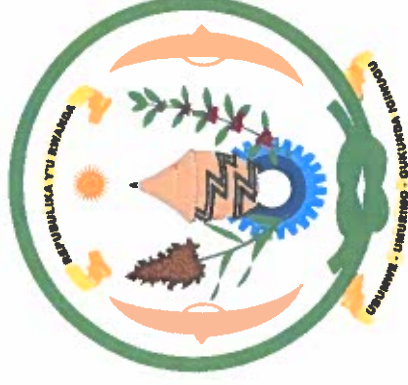


Government of Rwanda



Public Financial Management (PFM) Sector Strategic Plan (2018–2024)

September 2018

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Abbreviations

ACCA	Association of Chartered Certified Accountants	LODA	Local Administrative Entities Development Agency
BNR	National Bank of Rwanda	M&E	Monitoring and Evaluation
CAT	Certified Accounting Technician	MDA	Ministry, Department and/or Agency
CEO	Chief Executive Officer	MIFOTRA	Ministry of Public Service and Labour
CIA	Chief Internal Auditor	MINALOC	Ministry of Local Government
CIPS	Chartered Institute of Procurement and Supply	MINECOFIN	Ministry of Finance and Economic Planning
CPA	Certified Public Accountant	MINEDUC	Ministry of Education
CPD	Continuous Professional Development	MININFRA	Ministry of Infrastructure
DG	Director General	MINISANTE	Ministry of Health
DMC	Debt Management Committee	MITEC	Ministry of Information Technology and Communications
ERP	Enterprise Resource Planning software	MOU	Memorandum of Understanding
FDSC	Fiscal Decentralisation Steering Committee	MTEF	Medium-Term Expenditure Framework
GBE	Government Business Enterprise	NBA	Non-Budget Agency
GDP	Gross Domestic Product	NDPR	National Development Planning and Research
GPU	Government Portfolio Unit	NIP	National Investment Policy
ICPAR	Institute of Certified Public Accountants of Rwanda	NPPMD	National Programmes and Projects Monitoring Division
ICT	Information and Communication Technology	NST-1	National Strategy for Transformation 1
IFMIS	Integrated Financial Management Information System	OAG	Office of the Auditor General
IIA	Institute of Internal Auditors	PAC	Public Accounts Committee
IMF	International Monetary Fund	PAU	Public Accounts Unit
IPSAS	International Public Sector Accounting Standards	PEFA	Public Expenditure and Financial Accountability Framework

PFM	Public Financial Management	RWF	Rwandan Francs
PFM CF	Public Financial Management Coordination Forum	SEAS	Subsidiary Entities Accounting System
PIC	Public Investment Committee	SI	Strategic Intervention
PPP	Public-Private Partnership	SPIU	Single Project Implementation Unit
PS/ST	Permanent Secretary and Secretary to the Treasury	SSP	Sector Strategic Plan
QAG	Quality Assurance Group	TADAT	Tax Administration Diagnostic Assessment Tool
RDB	Rwanda Development Board	TPC	Tax Policy Committee
RPPA	Rwanda Public Procurement Authority	TWG	Technical Working Group
RRA	Rwanda Revenue Authority	VFM	Value for Money
RSSB	Rwanda Social Security Board		

FOREWORD

The Government has announced a step-change in its development ambitions. Vision 2050 sets ambitious goals to move Rwanda towards middle-income status by 2035 and to high-income status by 2050. The National Strategy for Transformation (NST-1), which covers the period 2018–2024, will put in place the foundations for delivering this Vision under three pillars: (i) economic transformation; (ii) social transformation; and (iii) transformational governance.

Improving public financial management (PFM) will be critical to achieving results under these three pillars. PFM involves the way that resources in the public sector are raised and executed. Considerable progress has been made in strengthening PFM over the past two decades. Today, Rwanda ranks as one of the top countries on influential international indicators for the quality of PFM, with stronger overall scores than many middle-income nations. However, NST-1 raises ambitions higher still. Building on the Government's earlier successes, this Public Financial Management Sector Strategic Plan (PFM SSP 2018–2024) sets out a plan for consolidating, strengthening and transforming different areas of the PFM system. In doing so, the PFM SSP will help to deliver broader commitments in the NST-1 by:

- increasing compliance with PFM rules and procedures, and ensuring public resources are used appropriately
- building PFM capabilities at the subnational level to support local investments and service delivery; and
- enhancing the Government's capabilities to raise revenues and increase value for money in spending.

The PFM SSP has an overall mission 'to support Rwanda's socioeconomic transformation through effective and accountable PFM'. This will be executed through seven (7) strategic objectives. Delivery will be coordinated by the Ministry of Finance and Economic Planning (MINECOFIN) but requires effective support from a large number of public entities – including the vast majority of ministries, departments, agencies, districts, service delivery units and government business enterprises (GBEs). The PFM SSP therefore places renewed emphasis on the many 'partnerships' needed to fulfil its ambitions, both within Government, and between the Government and its external stakeholders and development partners.

The PFM Coordination Forum has adopted this PFM SSP. I now call upon all stakeholders to support its effective implementation.



Caleb Rwamuganza

Permanent Secretary and Secretary to the Treasury

EXECUTIVE SUMMARY

Through Vision 2050, the Government has announced a ‘step-change’ in its development ambitions, with a central aim to transform Rwanda into a middle-income nation by 2035 and a high-income nation by 2050. The National Strategy for Transformation (NST-1) is the first development programme under Vision 2050 and will run for the period 2018–2024. It is intended to lay the necessary foundations for Rwanda’s transformative journey towards Vision 2050 and will be implemented under three pillars: (i) economic transformation; (ii) social transformation; and (iii) transformational governance.

This Public Financial Management Sector Strategic Plan (PFM SSP 2018–2024) reflects this ambition with a mission ‘to support Rwanda’s social and economic transformation through accountable and effective public financial management’. PFM concerns how the Government collects, spends and manages public resources, and the impact this has on the economy and society. Effective PFM provides a basis for sound economic management, for reliable public services, and for accountability between the Government and citizens over how public resources are used.

Under this PFM SSP, the Government has identified *three ways that improved PFM will support the delivery of NST-1*: (i) increasing compliance with PFM rules and procedures will consolidate fiscal controls and improve accountability for the way resources are used across Government; (ii) strengthening the PFM capabilities of districts to plan and execute local investments and services will help to expand basic infrastructure and enhance the delivery of essential services; and (iii) enhancing the Government’s ability to raise revenues and invest those resources efficiently will help to finance core commitments in NST-1 to raise growth without undermining the Government’s long-term commitment to fiscal discipline.

These aims correspond to a number of PFM challenges identified in recent diagnostic assessments, audits and consultations with stakeholders. Notably, while basic PFM systems are now in place, the Auditor General has highlighted that many public entities face difficulties when complying with existing rules and procedures. These challenges are particularly pronounced in districts and service delivery units where capacity for most aspects of PFM remains weaker than at the central government level. Audits, reviews and public reports have also revealed cases where resources have not been available in a timely way for important services (e.g. late payments of contractors, delayed capitulation grants and drug stock outs). These issues are sometimes linked to bottlenecks in the PFM system. Looking forward, the management of government business enterprises (GBEs) will also need to improve if GBEs are going to play a more significant role in promoting economic growth under NST-1. Equally, the Government’s medium-term expenditure framework (MTEF) could improve as a guide for spending decisions in ministries, departments and agencies (MDAs).

The Government has already put in place a number of strategies that aim to address some of these issues and strengthen PFM more generally. Important examples include the PFM Staff Learning and Development Strategy and the National Investment Policy, while a Fiscal and Financial Decentralisation Policy and Strategy is expected to be approved shortly. This PFM SSP highlights critical interventions from these strategies and provides a framework to align the various reforms to the broader objectives of the PFM Sector and to the commitments made in NST-1.

Overall, the reforms proposed in this PFM SSP differ from those put forward in the past in several ways. The previous reforms have been strongly guided by standard international benchmarks for PFM, most notably the Public Expenditure and Financial Accountability (PEFA) framework. However, such benchmarks are becoming less relevant for guiding or measuring future reforms as Rwanda now scores highly on these standardised measures of PFM. Furthermore, many basic systems for managing public resources and encouraging compliance are in place, particularly in MDAs. While these still need to be consolidated, the next set of reforms will increasingly focus on the subnational level to address PFM challenges in districts and subsidiary entities.¹ In addition, the Government is looking beyond systems that promote ‘compliance’ towards an emphasis on achieving greater ‘value for money’ from public policies. As reforms become more complex and international comparisons less obvious, the interventions of this SSP will need to be increasingly ‘home-grown’ and monitoring arrangements more qualitative.

The figure below summarises the strategic framework used to guide interventions under this PFM SSP. The mission is linked to the three pillars of NST-1 and the results that enhanced, effective PFM is expected to support. The Government aims to deliver these results by pursuing *seven interrelated objectives*. Two objectives (1-2) provide *support* across the PFM system in the form of improved technology, skills and partnerships. Four further objectives (3-7) involve the *consolidation, strengthening and transformation* of different areas of PFM. The objectives are:

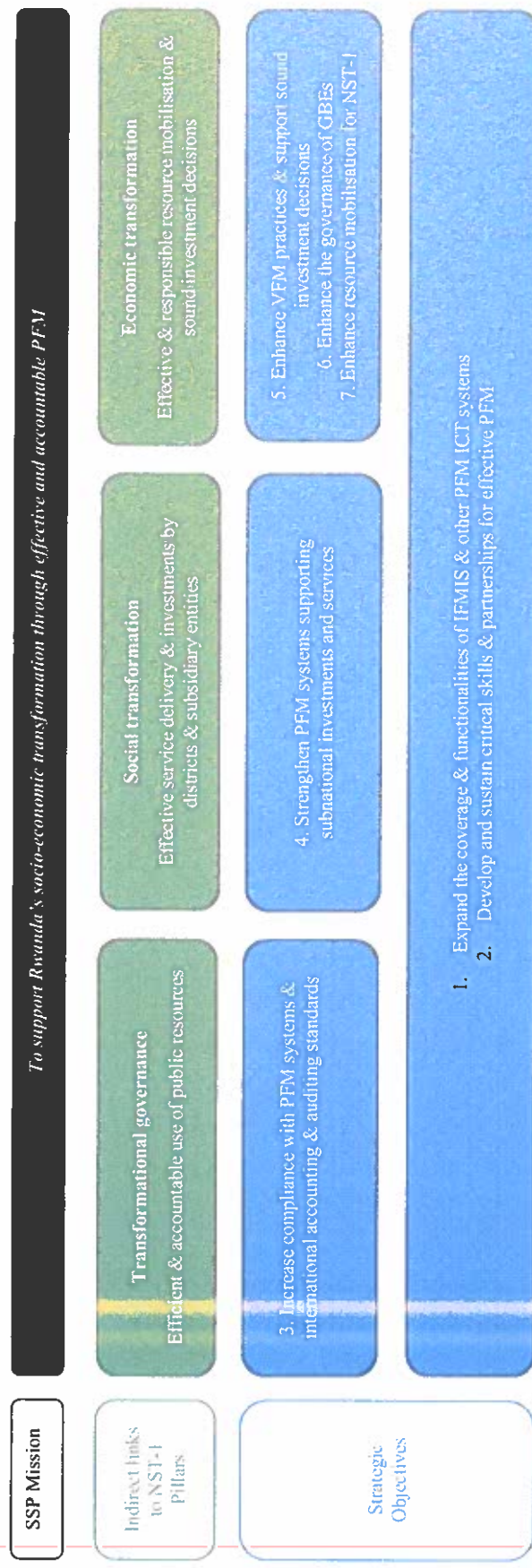
1. Expand the coverage and functionalities of IFMIS and other PFM ICT systems;
2. Develop and sustain critical skills and partnerships for effective PFM;
3. Increase compliance with PFM systems and international accounting and auditing standards
4. Strengthen PFM systems supporting subnational investments and service delivery;
5. Enhance value for money (VFM) practices and support sound investment decisions;
6. Enhance the governance of GBEs; and
7. Enhance resource mobilisation for NST-1 priorities.

This strategic framework provides the broad direction of future reforms and is expected to remain in place for the full duration of the PFM SSP. For each objective, the PFM SSP provides a *results framework* with key performance indicators to help judge progress and an *initial set of interventions*. These will be reviewed periodically to ensure they remain relevant to the broader goals of the PFM SSP and NST-1, and will be executed through a

¹ ‘Subsidiary entity’ is a formal term that captures the many different public entities that fall under the oversight of districts. They include lower levels of local government (e.g. sectors and cells) as well as service delivery units for health (e.g. district hospitals and health centres) and education (primary and secondary schools as well as technical, vocational education institutions).

series of Annual Work Plans with more detailed activities to be undertaken over a shorter time horizon. This approach provides the right balance between a stable strategic intent and a more flexible approach to respond to challenges and opportunities as they arise.

