United Nations Development Business and the World Bank's external website: (a) an invitation for bids for procurement of goods and works following open international market approaches; (b) request for expression of interest for selection of consulting services following open international market approaches; and (c) contract award details of all procurement of goods and works and selection of consultants using open international market approaches.

38. **Fiduciary oversight by the World Bank:** The World Bank shall prior review contracts according to prior review thresholds set in the PPSD/procurement plan.

39. All contracts not covered under prior review by the World Bank shall be subject to post review during implementation support missions and/or special post review missions, including missions by consultants hired by the World Bank. To avoid doubts, the World Bank may conduct, at any time, independent procurement reviews of all the contracts financed under the loan.

40. **Contract management:** Currently, high-risk and high-value procurements have not been identified for increased contract management support. However, if such contract is identified in the due course of implementation, the agencies will develop key performance indicators (KPIs) for such identified contracts and the KPIs will be monitored during actual execution of contracts. The World Bank team will provide additional due diligence and independent review of the contract performance of such identified procurements. A fully staffed SPIU will be responsible for overall project/contract management.

41. **Risks and Mitigation Measures.** Risks identified are presented in the following table with mitigation measures and time frame:

Sr No.	Issue/Risk	Recommended Mitigation Measures	Owner and Time Frame
1	Lack of experience in the use "Procurement Regulation" of the World Bank New Procurement Framework	Training will be organized for the procurement team on World Bank Procurement regulation and NPF in general.	SPIU-MINECOFIN in coordination with World Bank Rwanda CO

Environmental and Social (including safeguards)

42. Environmental and social screening of the project resulted in its classification as a Category C operation. The project will not support any physical works and neither will it provide such TA that may carry tangible indirect environmental impacts. Based on the World Bank's safeguard policy, the project activities do not require environmental assessment and they are not subject to clearance according to the national environmental legislation.

43. The project is likely to have positive social impacts and mitigate some of the key deficiencies associated with the current budgetary process. Consultations with CSOs have been carried out at appraisal.

44. Performance-based budgeting could be an entry point to improving transparency of the budget process. Reports of budgetary spending by different departments are not linked to concrete budgetary objectives and so it is difficult to assess the extent to which budgetary objectives have been achieved. The project will address this concern by assisting the MINECOFIN to strengthen strategic budget planning, integrate a program approach to budget preparation, and improve public access to information about program allocations and spending. Lack of budget transparency hinders gender-focused analysis, concealing the impact of public policy on men and women. The project will support program budgeting reform by developing a methodology to assess various social issues including how gender considerations could be introduced in selected relevant programs and which gender-disaggregated data could be collected.

Monitoring and Evaluation

45. The World Bank will monitor implementation progress during semi-annual implementation support missions. Implementation progress will be reported to the World Bank management through Implementation Status Reports, a mid-term review and, at the completion of the project, an Implementation Completion and Results (ICR) report.

Strategy and Approach for Implementation Support

46. The World Bank will provide project implementation support for mitigation of implementation risks stemming from implementation capacity issues and multi-stakeholder nature of PFM reforms. The key features of the implementation support strategy are reflected below.

47. ***Technical and Change Management Support***. The client has invested significant time and effort in project preparation. The first component of the project supports expansion of the functionality and scope of the IFMIS and e-GP systems. The second component focuses on accounting reform support. The third component provides assistance on the performance-based budgeting and medium-term budgeting reform efforts of the Government. The fourth component support PFM capacity development and professionalization of the PFM work streams. The change management support is embedded into each component. In addition to the support offered through the project, the World Bank team will provide on-going support to the planning and implementation of project activities and related change management interventions. The quality assurance for the technical design will be ensured through review of the procurement and substantive aspects of project activities. Where needed, the World Bank team will bring international expertise during supervision missions.

48. ***Result Monitoring***. Regular supervision missions will assist the Government in tracking progress towards achievement of the project objectives and advise on adjustments in project design. The everyday monitoring activities will be conducted by the SPIU.

49. ***Procurement.*** The implementation support by the World Bank will include: procurement relevant training for the SPIU (ICT procurement training has been completed, and consulting services procurement training is planned); detailed guidance on the World Bank's Procurement Guidelines; review of procurement documents; and monitoring procurement progress against the Procurement Plan. Periodic site visits for post reviews will be carried out on selected contracts subject to post review.

