

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

PUBLIC EXPENDITURE REVIEW FOR ENVIRONMENT TO SUPPORT PEI IN RWANDA



Final Training Manual

By

GLOCOMS INC.
40 E. Chicago Ave #200
Chicago, IL 60611, USA
<http://www.glocoms.com>
E-mail: glocoms@glocoms.com
Tel: +1-312-456-0991
Fax: +1-312-949-9139

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Table of contents

1. INTRODUCTION	1
1.1 Background.....	1
1.2 Uses of the Manual	1
1.3 Basis for the manual	1
1.4 Structure of the Manual	1
2. KNOWING WHAT YOU WANT AND WHY FROM PER.....	3
2.1 Get to know what PER is.....	3
2.2 Appreciating public expenditure analysis upfront	3
2.3 Understand the context in which PER fits	4
3. PREPARING TO CARRY OUT PER.....	5
3.1 Introduction.....	5
3.2 Drawing the ToR to carry out the PER and selection of Review Team	5
3.3 Procurement procedures	7
3.4 Briefing of the PER team.....	7
4. DEFINING THE BOUNDARY OF ENVIRONMENT FOR PER IN RWANDA	8
4.1 Defining the term environment.....	8
4.2 Understanding the linkage between the national definition of environment and budgeting systems.....	9
5. CONCEPTUAL FRAMEWORK FOR PER	12
5.1 Pillars of public expenditure management.....	12
5.2 International practice of PER.....	15
5.3 The national criteria for priority public expenditure.....	15
6. SOURCING FOR RELEVANT DATA AND INFORMATION.....	17
6.1 Introduction.....	17
6.2 Compulsory documents to read at start of PER.....	17
6.3 Prepare adequately for interviews.....	18
6.4 Key challenges in PER and strategies to overcome them.....	18
7. IDENTIFYING FUNDING SOURCES AND MODALITIES	20
7.1 Where does the money for public expenditure come from?	20
7.2 Funding modalities in Rwanda	21
7.3 Key type of analysis to be made under sources of funding	21
7.4 Sources of data for external funding.....	21
8. FRAMEWORK FOR ANALYSING PUBLIC EXPENDITURE	24
8.1 Introduction.....	24
8.2 The macroeconomic framework and the aggregate level of public spending.....	24
8.3 Framework for analyzing the composition of expenditures	24
8.4 Criteria for analyzing expenditure allocations.....	25
8.5 Analysis of functional classification of expenditure.....	25
8.6 Analysis of economic classification of expenditure	25
8.7 Intra-program or sectoral analysis	27
8.8 Analysis of development projects.....	28

9. COMPLEMENTARY MONITORING TOOLS TO PER	29
9.1 Value-for-money audit.....	29
9.2 Public Expenditure Tracking Surveys	29
9.3 Citizen Report Card and Community Score Cards	30

List of Tables

Table 1: Example of categories of environment according of Organic Law N°. 04/2005	8
Table 2: Environmental protection functions according to COFOG	9
Table 3: Cross-country environmental protection expenditure	10
Table 4: Strategic sources of data for PER	17
Table 5: Analysis by economic classification.....	26

List of Figures

Figure 1: Framework for carrying out PER for environment in Rwanda	14
Figure 2: Tracking Public Environmental Expenditure for environment by source of funding, funding modality and recipient institutions in Rwanda	23
Figure 3: Compative District Performance over time	30

List of Boxes

Box 1: Public Expenditure Reviews	3
Box 2: Environmental activities not isolated in the COFOG classification	10
Box 3: Re-classification of economic affairs function by GoR	11
Box 4: Generic elements of PER	15
Box 5: Criteria for prioritizing public expenditure in Rwanda	16
Box 6: Economic Classification of expenditure	26
Box 7: Closing public expenditure leakage	29

List of Annexes

Annex 1: Terms of Reference	32
Annex 2: Classification of government functions in Rwanda	35
Annex 3: Classification of functions of government (COFOG) according to IMF, 2001	41
Annex 4: Programmes and sub-programmes reviewed for public expenditure on environment...	44
Annex 5: Questions for discussions with smartgov at MINECOFIN	47

1. INTRODUCTION

1.1 Background

1. This training manual on how to carry out (Public Expenditure Review) was commissioned by Rwanda Environment Management Authority (REMA) in support of the implementation of the Poverty-Environment Initiative. Broadly, the initiative aims to enhance the contribution of sound environmental management to poverty reduction, sustainable economic growth and the achievement of the Millennium Development Goals.
2. Led by the Rwanda Environment Management Authority (REMA), Ministry of Natural Resources (MINIRENA), the intended outcome of the Rwanda PEI Phase II is the integration of environment into national policy and district planning, policy and budget processes to implement the Economic Development and Poverty Reduction Strategy (EDPRS). Two out of the five outputs of PEI relevant to this Manual are:
 - (i) improved capacity within key ministries and institutions to understand and analyse links between poverty and environment and to integrate environment into policymaking, planning and **budgets**;
 - (ii) improved **national funding** levels for investing in environmental sustainability.

1.2 Uses of the Manual

3. The manual was prepared to be used by (i) Environment and Natural Resources (ENR) sector institutions and (ii) other sectors whose programmes and sub-programmes are relevant for the environment and (iii) Ministry of Finance and Economic Planning (MINECOFIN).

1.3 Basis for the manual

4. The content of the manual borrows from the baseline PER for environment in Rwanda carried out in September and October, 2009. It also builds upon international practice on public expenditure management in general. Other sources of information have been provided. The PER report for environment in Rwanda is a companion and case study to this Manual.

1.4 Structure of the Manual

5. The Manual has been written under the following chapters:

Chapter 1: Introduction

Chapter 2: Knowing what you want and why from Public Expenditure Review

Chapter 3: Preparing to carry out Public Expenditure Review

Chapter 4: Defining the boundary of environment for Public Expenditure Review in Rwanda

Chapter 5: Conceptual framework for Public Expenditure Review

Chapter 6: Sourcing for relevant data and information

Chapter 7: Identifying funding sources and modalities

Chapter 8: Framework for analyzing public expenditure

Chapter 9: Complementary monitoring tools to Public Expenditure Review

2. KNOWING WHAT YOU WANT AND WHY FROM PUBLIC EXPENDITURE REVIEW

2.1 Get to know what PER is

6. The starting point in carrying out PER is to understand **what** it is, why it is needed and **how** it fits into government's programmes. This is communicated by MINECOFIN in Box 1 below.

Box 1: Public Expenditure Reviews

In Public Expenditure Reviews (PERs), the allocation and management of public spending is analysed. The objective of a PER is to analyse the extent to which policy priorities are effectively implemented in practice through budget allocation in order to increase the effectiveness and efficiency of public spending. PERs look at both recurrent and development expenditures, and attempt to review the joint impact of both types of spending on budgetary outcomes including economic growth, poverty reduction, and asset maintenance. A PER may also contain an institutional assessment and analyse the whole public expenditure management system. Lessons learned from the PER can inform strategic planning and budget preparation by identifying ways to improve budget allocation to achieve faster progress towards a sector's policy objectives.

Government of Rwanda has decided to make more use of Public Expenditure Reviews, and will attempt to build capacity so that they can be conducted within ministries. In this context, it may be noted that many elements of a PER have been integrated into the Sector Performance Report, that each ministry is required to produce every year. However, in addition to the Sector Performance Report, additional work may be commissioned to analyse some aspects in more depth, such as, for example, benefit incidence analysis, a general institutional evaluation to reassess public versus private roles, and the various options (e.g. performance contracting) of getting services to the people, etc.

Source: MINECOFIN [2008]: National Planning, Budgeting and MTEF Guidelines

7. It may be worth noting that MINECOFIN's Strategic Plan 2008-2010 includes an objective of strengthening PERs across all sectors. For this reason, it will always be worthwhile to seek input from MINECOFIN when planning to carry out a PER. For example, the ENR Sector could ask MINECOFIN to contribute to the terms of reference (ToR) or PER for environment including the type of analysis to be made.

2.2 Appreciating public expenditure analysis upfront

8. As a member of PER team, one has to have some basic appreciation of the public expenditure analysis (PEA) to be made and how it will inform the sector and government to make appropriate decisions on how to redirect expenditure or make it effective. In turn, that should influence all the process for planning and execution of a PER. PEA is integral to PER.

- **What is Public Expenditure Analysis (PEA)**

9. Public expenditure analysis (or PEA) is a method of analyzing how a government allocates and manages its financial resources. The purpose of doing the analysis is to provide recommendations on how it can manage public finances more efficiently and effectively in the future.

- **Why is the PEA useful?**

10. All governments have limited resources. This means there is a need to carefully decide how those financial resources will be allocated in order to achieve the maximum public benefits. However, in order to make these decisions, government needs accurate and timely information and analysis in order to answer key questions, such as:
 - (i) How much money does the government have to spend? Where does it come from? How much of it is generated by the country itself from say taxes compared to external funds? What is the potential, if any, for increasing the government's financing envelope?
 - (ii) What has the government spent its resources on previously?
 - (iii) What sort of public services have been provided with the previous budgets? Which sectors have good service provision and which sectors need improvement?
 - (iv) Who are the main beneficiaries of government spending? For example, is it the rich or the poor? Women or men? Rural or urban areas? Are the benefits spread equitably? Do the beneficiaries have equal access to services? Are there disadvantaged strata of the population who need special attention?
 - (v) Have the services provided resulted in improved living conditions including poverty reduction?
 - (vi) How effective is the current planning and budgeting framework and process? Are they closely linked? Are the planning priorities reflected in the budget?
 - (vii) What is the capacity of the civil service in utilizing the budgets and what improvement should be made? If so, through what means could improvements be made?
 - (viii) What are some of the public expenditures to be shifted to the private sector?

2.3 Understand the context in which PER fits

11. According to MINECOFIN's Guidelines for Planning, Budgeting and Medium Term Expenditure Framework 2008, PER should precede Joint Sector Reviews (JSRs) which are normally carried out in the month of October. In other words, they should be made to feed and inform JSRs. However, even when they are made at other times, the findings should be disseminated widely, and if need be, policy briefs should also be made and circulated.
12. The understanding of what PER is, why it is needed and the context in which it has to be made should then influence the preparatory process for it. A team leader for the PER should also always ensure that other members of the team have same understanding of what is required of them.

3. PREPARING TO CARRY OUT PUBLIC EXPENDITURE REVIEW

3.1 Introduction

13. A good PER is only possible with well thought-out planning. Among others, that includes drawing up the terms of reference (ToR) or scope of work for either a consultant or sectoral team that will be charged with the review. Take the following as illustrative.