Figure 1: PFM SSP framework



The Ministry of Finance and Economic Planning (MINECOFIN) will coordinate the implementation of the PFM SSP under the oversight and guidance of a high-level Coordination Forum (PFM CF) and Technical Working Group (TWG) involving development partners and other key stakeholders. As a central part of this function, the PFM CF will lead the Joint Sector Review. The Single Project Implementation Unit (SPIU) in MINECOFIN will serve as a secretariat to these forums, and will also support coordination and reporting within the Government. A number of officials will be designated as 'component heads' responsible for delivering reforms in their institution or area of the PFM system. External Quality Assurance Groups (QAGs) may be used to help deliver particularly complex reforms.

The interventions outlined in the PFM SSP are estimated to cost around US\$ 114 million (RWF 112 billion) over six years and will be funded by the Government and development partners. These estimates are based on an initial set of activities identified by stakeholders.

1.0 INTRODUCTION:

1.1 BACKGROUND:

Vision 2050 and the National Strategy for Transformation (NST-1) set out an ambitious agenda to accelerate the rate of socioeconomic development in Rwanda. The central aim is to achieve middle-income status by 2035 and high-income status by 2050. This will be accompanied by measures to radically improve access to essential basic services, but also to transform the way that the Government provides and manages the public sector.

This Public Financial Management Sector Strategic Plan (PFM SSP 2018-2024) is one of 16 sector strategies that will guide the Government's efforts to meet the ambitions of NST-1. PFM is a crosscutting sector that concerns how the Government collects, spends and manages public resources, and the impact this has on the economy and society. A strong PFM Sector provides the basis for sound economic management, reliable public services and accountability between the Government and citizens over how public resources are being used.

The PFM SSP builds on nearly two decades of successful reforms. As a result of these and other reforms, Rwanda is known globally for its effective public services, strong fiscal discipline and low levels of corruption. While this constitutes a significant success, NST-1 demands that reforms continue to build stronger and more effective PFM systems, which will transform economic, social and governance performance.

1.2 PURPOSE AND STRUCTURE OF THE PFM SSP:

1.2.1 The purpose of the PFM SSP

The PFM SSP (2018-2024) has three underlying motives:

- (a) *To respond to the demands associated with delivering NST-1.* PFM reforms will contribute to NST-1 goals either directly and/or indirectly. Objectives in NST-1 are grouped under three pillars: (i) economic transformation, (ii) social transformation and (iii) transformational governance. The direct link will be to support a transformation in governance to deliver 'effective, efficient PFM'. However, enhanced, efficient PFM is expected to contribute indirectly to the broader ambitions of NST-1. For this reason, the PFM SSP has identified reforms that are also expected to support NST-1 objectives for delivering economic and social transformation.
- (b) *To provide strategic direction for broader PFM reforms already planned by the Government.* A number of strategies and policies are already in place to guide improvements in PFM. The PFM SSP aims to provide a high-level strategic focus for these reforms that links clearly to the commitments under NST-1, but it does not aim to capture all reforms that will impact on PFM in Rwanda. Instead, the PFM SSP will continue to be supported by a number of strategies, policies, guidelines and other documents that aim to guide improvements to PFM systems. These also provide more detail about the content of reforms and the pace of implementation.

(c) *To address outstanding challenges identified through previous reviews and diagnostics of the PFM system.* The quality of PFM in Rwanda has improved significantly over the past two decades, as illustrated by diagnostic studies such as the Public Expenditure and Financial Accountability (PEFA) assessments published in 2007, 2010 and 2016. However, there are still opportunities to improve PFM in some areas, such as the management of public assets or the use of internal audit structures put in place under the previous PFM SSP (2013–2018).

1.2.2 Process for the elaboration of the PFM SSP

The PFM SSP has been developed through a consultative process between September 2017 and March 2018, led by the Ministry of Finance and Economic Planning (MINECOFIN). The strategy formulation was facilitated by the Overseas Development Institute (ODI) and funded by the United Kingdom's Department for International Development (DFID).

Formal and informal consultations were held within MINECOFIN and with a range of stakeholders. These stakeholders included development partners and institutions leading existing PFM reforms – notably the Rwanda Revenue Authority (RRA), Rwanda Public Procurement Authority (RPPA) and Office of the Auditor General (OAG). Other groups consulted included the Ministry of Public Service and Labour (MIFOTRA), Ministry of Local Government (MINALOC), Local Administrative Entities Development Agency (LODA), Rwanda Development Board (RDB), selected sector line ministries and districts, and Institute of Certified Public Accountants Rwanda (ICPAR).

The PFM SSP also draws on recent audits and diagnostic studies, most of which were conducted since 2015. It responds to the findings of an evaluative review of the previous PFM SSP (2013–2018) and is aligned to recent strategies and policies related to PFM, including the PFM Staff Learning and Development Strategy, the International Public Sector Accounting Standards (IPSAS) Implementation Blueprint, the Fiscal and Financial Decentralisation Policy and Strategy, the National Investment Policy and the Public Private Partnership Policy.

1.2.3 Structure of the PFM SSP

The remainder of the PFM SSP is divided into three sections:

- **Section 2** provides an overview of the PFM Sector, including the key organisations involved in reforms and outstanding challenges to be addressed by reforms in the PFM SSP.
- **Section 3** outlines the strategic framework, which links high-level objectives in the PFM SSP to commitments in NST-1. It also describes the priority interventions planned for the medium term, which will be elaborated in an Annual Work Plan.
- **Section 4** describes the arrangements for coordinating and monitoring progress towards the objectives of the PFM SSP, including some guidelines for amending the objectives and performance indicators, if they lose relevance over time.

2.0 SECTOR OVERVIEW:

2.1 INSTITUTIONAL OVERVIEW:

The PFM system combines numerous, interlinked sub-systems involving different organisations and disciplines. Some of these sub-systems are linked very closely, such as the rules that govern how the national budget is prepared, approved and reported on. Other sub-systems are less closely related. For example, government business enterprises (GBEs) operate largely outside the national budget process under the supervision of a board and the ministers responsible. This makes the PFM Sector different from other sectors, such as health and education, where policies are more discrete and where institutions operate in a more homogenous and clearly defined policy arena.

Responsibilities for PFM are assigned by the Constitution (2003) and the Organic Law on State Finances and Property (law no. 12/2013). Other supporting laws, regulations, orders and instructions provide further detail on specific areas of PFM, such as the Law on Public Procurement (law no. 12/2007). This provides the broad framework for the use and accountability of public resources. Different organisations play a delivery, regulatory or oversight function within the PFM system, with important variations between ministries, departments and agencies (MDAs), GBEs, and local governments and subsidiary entities, as summarised in Table 1, below. However, as an overarching structure:

- **MINECOFIN** sets and manages the rules of the PFM system, coordinates the budget process and reports to Parliament on the Government finances. As well as the core ministry, a number of specialised agencies also report to the Minister of Finance – including the RRA and RPPA.²
- **Parliament** approves and oversees taxation and spending by the Government, mainly through the national budget but also through other laws. The Parliamentary Committee on Budget (PCB) scrutinises the national budget before it is approved (*ex ante*). After the end of the fiscal year, the Public Accounts Committee (PAC) reviews the public accounts and the findings of the Auditor General (*ex post*).
- **MDAs, districts, subsidiary entities and GBEs** deliver services using public resources. These entities must ensure that resources are used in accordance with the relevant laws and guidelines and report to MINECOFIN. However, the different entities follow different rules and have different reporting lines beyond MINECOFIN. For example, MDAs report on financial performance to Parliament; GBEs report to their board and shareholding ministers; and districts report to the District Council, MINALOC and (for some spending) to LODA.
- **The OAG** provides independent assurance to Parliament and the District Councils that public funds are being managed appropriately. It conducts audits on a financial and compliance basis, and has also recently audited the value for money of spending in some sectors. While the OAG does audit some GBEs, others use commercial firms, which then provide the audit report to the Board and OAG.

² For a full organogram of MINECOFIN see: <http://www.minecofin.gov.rw/index.php?id=292&L=1%2527%2522>

Table 1: Institutional arrangements for different types of delivery unit

Delivery unit	Responsibility	Regulated by	Overseen by
MDAs	Minister and Director General (DG)	MINECOFIN	Parliament
Districts	District Mayor and DG	MINECOFIN, MINALOC, LODA	District Council, Parliament
GBEs	Chief Executive Officer (CEO)	Board, MINECOFIN, line ministry	Parliament

Alongside these core institutions, a number of other organisations form part of the PFM Sector. Development partners have been a critical source of financial and technical support in the PFM sector over the past two decades. Some may also set special requirements for the way external grants and loans are managed by the Government, particularly if these resources are managed using Rwandan PFM systems. The Government has also helped establish professional institutes such as ICPAR; the Institute of Internal Auditors (IIA); and the Procurement Institute. These institutes play a role in regulating accounting, internal audit and procurement professions in Rwanda across both the private and public sectors.

There are also public entities that are not part of the PFM Sector but that are important for delivering effective PFM. The RDB plays a lead role in the management of public-private partnerships (PPPs); the National Institute of Statistics (NISR) produces statistics for policy and planning purposes; the Rwanda Governance Board (RGB) oversees service delivery and citizens' engagement; and the Agaciro Development Fund has been given a mandate to manage the Government's shareholdings. Finally, there are civil society groups, private sector organisations and the general public, which are important stakeholders in the broader PFM Sector.

In some areas, the Government has established committees to support coordination and policy decisions across different organisations in the PFM Sector. These include the Tax Policy Committee (TPC), Public Investment Committee (PIC), External Finance Committee, Debt Management Committee (DMC) and Fiscal Decentralisation Steering Committee (FDSC). In most cases, MINECOFIN provides a secretariat function.

A key feature of the new PFM SSP will be to make the most of the wide range of partnerships in the Government and with the broader external stakeholders in the PFM sector and beyond. The strategic framework in Section 3, therefore, includes a dedicated objective to build these partnerships alongside the broader skills available to the PFM sector.

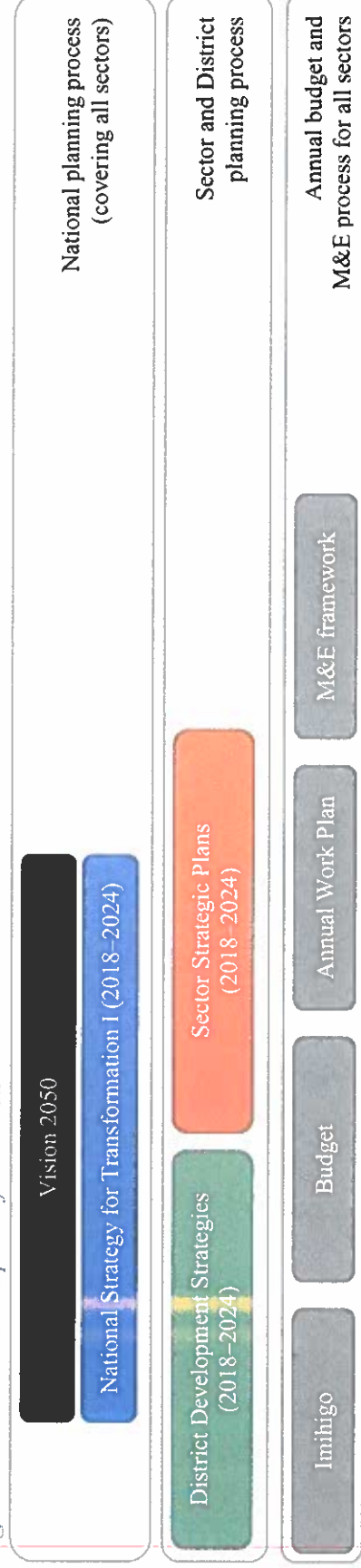
2.2 POLICY CONTEXT:

The PFM SSP outlined here aims to respond to three broad policy challenges. First is to deliver the PFM systems that can support the demands of the NST-1 and, ultimately, lay the foundations for meeting Vision 2050. Secondly, the SSP aims to give strategic direction to those PFM reforms that are already planned by the Government – as expressed through a number of sub-sector and institutional strategies. Thirdly, the SSP aims to identify and target those existing areas of the PFM system that require additional investments to bring performance up to the required level. The rest of this section explains these broad policy challenges in more detail.

2.2.1 Overview of Rwanda's planning framework

The first priority of the PFM SSP is to respond to the demands of NST-1 and Vision 2050 as set out in Rwanda's development planning framework (Figure 2, below). As explained above, Vision 2050 sets an ambitious development path for Rwanda to progress towards middle-income status by 2035 (US\$ 4,035 GDP per capita) and high-income status by 2050 (US\$ 12,476 GDP per capita) – in line with the request of the 13th National Umushyikirano Council in 2015.³ Vision 2050 will be implemented through a series of national development plans starting with the first six-year National Strategy for Transformation (NST-1 2018–2024). Implementation of NST-1 is coordinated through 16 Sector Strategic Plans (SSPs) and 30 District Development Strategies (DDSs), including this PFM SSP.

Figure 2: Rwanda's development framework



³ In implementing Vision 2050, the NST-1 mainstreams the following far-sighted global commitments: the Sustainable Development Goals (SDGs), the Africa Agenda 2063 and its first 10-Year Implementation Plan, the East African Community (EAC) Vision 2050; and the Conference of the Parties (COP) 21 Paris Agreement on Climate Change.