50. ***Financial Management.*** As part of its project implementation support and supervision missions, the World Bank will conduct risk-based FM implementation support and supervisions within a year from the Project effectiveness, and then at appropriate intervals. The first implementation support mission will be

performed three months after project effectiveness. Afterwards, the missions will be scheduled using the risk based approach model and will include the following diligences: (i) monitoring of the FM arrangements during the supervision mission at frequency determined by the FM risk rating at entry and subsequently during implementation; (ii) integrated fiduciary review on key contracts; (iii) review of the IFRs; (iv) review of the audit reports and management letters from the external auditors and follow-up on material accountability issues by engaging with the task team leader, Client, and/or Auditors; the quality of the audit (internal and external) is to be monitored closely to ensure that it covers all relevant aspects and provides enough confidence on the appropriate use of funds by recipients; and (v) other assistance to build or maintain appropriate FM capacity and efficient internal control system.

51. The team will maintain continuity of the dialogue with Government counterparts on technical and policy aspects of project implementation. The World Bank will ensure two implementation support missions annually. Field based team will ensure uninterrupted implementation support between the formal missions.

Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Launching work on implementation structure around the project; selection of consultancies under the three components and initial hardware procurement under component 1.	TTL Budgeting expert for Component 3 IT expert for Component 1 Accounting reform specialist – Component 2 Procurement Specialist; FM Specialist;	US$150,000 per year	NA
12-48 months	Supervision of implementation of TA; capacity building to support implementation of accounting reform and program budgeting.	TTL Budgeting expert for Component 3 IT expert for Component 1 Accounting reform specialist – Component 2 Procurement Specialist; FM Specialist	US$150,000 per year	NA

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL Project Management	15 weeks	2-3 missions per year	CO/HQ based – covers 3 co-TTLs
Budget specialist oversight of component 3	5 weeks	2 missions per year	HQ based
Procurement Specialist	5 weeks	2 missions per year	CO based
FM Specialist	12 weeks	2 missions per year	CO based
Accounting reform specialist	6 weeks	2 missions per year	HQ based
IT Specialist	4 weeks	2 missions per year	International

ANNEX 2: Detailed Project Description

1. The project is expected to achieve the PDO by improving the ability to better plan the budget with a medium-term perspective, improving reliability of financial data, which is essential for managing fiscal risks and decision-making, rolling out of the FMIS and other PFM systems to service delivery units, strengthening PFM capacity development across all government entities. This will allow the GoR to ensure better control over resources received by service delivery units, improved reporting of accurate financial information from decentralized public service delivery units, as well as better link between resource allocation and service delivery. The operation will support the PFM Sector Strategic Plan 2018-2024.

2. The project includes four components.

3. **Component 1 – PFM IT Systems Roll Out (US$5 million equivalent).** 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 roll out of FMIS to service delivery units by enhancing functionality and stability of the FMIS. The PFM Basket Fund will finance required training and support for the 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 TA, training and some additional infrastructure, including:

   i. FMIS and e-GP consultancy to prepare a disaster recovery plan including establishing back-up center for FMIS/e-GP

   ii. Security review of the FMIS to ensure highest standards of data integrity and security

   iii. Consultancy support to expansion FMIS functionality

   iv. Servers replacement for e-GP

   v. Consultants to reduce dependency on vendor for e-GP

   vi. Hardware for disaster recovery center

4. **Component 2: Accounting and financial reporting (US$3.45 million equivalent**). The GoR has made a decision 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; and 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 GoR has prepared for a five-year period on IPSAS reform.

5. Support to establishment of the IPSAS Implementation Unit within MINECOFIN. MINECOFIN needs to ensure there is a capacity to manage the IPSAS reform process including coordinating change management activities across the country and managing IPSAS implementation. The component will

finance consultants to take on the role of the Unit manager and thee technical staff. The unit will be reporting to the Accounting General. In addition, operational expenditures of this unit will also be covered.

6. The component will finance TA to support MINECOFIN in implementation of the IPSAS. This will include:

   i. Preparation of the accounting manual

   ii. Development of the unified chart of accounts (UCoA) integrated with the budget classification;

   iii. Preparation of the guidelines for its application;

   iv. Development of the financial reporting templates to be compiled in line with the IPSAS, as well as methodological instructions for reports compilation;

   v. Support in undertaking fixed asset valuation;

   vi. Support to change management including consultations and awareness raising of spending agencies.