3.2 Drawing the ToR to carry out the PER and selection of Review Team

14. The details of ToRs for PER can vary but in order to focus the attention of the consultant or the team carrying out PER, they should include the following.

- *Background*

15. In this section, mention should be made of the context under which PER is to be carried out; the motivation for it; the period it should cover; and the sector or sub-sectors it should review. It should also highlight the client requesting for the PER.

- *The goal and objective for PER*

16. The goal would be stated in broader terms but the objectives will be more specific to the key expectations to be satisfied.

- *The scope for the PER*

17. It is important to define the scope or boundary for the PER for environment in the TOR. This is particularly important because environment in Rwanda is not only a sector in its own right, but it is also a cross-cutting issue. (For further details read Chapter 4).

- *The tasks to be carried out*

18. The tasks are usually stated in a manner to help the PER team not miss out reviewing critical issues. They are also phrased to show the linkage to the objectives and goal for the review. To note is that sometimes, the key aspects to be analysed are included among the tasks, and sometimes they are separated. What is important is that the ToR should provide some minimum clues of the PEA to be made. For example, the ToR could request for analysis of expenditure that goes to women or youth dominated enterprises or to ecologically sensitive areas.

- *Methodology*

19. Often, the ToR would also include the methodology to be used, and the key or strategic institutions to be consulted. The institutions are listed because they may be repositories of certain data and information, or have experience and lessons which can inform PER. The reason for briefly outlining methodology is to indirectly influence the quality of the report to be produced.

- *Source of data*

20. As a person drawing the ToR, one has to know where the basic data should be sought by the review team so that in turn, they are included in the ToR. The source of data will be dictated by many factors like:

- (i) the scope for the PER
- (ii) the issues of interest emphasised by the government
- (iii) the type of analysis implied by the ToR, and
- (iv) the general good practice of PER

- *Outputs or deliverables*

21. At the end of the PER, the review team would need to account for the use of the time and resources. The ToR will normally specify the outputs or deliverables and the time when they should be delivered. Depending on the details required, the client may set the standards of the outputs or deliverables e.g. structure of the report, report size, spacing, fonts, annexes, executive summary, policy brief, press release, number of validation workshops to be carried out, number of validation workshops to be conducted etc.

- *Qualities of the PER team*

22. The ToR may also list key skills that should come to bear on the quality of the PER outputs. Nonetheless, it can be stated that it would be an asset if the team has a mix of the following skills or disciplines: (i) public accounting and financial management (ii) national economic planning processes (iii) environmental policy analysis and management (iv) organisational assessment and (v) gender budgeting

- *Support to the review team*

23. The support that the review team would be given to the PER team may also be reflected in the ToR. Usually, it includes honoraria, fees, vehicles, office space, background documents, introductory letters or making of appointments.

- *Consultation*

24. It is strongly advisable that the lead person drawing the ToR consults other people for their input. He/she must accept their contributions bearing in mind the other factors like duration of the assignment and funding to carry out the work. Issues that cannot be accommodated should be reserved for other studies.

3.3 Procurement procedures

25. If the PER team is to be outsourced, the ToR may include application procedures to be followed. In any case, it should be borne in mind that procurement has to come early enough if the report has to inform JSR. These processes include;
- (i) Defining the ToR
 - (ii) Advertising the assignment
 - (iii) Interviewing the consultant
 - (iv) Drawing up the contract

3.4 Briefing of the PER team

26. After the review team has finally been commissioned, the client (most likely MINIRENA and REMA) should brief it of the expectations from the assignment.

Exercise:

Review the ToR for the baseline PER on environment in Rwanda in Annex 1. If MINIRENA/REMA consulted you for input, what changes would you make and why?

4. DEFINING THE BOUNDARY OF ENVIRONMENT FOR PER IN RWANDA

4.1 Defining the term environment

27. The starting point for a PER on environment is to define ‘environmental expenditure’. Experience across the world points to the conclusion that ‘this is not as straight forward as it seems’¹. For Rwanda, the most important factor that guided the team in establishing the boundary for the PER is the national definition of environment.

28. The term environment is defined in the Organic Law N°. 4/2005 determining the modalities of protection, conservation, and promotion of environment in Rwanda as follows:

“Environment is a diversity of things made up of natural and artificial environment. It includes chemical substances, biodiversity, as well as socio-economic activities, cultural, aesthetic and scientific factors likely to have direct or indirect, immediate or long term effects on the development of an area, biodiversity and on human activities.”

29. The above law goes a step further to list specific examples by the type of environment as summarized in Table 1.

Table 1: Example of categories of environment according of Organic Law N°. 04/2005

Category of environment	Specific examples
A: The natural environment	i) Soil ii) Water iii) Air iv) Biodiversity v) Landscape ² vi) Site vii) Natural Monument
B: Human environment B:1: Those that are destructive	i) Pollutants ii) Waste iii) Hazardous waste iv) Installation v) Pollution
B:12: Those that are not destructive	Activities that enrich or reduce adverse effects of the environment e.g. afforestation, technologies, etc

Source: Official Gazette of the Republic of Rwanda N°. 4/2005

¹ Anil Markandya, Kirk Hamilton and Ernesto Sanchez-Triana [2006]: Getting the most for the Money-How Public Environmental Expenditure Reviews can help.

² This includes mountains, forests, plain lands, valleys, swamps and lakes

30. At the moment, MINIRENA is the parent ministry overseeing ENR sector. It is organized under five programme areas of; (i) land, (ii) environment, (iii) integrated water resources management, (iv) forestry and (v) geological surveying and mining in addition to the ministry headquarters. REMA is responsible for environment, the National Land Centre is responsible for land, NAFA is responsible for forestry, OGMR is responsible for geological surveying and mining. The integrated water resources is directly under the Ministry.

4.2 Understanding the linkage between the national definition of environment and budgeting systems

31. In PER, one has to understand which of the government budgeting codes are used to reflect expenditure for environment, that is to say, one has to know the government's **functional areas** of budgeting. It is through those areas that government allocates resources, and it is the same areas that the use of resources can be tracked. This is a very critical step in a PER.
32. Annex 2 gives the full break-down of the GoR's functional areas. The classification builds from the classification of Government Expenditure (COFOG) of the International Monetary Fund (IMF) of 2001 in Annex 3. It is observed in that Annex 3 that one of the functional areas is environmental protection. According to the IMF, the breakdown of that function is given in Table 2 below.

Table 2: Environmental protection functions according to COFOG

Environment protection and environment promotion	Description of function
1. Waste management (COFOG 05.1)	Collection, treatment and disposal of waste
2. Waste water management (COFOG 05.2)	Sewage system operation and waste water treatment
3. Pollution abatement (COFOG 05.3)	Activities relating to ambient air and climate protection, soil and groundwater protection, noise and vibration abatement and protection against radiation.
4. Protection of biodiversity and landscape (COFOG 05.4)	Activities relating to the protection of fauna and flora species, the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values.
5. Research and development (COFOG 05.5)	Administration of applied research and experimental development on subjects related to environment protection; operation of government agencies engaged in applied research and experimental development on subjects related to environment protection; support in the form of grants and loans for applied research and experimental development on subjects related to the environment protection undertaken by non-governmental bodies such as research institutes and universities.
6. Environment protection affairs and services n.e.c	Administration management, regulation, supervision, operation and support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programmes and budgets for the promotion
7. Environment promotion activities	Activities which promote sustainable use of natural resources and which prevent or mitigate the negative environmental externalities of non-environmental development projects that potentially deplete natural resources or generate pollution. Examples would include investments in renewable sources of energy, or in sustainable agricultural technologies.

33. When one looks at the national definition of environment and categorization in Table 2, one has to go beyond the sub-functions in Table 3 to maintain the national definition. For example, some of the key aspects of environment according to the GoR fall under the COFOG functions of agriculture, industry and commerce, fuel and energy, land, housing and community amenities, and water and sanitation and youth, culture and sports. This is equally recognized by IMF with its COFOG (See Box 1). Besides, focusing purely on the environmental protection function could grossly under-estimate public expenditure on environment within and across sectors. Table 3 is a testimony of this assertion.

Table 3: Cross-country environmental protection expenditure³

Country	Rwanda	Uganda	Mozambique
Year of reporting	2008	2006	2007
% expenditure on environmental protection	0.6%	0.1%	1.3%
Source	MINECOFIN	MFPED	Lida Cabral & Dulcidio Francisco

34. IMF recognizes that in as much as there may be a function area on environmental protection, there are activities of environment which are not well isolated in the classification, and which cut across two or more functional categories. The examples in Box 2 testify to this.

Box 1: Environmental activities not isolated in the COFOG classification

Activities not isolated in the classification

There are a number of activities which occur in two or more fundamental categories and for which COFOG provides incomplete information. These include protection of the environment, space technology, and water use. Users of COFOG in these subjects will need to examine the functional classes listed below.

Protection of the environment

This group covers research and other aspects of environmental protection. It includes research into the causes and effects of the pollution of the air, soil, and substrata by solid waste disposal, radiation, noise, and so forth. The following classes contain relevant information.

Functional category

- Community development affairs and services
- Sanitary affairs and services, including pollution abatement and control
- Supporting and recreational affairs and services
- Agricultural land management affairs and services
- Forestry affairs and services
- Fishing and hunting affairs and services
- Mining and mineral resource affairs and services, other than fuels
- Manufacturing affairs and services

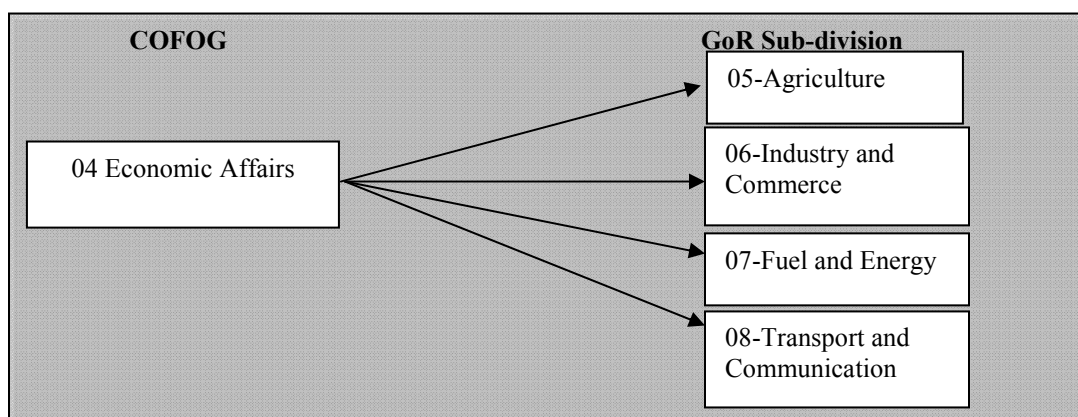
Related aspect

- Planning of environmental protection as part of community planning
- Waste collection and disposal: sewage; pollution control and abatement programmes
- Setting aside of parks, beaches, etc
- Conservation and reclamation of agricultural land
- Conservation of forests and reafforestation
- Management of water resources
- Pollution control in mining
- Pollution control in manufacturing

Source: IMF [2001]: Government Financial Statistics Manual, 2001

d on COFOG

Box 2: Re-classification of economic affairs function by GoR



35. On the basis of all the above, it is recommended that PER for environment should cover the following:

- (i) ENR sector, as it is overseen by MINIRENA with all agencies under it.
- (ii) Programmes and sub-programmes in other ministries, districts which are considered strategic for mainstreaming environmental activities, and budgeting for them

36. Annex 4 provides the boundary for the first or baseline PER for environment in Rwanda, 2009.

Exercise:

Review Annex 4 which defined the boundary for environment in Rwanda, 2009. If you were to carry out the review again in 2010, what additional areas would you include, and which ones would you exclude? Justify your answer.