2.2.2 Commitments in NST-1 and links to PFM

The objectives of NST-1 are structured under the three pillars for: economic transformation, social transformation and transformational governance. Under the pillar for transformational governance, NST-1 has an explicit commitment to deliver ‘enhanced, effective public financial management’. This commitment provides a *direct link* between the PFM SSP and NST-1. It also sets some objectives for the PFM Sector, such as to increase the share of public entities receiving unqualified audit opinions on financial reporting and compliance with PFM rules from 32% to 70%.

PFM systems will also support, *indirectly*, the broader NST-1 goals of economic and social transformation, as well as other aspects of transformational governance. For example, effective planning and budgeting will support the overall coordination of NST-1 commitments. Sound fiscal policy will support the macroeconomic stability needed to foster private investment, while effective resource mobilisation and public investments will help to raise Rwanda’s economic potential. Improved PFM capacity in districts and sectors, combined with a strong framework for decentralisation, will help to finance and expand basic services such as primary healthcare, primary education and water. Further strengthening the integrity and transparency of the PFM system will assist the Government’s zero tolerance of corruption, but will also provide a foundation for accountability to Parliament and the public for the use of public resources.

Together, these direct and indirect links will ensure that PFM reforms have the best possible chance of supporting the delivery of NST-1. The direct link to the NST-1’s vision of ‘enhanced, effective PFM’ allows the objectives in the PFM SSP to be integrated into the combined costing and monitoring and evaluation framework for NST-1 as a whole. The indirect links provide a basis for prioritising activities in the PFM SSP, to ensure that better PFM is not seen just as an end in itself, but as a basis for enabling other Sectors to meet their objectives as well.

Table 2: Direct and indirect links between the PFM SSP (2018-2024) and NST-1

NST-1 Pillars		Commitments in NST-1	Related aims of the PFM Sector
Transformational governance (direct and indirect link)		Strengthened capacity and accountability of public institutions, including a zero-tolerance to corruption and delivering ‘enhanced, effective PFM’.	Efficient and accountable use of public resources, including by ensuring more entities receive unqualified audit opinions.
Social transformation (indirect link)		Improved quality and access to healthcare, primary education and other basic services.	Effective support for service delivery and investments at the subnational level, including mechanisms to finance those services.
Economic transformation (indirect link)		- Job creation, economic growth and urbanisation. - Infrastructure for trade competitiveness and secondary cities.	Sound fiscal policy, effective resource mobilisation and high-quality investment decisions.

2.2.3 Key sector strategies and policies

The second priority of the PFM SSP is to provide strategic direction for broader PFM reforms already planned by the Government. These include reforms outlined in the Fiscal and Financial Decentralisation Policy and Strategy; National Investment Policy; Results-Based Management Policy; Public-Private Partnership Policy; the ICPAR development programme and similar initiatives for other regulatory bodies; the PFM Staff Learning and Development Strategy; and the blueprint for implementing accrual-based International Public Sector Accounting Standards. A number of agencies in the PFM Sector also have their own dedicated strategic plans, including the RRA, RPPA and OAG. The PFM SSP aims to create an overarching framework within which these discrete sub-strategies can sit, and only highlights the interventions that are particularly important for supporting delivery of NST-1. These sub-strategies will need to be aligned with this PFM SSP to ensure a coherent PFM reform programme.

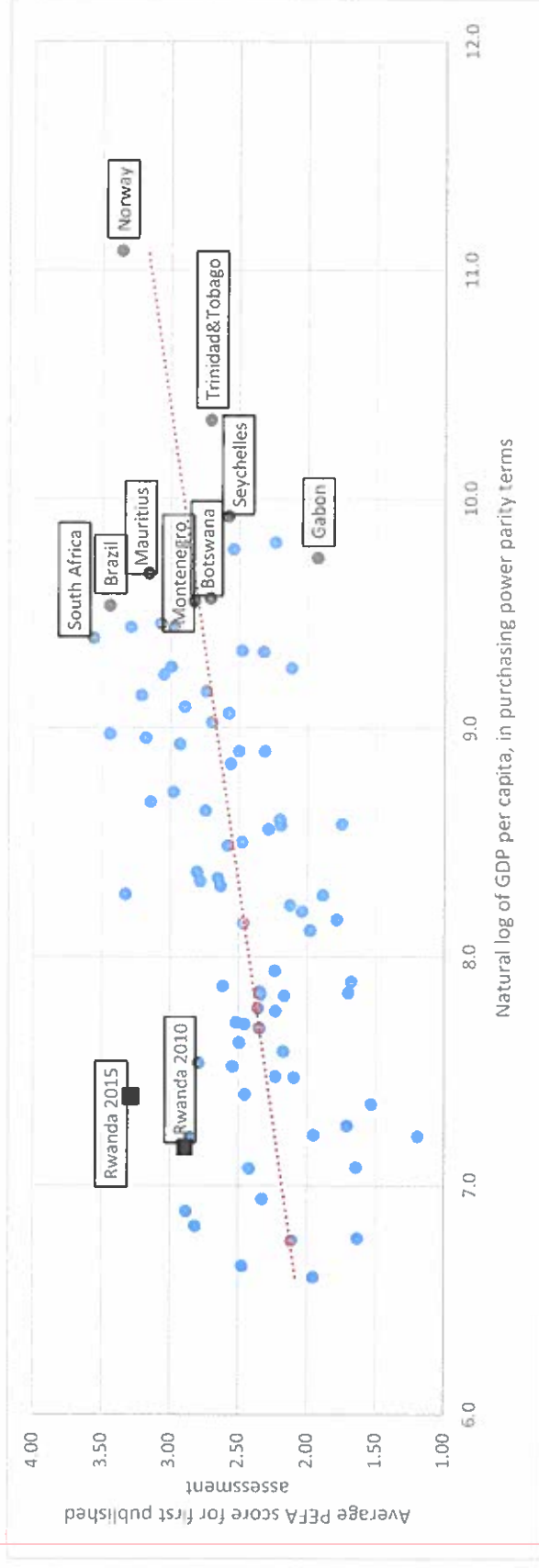
As part of this strategy, there is a need to align structures for coordination. A number of forums have been established (or will be established) to coordinate the delivery of the reform strategies listed above. This includes a Fiscal Decentralisation Steering Committee and a new structure for coordinating the PFM Staff Learning and Development Strategy. The approach to coordinating the PFM SSP is set out in Section 4.1, below. It will support links between these interventions by including all reform leads in meetings of the PFM Coordination Forum (PFM CF) and Technical Working Group (TWG), and by arranging any necessary internal structures for encouraging the flow of information within the Government.

2.3 SECTOR CHALLENGES AND ACHIEVEMENTS:

2.3.1 Overall progress under the PFM SSP 2013–2018

The previous PFM SSP (2013–2018) has been successful in driving significant improvements in PFM systems and outcomes. An evaluative review of this SSP concluded that a significant number of the expected performance targets were met; and where targets were not met there had typically been significant progress in developing the relevant PFM sub-systems and/or a recognition that the specific target set in 2013 may no longer be appropriate for the evolving PFM sub-system area. Comparing Rwanda's 2010 and 2015 PEFA assessments shows notable improvements in PFM in recent years, which puts Rwanda clearly at the highest end of performance compared to other countries at similar levels of GDP per capita, or indeed countries with much higher levels of development such as Botswana and Montenegro (Figure 3, below). It is against this strong progress that the new objectives of the PFM SSP are framed.

Figure 3: Comparison of average PEFA scores and GDP per capita using a numerical conversion of PEFA scores



Source: PEFA Secretariat data for the first publicly available PEFA assessment for each country; data has been converted so that a PEFA indicator score of 'A' is equivalent to a number score of '4' while a 'D' is marked as '1'. Methodology is provided by de Renzio (2009) 'Taking Stock: What do PEFA Assessments tell us about PFM systems across countries?'

2.3.2 Outstanding PFM challenges

The third priority of the PFM SSP is to address weaknesses identified through previous reviews and diagnostics of the PFM system. Despite the strong overall improvement in PFM, there remains scope to strengthen several key areas of the PFM system. In some cases, this will be to address challenges faced today. In other cases, it pre-empt the significant demands and change anticipated under NST-1.

(a) Aggregate fiscal controls are in place and prudent fiscal policies need to be maintained

The Government continues to demonstrate a commitment to fiscal discipline underpinned by a PFM system that is able to control aggregate spending effectively. This has been illustrated in recent years by the strong performance under the International Monetary Fund (IMF) Policy Support Instrument, which sets periodic benchmarks for key aspects of macroeconomic and fiscal performance. The Government also retains a rating as

being of 'low risk of debt distress' and is committed to ensuring this stability continues to provide a sound environment for domestic and foreign investment.

The key challenge going forward is to build on this strong foundation. As the economy and fiscal policy instruments become more complex, the Government will need to respond by strengthening its analytical capabilities in the PFM system. For example, the recent PEFA assessment identified the analysis of contingent liabilities from PPPs as one area that could be strengthened, along with the analysis of tax expenditures in the context of inevitable trade-offs between raising domestic taxes and fostering business development.

(b) The credibility of the MTEF has supported aggregate controls, but could be a better guide for spending of individual public entities

Underpinning the Government's strong record in managing fiscal policy is a reliable budget system for central government. The annual budget is framed by allocations in a medium-term expenditure framework (MTEF) covering the budget year and two further years. Unlike in many other countries, the MTEF has improved as a guide for the total level of spending allocated in the budget. The budget also remains a good guide for total revenues and expenditures during the year while retaining the flexibility needed to adjust to the changing economic environment.

Despite this strong overall position, there remain opportunities to strengthen the reliability of the budget. While the MTEF is reliable at the aggregate level, it is less credible as a guide for spending in MDAs or local governments on a year-to-year basis. MDAs also continue to have an incentive to bid for resources far in excess of the MTEF allocation as part of the annual planning cycle, before the start of the budget. Improving these incentives could support improved management of projects and other multi-year commitments. There may also be opportunities to further ensure that commitments made through Imihigo performance contracts are fully incorporated into the budget.

(c) Payments cannot always be made in a timely way and there are examples of bottlenecks affecting resources for front-line services

Against international benchmarks, Rwanda compares favourably on measures of the Government's ability to make payments in a timely fashion. Many low- and middle-income countries hold substantial payment arrears (when payments are delayed for 90 days or more). The most recent PEFA assessments conducted in Rwanda showed that new arrears were negligible as a share of the national budget and remain modest at district level as well. Nonetheless, there remains a mismatch between the timing of revenue collections and expenditures, which means that there can be periods of the year when payments are more difficult to make on time.

There have also been isolated examples of delays in certain kinds of payments and resource flows (including in-kind resources). Historically, these included challenges with paying new teachers at the start of the first term, delays in capitation grants, stock outs of drugs in some facilities and the recourse to emergency procurement procedures in the health sector. Today, the magnitude and reason for delays varies, but the Government remains committed to identifying, analysing and addressing PFM constraints to better service delivery.

(d) Corruption is low, but capacity to comply with PFM procedures needs to improve

Considerable progress has been made in ensuring the integrity of public use of resources – as evidenced by Rwanda’s positive scores on international indicators of corruption. Oversight structures such as the Public Accounts Committee provide strong incentives to manage resources properly. This combined with improved capacity building, clearer legislation and other changes made by the Government under the previous PFM SSP, to promote increasing levels of compliance with financial reporting standards, and most public entities now receive ‘unqualified’ audit opinions on this basis.

However, the introduction of compliance audits in 2015/16 illustrates that many entities have struggled to comply fully with broader PFM rules and procedures. There is also considerable variation in audit performance across different types of public entities, with MDAs generally receiving more positive reports than Boards and subnational governments. The OAG has also noted that follow-up on audit recommendations has declined in recent years, partly because outstanding issues are increasingly complex or require further clarifications in the law or guidelines, while value for money (VFM) audits point to challenges with some aspects of PFM, such as contract management.

(e) Capacity to support good PFM is weaker at the subnational level than at the national level

The strengthening of PFM systems and outcomes at national level has not yet been matched to the same extent at the subnational level. As part of the drive to decentralise services, an increasing share of the budget is now executed at the district level. This trend is expected to continue under NST-1 and Vision 2050. However, the evaluative review noted that most stakeholders consider PFM capacity at the district level to be weaker than central government. The clearest evidence of this weakness is that no district has yet received an unqualified audit opinion. One contributing factor is that districts lack capacity, systems and structures to oversee the activities and accounts of subsidiary entities such as sectors, hospitals and schools. However, there are also other factors such as the quality of budget preparation and project planning. Gaps in the fiscal decentralisation architecture have also been identified, including clarity over expenditure assignments. Responsibility for addressing these challenges is shared between a number of MDAs and stakeholders have demanded a more systematic approach to fiscal decentralisation and subnational PFM going forward.