7. **Component 3: Performance-Based Budgeting and Medium-Term Budgeting (US$0.7 million equivalent**). This component will help the GoR strengthen the 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:

   i. Review of the current program-based budgeting system. The component will fund consultancy to review existing program budgeting methodology. The review will include a survey of the international experience in medium-term and result-oriented budgeting; a general assessment of the structure and content of government programs implemented in Rwanda, with the description of their weak points (supported by relevant examples), as well as proposals on their possible improvement; an analysis of the performance indicators, applied in the international practices, when employing the result-oriented method in the budgeting process. The review will also cover existing upstream controls and explore options for shifting focus from inputs to results, including by pilots at the early stages of implementation.

   ii. Medium-term budgeting. The component will fund consultancy to assist GoR in improving medium term budgeting. It will include a top-down approach for the MTEF - aligning the sectoral ceiling with macro-fiscal projections, analysis of budget submissions, and ex-post review of the MTEF; and a bottom-up approach – program and project costing for both recurrent and capital expenditure of the Government.

   iii. Performance-based budgeting and performance monitoring. The component will support the piloting of the performance-based budgeting and program costing in select line ministries. The activity will include advice to the MINECOFIN on the budget programs structure and format, quality assurance of budget submissions; review of a program budget classification. Support will also be provided for improving the methodology for indicators that would assess efficiency and results of budget programs in pilot line ministries. The methodology of budget programs development should allow looking into various social dimensions, including gender. The component will also fund a review of linkages between their Sector Strategic Plans, program, results indicators and funding in three line ministries (MINEDUC, MININFRA, MINISANTE). It will provide recommendation on improving performance indicators as well as performance monitoring approaches of the MINECOFIN. The respective capacity building and change management activities will also be envisaged to ensure the spending agencies' ownership and buy in of the reform.

iv. Budget transparency and citizens engagement. The component will also support improvements in public access to information on the budget through improving the format and content of budget related information to ensure that all improvements in performance monitoring to ensure citizens' understanding between budget execution and achievement of policy results, and strengthen the feedback loop to assess citizen's satisfaction with public services financed under the budget programs. The component will also support establishing a feedback mechanism on service provision. The format of consultations will vary with healthcare and education relying on a series of regional consultations, while infrastructure focused consultations done in a more centralized project focused way. In addition, the MINECOFIN will use the online platform to gather citizens' questions and feedback and publish responses of the MINECOFIN to frequently asked questions.

8. **Component 4: Professionalization of PFM Staff – PFM Capacity Development (US$10.85 million equivalent**). The component will support implementation of the PFM Learning and Development Strategy building on achievement of the Governance Program-for-Results[5]. It will finance capacity building activities, 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 ICPAR will be supported under the Project as a key institution in charge of auditors and accountants training. As part of the PFM capacity development component, the proposed Project will seek to address the gender gap in the PFM profession by ensuring equal access to training and public-sector jobs by both females and males.

i. Support to ICPAR. The component will fund establishment of the Public Sector Training Unit in the ICPAR. This will include funding consultants for the early stages of unit operation, TA on developing methodology for public sector training needs assessments, and curriculum development. This unit will support implementation of the key PFM reforms by providing relevant capacity development activities.

[5] Estimated cost of implementing the entire PFM L&D Strategy is US$44,621,900.00. The project will be supporting subset of activities aligned with other components of the project. Outside the PFM L&D, this component will also substantially support ICPAR and support an active communication and awareness campaign on PFM reforms.

ii. Professionalization of public finance officials. The component supports implementation of the PFM Learning and Development Strategy and IPSAS Implementation Blueprint. Most funds will focus on a massive training of the public finance officials with close to 5000 staff trained. Out of 5000 staff, over 1000 will achieve PFM qualifications across accounting, audit, budgeting and other functions, bringing the total number of staff with PFM qualifications to 1800. Majority of the staff (over two thirds) will be from the district government and service delivery units to close the gap between higher capacity at the central level and lower capacity at the local government level in Rwanda.

iii. Capacity development in procurement. The component will support professionalization of procurement profession in Rwanda by funding consultancy to design a professional procurement certificate program. It will develop a curriculum for the program, provide advice on establishing qualification requirements, and fund consultancy to undertake initial training in partnership with local institutions. In addition, the component will also support strengthening capacity of the Rwanda Procurement Professional Body to deliver the training and certification going forward.