5. CONCEPTUAL FRAMEWORK FOR PUBLIC EXPENDITURE REVIEW

5.1 Pillars of public expenditure management

37. Figure 1 provides the conceptual framework for the baseline PER in Rwanda. Across countries, the practice is that governments want to improve public expenditure management (PEM) in three areas. They are;

- i) Macro-economic fiscal discipline,
- ii) Priority setting, that is, ensuring that resources are allocated and used to deliver on the priorities of the government
- iii) Economic, efficient and cost-effective use of the resources.

38. The above aspects are explained further below.

- *Aggregate Fiscal Discipline*

39. Controlling total expenditure is an essential purpose of every budget system. Without limits on the totals, unconstrained demands would likely result in chronically high deficits and a progressive rise in the ratio of tax revenues and public expenditure to GDP. In managing its finances, a government produces at least four fiscal results: total revenue, total spending, the deficit (or borrowing requirement), and the public debt. It makes little sense to establish spending constraints without also deciding revenue totals, budget surplus or deficit, and the debt burden. Typically, therefore, spending discipline is accompanied by constraints on other budget aggregates.

- *Allocative efficiency*

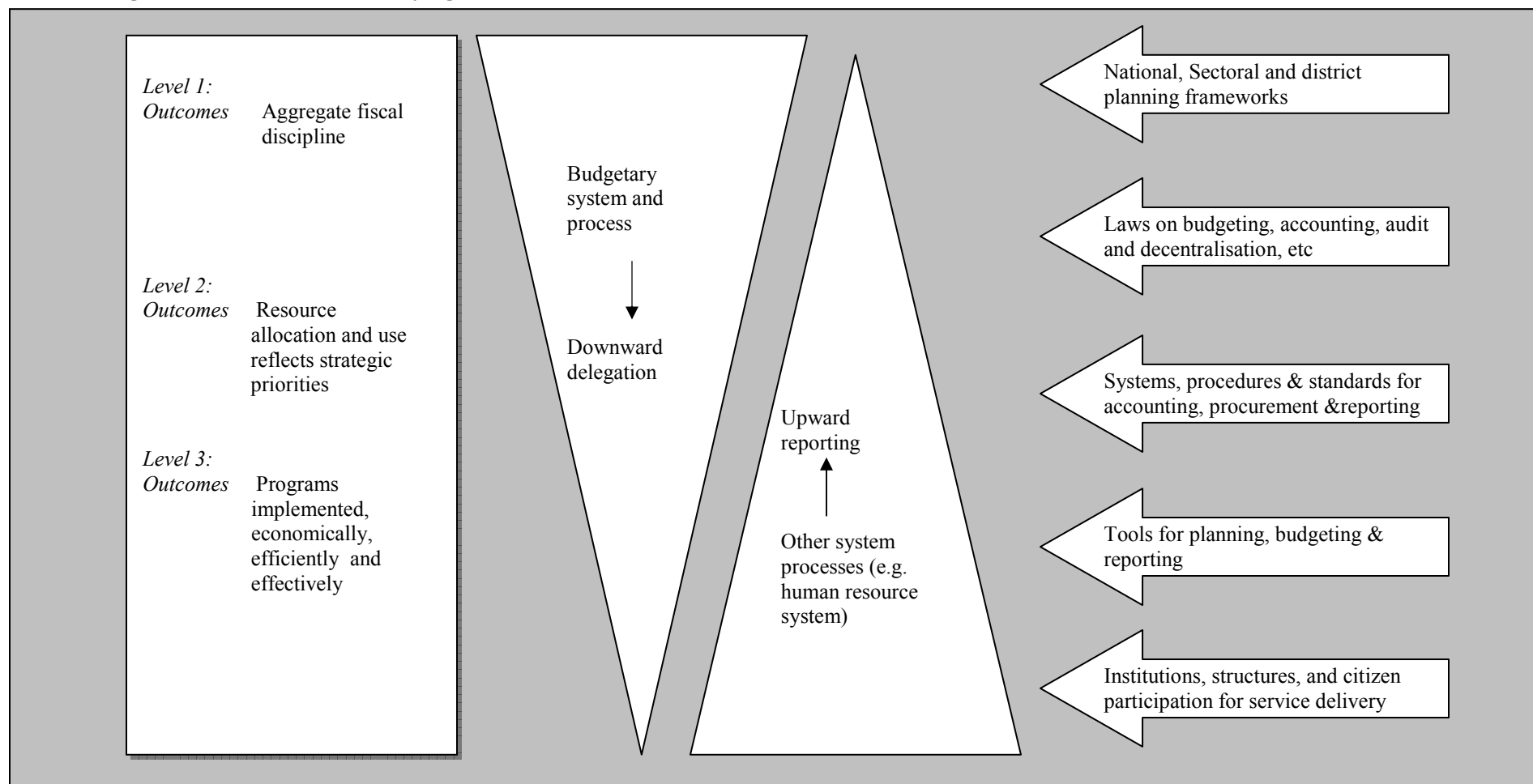
40. Allocative efficiency refers to the capacity of government to distribute resources on the basis of the effectiveness of public programs in meeting its strategic objectives. It entails the capacity to shift resources from old priorities to new ones, and from less to more effective programs. Allocative efficiency requires that the government establish and prioritize objectives and that it assess the actual or expected contribution of public expenditures to those objectives. To allocate efficiently, government must be strategic and evaluative; it must both look ahead and define what it wants to accomplish and look back to examine the results. Ideally, the government should seek allocative efficiency under all fiscal conditions, when the budget is growing and when it is shrinking, when incremental resources are available to finance additional spending and when they are not. In all cases, the government should spend its limited resources on programs that yield the greatest social return.

- *Operational efficiency*

41. Operational efficiency is the ratio of the resources expended by government agencies to the outputs produced or purchased by them. The resources can be measured in money terms or in terms of other inputs, such as work hours or years.
42. For monitoring and analysis purposes, the National Planning, Budgeting and MTEF Guidelines, 2008 distinguishes four levels of indicators: input, output, outcome, and impact indicators.
43. Based on these types of indicators, different additional performance measures can be derived:

Economy:	Inputs / total resources
Efficiency:	Outputs / Inputs or Outcome / Inputs
Effectiveness:	Outcome / Outputs
44. It has to be accepted that even though MINECOFIN consolidates and allocates resources from the centre, the actual implementation takes place at much lower levels- the ministries, SAGAs, provinces, districts, secteurs. In short, there is downward delegation.(See Figure 1)
45. During and at the end of the fiscal year, all institutions with delegated implementation roles have to give a full accountability of their performance, and hence upward reporting in Rwanda, the **Imihigo** is a very good example. (See Figure 1)
46. However, beyond looking at expenditure per se, the PER team should also review briefly the broader context in which expenditure is made and accounted for. Hence the reason to have an overview of the planning, budgeting, systems and institutions in the country (See Figure 1).

Figure 1: Framework for carrying out PER for environment in Rwanda



5.2 International practice of PER

47. Many PERs have been carried out world wide. They have differed in scope and coverage. But there are basic ingredients they should communicate. See Box 3.

Box 3: Generic elements of PER

A review of public expenditure reviews by Pradhan (1996) provides a useful listing of six essential elements of PER

- Discussion of aggregate level of public spending and deficit of the consolidated public sector and its consistency with the country's macroeconomic framework;
- Analysis of the allocation of aggregate spending across and within sectors, and the extent to which this allocation is consistent with maximisation of social welfare;
- Examination of the role of the public versus the private sector in the financing and provision of social programs (in particular, whether public expenditures complement or substitute for private-sector activities);
- Analysis of the impact of key public programs on the poor, including their incidence and total costs;
- Examination of the input mix (e.g., wages versus operations and maintenance), or the allocations for capital and recurrent expenditures, within programs and sectors (and the extent to which such allocations promote "internal efficiency"); and
- Discussion of the budgetary institutions and processes and the extent to which such institutions and processes promote fiscal discipline, allocative efficiency and equity in the composition of spending, and technical efficiency in the use of budgeted resources

Source: TAP [2008]: Lessons from the World Bank's Expenditure Reviews, 2000-2007, for Improving the Effectiveness of Public Spending

5.3 The national criteria for priority public expenditure

48. The GoR has come up with 10 criteria for priority public expenditure. They can be used in retrospect in a PER. See Box 5.

Box 5: Criteria for prioritizing public expenditure in Rwanda

- (i) Expenditures must contribute, whether directly or indirectly, to the reduction of poverty.
- (ii) Expenditures will be targeted at those activities which the private sector cannot realistically be expected to undertake.
- (iii) Expenditures will target those activities which can be shown to have high socio-economic impact, as measured by rates of return or other quantitative criteria.
- (iv) Expenditures will target the activities that communities have identified as important to them.
- (v) Expenditures will be directed to well planned activities for which realistic and modest unit costs have been identified and where there is a well-developed expenditure proposal.
- (vi) In cases where the previous two criteria are not met but the activity meets the other criteria, priority will be given to supporting policy development and planning in the sector.
- (vii) Expenditures that reduce future recurrent costs will be prioritised, for instance bed-nets, non-wage funds (books, materials and teacher training) to schools, road maintenance, and water supply.
- (viii) Expenditures will be targeted at those activities which can affordably be extended to the whole relevant target population, rather than those which could only be delivered to a few.
- (ix) Activities that are labour intensive and create necessary infrastructure for development will be prioritised.
- (x) Activities that favour disadvantaged groups, including activities which address gender or age-based inequities and protect the rights of children, and activities that reduce economic inequality will be prioritised.