(f) The management of GBEs needs to be reviewed

Another set of institutions requiring dedicated support is GBEs. There is great diversity among GBEs – the Government may be a majority shareholder or a minority shareholder; and the GBE may have a commercial function or a stronger social mandate, such as the provision of water and electricity. Critically, there are examples of GBEs that face persistent financial losses and qualified audit opinions. Improved fiscal risk management in MINECOFIN is already helping to monitor these issues more actively than in the past.

However, there remain issues related to the governance arrangements for managing GBEs which need to be resolved. GBEs are not part of the usual budgetary cycle of central government, but are overseen by a board and two ministries: MINECOFIN is the shareholder and is in charge of financial

performance of the GBE, while a sector portfolio ministry is responsible for the non-financial performance. These actors do not always share a clear view of what constitutes 'success' for a given GBE, while boards are often seen as being unable to effectively perform their oversight role. Demands of NST-1 will place greater emphasis on strong GBE performance for supporting growth and service delivery. This will require improvements in corporate governance and oversight arrangements, as well as the framework used to guide Government investment (and divestment) in these entities.

2.3.3 Key lessons for the approach to managing PFM reforms

The evaluative review of the PFM SSP (2013–2018) also noted several issues relating to *how* the Government should approach the next generation of PFM reforms over the medium term. These represent lessons learned from the Government's efforts to strengthen PFM to date, as well as a synthesis of experience from other countries. These issues have been considered by MINECOFIN and are now reflected in the plans for design and operation of the SSP (2018–2024), as outlined in the strategic framework and implementation arrangements in Sections 3 and 4, respectively.

The key lessons noted in the evaluative review for the next PFM SSP include:

(a) The PFM SSP (2018–2024) will need to closely relate its reform areas to the NST-1

The previous SSP has handled the challenge of extending and consolidating basic PFM systems by adopting a 'whole-of-cycle' approach. Indeed, the structure of the programme monitoring framework was around a 'standard' budget cycle. This has successfully delivered reform in almost all areas of the PFM and budget cycle and resulted in comprehensive change. Looking forward, if many basic systems are in place, then the future SSP can more strategically select specific PFM reforms that align most closely with the NST-1 priority areas.

(b) Rwanda increasingly needs to find its own PFM reform path.

To deliver its ambitious reform plan, the Government will increasingly need to develop its own bespoke, 'home-grown' solutions. Many interventions in the previous PFM SSP were derived from benchmarking systems in Rwanda against the PEFA framework. Going forward, realistic PEFA-based comparisons of PFM systems from countries at higher GDP per capita levels are few, as Rwanda now scores higher than most other countries on this framework. Reforms that will deliver the kind of 'transformation' that Rwanda is looking for are also less obvious from a review of global experience – with countries taking very different approaches depending on their specific context or needs. In addition, growth in government revenues and changes in the development finance landscape abroad means that the Government will increasingly fund PFM reforms from the domestic budget. For these reasons, interventions in the PFM SSP (2018–2024) will need to be increasingly 'home-grown'.

(c) Reforms will move beyond 'ensuring compliance' with PFM rules towards 'making best use' of information for policy and service delivery

Looking beyond these immediate challenges, the next generation of reforms will start to look quite different. As compliance systems are rolled out, made routine and consolidated, the focus of improved performance will shift towards greater concerns over value for money. Vision 2050 requires a shift towards a more analytical ‘thinking bureaucracy’ that actively uses the information that PFM systems can produce to inform better policy across the board, and away from a system that puts a priority on basic adherence to rules. The PFM SSP (2018–2024) intends to support this aim by facilitating a gradual move beyond strict compliance, without compromising the important gains in financial control and accountability.

(d) The outcomes of the PFM SSP (2018–2024) will be harder to measure

As PFM reforms become more complex, they are likely to be less easy to measure. Improving the quality and effective use of systems is generally harder to measure than the enforcement of basic compliance with PFM processes, procedures and practices. The benefits of improving quality and effectiveness in PFM systems are likely to be wide-ranging and far-reaching in the medium term; but may be less visible in the short term. It will therefore require greater consideration of the different ways in which this kind of reform can be monitored and measured.

(e) Future SSPs can usefully build in flexibility to the results framework/monitoring system

The usefulness of the previous SSP results framework has been challenged to some degree because targets for some reforms were either not set or were subject to regular amendments. On a positive note, this suggests that the strategy has responded to the changing nature and context of PFM. For example, an initial aim to publish integrated financial and non-financial information was replaced in practice by a stronger integration of Imihigo performance contracts with the planning and budgeting cycle. The PFM SSP (2018–2024) aims to consciously clarify the formal mechanisms to amend elements of the results framework over time – while balancing the need to flexibly adapt interventions to a changing context.

(f) The role of donor partners within the PFM SSP (2018–2024) shall be made clearer

Donors have signalled a willingness to provide continued support to PFM reform in Rwanda over the 2018–2024 period. This is welcomed as a positive ‘vote of confidence’ in the Government’s ability to deliver effective PFM reforms. The PFM SSP (2018–2024) sets out the content of the reform plan and can then be used as a platform to finalise the details of donor support for PFM reforms. As part of this, the Government and its development partners will collaboratively review, re-affirm and renew the rules, processes and procedures that govern donor-government cooperation on PFM.

2.4 SUMMARY OF KEY CHALLENGES:

This section has so far presented a number of important issues that are reflected in the objectives and approach of this PFM SSP (2018–2024). To start with the issues that have shaped the content of the SSP: this section has explained that the PFM SSP needs to align directly to the commitment in NST-1 for ‘enhanced, effective PFM’, but that the aim of PFM reforms will be to support the broader goals of NST-1 for economic and social transformation, and transformational governance. It has also summarised some of the key outstanding challenges with PFM in Rwanda and has presented a number of policies and strategies that the Government already has in place (or are under development) to address these issues. The PFM SSP aims to link these together effectively, as presented in the Table 3 below, in order to support a coherent reform programme. This provides the basis for the SSP strategic framework.

Table 3: Relationship between PFM SSP and NST-1 goals, outstanding challenges and existing policies/strategies

PFM link to NST-1	Outstanding challenges	Relevant policies and strategies
Efficient and accountable use of public resources, including by ensuring entities receive unqualified audit opinions and maintaining zero tolerance to corruption.	- Audits note challenges with compliance with PFM procedures. - Audit also identifies a declining rate of follow-up on audit recommendations by public entities.	PFM Staff Learning and Development Strategy; Financial and Fiscal Decentralisation Policy; OAG strategy; RPPA Strategy; etc.
Effective support for service delivery and investments at the subnational level (districts and service delivery units).	- PFM outcomes are generally weaker at the subnational level and responsibilities for service delivery are not always clear. - Resources are not always available to make payments in a timely way, and there can be isolated cases of late payments or stock outs.	- Learning and Development Strategy - Financial and Fiscal Decentralisation Policy
Sound fiscal policy, effective resource mobilisation and high-quality investment decisions.	- The MTEF could be a more reliable guide for how much individual MDAs will spend. - Institutional arrangements for managing GBEs make oversight of overall performance difficult. - Reforms will gradually need to move beyond ‘ensuring compliance’ with PFM rules towards ‘making best use’ of PFM systems to support improved value for money from public spending.	PFM Staff Learning and Development Strategy; Financial and Fiscal Decentralisation Policy; IPSAS Blueprint; National Investment Policy; PPP Policy; RRA Strategy; RPPA Strategy; etc.

The second set of issues that were discussed in this section relate to the way PFM reforms have been approached and how this could be improved. These have a consequence for the way that the SSP is structured (Section 3), the coordination structures that are put in place for implementing the SSP (Section 4) and how 'success' can be measured in the results framework (Section 4 and Annex 2). A summary of how these have been addressed is provided in Table 4 below.

Table 4: Ways in which the PFM SSP has been strengthened

Key lessons from the PFM SSP (2013–2018) evaluative review	Response in this PFM SSP
As scores on international benchmarks are already high, Rwanda increasingly needs to find its own PFM reform path.	The PFM SSP prioritises 'home-grown' solutions to outstanding challenges. The Government will also draw on lessons from implementing an integrated financial management information system (IFMIS) with the use of expert Quality Assurance Groups to inject fresh thinking and relevant international thinking and expertise.
The outcomes of the next generation of PFM reforms will be harder to measure.	The results framework identifies a number of measures that are good proxies for improvements, or relies on more detailed studies in specific areas/sectors. These are not expected to capture all important outcomes that will result from the SSP, but will provide a basis for judging success in areas of high impact.
The PFM SSP will need to closely relate its reform areas to NST-1.	The strategic framework presented in Section 3 aims to prioritise PFM reforms that link directly and indirectly to the broader goals of NST-1.
Future SSPs can usefully build in flexibility to the results framework.	The implementation arrangements outline the roles and responsibilities of different stakeholders in the PFM Sector, but also who has authority to make changes to the SSP and Annual Work Plan.
The role of donor partners within the PFM SSP shall be made clearer.	The implementation arrangements give the Sector and TWGs greater responsibilities for monitoring progress in the overall SSP, not just interventions financed by development partners.

3.0 STRATEGIC FRAMEWORK:

3.1 GUIDING PRINCIPLES:

The following principles have guided the elaboration of the PFM SSP and will be important for its successful execution:

- a. *Support NST-1.* With basic PFM systems now largely in place in many areas of the public sector, the PFM SSP will prioritise reforms that are most likely to support the ambitious development agenda set out in NST-1.
- b. *Complete unfinished business.* This SSP will come into action at the end of the current SSP in June 2018. Critical PFM reforms not yet fully achieved will continue under this new PFM SSP (2018–2024). This will include an ongoing effort to support compliance with core rules and procedures of financial management as judged by the OAG.
- c. *Find home-grown solutions.* Whilst PEFA and other diagnostic instruments will remain important inputs, the next generation of reforms will not be able to rely as heavily on standard international benchmarks. The SSP will identify interventions and indicators that are more tailored to Rwanda’s specific context.
- d. *A growing focus on ‘value for money’.* As compliance with PFM systems is made routine and consolidated, the focus of improved performance will shift gradually towards greater concerns over value for money. This puts more emphasis on how the Government can use the information that PFM systems can produce to inform better policy and financial decisions.
- e. *Ensure sustainability.* The pursuit of future PFM reforms must go hand-in-hand with the consolidation of successes already registered to mitigate any potential declines. Consequently, this SSP will put equal emphasis on the consolidation, strengthening and transformation of different areas of the PFM system.
- f. *Build strong partnerships.* The PFM system is dependent on effective coordination and mutual accountability of the many actors that participate within it. With expectations raised by NST-1, this PFM SSP will put renewed focus on building stronger partnerships within and across the Government and with external stakeholders to deliver the reforms and results expected.

3.2 MISSION, OBJECTIVES AND STRATEGIC INTERVENTIONS:

3.2.1 PFM SSP mission and strategic objectives

The PFM SSP mission is: *‘to support Rwanda’s socioeconomic transformation through effective and accountable public financial management’.*

The success of this mission will be tracked against the following three *high-level results* tied to the three pillars of NST-1: (i) efficient and accountable use of public resources; (ii) effective service delivery and investments by districts and subsidiary entities; and (iii) effective and responsible resource mobilisation and sound investment decisions.

Strategic objectives: The SSP aims to deliver the following seven strategic objectives:

(1) Expand the coverage and functionalities of IFMIS and other PFM ICT systems; (2) Develop and sustain critical skills and partnerships for effective PFM; (3) Increase compliance with PFM systems and international accounting and auditing standards; (4) Strengthen PFM systems supporting subnational services and investments; (5) Enhance VFM practices and support sound investment decisions; (6) Enhance the governance of GBEs; and (7) Enhance resource mobilisation for NST-1 priorities.

To be clear, the objectives of the SSP set out a strategic intent to guide the Government’s reform programme. Success is described largely in narrative terms which captures the spirit of what the Government aims to achieve. In order to support a more concrete monitoring and evaluation process, the objectives are broken down into outcomes that can be tracked through a small number of indicators in the results framework presented in Annex 2. However, these indicators of success will only be a partial measure of the ambitions of the SSP, which remain wide-ranging.