ANNEX 3: Theory of Change

Components/Inputs	Intermediate indicators	Assumptions	PDO Indicators	Assumptions	PDO components	Higher level objective
Review of existing budgeting processes and MTEF Review of performance indicators in sectors and improved methodology to monitor performance Expansion of IFMIS to capture performance information Improvement to MTEF estimates	Improved program budgeting methodology in use Medium term costing of recurrent and capital expenditure methodology approved and in use IFMIS allows reporting on performance information	*Costing results and performance data is used in decision making*	Deviation between MTEF (t+1) and annual budget for MINEDUC, MININFRA, MINISANTE	*Budgeting is based on objectives and results monitoring informs policy making*	Improve budget reliability	Improve budget reliability and control of funds for service delivery
TA to support expansion of IFMIS Support to back up center for IFMIS and eGP Support to FMIS roll out to schools Support to ICPAR and MINECOFIN on professionaliozation of accountants and auditors Support to design and implementation of Rwanda procurement certification program	IFMIS coverage of eductional institutions IFMIS cover procure to pay cycle and all own revenues of government agencies Number of certified procurement speciliasts disaggregated by gender	*IFMIS procedures are complied with* *PFM staff is properly deployed and managed*	Share of districts expenditure arrears to consolidated district budget	*A combination of improved mid term budgeting and controls are used to ensure funding for priority service delivery*	Increase control of funds for service delivery	
Strengthening IPSAS implementation unit Support to ICPAR and MINECOFIN on professionaliozation of accountants and auditors TA on accounting procedures, policies, guidelines TA on asset valuation Change management activities	Number of approved standards Number of trained qualified accountants disaggregated by gender Improved quality of financial statements - compliance of 20 percent of government agencies with accrual IPSAS standards aproved by the Government	*Standards are implemented and implementation is monitored by MINECOFIN and Auditor General* *Implementation of complimentary capacity building and change management activities under the PFM Learning and Development Strategy*	Improved transaprency - citizens budget links funding and performance and dosclosed regularly Number of public finance staff with a level of professional qualification achieved	*Civil society uses informtion to engage with the Government* *Government uses feedback to inform budgeting*	Strengthen transparency and accountability Increased professionalization of the public finance officials	

ANNEX 4: Summary of the PFM Learning and Development (L&D) Strategy

Strategy Mission and Vision

1. The mission of the PFM Learning and Development Strategy is to develop a critical mass of 8,441 competent, professionally qualified, certified and motivated PFM Staff employed in the public entities within the GoR over the next fifteen (15) years.
2. The overall objective of the PFM Learning and Development Strategy is to achieve and sustain excellence in the management of state finances and property. The success of the PFM Learning and Development Strategy will be measured by the number of PFM staff developed and competency gaps addressed in targeted training areas for all the PFM occupational disciplines.
3. In this document a medium-term implementation plan and an M&E framework have been developed detailing the PFM L&D interventions to be undertaken and the associated targets to be accomplished over the first five-year implementation period of the PFM Learning and Development strategy. At the end of this period, implementation plans and M&E frameworks shall accordingly be developed every five years towards the full realization of the vision and mission of this strategy.

Strategy Objectives

(1) To develop a critical mass (numbers) of competent and professionally qualified PFM staff required to achieve and sustain excellent PFM system in Government through the development and implementation of PFM professional training and certification programmes that meet the specific needs of the public sector;
(2) To develop adequate and conducive government-wide PFM learning and development policy and regulatory acts including developing and implementing training policies, staff reward and retentions strategies, career progression guidelines and minimum PFM competency level regulations
(3) To strengthen the organizational and governance arrangements for the effective implementation of the PFM learning and development interventions; and
(4) To develop properly structured and mutually beneficial stakeholder partnerships to support PFM staff through adequate stakeholder partnerships management plan and recognition agreements.

PFM L&D Governance Structure

4. To implement the PFM L&D Strategy the governance and organizational structure will include:

(1) The Minister of Finance and Economic Planning is required to keep Parliament fully informed of the current and projected state of the economy and finances of Rwanda and the fiscal policies of the Government. Accordingly, the Minister shall ensure that Cabinet and Parliament are fully informed of the progress of the implementation of the PFM Learning and Development Strategy.
(2) The PFM Technical Working Group/PFM Coordination Forum chaired by PS/ST shall provide overall guidance for the implementation of the PFM L&D Strategy and endorse milestone achievements; The PS/ST as a co-chair of the National Steering Committee for the Capacity Development (CD) Policy shall keep the Steering Committee informed of the capacity development programs and initiatives under the PFM L&D Strategy.
(3) A PFM Capacity Building Manager administratively under MINECOFIN SPIU shall be responsible for the day-to-day implementation of the strategy; and to be supported by two (2) PFM Capacity Building Experts.