Based on National Planning, Budgeting and MTEF Guidelines, 2008

Exercise:

- (i) Read Box 5. Are there criteria you would want omitted or included? Justify your opinion?
- (ii) What guidance would you require from MINECOFIN so that your budgeting and expenditure satisfy the criteria in Box 5?

6. SOURCING FOR RELEVANT DATA AND INFORMATION

6.1 Introduction

49. The type of data that has to be identified and sourced for PER for ENR is directly or indirectly influenced by the broad conceptual framework for PER already given in Figure 1 and the ToR. Table 4 provides the key sources of data in Rwanda today.

Table 4: Strategic sources of data for PER

Institution	Key data relevant to PER for environment
1. NIS	Household poverty surveys, agricultural survey reports, GDP data by sector
2. DAD	Data on commitments and disbursements of donor funds. To access this data, one has to register online.
3. CEPEX	Data information and reports on execution of development budget.
4. Smartgov	Data on budgets, MTEF and budget execution, particularly for all funding through MINECOFIN.
5. Sector budget Agencies	Sector policies, laws, plans, action plans and budgets.
6. RRA	Revenue collection by category.
7. Districts	Revenue collected by districts. There is no single repository yet for this data.
8. CDF Secretariat	Data and information on government transfers to districts for demand driven development projects.
9. Decentralisation Implementation Secretariat	The Secretariat will be overseeing the implementation of the Capacity Building Plan, in addition to managing the Capacity Building Basket Fund.
10. Auditor General	Opinion in trends of the quality of financial reporting, accounting, value-for-money and internal control practices.
11. PRIMATURE	It sells all gazetted documents, including the Budget Laws. A copy is only Rwf 1000.
12. Sectoral policies, laws, standards, regulations, publications	First visit the web-site of the sector institution. If not available, go to the National Gateway web-site and as a last resort, make general google search.
13. Country reports	One can try World Bank site.... In addition to general google search.
14. REMA	State of Environment Report and environmental indicators
15. MINECOFIN	Macro-economic framework, Budget laws, budget execution reports e.t.c

6.2 Compulsory documents to read at start of PER

50. The collection and review of reports, documents and literature is a continuous task during the entire period of the PER. However, there are key documents which the team must get hold of and read, at least within the first 3 days of the assignment. They are:

- (i) the national planning frameworks, particularly EDPRS, Vision 2020 and MDG reports
- (ii) the ENR Sector Strategic Plan, ENR Issues Paper, and Environmental Indicators
- (iii) the Macro-economic outlook; Budget Framework Papers, and Planning and Budgeting Guidelines
- (iv) the laws determining state finances for the period covered by the review

- (v) the government's chart of accounts
- (vi) the previous PER reports, if any, and
- (vii) the budget and project execution reports, if any

6.3 Prepare adequately for interviews

51. Staff and respondents to be interviewed have a lot of demands for their time. At the same time, they may not generally know what a PER is. It thus pays to sufficiently prepare and make out the best out of the interviews.
52. The key tips in the preparation of the interviews are;
- i) Make an appointment by phone, email, or letter as the case may be. Even where email or letter has been sent, it pays to make follow-up by phone. Explain briefly the nature of the issues you want to raise, and get to know the time the interviewee may be available for interview. This is important in determining which key issues to raise.
 - ii) Get to know the organization in which the interviewee works, and its strategic relevance to PER. This will help you prioritise the questions you want the interviewee to answer on behalf of his/her organization. (See Annex 5)
 - iii) Make background reading about the organization, say from their websites.

Exercise:

Read the interview questions that were prepared prior to the meeting with Manager, Smartgov, MINECOFIN.

- (i) If you had the opportunity to add more questions, what would they be?
- (ii) If the Manager had time for only 5 questions, which ones would you choose?

6.4 Key challenges in PER and strategies to overcome them

53. There is no doubt, PER imposes a lot of data demands, particularly if highly disaggregated analysis is to be made, and often, when comparisons with other countries are to be made. The following categories of challenges are described. Potential strategies to overcome them are given.
- *Contradictory data*
54. Sometimes the author for the report may have left the organisation or may not be available at the time of PER. The strategy would be to counter-verify with other sources and to “cite” the sources and to offer your own opinion on which source you trusted and why.
55. Data from reports, sometimes from the same institution can be contradictory. It could be explained by the fact that the authors of those reports were different. It is advisable to bring this matter up during the interviews, and to seek clarification.

- *Reforms*

56. Policy, legal systems and institutional reforms shift responsibilities, mandates, activities, budgets etc. Once they are not fully grasped, PER may be marred by outplaced statements. It is advisable that the changes or reforms that may have taken place in the period under review are jotted down in case they may have bearing on the above factors.

- *The merger and transfers of budget codes*

57. This is one of the challenges in PER. Ideally, one would want to **track** the amounts of environmental expenditure to determine whether it is increasing, stagnant, or falling. When budget codes are merged, the tracking becomes a challenge (e.g. code for agroforestry being merged with one for forestry resources).

58. To identify the above changes, one should read **concurrently the code and its title** from the starting year of the review, and follow it in the subsequent years. When a discrepancy is noticed, then one can seek clarification.

- *Inter-country comparisons*

59. Many PERs make inter-country comparisons. According to Sanjay Pradhan [1996], it is critical to underscore that there is no optimal ratio or norm for expenditure allocations across countries. Differences in relative prices, state of infrastructure public-private roles, etc., make it difficult to meaningfully compare such ratios. Consequently, it would be erroneous to base expenditure assessments on such comparisons alone.

7. IDENTIFYING FUNDING SOURCES AND MODALITIES

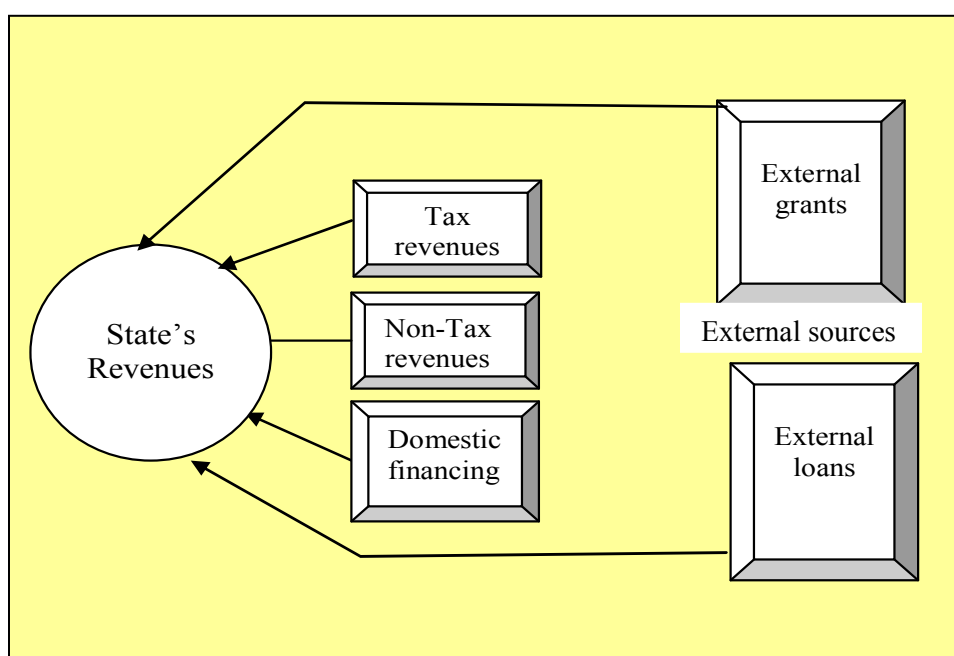
7.1 Where does the money for public expenditure come from?

60. Before the government can decide how and where to spend money, it must first determine what sources will be available to spend in the coming year. In a PER, it is important to know the sources, amounts, and conditions because they have a bearing on what can be allocated and used for environment.

61. The state's revenues are constituted by the internal or domestic, and external sources.

- **Domestic resources include:**

- i) Tax revenues; the main sources of tax revenue are indirect taxes from goods and services and Pay as You Earn income tax. This fiscal year 2009/10 the tax revenues are expected to Rwf 367.9 billion which demonstrates a 34% increase compared to 2008 tax revenues.
- ii) Non tax revenues; this includes money from trade licenses, driving permits, Court fees, traffic fees, passports, consular fees, and other sources. For the 2009/10 Budget, they are expected to Rwf 33.5 billion which demonstrates an increase of 49% compared to 2008 non-tax revenues.
- iii) Domestic financing; this is where the government borrows from the banks and other institutions of Rwanda through selling Treasury Bills. Also included is the drawdown from government deposits in the Central Bank. For the 2009/10 Budget, it is projected at Rwf 25.7 billion.



- **External resources are composed of:**

- i) External grants; these are sums of money given by donor countries and other International Institutions with no requirement to be repaid. For the 2009/10 budget, they are expected to 342.2 billion which demonstrates an increase of 11% compared to 2008 external grants.
- ii) External loans; the government has a policy to avoid using loans (which must be repaid) to pay for its recurrent expenditures of the government but rather where loans are required, that they are used for capital projects which will contribute to the long term growth of the country. For the 2009/10 budget, external loans are projected at 68.6 billion, which demonstrates an increase of 65% over 2008 external borrowing.

7.2 Funding modalities in Rwanda

62. Rwanda exhibits several funding modalities shown in Figure 2. To the extent possible, it is advisable to review the preferred modalities to the government, and the flow of environmental expenditure by modality.

7.3 Key type of analysis to be made under sources of funding

63. The following list provides some of the analysis that the PER team could carry out.
- i) the trends in revenue by source
 - ii) the proportionality of each funding source
 - iii) the trends in internally generated revenue. This has a bearing on reducing dependency on external aid
 - iv) the trends and amounts of extra-budgetary funds,
 - v) the trends and amounts generated by districts,
 - vi) the trends and amounts of Foreign Direct Investment (FDI), domestic private investment, NGO, and community funding
 - vii) the form in which the development partners chose to use their aid, that is, among general budget support, sector basket funding, and stand-alone projects.
 - viii) tax revenue as a percentage of GDP
 - ix) predictability of funding by source and
 - x) national and global issues likely to positively or negatively affect funding in future.