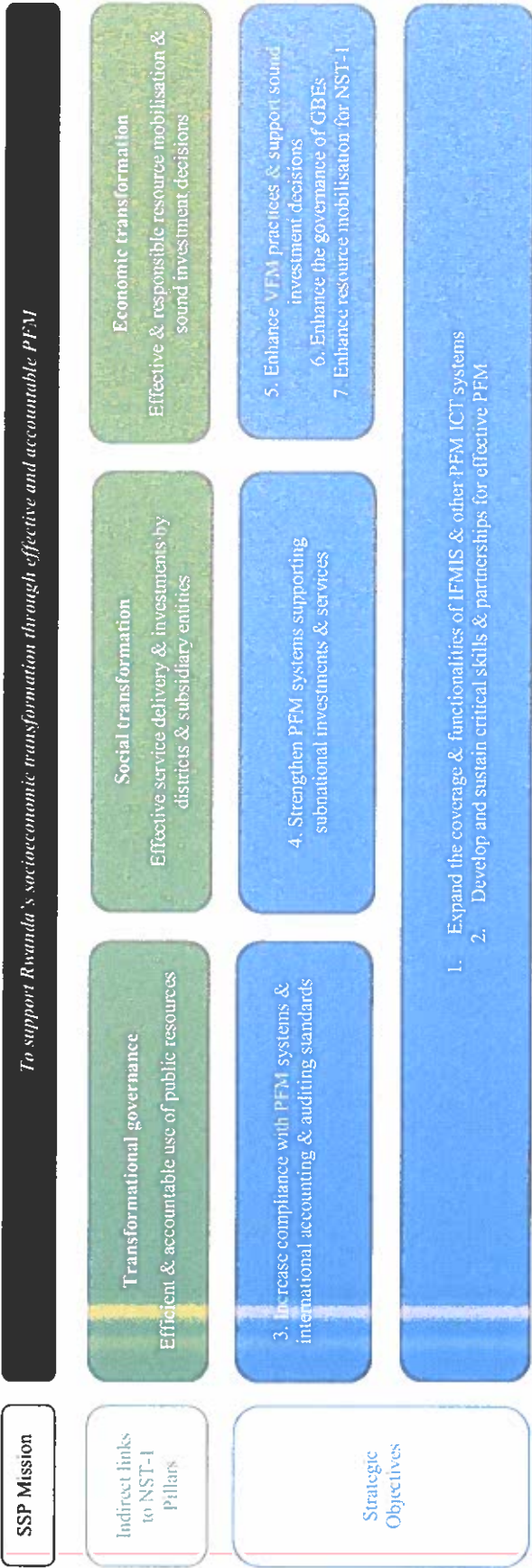
Strategic interventions: Each objective will be executed through a series of strategic interventions. These interventions will aim to *support, consolidate, strengthen and transform* various aspects of the PFM system. Distinguishing the interventions in this way reflects the differing nature of the reforms needed to support ‘enhanced, effective PFM’:

- a. **Supporting.** Developing the organisational capabilities necessary to put in place and maintain the PFM ‘infrastructure’ (information technology systems, skills, partnerships) needed to deliver the broader objectives of the PFM SSP.
- b. **Consolidation.** Embedding existing systems to ensure focus on new reforms does not undermine the important progress made to date, and ensuring that organisations comply with established rules and procedures.
- c. **Strengthening.** Enhancing and extending PFM systems to new areas of government or new capabilities as the economy expands and service demands become more complex.

d. **Transforming.** Support the overall financing, coordination and delivery of NST-1 and develop the necessary incentives, analytical capabilities and autonomy to improve the value for money of public policy and expenditures.

Figure 4, below, summarises this broad conceptual framework linking the PFM SSP to NST-1. Objectives 1 and 2 provide cross-cutting support for the PFM Sector as a whole, by putting in place the necessary technology, skills and partnerships to deliver effective PFM. Objectives 3-7 prioritise reforms in relation to their indirect link to the three pillars of NST-1, and have interventions that will consolidate, strengthen and transform various aspects of the PFM system. The remainder of this section considers the seven objectives of the SSP in more detail. It summarises the challenges being addressed, outlines what constitutes success, and sets out the interventions necessary to realise the objectives. Critically, the strategic interventions listed in this SSP provide an initial guide to what will be done. More detailed activities will be developed and sequenced in the Annual Work Plan for the Sector.

Figure 4: Summary of the strategic framework and objectives of the PFM SSP



3.2.2 Objective narrative

Objective 1: Expand the coverage and functionalities of the IFMIS and other PFM ICT systems

Challenges being addressed:

Effective management of public finances requires robust management information systems to control the movement of funds, reduce scope for corruption, support timely decision-making and facilitate reporting to Parliament and the public. Significant investments have taken place over the period of the PFM SSP (2013–2018) and PFM ICT systems have been steadily developed, strengthened and expanded. Looking to the future, the demands of NST-1 will require further investment in the IFMIS and other PFM ICT systems to expand to new users and functions.

PFM ICT systems will need to be expanded to new entities and business processes. The goals to increase compliance and subnational PFM capacity envisage a large number of service delivery units being incorporated into the Government's IFMIS. Other areas that have been identified as requiring additional ICT investment include GBE financial management, project monitoring and auditing. However, not all needs for the next six years can be identified immediately, so the Government will also aim to put in place a capable support team to respond to emerging needs.

Investments in ICT must be sustainable. As the PFM system becomes dependent on its ICT infrastructure, it will also be necessary to ensure their sustainability. The units that manage these systems will need to be able to respond to a larger number of users and increased demands for customisation. Equally, as more of the PFM system is automated, the Government will need to guard against cyber-security and other associated risks. To raise resources, the Government will consider opportunities to adapt the PFM ICT systems for use by the private sector and other nations.

Defining success:

Core ICT systems for financial management will be enhanced and interfaced to support timely reporting, effective controls and efficient decision-making across all levels of government and relevant areas of the PFM system.⁴ By 2024 the Government will be able to consolidate information (in real time) from all sectors, hospitals, health centres, tertiary education facilities, secondary schools and primary schools through the IFMIS. Core PFM systems will be linked as needed with a broader range of systems (including those managed by BNR, LODA, MITEC, MIFOTRA,

⁴ Core PFM systems managed by MINECOFIN are the Integrated Financial Management Information System (IFMIS), Subsidiary Entities Accounting System (SEAS) and Umucuyo e-procurement. Further systems for revenue administration are managed by RRA.

RDB, RRA and RSSB) and support key processes such as project monitoring by SPIUs and financial management in GBEs. The information provided by these systems will be more closely tailored to the needs of managers and will support paperless working where appropriate.

A strategy will be in place to ensure the sustainability of the core ICT systems for PFM, including the ability to support a growing number of users and to ensure the integrity of these systems against the risks of cybercrime. This will have considered options for adapting ICT systems developed by the Government to other potential users among GBEs, the private sector and the governments of other countries.

Since needs will evolve over time, progress against this objective will be judged mainly by periodic Quality Assurance Group reviews.

Outcome 1.1 Core PFM ICT systems are able to support effective decision-making and reporting at all levels of government

<i>Institutional lead</i>	MINECOFIN IFMIS Unit, with support from the Accountant General's Office
<i>Key indicators</i>	Percentage of non-budget agencies using IFMIS for financial reporting in the previous quarter (sectors, district hospitals, health centres, schools)
<i>Strategic interventions</i>	(a) Extend IFMIS functionality to new business processes and improve interfaces with other systems (b) Rollout the IFMIS to all local service delivery units by 2021/22 to support timely accounting and reporting (c) Extend e-procurement and other adaptable management information systems to GBEs (d) Develop and implement an in-house audit system to replace Team Mate by 2022/23 (e) Automate critical workflows and migrate to paperless systems to support coordination and communication

Outcome 1.2: Critical PFM ICT systems are sustainable and responsive to opportunities and challenges of increased automation

<i>Institutional lead</i>	MINECOFIN IFMIS Unit, with support from the Accountant General's Office
<i>Key indicators</i>	IFMIS sustainability, integrity, efficiency and user experiences will be reviewed by a Quality Assurance Group
<i>Strategic interventions</i>	(a) Develop a sustainability and maintenance strategy for PFM ICT infrastructure and support teams by 2021/22 (b) Review options to transform IFMIS and other mature PFM systems into a 'profit' enterprise to sustain their service

Objective 2: Develop and sustain critical skills and partnerships for effective PFM

Challenges being addressed:

Developing critical staffing capabilities and partnerships is necessary to meet the goals of the SSP. The Government continues to recognise that an effective PFM system requires both capable staff and effective partnerships. Although earlier efforts to professionalise the sector have some unmet expectations, these efforts have provided a foundation to build on. Drawing lessons from past experiences, the PFM Staff Learning and Development Strategy proposes a new way forward for building a ‘critical mass’ of qualified professionals to work in the different PFM systems of Government over the next 15 years, as well as to serve parts of the financial sector demanding similar skills. The PFM SSP draws on the aims of this sub-strategy in order to ensure the regular supply and training of officials in the PFM Sector. Delivering this ambition and the broader objectives of the SSP will require strong partnerships within the PFM Sector and beyond. Professionalisation of PFM cadres will depend on partnerships with professional bodies and learning institutions. Other partnerships will be needed to access the highly specialised skills demanded by NST-1 that cannot be developed in-house over the next six years, or those that would not be cost-effective to retain in-house. Finally, the successful execution of this PFM SSP also assumes strong coordination across the PFM Sector and beyond, including through stronger collaboration with development partners and between different sub-systems within the PFM Sector.

Defining success:

PFM cadres will be increasingly professionalised. Critical PFM positions will be gradually professionalised, with the number of accounting, audit and internal audit staff holding CAT, ACCA, CIA, CPA or CIPS qualifications rising from 83 to 266 and a new programme for certified project managers in place. This will be supported by a public sector unit and committee of ICPAR which will collaborate with the Government to respond to learning needs of different public entities. MINECOFIN will be providing dedicated coaching and training for staff in PFM positions in districts and subsidiary entities, and will be making progress in the execution of the PFM Learning and Development Strategy more generally.

Partnerships will form a stronger basis coordinating and delivering SSP objectives. Overall, organisational links within the PFM Sector will be stronger, with more effective collaboration and sharing of information across PFM sub-systems. SPIU will be providing active support for the coordination of the PFM SSP. The Government will have the networks and capacity to support professionalisation of the PFM system, but also to access the important high-level skills needed for supporting economic transformation. Relationships between the Government, development partners and other external stakeholders will be underpinned by mutual accountability and a shared understanding of the results to be achieved in the PFM Sector as a whole. As the quality of partnerships will be difficult to measure, progress will be monitored through periodic surveys of

stakeholders in the PFM Sector. The sustainability of professional bodies will also be monitored, with ICPAR's internal revenues targeted to rise from around RWF500,000 to over RWF1.5 million.

Outcome 2.1: Critical mass of PFM skills being established and appropriate infrastructure put in place to sustain it

<i>Institutional lead</i>	MINECOFIN SPIU, with support from the Accountant General's Office
<i>Key indicators</i>	Cumulative number of PFM staff in Government with CAT, ACCA, CIA, CPA or CIPS qualifications Percentage of PFM staff meeting their annual Continuous Professional Development requirements in the previous year
<i>Strategic interventions</i>	(a) Implement the PFM Staff Learning and Development Strategy

Outcome 2.2: Strengthened PFM coordination and partnerships

<i>Institutional lead</i>	MINECOFIN SPIU, with support from the Accountant General's Office
<i>Key indicators</i>	Results from survey of relations between stakeholders in the PFM sector ⁵ Revenues generated internally by ICPAR in the previous financial year
<i>Strategic interventions</i>	(a) Strengthen SPIU to coordinate implementation of the PFM SSP (b) Conduct a survey every three years to monitor the quality of partnerships in the PFM Sector and the effectiveness of the revised Memorandum of Understanding (MOU) (c) Support ICPAR to become self-sustaining and enhance PFM skills across the public sector (d) Establish an Institute of Internal Auditors (IIA) (e) Support Procurement Institute

⁵ The survey methodology and coverage will be determined in consultation with the TWG. Surveys will be conducted in 2018/19, 2020/21 and 2022/23.

Objective 3: Increase compliance with PFM systems and international accounting and auditing standards

Challenges being addressed:

A large number of public entities receive qualified audit opinion. Accounting and auditing of public resources is essential for maintaining financial controls and accountability over public spending. Unqualified audits of MDAs' financial statements have been rising in both number and as a share of total audit reports issued. This represents significant progress and is the result of considerable investments made in previous PFM SSPs. However, performance is lower at the subnational level and in some Boards where financial accounts continue to receive 'qualified' (or 'except for') audit opinions. The recent introduction of compliance audits also shows that compliance remains relatively low, even in central government, while follow-up on audit recommendations has also been falling as the remaining issues become more complex.

To address this, it is necessary to strengthen compliance with PFM rules and procedures. Compliance with PFM rules and procedures is an important foundation for accountability of the Government to the public. Through this SSP, the Government seeks to strengthen capacity to comply with existing PFM rules and procedures and to reinforce the oversight structures that incentivise compliance. This will require MINECOFIN to provide and continuously update regulations and guidelines for financial management, as well as regular scrutiny and support for districts and MDAs putting them into practice. Although challenges with compliance does not imply fraud, efforts to strengthen compliance and oversight in the PFM SSP are also expected to reinforce the Government's zero-tolerance to corruption as set out in NST-1.

The PFM regulatory framework can be aligned further to international best practices. In addition to promoting compliance with existing PFM rules and procedures, the Government has committed to further align accounting, auditing and procurement practices to international standards. This includes a commitment by the East African Community to adopt IPSAS accrual as a basis for future economic convergence, as well as the aim to increase the quality and use of special audits such as VFM audits and ICT systems audits. The timeliness, accuracy and comprehensiveness of fiscal reporting and auditing will increase. Decisions over which international standards and benchmarks are appropriate in the Rwandan context will be decided on a case-by-case basis.