Change Management

5. The following activities will be undertaken to support priority tasks:

    (1) Develop and train drivers of change[6] from selected PFM staff in job categories I and II (change champions). The desired outcome of this change management activity is that all PFM staff buy into the changes implemented pursuant to the PFM staff competency framework;
    (2) Support implementation of Rwanda Staff Retention and Pay Policies and this may include: carry out organisational review and redesign organization structures of public entities to facilitate career growth, revaluate public sector jobs and re-grade them appropriately with broadened bands to facilitate salary progressions, carry out remuneration survey, review staff salaries and remuneration to facilitate competitive pays in line with international practice for PFM staff[7]. The desired outcome of these change management activities is to have effective public entities with organised PFM functions and empowered, motivated and committed staff (Staff retention).
    (3) Build and maintain stakeholder partnerships and collaborations with DPs, higher education institutions, organized local government, and professional bodies.

Budget Estimates

6. The implementation of the strategy is estimated to cost US$44,621,900.00 over the initial five-year period of the strategy. This gives an average of US$4,721.00 per competent PFM staff.

PFM Competency Framework

7. A competency framework which forms the basis of the PFM Learning and Development Strategy was developed to map out the knowledge; skills and behaviours (competencies) required for excellent job performance in the PFM sector.

8. The PFM competency framework comprises a mixture of 22 leadership/management, technical and core competencies that cut across all PFM occupational disciplines and the three job categories in Rwanda Public Service namely: Job Category I: senior public servants; Job Category II: Professional staff; and Job Category I: Technical staff.

9. The following competencies shall generally cut across the rest of the PFM occupational disciplines:

    (1) Transformative leadership and management performance management and reporting;
    (2) Organizational design and development;
    (3) Risk management, ethics and control environment;
    (4) Legislation and policy environment;
    (5) Climate change and adaptation.

6 Drivers of change are vision, leadership, communication, training, employee participation, aligned HR practices, aligned organisational structure and control processes.
7 GUIDELINES FOR PUBLIC FINANCIAL MANAGEMENT REFORM, Commonwealth Secretariat: Talented human capital is critical to build healthy institutions: If institutions are starved of people and resources to implement their mandates, the PFM process will not be effective. Government needs to pay market-related salaries for the appropriate resources, and structure training programmes to improve the skills of staff.

10. In addition, the following competencies apply to each specialised PFM occupational discipline.

Economic Planning and Budgeting Competencies

(1) Planning and budgeting
(2) Quantitative economics
(3) Financial reporting and analysis
(4) Revenue management (taxation)
(5) Public procurement
(6) Asset and liability management
(7) Public and economic policy analysis
(8) Public private partnerships
(9) Financial accounting and reporting
(10) Expenditure management
(11) Cost and capital planning
(12) Treasury and public debt management
(13) PFM information systems
(14) Applied managerial statistics

Accounting Competencies

(1) Quantitative economics
(2) Public and economic policy analysis
(3) Financial reporting and analysis
(4) Asset and liability management
(5) Expenditure management
(6) Revenue management (taxation)
(7) Public sector accounting
(8) Applied managerial statistics
(9) Auditing, special investigations and assurance
(10) Public procurement
(11) Planning and budgeting
(12) PFM information systems
(13) Cost and capital planning
(14) Treasury and public debt management
(15) Public private partnerships

Auditing Competencies

(1) Public and Economic Policy Analysis
(2) Financial Reporting and Analysis
(3) Asset and Liability Management
(4) Expenditure Management
(5) Revenue management (taxation)
(6) Auditing, special investigations and assurance
(7) Public Private Partnership
(8) Public sector accounting
(9) Public Procurement
(10) Planning and Budgeting
(11) PFM Information Systems
(12) Cost and Capital Planning
(13) Treasury and public debt management
(13) Applied Managerial Statistics

Monitoring and Evaluation Competencies

(1) Public and Economic Policy Analysis
(2) Applied Managerial Statistics
(3) PFM Information Systems
(4) Public Private Partnerships

Procurement Competencies

(1) Expenditure Management
(2) Public and Economic Policy Analysis
(3) Public Procurement
(4) Planning and Budgeting
(5) Public Private Partnerships
(6) PFM Information Systems
(7) Cost and Capital Planning
(8) Treasury and public debt management
(8) Applied Managerial Statistics

Revenue Management Competencies

(1) Revenue management (taxation)
(2) Planning and budgeting
(3) Public and economic policy analysis
(4) PFM Information Systems

11. A competency proficiency assessment carried out indicated that majority of the current PFM staff in public entities are at proficiency level 1 (awareness) meaning that they have a general understanding of the listed competencies or learning areas. However, general understanding is not adequate to achieve excellent performance in the PFM system necessary to move the country to the next level of becoming a middle-income nation.