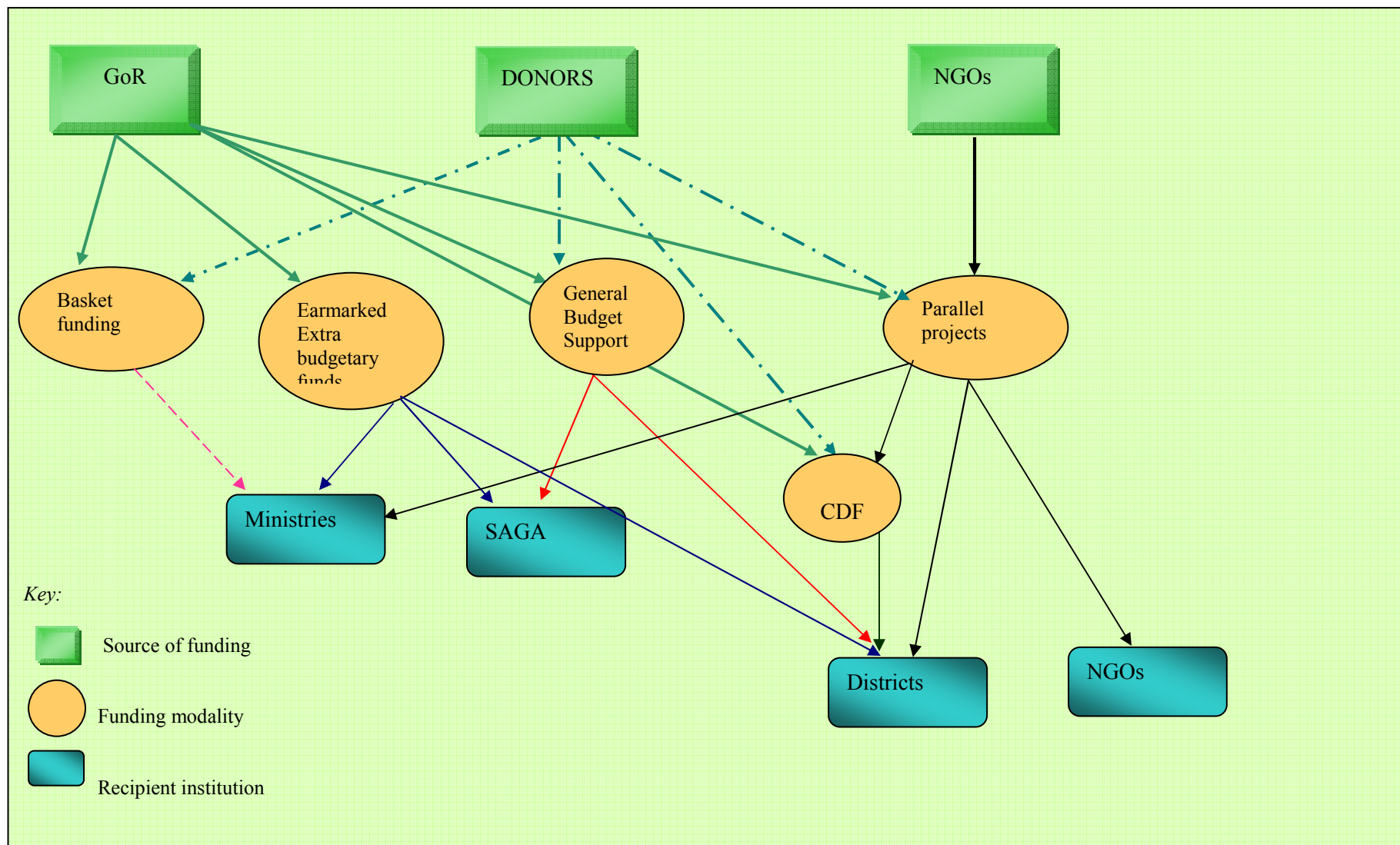
7.4 Sources of data for external funding

64. The GoR is still streamlining the data for all external funding. DAD is being improved for the purpose, but it is not yet capturing all the inflows. Other inflows can be obtained from External Unit, MINECOFIN. The OECD data base also has data and its figures may be higher than those in DAD. Finally, development partners too are a source of such data.

Exercise:

Read the aspects to be analysed with respect to funding sources presented in Section 7.3 above. Are there additional aspects you would want to be included?

Figure 2: Tracking Public Environmental Expenditure for environment by source of funding, funding modality and recipient institutions in Rwanda



8. FRAMEWORK FOR ANALYSING PUBLIC EXPENDITURE

8.1 Introduction

65. The evaluation of broad allocations entails analyzing both the *level* and *composition* of public spending. It is critical that the allocation of public expenditures take place within a consistent macroeconomic framework. Consequently, the framework for analyzing both the level and composition of spending is summarized below.

8.2 The macroeconomic framework and the aggregate level of public spending

66. A key issue in public expenditure analysis is its consistency with the macroeconomic framework. Indeed, control and reduction of the aggregate level of public spending has been an integral element of adjustment programs during the 1980s and 1990s. Developing countries sought to stabilize their economies and restore external and internal imbalances by reducing fiscal deficits and expenditures.

- *The macroeconomic impact of budget deficits*

67. Excessive public spending can lead to high or rising budget deficits that can result in different types of macroeconomic imbalances depending upon how they are financed. For instance, if financed through excessive external borrowing, they can lead to a debt crisis; excessive use of foreign reserves leads to crises in the balance of payments; printing money excessively leads to inflation; and too much domestic borrowing leads to higher real interest rates, and crowding out the private sector (Fischer and Easterly 1990).

68. Empirically, cross-section analyses of evidence from 10 countries shows a strong relationship between fiscal deficits and macroeconomic balances (Easterly and Schmidt-Hebbel 1991). These results show that stable and low fiscal deficits are associated with good growth performance. Fiscal balances are positively related to investment and to current account balances. High fiscal deficits show an association with highly negative real interest rates (financial repression), money creation, and high black market exchange rate premia.

8.3 Framework for analyzing the composition of expenditures

69. The framework for analyzing public expenditure allocations includes (i) identifying criteria or key steps in selecting expenditure allocations; and (ii) applying these criteria to appropriate units or levels of broad allocations, consistent with available information and capacity.

Exercise:

Read Rwanda Macro-economic framework for 2009/2010 and Donor aid Policy, 2009. What is the government's plan with regard to (i) grants, (ii) loans, (iii) fiscal deficit, (iv) inflation control.

8.4 Criteria for analyzing expenditure allocations

70. Box 5 has already provided the criteria for analyzing expenditure allocations. It should be used for the analysis.

8.5 Analysis of functional classification of expenditure

71. Annex 2 provides the government functional classification of expenditures. It can form basis for analysis. However, because environment is cross-sectoral, analysis can also extend to other sectors. For this to be done objectively, the analyst should choose a programme or sub-programme with relatively homogeneous benefits e.g. soil and water conservation, agroforestry, e.t.c outside the function of environmental protection.
72. Thereafter, one can then analyse how public expenditure for environment is widespread across sectors- e.g. agriculture, infrastructure, private sector development. Opportunities for synergies, coordination, e.t.c can be identified when such analysis is made. (e.g. between NAFA and MININFRA on biomass energy strategy).
73. In analyzing the functional composition of expenditures, it is important to ascertain the constitutional division of functional responsibilities among the various levels government (i.e. Ministry, Province, and District). Economic theory suggests that such decentralized decision making can in principle enhance allocative efficiency and social welfare because lower levels of government may be better being able to map expenditures to meet local preferences, provided economies of scale and benefit-cost spillovers have been taken into account. In such structures, it becomes imperative to analyse not only the assignment of expenditure functions and tax revenues across levels of government, but also the efficiency and equity implications of the design of intergovernmental fiscal transfers (e.g. block grants, specific purpose grants, matching grants) to offset the vertical and horizontal imbalances, interjurisdictional spillovers, e.t.c.

8.6 Analysis of economic classification of expenditure

74. The economic composition of public spending consists of capital and current expenditures, and within current expenditures, wages and salaries, non-wage operations and maintenance, interest payments, subsidies and other current transfers. It is given in Box 6. Table 5 presents the economic classification of total government expenditures both as a percentage of GDP and as a percentage total expenditures.

Box 6: Economic Classification of expenditure

Recurrent expenditure

- i) Salaries;
- ii) Goods and services;
- iii) Exceptional expenditure;
- iv) Interest payment;
- v) Arrears;
- vi) Net lending;
- vii) Repayment of principal on debt;
- viii) Subsidies and current transfers;

Capital expenditure

- ix) Domestic development expenditures.

Table 5: Analysis by economic classification

Variables	Year1	Year2	Year3
Percentage of GDP			
Total expenditure			
Current expenditure			
Goods and services			
Wage			
Other goods and services			
Interest payment			
Subsidy and transfers			
Capital expenditure			
Fixed capital			
Percentage of total expenditure			
Current expenditure			
Goods and services			
Wage			
Other goods and services			
Interest payment			
Subsidy and transfers			
Capital expenditure			
Fixed capital			

75. Where data or other evidence permits, inter-country comparisons can be made.

- *Trends in Recurrent Budgets and Actual expenditure*

76. These measure the growth in budgets actual allocation of funds to environment activities over the period being analyzed. It can be shown graphically as line graph or pie chart. It shows the aggregate amounts of the allocations as approved for execution. It is important to observe the changes in amounts allocated to environment sector and find out the reasons for such changes. It is also important to note and compare the trends in allocation to certain sub-programmes as well as whole programmes to evaluate the trends.

- *Variance between Budgets and expenditure*

77. This is the difference between the amount budgeted and the amount actually spent. For example if the amount budgeted last year is RWF 20 million and the Actual expenditure as Rwf 15 million. Then the execution rate is 75%.

- *Variation between the Original National Budget and Budget Outturn*

78. This ratio measures the difference between amount spent and the original budget as a percentage of the original budget. . The national budget figures should normally indicate that generally expenditures are kept close to original appropriations. The rule of thumb is that government should keep variations between the original budget and the budget outturn below 10% throughout the period.

- *Budget Execution*

79. This is a ratio which shows the percentage of the environment budget which was actually spent on environmental activities. It is derived from the amount spent expressed as the percentage of the amount approved. This should be calculated for all the important recurrent expenditures to evaluate the execution during any one fiscal year being reviewed. Ratios such as salary vs. non salary operational expenses, ratio of wages to total environmental expenditure by ministry, ratio of management overheads to service delivery, ratio of current to domestic expenditure will be computed in similar manner.

- *Undisbursed Resources*

80. This is the amount of funds earmarked for expenditure on the particular sub-programme but still remains on the account unspent by the end of the fiscal year. This could have been caused by several reasons among which are; lack of absorption capacity by the executing agency, procurement impediments to implementation etc. The implication of the delays in disbursements is that it leads to poor implementation of projects that affect the livelihood of the communities and leads to deterioration of the environment.

8.7 Intra-program or sectoral analysis

81. Where expenditure details exist, the same analysis above in Table 5 can be carried out by programme, sub-programme or budget agency under the sector. This can disclose the most funded (e.g. environment) and the least funded (e.g. integrated water resources).