Defining success:

Audit performance and follow-up will improve. By the end of the SSP period, an increased number of public entities will obtain and sustain an unqualified audit opinion and respond promptly to audit recommendations from the OAG. More specifically, the share of public entities receiving

an unqualified audit from the OAG will rise from 50% to 80% for financial statements and 30% to 50% for compliance with laws. The share of audit recommendations being addressed will rise from 60% to 80%.

Accounting and auditing practices will be increasingly aligned to international good practices. By 2024, the Government will be preparing accounts that are compliant with IPSAS accrual standards. The OAG will increase the share of government expenditures that is audited from 85% to 88% while increasing the use and quality of VFM and other special audits (including ICT systems audits). Financial information will be made more available to the public and links will be strengthened between the OAG and Internal Audit, the PAC and civil society to improve oversight of public sector finances. This will be reinforced by efforts to strengthen oversight of the budget by Parliament through the creation of a new parliamentary budget office which will provide analytical support for parliamentarians on the budget and economy, as recommended in the 2017 Open Budget Survey, as well as support to strengthen the work of standing committees in Parliament.

Outcome 3.1: Increased number of MDAs and subnational entities receiving and sustaining an unqualified audit opinion

<i>Institutional lead</i>	Accountant General's Office
<i>Key indicators</i>	Percentage of public entities with an unqualified audit opinion, with breakdown for audits of compliance and financial statements Percentage of recommendations issued by the OAG that have been followed up since the last audit report
<i>Strategic interventions</i>	(a) Strengthen central scrutiny and support for financial management, procurement and contract management in MDAs and districts (b) Ensure all laws, regulations and procedures for PFM are clear, relevant and consistent by 2021/22 (c) Strengthen the internal audit function and support 'auditees' to adopt risk-based management practices

Outcome 3.2: Accounting and audit practices are increasingly aligned to international standards

<i>Institutional lead</i>	Accountant General's Office for accounting practices; Auditor General's Office for audit practices; and the Chair of the PAC, with support from the Clerk, for strengthening parliamentary oversight.
<i>Key indicators</i>	Cumulative percentage of 10 accounting arrears for which IPSAS rules are applied Number of VFM audits published each year

Strategic interventions

- (a) Implement the blue print for the accrual basis IPSAS
- (b) Strengthen the OAG function and parliamentary oversight of the budget
- (c) Expand and improve the quality of VFM audit practices each year

Objective 4: Strengthen PFM systems supporting subnational investments and services

Challenges being addressed:

Expanding local services requires further investment in subnational PFM. The NST-1 makes significant commitments to improve the quality and access of basic services that are delivered at the subnational level, including primary and secondary schooling, provision of water, agricultural development and primary healthcare. In order to meet these commitments, a number of challenges need to be addressed. Many districts still struggle with planning, executing and maintaining infrastructure projects, with notable weaknesses in project preparation, budgeting, contract management, procurement and technical monitoring. In addition, districts lack the systems and structures for effectively overseeing financial management in subsidiary entities such as schools and health centres. Partly as a result of this gap, no district has yet received an unqualified audit opinion from the OAG. Though less widespread, there have also been cases in the past where resources needed for basic services were not available in a timely way (such as delayed capitation grants for schools or drug stock outs). To address these (and other) constraints, the PFM SSP (2018–2024) envisages significant investment in PFM sub-systems at central and local level to support the delivery of basic services and local investments. Interventions will be guided by commitments in the Fiscal and Financial Decentralisation Policy and Strategy, which seeks to put in place a stronger framework for financing subnational services and investments.

Defining success:

Subnational entities will be increasingly able to execute investment projects and support local services effectively. This will be underpinned by stronger capacity for feasibility planning, project management, contract management and own-source resource mobilisation. The share of districts' feasibility studies meeting LODA criteria increases from 34% to 100%, while delayed and abandoned projects fall over time.

There will be a stronger framework for fiscal decentralisation in place, with targets in the Financial and Fiscal Decentralisation Policy met. Expenditure assignments will be clarified between central and local governments in priority service delivery areas in five sectors. A revised framework will be in place for financing subnational services through grants, local revenues and local borrowing. Central government

coordination structures for improving subnational PFM and project delivery will be strengthened. Payments for investments and key services will be made more promptly while sector-specific challenges with the availability of cash and other resources are identified and eliminated. Districts will provide more financial information to the public, while District Councils will exercise more effective oversight of financial management in the District Authorities and their subsidiary entities, including over internal and external audit recommendations. Improved PFM capacity and structures will support at least 6 out of the 30 districts to receive unqualified audit opinions by 2023 (measured under Objective 3).

Outcome 4.1: Improved capacity to plan, execute and maintain capital investments at the subnational level

Institutional lead National Budget Department, which will also provide a focal point for the Fiscal Decentralisation Steering Committee

Key indicators Share of feasibility studies that meet LODA standards
Number and value of delayed or abandoned contracts at the district level

Strategic interventions (a) Adopt a lifecycle approach to managing capital investments by 2020/21, with a particular emphasis on operation and maintenance
(b) Review and strengthen the coordination mechanisms and support for subnational investment planning by 2020/21
(c) Provide targeted support to improve district feasibility studies, project management and contract management
(d) Develop and implement tailored practical capacity building for basic PFM functions and compliance at the subnational level
(e) Develop the framework and capacity for districts to access new project financing mechanisms such as bonds and PPPs by 2022/23

Outcome 4.2: The framework for fiscal decentralisation is strengthened to support improved local service delivery

Institutional lead National Budget Department, which will also provide a focal point for the Fiscal Decentralisation Steering Committee

Key indicators Number of objectives of the Financial and Fiscal Decentralisation Policy and Strategy that have been met
PFM bottlenecks in specific sectors identified and addressed

Strategic interventions (a) Issues in specific sectors are identified, analysed and addressed, starting with expenditure assignments in 2018/19
(b) Implement a holistic approach to strengthen capacity for basic PFM functions at the subnational level by 2019/20

- (c) Conduct expenditure assignments and cost functional assignments in six (6) sectors by 2021
- (d) Review and strengthen district oversight structures, including responsibilities for overseeing subsidiary entities by 2022/23
- (e) Promote fiscal transparency, accountability and outreach with increased publication and analysis of budget information by 2021/22
- (f) Review the transfer system in order to enhance discretion, equity and performance incentives by 2021/22

Objective 5: Enhance value for money practices and support sound investment decisions

Challenges being addressed:

This objective aims to support the step-change in the quality of public spending and policies demanded by NST-1. In doing so the SSP differentiates between two important challenges:

- *Delivering more with less.* As basic PFM systems and controls are consolidated, Government will increasingly be challenged to deliver quality services at a lower cost – or in other words, to improve value for money. Critically, improving value for money will also require a move beyond basic compliance with rules (i.e. ‘have we undertaken the financial process according to the regulations?’) towards a more proactive system that uses financial information to actively inform better decision-making and improved risk management (i.e. ‘what does this financial information tell us about performance and delivery of Government objectives?’). This will be a significant and challenging reform agenda, which will be delivered over the longer term. Nonetheless, the PFM SSP will begin the gradual transformation by setting goals for improving value for money in specific services and sectors, and piloting new approaches to meet those goals.
- *Delivering the infrastructure for development.* Strengthening the delivery of national infrastructure projects, particularly those that promote trade, urbanisation and economic growth. The SSP aims to improve the quality of planning, appraisal and investment choices in line with the National Investment Policy. In addition, capacity for managing, monitoring and reporting on national projects and programmes during execution will be strengthened. There will also be efforts to strengthen contract management, which remains weaker than other areas of procurement. To help financing decisions, the MTEF will be made a more reliable guide for spending decisions in individual MDAs without compromising the overall commitment to aggregate fiscal control. MINECOFIN will need to deepen its sector-specific knowledge, in order to exercise a more comprehensive policy ‘challenge’ role on budget submissions from line ministries.

Defining success:

Improved practices for supporting better value for money are in place, with measurable progress against targets for specific sectors. Measuring and achieving improved value for money can be challenging. For this reason, success may be judged with the help of a Quality Assurance Group and with reference to the findings and recommendations from VFM audits prepared by the OAG – expected to increase in number and quality (see Objective 3). Based on these and the broader policy aims in NST-1, the Government will set targets for improving the effectiveness, efficiency and economy of specific public services.⁶ This will include improvements in contract management and procurement. New ‘home-grown’ processes, tools and approaches will be allowing the Government to meet these objectives.

The quality of investments in key projects and policies will increase with improved planning and budgeting. Deviations between the MTEF and budget allocations for large spending ministries will be gradually reduced, and will not exceed 20% of the budget for a given ministry. Budget execution rates for capital projects will improve from 65% to 95%, with the percent of feasibility studies integrated into public investment plans increasing from 80% to 100% over the SSP period.

Outcome 5.1: Measurable improvements against general and sector-specific targets for increasing value for money

Institutional lead National Budget Department, with support from the Accountant General’s Office and RPPA

Key indicators

Government has set specific objectives for improving value for money
Tenders completed as per the terms of contract

Strategic interventions

- (a) Establish a framework to set and agree VFM targets in key public services
- (b) Pilot performance budgeting in priority ministries starting in 2020/21
- (c) Pilot new approaches to policy and expenditure analysis in priority ministries
- (d) Review options for strengthening value for money in budget execution

Outcome 5.2: Improved planning and budgeting for NST-1 policies and investments

⁶ Effectiveness, efficiency and economy are the basis of a VFM approach. *Effectiveness* measures the relationship between the intended and actual results of public spending (outcomes); *efficiency* considers the relationship between the output from goods or services and the resources to produce them; and *economy* aims to minimise the cost of resources used or required (inputs). These are sometimes summarised as ‘spending wisely’, ‘spending well’ and ‘spending less’, respectively.

<i>Institutional lead</i>	National Development Planning and Research Department, with support from the National Budget Department
<i>Key indicators</i>	Deviation between MTEF (t+1) and expenditure budget for MINEDUC, MININFRA, MINISANTE Percentage of projects with feasibility studies integrated in Public Investment Plans Project completion rate for the fiscal year
<i>Strategic interventions</i>	(a) Maintain aggregate fiscal discipline while strengthening the MTEF as a guide for sector-level spending (b) Increase the quality of national investment proposals and budget submissions from MDAs (c) Improve the quality and timeliness of national project implementation (d) Ensure the transparency and sustainability of the National Investment Programme (e) Strengthen MINECOFIN's capacity to deliver more detailed policy analysis, investment appraisal and M&E (f) Strengthen government units managing, monitoring and reporting on national programmes and projects (g) Undertake the evaluations for Vision 2050 and NST-1 to inform policy implementation

Objective 6: Enhance the governance of GBEs

Challenges being addressed:

Better management of Government's interests in GBEs. A key contributor to the delivery of the broader Vision 2050 will be the enhanced role of GBEs in establishing, supporting and promoting long-term growth-enhancing industries and sectors. To do this effectively, the Government will need to ensure that GBEs are well managed, are financially sustainable and are able to deliver the desired impact in the economy. Government capacity will need to be strengthened to choose 'when', 'where' and 'how' to invest in GBEs and exit at the right time. Recent policy to consolidate the Government's minority shareholdings recognises that GBEs require a different monitoring framework from public sector entities – with the ability to seize opportunities and mitigate investment risks in real-time. Similarly, the Government will need to review existing arrangements for overseeing GBE performance, including by establishing a common understanding over what constitutes 'good performance' for a given GBE.

Defining success:

Governance of GBEs is improved significantly. A strengthened governance framework for GBEs is in place to provide a clearer basis for selecting, monitoring and divesting from investments in GBEs. Board members will have a clear understanding of the Government interest in the GBEs they oversee, and will have the competence to fulfil their mandates – including the capacity to understand financial and non-financial performance. The share of GBEs receiving qualified audit opinions will decrease from 7/21 to 0/21, based on the audit of the financial statements from the most recent complete financial year (tracked under Objective 3). A number of core outputs will have been put in place, including: a law reinforcing governance of GBEs, a revised GBE policy and legal framework and a review of policies and procedures to ensure continued relevance to NST-1.

Outcome 6.1: A clear governance framework is in place to support improved GBE performance

<i>Institutional lead</i>	Government Portfolio Unit, with support from the Accountant General’s Office
<i>Key indicators</i>	Progress in developing and implementing a new legal and policy framework for GBEs
<i>Strategic interventions</i>	(a) Establish a robust legal framework for GBEs by 2020/21 (b) Establish specific procedures and management tools for GBEs by 2019/20 (c) Conduct performance audits of GBEs regularly and at least every three years (d) Strengthen the selection, development and accountability of GBEs Boards for effective oversight (e) Strengthen the Government Portfolio Unit (GPU) (f) Support/encourage GBEs to implement their business processes through integrated and real-time management information systems with an ERP backbone system

Objective 7: Enhance resource mobilisation for NST-1

Challenges being addressed:

Delivering the NST-1 will require substantial resources – private, public, domestic and external within a stable macroeconomic framework. This will require increased tax revenue, further domestic and external borrowing, significant private sector investments as well as innovative financing

mechanisms such as PPPs. Subnational governments are also expected to continue to increase their own revenue collection, which will be supported by the introduction of a revised property tax.