12. Based on personal development plans to be developed, all PFM staff will require to undergo specialized PFM training and work towards a PFM occupation specific professional qualification using the interventions proposed in the strategy to become not only competent (Level 2) but experts (level 3) in their respective PFM occupation disciplines.

Mapping Competencies to Job Categories

13. The PFM Learning and Development Strategy covers the three Job Categories of the Public Service and their respective training areas as follows:

(a) **Job Category I: Senior Public Servants** - All PFM staff in this category will be required to be experts/highly proficient in the following eight (8) learning areas in addition to competencies in their respective occupational disciplines:

(1) Transformative leadership and management;
(2) Performance management and reporting;
(3) Organisation design and development;
(4) Stakeholder relations and partnership management;
(5) Risk management, ethics and control environment;
(6) Legislation and policy environment;
(7) Public and economic policy analysis; and
(8) Planning and budgeting.

(b) **Job Category II: Public Service Professionals** - All PFM staff in this job category will be required to be competent in the areas listed in (a) above and in addition, they should command expert level proficiency in their respective technical areas.

(c) **Job Category III: Technical Staff** - All PFM staff in this job category will be required to be competent in their respective technical training areas, as defined by the PFM occupational discipline specific qualifications. In addition, PFM officials in this job category will be required to have competent level proficiency in the training areas listed in (a) above.

ANNEX 5: IPSAS Implementation Plan

1. The implementation plan for the transition to accrual basis IPSAS is phased to ensure it is progressive and realistic. The implementation plan recognizes the simplest and most important stocks and transactions first, and then to gradually recognize more complex stocks and transactions in subsequent phases.

2. It also progressively extends the coverage of the financial statements from the budgetary central and local government to the whole of the public sector. The proposed phasing is also designed such that, at each phase of the transition, an integrated and internally consistent set of financial statements are produced. This will allow for regular reconciliation of stocks and flows and maintains the overall integrity of financial reporting at each stage.

3. In the following sections, each phase of the transition from modified cash to accrual accounting is discussed in terms of elements reported in the financial statements, and the institutions included in the consolidated financial statements.

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1. Objectives – Milestones/Achievements					
• Consolidate central government, districts and projects' accounts. • Improved disclosures to address data gaps in assets, investments, grant conditions, receivables and revenues from non-exchange transactions.	• Add sectors within the local government cluster on year 1 consolidation scope and introduce separate cluster of GBEs, aggregated line by line.	• Add hospitals on year 2 consolidation scope and aggregate remaining NBAs. • Eliminate inter entity transactions within GBEs.	• Add GBEs and secondary schools on year 3 consolidation scope.	• Add health centers on year 4 consolidation scope.	• Compliance with accrual-basis IPSAS for the whole Public sector.
2. Sub-area/Activities – Accrual basis IPSAS compliance					
2.1 IFMIS enhancements and new modules					
• Implement fixed assets and inventory modules. • Migrate data from legacy systems. • Enhance to make distinction between revenue from exchange	• Interface/ integrate IFMIS with asset management systems at RTDA, RHA, RLMUA, RISA and PPP unit at RDB.	• Enhance accordingly to generate accounting entries from information submitted by the RSSB and interface with DMFAS and DAD.	• Enhance the IFMIS, RRA systems to record and account for the estimated provisions.	• Add new and updated features in IFMIS and other IT systems in line with IPSAS roadmap.	• Add new and updated features in IFMIS and other IT systems in line with IPSAS roadmap.

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
and non-exchange transactions. • Update to capture financial investments (shares or bonds bought). • Improvement of accounting solution in FMIS and other IT systems - All entities. • Add new and updated features in IFMIS and other PFM systems to address data gaps in relation to IPSAS accrual accounting. • Update work flows/processes to support accrual accounting - Accountant General. • Update the chart of accounts for compliance with IPSAS - Accountant General.	• Enhance IFMIS to record and account for estimated provisions.				
2.2 PFM manual and other financial reporting policies					
• Update or amend PFM manual in respect of/to: ○ Valuation policies and recording and reporting on all fixed assets, intangible assets, concession assets and inventory. ○ How and when to recognize goods and services.					