8.8 Analysis of development projects

82. The above analysis would entail the following;

- (i) The listing of development projects under the sector, showing total budget, and how they are shared between government funding and external funding. This can tell the extent to which the government is improving the financing of capital expenditure.
- (ii) The likely future recurrent expenditure consequences of development expenditure. In Rwanda, ENR does not take much development budget.

9. COMPLEMENTARY MONITORING TOOLS TO PUBLIC EXPENDITURE REVIEW (PER)

9.1 Value-for-money audit

83. In its National Planning, Budgeting and MTEF Guidelines, MINECOFIN has listed or referred to other public expenditure monitoring tools. Where they have been used, their findings should inform the PER. They are described below.
84. The value-for-money audit verifies whether expenditure was economic, efficient, and cost-effective by available standards (e.g. unit costs). It goes beyond assessing that expenditure was incurred according to budget, following the laid down administrative and financial procedures.

9.2 Public Expenditure Tracking Surveys

85. Public Expenditure Tracking Surveys (PETS) are used to track the flow of funds through different layers of government up to the final service provider, e.g. a school, hospital, *umudugudu* e.t.c. The objective of PETS is to diagnose and understand problems in budget execution and service delivery, with a view towards improving the efficiency of government spending. In a PETS, the paper trail of financial transfers is followed, verifying whether the outturn is consistent with the initial allocation, whether records are consistent between different levels, and identifying the delays in financial transfers (or distribution of material). PETS can provide local communities with information about the level of resources actually allocated to particular services in their area and how much of those resources actually reach. Such an analysis can potentially reduce the leakages of public funds, increase the efficiency of public spending, and ultimately increase the quantity and quality of public services (See Box 7).

Box 7: Closing public expenditure leakage

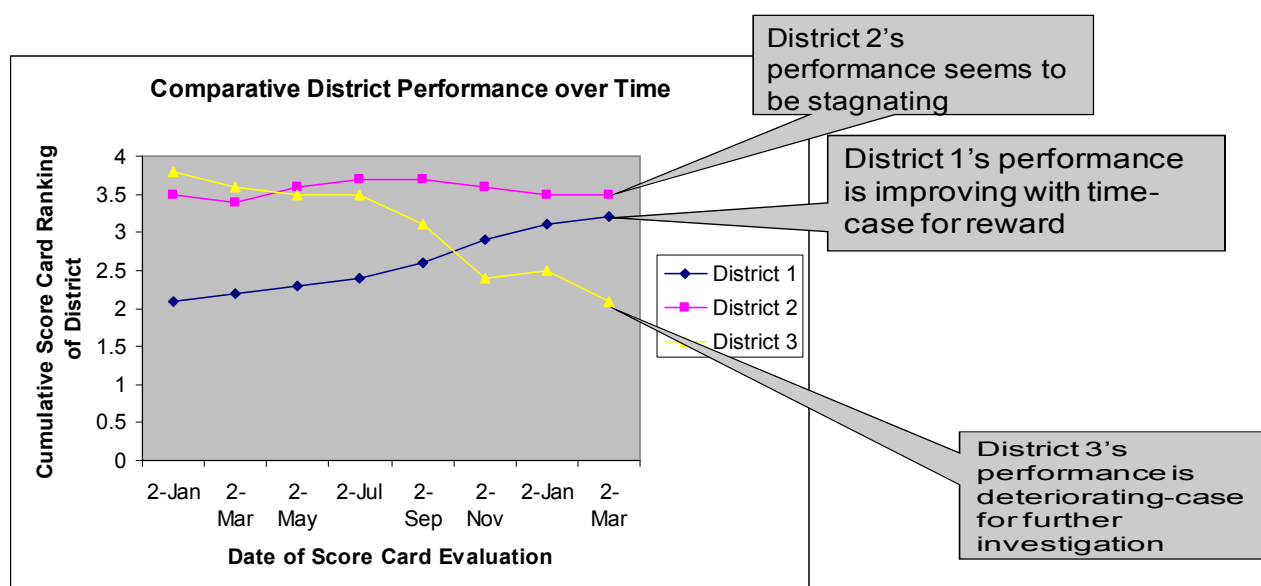
One of the PETS to be done was in Uganda in 1991-95. A sample of government primary schools were surveyed in selected districts to examine how much they received of the non-salary expenditures (central government capitation grants) that were channeled to them through the local (district) government. The survey indicated that while the central government had almost fully released the entire amount of the capitation grant to the district governments, most schools had received none of the monies from the capitation grant. On average, schools received only 13 % of central government spending on the program, with the remainder being captured by local government officials and politicians. In addition, PETS found that most districts lacked reliable records of disbursements to individual schools. There was thus significant leakage of school funds, with poorer schools experiencing larger leakages (Ablo and Reinikka 1998; Reinikka and Svensson 2000).

Interestingly, when a follow-up PETS was done in 2001 with virtually the same sample of schools, it was observed that schools received 82% of the capitation grants. Thus, the leakage of funds had declined considerably since the earlier period. (Between the two surveys, the government had launched a major publicity campaign to inform schools and communities about the capitation grants that they were entitled to receive.) Moreover, the observed reduction in leakage was significantly larger for schools that had been exposed to the PETS publicity campaign. Thus, schools that were aware of the funds to which they were entitled were more likely to demand and obtain these funds (Reinikka and Svensson 2000).

9.3 Citizen Report Card and Community Score Cards

86. The above are some of the tools for potential use in Rwanda, listed in the Planning, Budgeting and MTEF Guidelines 2008. It was gathered that MINELOC plans to introduce them to measure the level of satisfaction with services provided by districts.
87. The Citizen Report Card (CRC) is a tool to (i) collect citizen feedback on public services from actual users of a service, (ii) assess the performance of individual service providers and/or compare performance across service providers and (iii) generate a database of feedback on services that is placed in the public domain.
88. The beneficiaries (as individuals) score the service providers using say marks from 1 to 100. On the other hand, the Community Score Card (CSC) approach gathers the level of satisfaction from a group of people rather than individuals.
89. World Bank used Community Score Cards to get community level of satisfaction across districts in which a Social Action Fund was implemented in Malawi.(See Figure 3)
90. Cross-district comparisons over time showed where urgent attention was needed. In order to observe changes in performance, it is advisable to use these tools more than once.

Figure 3: Comparative district performance over time



Exercise:

Which aspects of environmental management in Rwanda would you recommend the use of either Community Score Card or Citizen Report Card

Annex 1: Terms of Reference

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI
Project Activities



1 OBJECTIVE

The current objective is to conduct a Public Expenditure Review (PER) which will help to evaluate the appropriateness in the use of funds in the environment sector.

The PER will provide a baseline for future trend analysis in budget allocation and execution and effectively monitor progress on the contribution of environment towards sustainable development, the achievement of MDG targets and vision 2020.

Trends and issues to be analysed will follow the major standard PER themes of: public expenditure trends, public expenditure composition, efficiency of public spending, poverty targeting of expenditure and public expenditure management.

2 BACKGROUND

The Government of Rwanda, with the support of UNDP and UNEP through Rwanda Poverty and Environment Initiative Project (PEI) aims to enhance the contribution of sound environmental management to poverty reduction, sustainable economic growth and achievement of the Millennium Development Goals. Led by the Rwanda Environment Management Authority (REMA), Ministry of Natural Resources (MINIRENA), the intended outcome of the Rwanda PEI Phase II is the integration of environment into national policy and district planning, policy and budget processes to implement the Economic Development and Poverty Reduction Strategy.

There is a number of different Economic Instruments which can be utilised by the Government to influence the understanding and behaviour towards the environment in Rwanda.

Those different Economic Instruments include the Public expenditure reviews (PERs), involve the analysis of allocation and management of public expenditures and may cover all government expenditure or focus on a few priority sectors such as agriculture, water, infrastructure, etc. Information gleaned from PERs is used to provide key guidance to strategic planning and budget preparation and to identify ways in which to improve the efficiency and effectiveness of resource allocations. Increasingly, PER processes are applied to expenditure management systems and institutions, since institutional framework, organizational capacity, and everyday expenditure management practice of government determines the allocation and management of public expenditures.

The Environment and Natural resources (ENR) sector is currently reviewing and revising the sector strategic plan as part of the ongoing national process of aligning sector priorities with the Economic Development and Poverty Reduction Strategy (EDPRS).

One of the key areas of this undertaking is the budgetary process that assures budget allocation is guided by key sector priorities identified through a participatory process that draws consensus from pertinent stakeholders. Budget allocation will, in a significant measure, be influenced by public expenditure review (PER) which provides an independent assessment of the adequacy, appropriateness and effectiveness of spending on the ENR sector as well as addressing ENR issues in other sectors such as Agriculture, Energy and industry. This will then inform any future revisions of sector plans, the preparation of the sector MTEF/budgets and the accounting and auditing functions within MINIRENA and REMA.

The analysis and recommendations are intended to demonstrate how GoR and donor resources are currently used, and to recommend how to improve resource utilization for the

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI Project Activities



benefit of sustainable development. The exercise will serve as a tool to enable MINIRENA and REMA to improve prioritisation, efficiency and effectiveness of all public resources in support of the environment sector.

The review should be extensive and cover the period 2002-2007 i.e. PRSP 1 through to the EDPRS period. A key aspect of the PER is to analyse expenditure allocations, efficiency of budget execution, as well as the role played by different stakeholders in the budgeting processes. A particular issue to look at is the extent to which resources allocated to particular activities are utilised and accounted for, and whether the quality and timeliness of accountability and technical reporting have been or are in any way likely to constitute a constraining factor in the smooth execution of the budget.