Enhanced capabilities required for resource mobilisation. Mobilising this level of financing requires the Government to respond to a number of challenges. Aid remains relatively unpredictable, domestic debt markets are still developing, and external private sector financing, such as foreign direct investment, is not directly under the control of the Government. Other challenges relate more directly to the skills and capabilities of government institutions to analyse, select, sequence and manage increasingly complex financing mechanisms. This will require investment in the Government's capacity to manage non-concessional loans, PPPs, domestic debt, but also to analyse the economic trade-offs associated with financing options, including taxes and tax expenditures.

Defining success:

The Government will make strong progress against the targets for public revenue mobilisation in the medium-term macroeconomic projections underpinning NST-1. Tax revenues will rise by a further 1.1% of GDP and debt levels will remain sustainable. Total districts' own-source revenues will increase by 10% per annum in nominal terms. Taxpayer databases will improve in quality and integrity. Analysis and trade-offs over fiscal policies and risks will be enhanced. This will be achieved without compromising the Government's broader commitment to fiscal stability (of which one aim is to maintain the present value of public debt within East African Community thresholds of 50% of GDP).

Outcome 7.1: Increased mobilisation of tax and non-tax revenues in real terms

Institutional lead Office of the Chief Economist, with support from the RRA and National Budget Department

Key indicators Total tax revenues as percentage of GDP

Nominal percentage increase in district tax collections

Accurate and reliable taxpayer information (as measured in the TADAT methodology⁷)

Strategic interventions (a) Develop and implement a strategy for RRA aligned with NST-1 by September 2018
(b) Support the design, and potential implementation, of a revised property tax

⁷ Scoring will be based on the methodology for indicators PI-1-1 and 1-2 of the Tax Administration Diagnostic Assessment Tool. If no recent independent assessment has been conducted, performance will be self-assessed by RRA using guidance prepared by the World Bank.

- (c) Strengthen the Tax Policy Committee with research and effective administration

Outcome 7.2: Effective policies in place for raising public and private finance

Institutional lead

Office of the Chief Economist

Key indicators

Present value of the debt-to-GDP ratio and East African Community thresholds

Strategic interventions

- (a) Support risk-management capability to sustain effective management of public debt, PPPs and tax incentives
- (b) Replace the ‘Aid Policy’ with a ‘Partnership Policy’ by 2019
- (c) Develop and execute the NST-1 Financing Strategy
- (d) Strengthen and sustain the capacity of the external finance division

4.0 IMPLEMENTATION OF THE SECTOR STRATEGIC PLAN:

4.1 IMPLEMENTATION ARRANGEMENTS:

4.1.1 Responding to new implementation challenges

This section sets out the way in which MINECOFIN aims to coordinate and deliver the PFM SSP. This more explicitly links the objectives of the strategic framework with the Annual Work Plan used to break down the broad goals into concrete activities and inputs. It assigns roles and responsibilities to key actors for monitoring and directing reforms and identifies important partnerships to support delivery. This is accompanied by a framework for monitoring and evaluation of the PFM SSP.

The implementation arrangements respond to the observation from the review of the previous PFM SSP (2013–2018) that the outcomes of the next generation of reforms will be more difficult to measure, less likely to be guided by clear international standards, and fundamentally more challenging to deliver. International experiences also suggest that traditional project approaches to implementation, monitoring and evaluation have generally been difficult to implement effectively for complex public sector reforms because they aim to be too specific and too rigid to allow the necessary space to learn and adapt activities during implementation. The SSP aims to respond to these challenges by:

- maintaining the strategic focus of PFM reforms on the broader goals of NST-1;
- balancing the need for measurable indicators of progress with the increasingly qualitative objectives; and
- ensuring there are regular feedback loops and opportunities to adjust interventions during implementation.

The implementing arrangements also seek to enhance the coordination between the various groups involved in PFM reforms. Overall, coordination has been good enough to support rapid progress against many areas of the PFM system. Nonetheless, the review of the previous PFM SSP identified areas for improvement. It noted challenges linking some reforms across different institutions and functions in the PFM system. It also highlighted the increasingly fragmented nature of support from development partners. The Government aims to respond by:

- strengthening the Single Project Implementation Unit (SPIU) in MINECOFIN to more actively monitor progress in each reform area;
- refocusing the role of the Technical Working Group (TWG) on progress against the objectives of the SSP; and
- establishing Quality Assurance Groups (QAGs) to support larger or more complex reforms.

The new framework for coordination between the Government and its development partners for PFM reforms will be set out in a revised Memorandum of Understanding for the TWG.

4.1.2 Overview of implementation arrangements

MINECOFIN will coordinate the implementation of the PFM SSP across the many organisations and stakeholders that constitute the PFM Sector. The Permanent Secretary / Secretary to the Treasury (PS/ST) for MINECOFIN will be the lead coordinator within Government. The PS/ST will be supported in this role by the Accountant General and will designate officials to be in charge of delivering specific aspects of the PFM SSP. These officials are the 'component heads'. The *SPIU* will provide day-to-day support under the supervision of a dedicated PFM Reforms Manager. This support will include administration (such as reporting) as well as facilitating links between the work of individual component heads.

All financial proposals will draw from the PFM SSP. Coordination between the Government, development partners and other stakeholders in the PFM Sector will continue to be managed through the *PFM Coordination Forum (PFM CF)* and *Technical Working Group (TWG)*, with SPIU serving as the secretariat for both forums. The PFM CF is the highest coordination body for the PFM Sector and is co-chaired by the PS/ST and a representative from the development partners. The PFM CF is supported by a TWG co-chaired by the Accountant General and a representative from the development partners. These arrangements will be elaborated in a Memorandum of Understanding between the Government and members of the TWG.

Importantly, the PFM SSP aims to strike a balance between maintaining the strategic focus of the PFM SSP while providing the flexibility needed to ensure interventions remain relevant during implementation. Accordingly, Table 5, below, summarises the division of responsibilities for amending different elements of the SSP. A record of changes to the SSP objectives, results framework and implementation arrangements will be annexed to the PFM SSP document for the purpose of knowledge management. Overall progress on the PFM SSP will be monitored through a Joint Sector Review coordinated by the PFM CF and SPIU, with one 'backward looking' report taking stock of progress and one 'forward looking' report to review priorities for the next fiscal year.

Table 5: Process for amending the PFM SSP

SSP implementation plan	Frequency of amendment	Responsibility
Objectives of the SSP	The strategic objectives are set for the duration of the strategy. At the mid-term point (three years), the PFM CF may make any necessary changes to reflect significant challenges and opportunities that emerge. Changes to quantitative indicators and interventions may be more frequent.	Changes will be agreed by the PS/ST following consultation with the PFM CF.
Implementation arrangements	Implementation arrangements of the PFM SSP should be discussed in the PFM CF as part of the Joint Sector Review.	Changes will be agreed by the PFM CF.

4.1.3 Specific roles and responsibilities

Public Financial Management Coordination Forum (PFM CF)

The PFM CF will be chaired by the PS/ST and a representative of development partners. Membership of the PFM CF will be managed by the SPIU in consultation with the two co-chairs. The PFM CF will comprise all component heads and representatives from SPIU, departments and semi-autonomous agencies in MINECOFIN, the OAG and development partners supporting PFM reforms. Broader membership may be agreed as needed from other ministries and agencies with a role in regulating or delivering effective PFM, including RRA, MIFOTRA, MINALOC and LODA; line ministries such as MINISANTE, MININFRA and MINEDUC; professional bodies such as ICPAR; Parliament; and relevant civil society groups.

The PFM CF will meet twice per year in accordance with national guidelines for all sectors. The agenda will be set by the TWG in advance, but the PFM CF will consider only substantive, strategic issues related to the PFM Sector such as revisions to the PFM SSP, findings from the Joint Sector Review, or other critical issues related to PFM performance in Rwanda.

Technical Working Group (TWG)

The TWG is co-chaired by the Accountant General and a representative of development partners. It will comprise SPIU, component heads, representatives from development partners and other relevant participants requested by MINECOFIN. The TWG will meet periodically as agreed between the co-chairs. The focus of meetings should be on monitoring progress against reform objectives and the Annual Work Plan, which will be agreed before the start of each fiscal year. The co-chairs of the TWG will agree on the content and frequency of financial information to be presented to the TWG by the SPIU.

Core responsibilities of the TWG are to:

- support MINECOFIN to monitor the overall progress against the strategic objectives of the PFM SSP;
- review the findings of the Joint Sector Review and agree the PFM SSP Annual Work Plan for the new financial year;
- provide links between the PFM SSP and broader reform programmes in other sectors; and
- deliver other responsibilities set in the MOU or agreed between the two co-chairs.

Single Project Implementation Unit (SPIU) in MINECOFIN

All ministries receiving external financial assistance have established SPIUs in accordance with a Cabinet Resolution of 11th February 2011. The SPIU reports to the PS/ST overall and supports the Accountant General in the day-to-day management and coordination of the PFM SSP.

Responsibilities of the SPIU include to:

- coordinate component heads in charge of delivering specific parts of the strategy, and facilitate support the component head may require;
- act as secretariat to the PFM CF and TWG, including by coordinating inputs to the Joint Sector Review;
- agree to any financial assistance provided for PFM reforms by development partners, and keep a repository of technical assistance reports;
- prepare periodic reports on progress for the PFM CF and TWG;
- establish Quality Assurance Groups for complex reforms requested by component heads, in consultation with the TWG; and
- arrange meetings of the PFM CF and TWG and manage financial reporting on PFM reforms to donors using country systems.

4.2 MONITORING AND EVALUATION (M&E):

4.2.1 Periodic reviews of the SSP

The PFM SSP will be subject to formal monitoring and evaluation (M&E) to ensure all stakeholders in the Sector are able to transparently track and review progress against the SSP objectives. A results framework is provided in Annex 2 with key performance indicators for each of the seven objectives in the SSP. Periodic monitoring of the results framework and other aspects of the PFM SSP will include annual Joint Sector Reviews, a Mid-Term Review, End-Term Review and a PEFA assessment. Further diagnostics, such as the planned Fiscal Transparency Evaluation, may also be conducted and may become part of the M&E framework for the SSP when deemed necessary by the PFM CF.

Table 6: Summary of timetable for independent and public reviews

Review	Lead by	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Joint Sector Review	PFM CF	x	x	x	x	x	x
Mid-Term Review	Independent			x			
PEFA Assessment	Independent					x	
End-Term Review	Independent						x

Joint Sector Review

PFM Sector performance will be subject to Joint Sector Reviews to assess progress against the objectives and strategic interventions of the SSP and approve next year's PFM Action Plan. These Reviews will be conducted twice each year in accordance with NST-1 institutional arrangements – one backward looking and one forward looking. This process will be led by the PFM CF co-chairs, with secretariat support from SPIU and inputs from the TWG. The findings and recommendations of the Joint Sector Review will be presented during the corresponding PFM CF meetings.

Independent reviews of the PFM SSP

The PFM SSP will be reviewed by an independent consultant or firm commissioned by SPIU as follows:

- The *Mid-Term Review* will take stock of progress between July 2018 and June 2021. This will consider whether targets are broadly on track but will also comment on: (a) the continued relevance of the strategic objectives; (b) whether the core assumptions for key interventions remain realistic; and (c) the usefulness of implementation arrangements for coordinating and directing the PFM SSP.
- The *End-Term Review* will be commissioned at the end of the PFM SSP period. This will be done in accordance with any instructions and timelines for the Government to review progress under NST-1 or prepare for the next national strategic planning cycle. It will include consultations within the Government to synthesise outstanding challenges and key lessons learnt during implementation of the PFM SSP.

PEFA assessment

The PEFA framework remains an important benchmark for Rwanda and its development partners. PEFA assessments have historically been conducted every five years, with the last one concluded in 2016. Continuing this precedent, a PEFA assessment will be conducted in 2022/23. This will be used to assess progress made on 'consolidation' of existing systems during the PFM SSP period. Following the PEFA assessment, the diagnostic team may also be asked to produce a focused assessment looking at which scores are particularly important to Rwanda. This could be used to provide further information on the performance of the PFM system in critical areas identified by MINECOFIN and the PFM CF or TWG.

Further diagnostic assessments

The core framework for M&E may be supplemented with additional analysis if deemed necessary by the PFM CF. This may include other diagnostic tools or other analytical approaches, such as surveys, focus groups or independent expert reviews. These alternative approaches may be particularly relevant for monitoring objectives that are harder to measure, such as the quality of partnerships or improvements or the use of financial information.

More broadly, PFM stakeholders will be encouraged to rely increasingly on reports from OAG to identify weaknesses in the PFM system, and to provide the necessary support for the OAG to do this, as well as to MINECOFIN and other relevant entities to monitor and address key challenges.