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
○ The accrual of the annual performance bonus, submission of information on pension liabilities relating to government staff. ○ Year-end procedures with guidance on the treatment of the annual performance bonuses paid in respect of the financial year 2018/19 onwards. ○ Measuring additional information on amortized cost of public debt using the effective interest rate. ○ Categorization of financial assets according to IPSAS 28. ○ Criteria for the identification of controlled entities and therefore reporting entities that should be consolidated and submission of financial information to MINECOFIN.					
2.3 Assets: Fixed assets, service concession arrangements, intangible assets and inventory					

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
• Complete identification of fixed assets, intangible assets, inventory and review of concession agreements. • Commence valuation of fixed assets, inventory, intangible assets and concession assets. • Include appropriate disclosure note on fixed assets, inventory, intangible assets and concession assets in financial statements. • Review quality and completeness of data in asset registers.	• Continue with identification, recording and valuation of assets as well as migration of data from legacy systems. • Continue to review quality and completeness of data in registers. • Conduct impairment tests.	• Recognize inventory, concession assets (and corresponding liabilities) as well as all PPEs excluding infrastructure assets, land and buildings, heritage assets and natural resources on an accrual basis IPSAS. • Continue to review quality and completeness of data in registers.	• Recognize land, buildings, and intangible assets on an accrual basis.	• Recognize infrastructure and biological assets on an accrual basis.	• Recognize heritage assets and natural resources on an accrual basis.
2.4 Revenue					
• Enhance DAD to track grant conditions and report on status. • Include in financial statements disclosure note on tax and grants receivable.	• Recognize revenue from exchange transactions on an accrual basis. • Track grants conditions and ensure a proper disclosure of conditions attached to grants.	• Recognize revenue from fees, fines, penalties and licenses on an accrual basis. • Improve disclosures relating to taxation.	• Recognize revenue from grants and transfers from other government entities on an accrual basis.	• Recognize taxation revenue on accrual basis.	
2.5 Accruals and expenses - GAAP					
• Enforce the requirement to recognize accounts payable upon receipt of	• Improve disclosures and aging analysis.		• Recognize grants and other transfer		

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
goods and services and ensure invoices are entered into IFMIS promptly. • Ensure monthly financial reports submitted to MINECOFIN have appropriate note disclosures on commitments, accounts payable, arrears, including due dates and aging analysis.			payments transactions on an accrual basis.		
2.6 Employee benefits and pension liabilities					
• Note disclosure on pension liabilities in the individual financial reports.	• Note disclosure in the consolidated financial statements.	• Recognition of pension liabilities in the statement of financial position.			
2.7 Provisions, guarantees and other contingent liabilities					
• Continue to disclose all guarantees and other contingent liabilities in the entity and consolidated financial statements. • Review completeness and quality of existing data.	• Ascertain probability of payments related to guarantees and other contingent liabilities, and if payments are probable, estimate provisions and provide disclosure notes. • Review accuracy of the disclosure notes on the estimated provisions. • Identify other provisions (e.g.	• Recognize provisions as estimated. • Update presentation of the financial statements to account for provisions and continue to disclose all contingent liabilities as a separate note.	• Recognize other provisions in the balance sheet.		

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	onerous contracts and decommissioning obligations) and maintain information.				
2.8 Financial instruments: Recognition and valuation (Financial investments, student loans, public debt, receivables and doubtful debts					
• Continue to include note disclosures of public debt but with additional information to include amortized cost. • Enhance DMFAS to capture/measure amortized cost of debt using the effective interest rate (principal and interest payable). • Enhance disclosures of all investments made by Public entities. • Analyze receivables to identify doubtful items of both revenue from exchange and non-exchange transactions. • Review reasonableness of information on the estimated provisions.	• Improve the current disclosure of public debt and on lending. • Recognition and recording of financial investments of all public entities on an accrual basis. • Estimate provisions for doubtful debts and provide appropriate disclosure notes.	• Recognition of public debt in the statement of financial position. • Recognize estimated provisions of doubtful debts arising out of revenue from exchange transactions (short and long term).	• Recognize estimated provisions of doubtful debts arising out of revenue from non - exchange transactions (short and long term).		
2.9 Reporting: Presentation of financial statements (primary financial statements and notes) and budget information in the financial statements					
• Adopt proposed financial reporting templates developed in the IPSAS blueprint and update	• Adopt proposed financial reporting templates developed in the IPSAS blueprint and	• Adopt proposed financial reporting templates developed in the IPSAS blueprint and	• Adopt proposed financial reporting templates developed in the IPSAS blueprint and	• Adopt proposed financial reporting templates developed in the IPSAS blueprint and	• Include an explanation of material differences between budget