In this context that UNDP/REMA through PEI project is looking for a qualified firm with a team of consultants (national and international) to undertake the activities outlined below

3 SCOPE OF WORK

3.1 The firm with a team of consultants (national and international) will report directly to the National Coordinator for PEI and will be supported by the PEI and UNDP during the assignment;

3.2 Responsibilities:

- 3.2.1** The PER should cover public expenditure for the environment and natural resources sector on an annual basis for the period 2005-2009. For this period, the environment sector encompassed all spending by MINITERE/MINIRENA, all local administration expenditure at Province and District levels on environment related interventions, environment related spending under other ministries, and all donor projects under the environment sector. To the extent possible, the PER should include economic analysis of the impact of investments in promoting sustainable natural resources management overall contribution to national revenue;

The following broad areas should be explored in the PER:

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI
Project Activities



3.3 Analysis of Past Trends (2005-2009);

- 3.3.1 Overview of allocations and trends in public expenditure from all sources (domestic revenue and external funds);
- 3.3.2 Overview of other environment sources and expenditure trends where data available private sector, NGO, community, household
- 3.3.3 Trends in priority given to the environment sector within overall Government of Rwanda budget and comments on intra-sectoral allocations within environment. Clarify definitions of sector and sub-sectors used in analysis;
- 3.3.4 Analyse the effectiveness of expenditure allocation, disbursement and execution;
- 3.3.5 Outline reasons for any differences between approved budgets vs actual disbursements and expenditures. Explain progress and implications in linkage to policy objectives;
- 3.3.6 Analyse input mix (including recurrent vs capital, salary vs non-salary, balance between management overheads and service delivery expenditure);
- 3.3.7 Evaluate performance of Rwanda in relation to regional and international benchmarks. Cross country comparison should be made wherever possible throughout the report. Identify lessons from international best practice;
- 3.3.8 Provide thorough and clear commentary and analysis on moves taken towards de-centralisation of funds;
- 3.3.9 Analyse and comment on allocations at local government level. Evaluate current allocation mechanisms and formulas for de-centralised expenditures and provide suggestions on how this could be improved using available data;
- 3.3.10 Provide a commentary on the progress and trends of government spending on environment;
- 3.3.11 Provide a clear analysis of the role of newly established semi autonomous government agencies such as REMA and NAFA in the financing mechanisms as well as budget allocation and execution for ENR management. Evaluate efficiency of fund allocation with regard to the – agencies and whether establishment have had a value added to the environment sector in terms of financing and execution;
- 3.3.12 Develop an analysis on the level of involvement of sectors key to the environment such as those in the rural cluster in terms of how they have been monitoring budget allocation and execution for environmental activities and to what extent this has impacted on the sector objectives. What kind of monitoring tools have been used and what trends have been observed. Discuss lessons that have been gleaned from countries with similar challenges to inform PER process in Rwanda;

Organize and hold training on Public Expenditure Review (PER) for the government staff focusing on key sectors under PEI (MINALOC, MINAGRI, MINIRENA, MINICOM, MINECOFIN, MININFRA); highlighting the importance of PER to sustainable environment and natural resources management in Rwanda. Emphasis will be placed on evaluation of the government staff to conduct the PER exercise with clear guidance on developing a post training work plan to facilitate periodic reviews;

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI Project Activities



3.4 Forward-Looking Analysis and recommendations

- 3.4.1 Highlight areas for efficiency savings. Compare current and projected unit costs to other developing/Sub Saharan African countries. Identify possible areas for cost savings and improvement in efficiency with reference to best practice surveyed in other developing countries;
- 3.4.2 Are semi autonomous government agencies (SAGA) operating at a cost effective level? Compare management overhead costs of each SAGA compared to money that is spent on service delivery by each SAGA. Examine service delivery and management cost;
- 3.4.3 Identify implications of Government decentralisation plans for environment sector. Provide recommendations on pathway for future decentralisation of fund;
- 3.4.4 Identify key recommendations in improving public financial management and draft an action plan relating to the requirements for line ministries under the organic budget law to be introduced in Rwanda. This should be provided in the form of a matrix of issues and suggested responsibilities;

4 METHODOLOGY AND REPORTING FRAMEWORK

4.1 During the Assignment, the appropriate methodology to be used will be suggested by the team of Consultants and will include:

- 4.1.1 Adequate participation of key stakeholders in ministries and relevant public sector agencies, private sector especially service providers, and civil society representatives;
- 4.1.2 Adequate consultation with different GoR Ministries/Agencies (at least: MINIRENA, REMA, MINECOFIN, MINALOC) and decentralised levels (Provincial administration and Districts and other local authorities), donors and other development partners and end-user;
- 4.1.3 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;
- 4.1.4 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;
- 4.1.5 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;
- 4.1.6 A clear definition of the environment sector is to be used in the analysis;
- 4.1.7 ALL relevant budget lines in and outside of MINIRENA and REMA, including district budgets, other relevant sector ministries and agencies who are involved in the preparation, execution, monitoring of or reporting on public expenditures related to environment and natural resources;
- 4.1.8 Visit of, public financial management and accountability institutions such as the Office of the Auditor General (OAG) and agencies such as the Institute of Statistics, Rwanda Revenue Authority (RRA) and CEPEX;
- 4.1.9 The PER should be undertaken with strong collaboration between the GoR and the consultant(s), and efforts should be made to ensure ownership of the conclusions and recommendations by the GoR. It is to be emphasised that capacity building for local

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI Project Activities



consultants and MINIRENA and REMA staff is a key element of the consultancy process and a contractual obligation;

5 DELIVERABLES

5.1 During the Assignment, the team of Consultants or firm will deliver:

5.1.1 Work plan for the first three (3) days;

5.1.2 An inception report after five (5) days;

5.1.3 Public Expenditure Report at the end of the assignment to include:

Executive summary: A part from a comprehensive consultancy report will constitute the major output of the consultancy, the International Consultant is requested to produce a clear and well written three to five page summary bringing out the main findings and recommendations from the report. This will guide the presentation for stakeholders workshop to validate the findings of the report;

Conclusion and Recommendations: Prioritised list of recommendations and responsibilities and provide recommended action plan;

Annexes: shall include: definitions, assumptions and data sources and provide Public Financial Management Action Plan;

5.1.3 Summary policy report including major findings and recommendations;

5.1.4 An user friendly training and operational manual including tools (checklists, formats, etc.) that will guide governmental staff and development partners to conduct PER targeting the budget allocation to ENR;

5.2 Data Source

5.2.1 Reference Materials available include:

- a) EICV I and II;
- b) PRSP Environment sector self evaluation 2006;
- c) Interim PRSP and PRSP I documents;
- d) Joint budget sector review reports;

6 QUALIFICATIONS

6.1 Candidates from the team must demonstrate the following qualifications and experience

Republic of Rwanda



TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI Project Activities

Rwanda Environment
Management Authority
(REMA)



- 6.1.1 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;
- 6.1.2 Minimum of five (5) years work experience in related fields such as Poverty Reduction Strategies, policies, Monitoring and Evaluation and strategic planning and more specifically, the suitable candidate should have significant experience in budgetary and PER processes and review and proven record in informing and influencing such processes;
- 6.1.3 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;
- 6.1.4 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;
- 6.1.5 Proven understanding of ongoing processes such as EDPRS and DDPs;
- 6.1.6 Minimum of three (3) years work experience in poverty focused data analysis and management of environmental issues;
- 6.1.7 Minimum of three (3) years work experience in institutional coordination and harmonisation;
- 6.1.8 Proven experience in environmental information gathering and field based environmental research for media coverage;
- 6.1.9 Fluency in English, preferably with functionality in French.

6.2 Competency and skills

- 6.2.1 Strong interpersonal skills with ability to work under pressure and to establish and maintain effective work relationships with people of different backgrounds;
- 6.2.2 Ability to take initiative and to work independently, as well as part of a team;
- 6.2.3 Proven capacity to organize and facilitate workshops and meetings;
- 6.2.4 Ready to travel extensively in rural areas and districts;
- 6.2.5 Excellent oral and written communication;
- 6.2.6 Excellent communication skills, reporting with ability to express ideas clearly, concisely and effectively, both orally and in writing;
- 6.2.7 Computer literacy in full Microsoft Office Package and web browser capability;

7 REMUNERATION AND OTHER CONSIDERATIONS

The successful consultant will start his/her assignment as soon as possible following the completion of the selection process.

7.1 Submissions will be accepted from firm or team of National and International Consultants only.

7.2 The Successful Result of this Process will be a Contract for Services.

7.2.1 Defining an overall period of two (2) months worked.

7.2.2 Payment for this consultancy will be done monthly upon receipt of satisfactory work completion.

8 SUBMISSIONS

Republic of Rwanda



Rwanda Environment
Management Authority
(REMA)

TERMS OF REFERENCE

Request For Proposal (RFP_46709-2008-026)

Consultancy – Public Expenditure Review to Support PEI Project Activities



- 8.1** Qualified team of consultants or firm that meet the above requirements are invited to submit:
- 8.1.1 Motivation letter expressing suitability for the assignment;
 - 8.1.2 Curriculum Vitae with the required supporting documents;
 - 8.1.3 List of previous work, contractual responsibility and successful completion of consultancy services related;
- 8.2** The Submissions should be made in One envelope or attachments (if submitted via email) indicating; **DO NOT OPEN IN ADVANCE**).
- 8.3** Please note that Submissions by E-mail **WILL BE ACCEPTED** (see details in the Expression of Interest).

9 SELECTION PROCESS

- 9.1** Submissions will be evaluated in consideration of the evaluation criteria as stated below:
- 9.1.1 Evaluation Criteria (Total of 100 points):
 - a) Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University [Maximum 20 points];
 - b) Minimum of five (5) years work experience in related fields such as Poverty Reduction Strategies, policies, Monitoring and Evaluation and strategic planning and more specifically, the suitable candidate should have significant experience in budgetary and PER processes and review and proven record in informing and influencing such processes [Maximum 15 points];
 - c) Proven understanding of ongoing processes such as EDPRS and DDPs [15 points];
 - d) Minimum of three (3) years work experience in poverty focused data analysis and management of environmental issues [Maximum 15 points];
 - e) Minimum of three (3) years work experience in institutional coordination and harmonization [Maximum 15 points];
 - f) Proven experience in environmental information gathering and field based environmental research for media coverage [Maximum 10 points];
 - g) Fluency in English or French with a working knowledge of the other [10 points];
 - 9.1.2 In order to qualify for further consideration the Individual Consultant must accomplish a minimum score of 70 points;
 - 9.1.3 Candidates who qualify for further consideration may be invited for a personal interview.
- 8.2** The Basis of Award will be to the Individual Consultant who qualifies in both -Evaluation by Desk Review and Personal Interview.
- 9.2** This Opportunity is open to male and female candidates. Applications from qualified female candidates are encouraged.