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
annual formats in line with roadmap. • Include appropriate note disclosures for financial information not handled on accrual basis.	update annual formats in line with roadmap. • Include appropriate note disclosures for financial information not handled on accrual basis. • Include an explanation of material differences between budget (original and final) and actual amounts. • Include a reconciliation between budget and cash flow statement.	update annual formats in line with roadmap. • Include appropriate note disclosures for financial information not handled on accrual basis.	update annual formats in line with roadmap. • Include appropriate note disclosures for financial information not handled on accrual basis.	update annual formats in line with roadmap. • Include appropriate note disclosures for financial information not handled on accrual basis.	(original and final) and actual amounts. • Include a reconciliation between budget and cash flow statement.
2.10 Consolidation					
• Appropriate disclosure notes for controlled entities but not consolidated (GBEs, Associates, and NBAs). • Operationalize GBE reporting template that should include information on inter-entity transactions. • Consolidation of accounts of central government, districts and projects – base line with improved disclosures to address data gaps in the area of assets;	• Add sectors within the local government cluster on year 1 consolidation scope. • Separate cluster of consolidated GBEs introduced and aggregated line by line.	• Add hospitals on year 2 consolidation scope. • Aggregate remaining NBAs as per detailed reporting categories • Eliminate inter entity transactions within GBEs.	• Add GBEs and secondary schools and include associates on equity basis on year 3 consolidation scope.	• Add health centers on year 4 consolidation scope.	• Compliance with accrual-basis IPSAS for the whole Public sector; consolidated accounts include all GBEs and NBAs.

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
investments; grants conditions; receivables and revenues from non-exchange transactions.					
2.11 Consolidation: Investment in associates and joint ventures, GBEs, sectors, hospitals and secondary schools					
• Review and comment on completeness and accuracy of data in registers and disclosure notes towards accrual accounting information in annual financial statements - External and Internal Audit. • Annual implementation review reports (IPSAS implementation unit).	• Review and comment on completeness and accuracy of data in registers and disclosure notes towards accrual accounting information in annual financial statements - External and Internal Audit. • Annual implementation review reports (IPSAS implementation unit).	• Review and comment on completeness and accuracy of data in registers and disclosure notes towards accrual accounting information in annual financial statements - External and Internal Audit. • Annual implementation review reports (IPSAS implementation unit). • Conduct mid-term QA review of all the IPSAS implementation activities (External consultant).	• Review and comment on completeness and accuracy of data in registers and disclosure notes towards accrual accounting information in annual financial statements - External and Internal Audit. • Annual implementation review reports (IPSAS implementation unit).	• Review and comment on completeness and accuracy of data in registers and disclosure notes - External and Internal Audit. • Annual implementation review reports -IPSAS implementation unit. • Conduct final QA review of all the IPSAS implementation activities - External consultant.	• First statutory Audit of official IPSAS compliant financial statements of 2022/23 and issue of formal audit opinion and recommendations for improvement - Auditor General.
2.12 Audit and Quality Assurance					
• Establishment of a public sector committee of the ICPAR. • Operationalization of the PSC. • Develop medium-term work program for the committee.	• Issue instructions, circulars for the progressive implementation of the IPSAS manual in line with roadmap. • Update training materials. • Reinforcement training of trained trainers.	• Update OBL and associated financial regulations. • Issue instructions, circulars for the progressive implementation of the IPSAS manual in line with roadmap.	• Issue instructions, circulars for the progressive implementation of the IPSAS manual in line with roadmap. • Update training materials. • Reinforcement training of trained trainers.	• Issue instructions, circulars for the progressive implementation of the IPSAS manual in line with roadmap. • Update training materials. • Reinforcement training of trained trainers.	

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
• Develop comprehensive accrual IPSAS accounting manual. • Issue instructions, circulars (preferably as part of the year-end procedures) for the progressive implementation of the IPSAS manual in line with roadmap. • Recruit financial controllers for complex entities. • Develop training materials. • Train the trainers and key users. • Communicate key IPSAS implementation messages to target audiences through intranet, e-mail, newsletters, education fliers, IPSAS awareness videos, IPSAS webpage, brochures and media coverage • Assign project manager and set up implementation unit. • Develop detailed project implementation plan. • Institute risk and issue management tools. • Establish monitoring and reporting frameworks - IPSAS implementation unit.	• Train users. • Continue with the communication tools on an ongoing basis.	• Update training materials. • Reinforcement training of trained trainers. • Train users. • Continue with the communication tools on an ongoing basis.	• Train users. • Continue with the communication tools on an ongoing basis.	• Train users. • Continue with the communication tools on an ongoing basis.	