Annex 2: Classification of government functions in Rwanda

01 GENERAL PUBLIC SERVICE

- 011 Executive & Legislative Organs
- 012 Econ/Fin Management & Fiscal Affairs
- 013 External Affairs
- 014 Labour & Employment Affairs
- 016 General Intra-Governmental Transfers
- 018 General Public Services n.e.c

02 DEFENSE

- 021 Military Defense
- 023 Foreign Military Cooperation
- 024 Defense n.e.c

03 PUBLIC ORDER AND SAFETY

- 031 Police and Security Services
- 033 Law Courts and Gacaca
- 034 Prisons
- 035 Public Order and Safety n.e.c

04 ENVIRONMENTAL PROTECTION

- 041 Pollution abatement and Control
- 042 Biodiversity and Landscape Protection
- 043 Environmental Protection n.e.c

05 AGRICULTURE

- 051 Agricultural Development
- 052 Livestock and Fisheries
- 053 Forestry
- 054 Agriculture, Livestock and Forestry n.e.c

06 INDUSTRY AND COMMERCE

- 061 Mining and Quarrying
- 064 Trade and Commerce
- 066 Craft Industry
- 067 Industry et Commerce n.e.c

07 FUEL AND ENERGY

- 075 Fuel and Energy n.e.c

08 TRANSPORT AND COMMUNICATION

- 081 Road Transport
- 087 Broadcasting and Publication
- 088 Transport and Communication n.e.c
- 089 Information and Communication Technology

09 LAND HOUSING AND COMMUNITY AMENITIES

091 Housing Development

092 Land and Community Development

10 WATER AND SANITATION

103 Water and Sanitation

11 YOUTH CULTURE AND SPORTS

111 Sports and Recreational Services

112 Art and Cultural Services

113 Youth and Other Community Services

114 Youth, Culture and Sports n.e.c

12 HEALTH

121 Primary Health Care

122 Secondary Health Care

123 Tertiary Health Care

124 Health n.e.c

13 EDUCATION

131 Pre-primary and Primary Education

132 Secondary Education

133 Non formal Education

134 Higher Education

135 Scientific and Technological Research

136 Education n.e.c

14 SOCIAL PROTECTION

142 Gender Protection

143 Assistance to Vulnerable Groups

Annex 3: Classification of functions of government (COFOG) according to IMF, 2001

01 - General public services

- [01.1](#) - Executive and legislative organs, financial and fiscal affairs, external affairs
- [01.2](#) - Foreign economic aid
- [01.3](#) - General services
- [01.4](#) - Basic research
- [01.5](#) - R&D General public services
- [01.6](#) - General public services n.e.c.
- [01.7](#) - Public debt transactions
- [01.8](#) - Transfers of a general character between different levels of government

02 - Defense

- [02.1](#) - Military defense
- [02.2](#) - Civil defense
- [02.3](#) - Foreign military aid
- [02.4](#) - R&D Defense
- [02.5](#) - Defense n.e.c.

03 - Public order and safety

- [03.1](#) - Police services
- [03.2](#) - Fire-protection services
- [03.3](#) - Law courts
- [03.4](#) - Prisons
- [03.5](#) - R&D Public order and safety
- [03.6](#) - Public order and safety n.e.c.

04 - Economic affairs

- [04.1](#) - General economic, commercial and labour affairs
- [04.2](#) - Agriculture, forestry, fishing and hunting
- [04.3](#) - Fuel and energy
- [04.4](#) - Mining, manufacturing and construction
- [04.5](#) - Transport
- [04.6](#) - Communication
- [04.7](#) - Other industries
- [04.8](#) - R&D Economic affairs
- [04.9](#) - Economic affairs n.e.c.

05 - Environmental protection

- [05.1](#) - Waste management
- [05.2](#) - Waste water management
- [05.3](#) - Pollution abatement
- [05.4](#) - Protection of biodiversity and landscape
- [05.5](#) - R&D Environmental protection
- [05.6](#) - Environmental protection n.e.c.

[06](#) - Housing and community amenities

- [06.1](#) - Housing development
- [06.2](#) - Community development
- [06.3](#) - Water supply
- [06.4](#) - Street lighting
- [06.5](#) - R&D Housing and community amenities
- [06.6](#) - Housing and community amenities n.e.c.

[07](#) - Health

- [07.1](#) - Medical products, appliances and equipment
- [07.2](#) - Outpatient services
- [07.3](#) - Hospital services
- [07.4](#) - Public health services
- [07.5](#) - R&D Health
- [07.6](#) - Health n.e.c.

[08](#) - Recreation, culture and religion

- [08.1](#) - Recreational and sporting services
- [08.2](#) - Cultural services
- [08.3](#) - Broadcasting and publishing services
- [08.4](#) - Religious and other community services
- [08.5](#) - R&D Recreation, culture and religion
- [08.6](#) - Recreation, culture and religion n.e.c.

[09](#) - Education

- [09.1](#) - Pre-primary and primary education
- [09.2](#) - Secondary education
- [09.3](#) - Post-secondary non-tertiary education
- [09.4](#) - Tertiary education
- [09.5](#) - Education not definable by level
- [09.6](#) - Subsidiary services to education
- [09.7](#) - R&D Education
- [09.8](#) - Education n.e.c.

[10](#) - Social protection

- [10.1](#) - Sickness and disability
- [10.2](#) - Old age
- [10.3](#) - Survivors
- [10.4](#) - Family and children
- [10.5](#) - Unemployment
- [10.6](#) - Housing
- [10.7](#) - Social exclusion n.e.c.
- [10.8](#) - R&D Social protection
- [10.9](#) - Social protection n.e.c.

Annex 4: Programmes and sub-programmes reviewed for public expenditure on environment

MIN	Prog.	
A: MINISTRIES		
09	MINAGRI	
	02	Intensification and development of Sustainable Production Systems
	01	Sustainable management of Natural Resources and Soil Conservation
	02	Integrated system of Intensive agricultural and livestock production
	03	Marshlands development
	04	Irrigation development
	05	Supply and use of agricultural inputs and mechanization
	06	Food security and vulnerability management
10	MINICOM	
	02	Promotion of Trade and Industry
	01	Monitoring of policies of trade and industries
	05	Promotion and oversight of key industries
	07	Establishment and maintenance of quality standards
15	MIJESPOC	
	09	Promotion and development of sports and leisures
	01	Promotion of mass sports and entertainment
18	MININFRA	
	02	Energy
	02	Improving access to energy
	03	Housing and Urban development
	05	Promotion of Imidugudu
	06	Improvement of Informal neighborhoods
22	MINITERE (MINIRENA)	
	01	Planning and management of land
	01	Management support
	02	Policy programme for land management
	03	Land administration
	04	Cartography and land measuring and settlement planning
	05	Expropriation and optimal use of land resources
	02	Environmental conservation and protection
	01	Legal, Policy, Regulatory and Institutional framework for management
	02	Sustainable management of Ecosystems for Income generation
	03	Pollution management
	05	Management support to REMA
	03	Forestry
	01	Management of Forestry resources
	02	Efficient use of forestry resources to provide energy and generate income
	03	Forest management
	04	Timber transformation technologies
	06	Permanent Secretariat of the National Forest Fund
	07	Forest policing division
	08	Administration and finance division
	06	Water and sanitation
	05	Sanitation
	12	Water sector policy
	13	Integrated management of water resources
	14	Portable water infrastructure
	06	Geological surveying and mining
	01	Mines, Quarries and geology

23	MINALOC		
	04	Community Development	
	02	Community Development Planning	
	03	Community mobilization and agglomeration	
	04	Vision 2020 Umurege programme monitoring	
	05	Community Development Fund (CDF)	

Annex 4: Programmes and sub-programmes reviewed for public expenditure on environment con't

B: SEMI AUTONOMOUS GOVERNMENT AGENCIES			
			REMA
			NAFA
C: DISTRICTS			
	Good governance and social affairs unit		
	Prog	Sub-prog	
	04	Good governance and decentralization (MINALOC)	
		02	Decentralization and capacity building
	06	Community Development (MINALOC)	
		01	Community development planning
		02	Community mobilization and agglomeration
		03	Coordination projects and Public Investment Plan
		04	Jumelage
	Planning, economic development and employment promotion unit		
	10	Intensification and development of Sustainable Production Systems (MINAGRI)	
		01	Sustainable Management of natural resources and soil conservation
		02	Integrated system of intensive agricultural and livestock production
		03	Supply and use of Agricultural inputs and mechanization
		04	Irrigation development
		05	Food security and vulnerability management
	13	Planning, policy review and development partner coordination	
		01	Management support
	Infrastructure, land, housing and town planning unit		
	14	Land planning, management and Administration (MINITERE)	
		01	Effective land administration services
		02	Land use planning and management services
	15	Environmental Conservation and protection (MINITERE)	
		01	Sustainable management of Ecosystems for Income generation
		02	Pollution management
	16	Forest resources management	
		01	Management of forestry resources
		02	Efficient use of forestry resources to provide energy, generate income and support livelihoods
	17	Geological survey and mining (MINITERE)	
		01	Performance, productivity and value addition in the mining sector enhanced and based on environmentally sustainable practices
	18	Water and sanitation (MINITERE)	
		03	Access to water for economic purposes
		04	Access to hygienic sanitation services
	20	Energy (MININFRA)	
		01	Improvement of Access to energy
		02	Diversification of energy sources
		03	Managing energy costs
	21	Habitat and Urban development (MININFRA)	
		03	Support to urban plan development
		04	Promotion of Imidugudu
		05	<i>Amelloration des Quartiers Informels</i>
		06	Cross-cutting issues: AIDS/Environment/ gender

Annex 5: Questions for discussions with smartgov at MINECOFIN

1. When did Smartgov evolve to become the single Integrated Financial Management Information System?
2. What information does it handle at MINECOFIN and is it responsible for all financial data used throughout Government?
3. What relationship is there between Smartgov and Development Assistance Database?
4. What budget framework other than the Finance Law govern the budget execution reporting in Rwanda? e.g. action plans and cash flow plans?
5. Does Smartgov have the MTEF projections by sector, including districts?
6. What kind of data and from what source is entered into Smartgov during budget preparation? How comprehensive is it? What expenditures are not yet included?
7. Is the programme able to classify the budgets according to sectors we wish to analyze e.g. MINIRENA budgets, approvals, releases/disbursements and execution by year for several years?
8. Is it possible to produce reports on financing gaps in disbursement and budget execution? Is it possible to produce reports on budget resources and approved resources by year?
9. Is it possible to clearly produce reports by sector:
 - budget analysis by budget trends by category
 - recurrent operational expenditure,
 - salary vs. non-salary,
 - management overheads vs service delivery,
 - capital development expenditure,
 - government Funded expenditure
 - Donor funded expenditure
 - allocation of expenditures at local government levels
 - allocation formula for decentralized expenditure
10. Is it possible to produce reports by sector an analysis of the budget by input mix at district level to show:
 - trends by category
 - recurrent operational expenditure
 - capital development expenditure
 - salary vs non-salary etc
11. Is it possible to produce the analysis of budget expenditure by input mix at institutional level as in 8 above e.g REMA, NAFA?
12. How does the Annual Budget cycle affect the preparation of the Budget execution report by Smartgov?
13. Does Smartgov record other information such as spending and commitments of Development Partners? Who prepares the budget codes in the national budget and how is this information disseminated to other stakeholders?
14. What is the current chart of account used in budgeting in Rwanda and when exactly was it introduced?
15. How does Smartgov interface with Auditor General in audit and accounting functions?
16. What reforms and improvements are being implemented or planned that will have a bearing in the way financial data will be summarized in future?