4.2.2 In-year monitoring process

The in-year monitoring process will combine formal and informal reporting to track progress on individual activities, interventions and objectives:

- **Quarterly reporting** by component heads will be reviewed and consolidated by the SPIU to inform the Joint Sector Review. These reports will include progress from the past quarter, activities planned for the next quarter and any changes to the Annual Work Plan or results framework.
- **Meetings of key PFM cadres in government.** Meetings with all heads of a finance division of line ministries will be convened by the Accountant General; meetings of the heads of planning departments will be convened semi-annually, or as deemed necessary, by the DG National Planning, with support from the National Budget Department; and meetings of District Division Managers for Corporate Services will be arranged quarterly by LODA with support from MINECOFIN.

4.2.3 Quality Assurance Groups (QAGs)

The use of expert QAGs has been effective for implementing the IFMIS. It has provided both independent technical advice and assurance to managers and the TWG that the complex and highly technical interventions are on track. This means that Rwanda has effectively been able to draw on international experience while also finding its own way to build and roll out a new IFMIS.

The PFM SSP aims to adapt the QAG model to other complex reforms – to guide and monitor interventions, where relevant. The precise role, composition and frequency of QAGs will vary, but the broad structure will be put in place by SPIU in consultation with component heads and TWG.

4.3 SUMMARY PFM SSP INVESTMENTS AND FINANCING:

The estimated total costs for the PFM SSP over the next six years amount to around US\$ 114 million (equivalent to roughly RWF112 billion). Costs have been estimated for each intervention identified in Section 3 and have been aggregated for each of the seven objectives in the table below. The costs include only the new, additional interventions identified in the SSP, and not the costs associated with the day-to-day work that supports the consolidation and incremental improvement of the PFM system. A small number of interventions are not explicitly costed and will be pursued with internal government staff time and resources, or as and when additional financing can be secured.⁸ Experience from the previous PFM SSP suggests

⁸ Interventions that have not been costed explicitly include: 1.1.5 Automate critical workflows and migrate to paperless systems to support coordination and communication; 1.2.1 Transform IFMIS and other mature PFM systems into a 'profit' enterprise to sustain their service; 2.2.2 Establish a survey conducted every three years to monitor the

that these costs are only indicative and may be expected to change during actual implementation of the PFM SSP. These changes will be managed as needed through the Joint Sector Review, the annual budget and mid-term review.

Table 7: Estimated costs of the PFM SSP by objective (US\$ millions)

Objectives and outcomes		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
1. Expand the coverage and functionalities of the IFMIS and other PFM ICT systems		4.03	4.42	4.17	3.09	2.10	2.02	19.82
1.1. Core PFM systems are able to support effective decision making and reporting at all levels of govt.		3.38	3.19	3.22	2.44	2.00	1.92	16.14
1.2. Critical ICT systems are sustainable and responsive to opportunities/challenges of increased automation		0.65	1.23	0.95	0.65	0.10	0.10	3.68
2. Develop and sustain critical skills and partnerships for effective PFM		6.52	9.00	10.64	9.40	8.22	6.19	49.96
2.1. Critical mass of PFM skills being established and appropriate infrastructure put in place to sustain it		4.41	7.43	9.01	8.52	7.01	5.28	41.66
2.2. Strengthened PFM coordination and partnerships		2.11	1.57	1.63	0.88	1.21	0.91	8.30
3. Increase compliance with PFM systems and international standards		3.06	3.22	3.19	3.23	3.04	3.39	19.13
3.1. Increased number of MDAs and subnational entities receiving and sustaining an unqualified audit		0.32	0.32	0.58	0.32	0.32	0.58	2.41
3.2. Improved accounting and audit practices aligned with good practice		2.75	2.90	2.62	2.91	2.72	2.82	16.72
4. Strengthen PFM systems supporting subnational investments and services		2.41	2.40	2.38	1.12	1.21	0.66	10.18
4.1. Improved capacity to plan, execute and maintain capital investments at subnational level		1.03	0.95	1.24	0.58	0.76	0.30	4.86
4.2. The framework for fiscal decentralisation is strengthened to support improved local service delivery		1.39	1.45	1.14	0.54	0.45	0.36	5.32
5. Enhance VFM practices and support sound investment decisions		0.99	1.55	1.46	1.52	1.00	1.29	7.77
5.1. Measurable improvements against general and sector-specific targets for value for money		0.03	0.12	0.12	0.09	0.09	0.09	0.51
5.2. Improved multi-year planning and budgeting for NST-1 policies and investments		0.96	1.43	1.34	1.43	0.91	1.20	7.26
6. Strengthen results and governance of GBEs		0.30	0.19	0.17	0.15	0.15	0.15	1.11
6.1. A clear governance framework is in place to support improved GBE performance		0.30	0.19	0.17	0.15	0.15	0.15	1.02
7. Enhance resource mobilisation for NST-1 priorities		2.85	1.62	1.07	0.07	0.06	0.06	5.73
7.1. Increased mobilisation of tax and non-tax revenues in real terms		2.58	1.12	0.66	0.00	0.00	0.00	4.36
7.2. Effective policies are in place for raising public and private finance		0.27	0.50	0.41	0.07	0.06	0.06	1.37
Grand total (US\$ millions)		20.16	22.39	23.08	18.58	15.77	13.76	113.70

quality of partnerships in the PFM sector and the effectiveness of the revised MOU; 2.2.4 Establish the Institute of Internal Auditors (IIA) ; 3.1.2 Ensure all laws, regulations and procedures for PFM are clear, relevant and consistent by 2022; 4.1.4 Develop and implement tailored, practical capacity building for basic PFM functions and compliance at the subnational level; 4.2.6 Review the transfer system in order to enhance discretion, equity and performance incentives by 2021/22; 7.2.1 Support risk-management capability to sustain effective management of public debt, PPPs and tax incentives; and 7.2.3 Develop and execute a NST-1 Financing Strategy.

Table 8: Estimated costs of the PFM SSP by objective (RWF millions)

Objectives and outcomes	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
1. Expand the coverage and functionalities of the IFMIS and other PFM ICT systems							
1.1. Core PFM systems are able to support effective decision making and reporting at all levels of govt.	3,676	4,177	4,079	3,134	2,197	2,189	19,452
1.2. Critical ICT systems are sustainable and responsive to opportunities/challenges of increased automation	3,083	3,014	3,150	2,475	2,092	2,080	15,895
2. Develop and sustain critical skills and partnerships for effective PFM							
2.1. Critical mass of PFM skills being established and appropriate infrastructure put in place to sustain it	593	1,162	929	658	105	109	3,557
2.2. Strengthened PFM coordination and partnerships	5,948	8,501	10,405	9,524	8,609	6,716	49,704
3. Increase compliance with PFM systems and international standards							
3.1. Increased number of MDAs and subnational entities receiving and sustaining an unqualified audit	4,024	7,021	8,812	8,631	7,346	5,729	41,563
3.2. Improved accounting and audit practices aligned with good practice	1,925	1,480	1,593	893	1,263	987	8,141
4. Strengthen PFM systems supporting subnational investments and services							
4.1. Improved capacity to plan, execute and maintain capital investments at subnational level	2,794	3,043	3,120	3,270	3,183	3,681	19,091
4.2. The framework for fiscal decentralisation is strengthened to support improved local service delivery	288	298	562	319	330	624	2,421
5. Enhance VFM practices and support sound investment decisions							
5.1. Measurable improvements against general and sector-specific targets for value for money	2,507	2,745	2,558	2,950	2,853	3,058	16,670
5.2. Improved multi-year planning and budgeting for NST-1 policies and investments	2,203	2,268	2,331	1,132	1,267	718	9,919
6. Strengthen results and governance of GBEs							
6.1. A clear governance framework is in place to support improved GBE performance	938	900	1,211	589	798	327	4,765
7. Enhance resource mobilisation for NST-1 priorities							
7.1. Increased mobilisation of tax and non-tax revenues in real terms	1,265	1,368	1,120	543	469	391	5,155
7.2. Effective policies are in place for raising public and private finance	903	1,464	1,429	1,537	1,046	1,395	7,775
Grand total (RWF millions)	27	113	117	91	94	98	541
	875	1,351	1,312	1,446	951	1,298	7,233
	276	175	166	152	157	163	1,089
	276	175	166	152	157	163	1,089
	2,604	1,534	1,042	71	63	65	5,378
	2,357	1,063	641	0	0	0	4,061
	247	471	401	71	63	65	1,317
Grand total (RWF millions)	18,404	21,162	22,572	18,820	16,522	14,928	112,408

ANNEXURE

ANNEX 1: NST-1 PILLARS AND PRIORITIES

Pillar	Priority
Economic Transformation	1.1 Create 1.5 million decent and productive jobs for economic development
	1.2 Accelerate sustainable urbanisation from 17.3% in 2013/14 to 35% by 2024/25
	1.3 Establish Rwanda as a globally competitive knowledge-based economy
	1.4 Promote industrialisation and attain a structural shift in the export base to high-value goods and services with the aim of growing exports by 17% annually
	1.5 Increased domestic savings and position Rwanda as a hub for financial services to promote investments
	1.6 Modernise and increase productivity and livestock
	1.7 Sustainable management of natural resources and environment to transition Rwanda towards a carbon neutral economy
Social Transformation	2.1 Enhancing graduation from extreme poverty
	2.2 Eradicating malnutrition
	2.3 Enhancing demographic dividend through ensuring access to quality health for all
	2.4 Enhancing demographic dividend through improving access to quality education
	2.5 Moving towards a modern Rwandan household
Transformational Governance	3.1 Reinforce Rwandan culture and values as a foundation for peace and unity
	3.2 Ensure safety and security of citizens and property
	3.3 Strengthen diplomatic and international cooperation to accelerate Rwanda's and Africa's development
	3.4 Strengthen justice, law and order
	3.5 Strengthen capacity, service delivery and accountability of public institutions
	3.6 Increase citizen's participation and engagement in development

Annex 2: M&E RESULTS MATRIX

The objective narrative in Section 3 provides a wide-ranging narrative that set out the strategic intent of each objective. These are broken down in the results framework below into outcomes linked to a number of indicators of success (generally fewer than five per objective). This will help to track performance in a subset of important areas of the SSP. Other aspects may still be captured in the narrative and not reflected in the table below. These will be reviewed in a more qualitative way as part of the semi-annual Joint Sector Reviews.

Critically, the indicators provided in the table below are not hard targets for each year, but represent the ambition of the SSP. Progress should be judged not based on targets met or not met on an annual basis, but whether results are broadly in line with the trajectory of change proposed. For example, Objective 1 targets the roll-out of IFMIS to all non-budget agencies by 2020/21. Figures are provided for interim periods to help judge if the Government is on track, but they are only indicative of the current roll-out plan, which may change.

Results, objectives and outcomes	Key Performance Indicators	Baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (target)	Source
Objective 1: Expand the coverage and functionalities of the IFMIS and other PFM ICT systems									
<i>Outcome 1.1: Core PFM ICT systems are able to support effective decision-making and reporting at all levels of government</i>	% of non-budget agencies ⁹ using IFMIS for financial reporting in the previous quarter	460/5464 (8%)	710/5464 (13%)	1410/5464 (26%)	2230/5464 (39%)	2850/5464 (52%)	3970/5464 (73%)	5464/5464 (100%)	MINECOFIN IFMIS Unit
	of which sectors	416/416	416/416	416/416	416/416	416/416	416/416	416/416	MINECOFIN IFMIS Unit
	district hospitals	44/44	44/44	44/44	44/44	44/44	44/44	44/44	MINECOFIN IFMIS Unit
	health facilities	0/560	50/560	150/560	270/560	390/560	510/560	560/560	MINECOFIN IFMIS Unit
	schools	0/4444	200/4444	800/4444	1400/4444	2000/4444	3000/4444	4444/4444	MINECOFIN IFMIS Unit
<i>Outcome 1.2: Critical PFM ICT systems are sustainable and able to respond to the risks of increased automation</i>	QAG assessments	QAG report (2015)		QAG report		QAG report		QAG report	MINECOFIN IFMIS Unit

⁹ The number of non-budget agencies is based on current estimates of the number of sectors, district hospitals, health facilities and schools. These numbers will likely change over time, but the Government target of ensuring that all official non-budget agencies report financial information through the IFMIS by 2023/24 will continue to hold.

Results, objectives and outcomes	Key Performance Indicators	Baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (target)	Source
Objective 2: Develop and sustain critical skills and partnerships for effective PFM									
<i>Outcome 2.1: Critical mass of PFM skills being established and appropriate infrastructure put in place to sustain it</i>	Total number of PFM staff with professional qualifications	ACCA/ CPA 76 CAT 6 CIPS 1	86 16 3	96 26 6	106 41 12	116 56 24	126 61 39	136 76 54	SPIU Skills Development Unit
	Number of PFM staff meeting their annual CPD requirements	82	102	122	147	172	187	212	SPIU Skills Development Unit
	Survey of relations between actors in the PFM sector	Survey results			Survey results			Survey results	SPIU PFM Coordinator
<i>Outcome 2.2: Strengthened PFM coordination and partnerships</i>	Revenues generated internally by ICPAR in the previous financial year	RWF 535 bn	RWF 627 bn	RWF 798 bn	RWF 1,007 bn	RWF 1,153 bn	RWF 1,307 bn	RWF 1,514 bn	ICPAR
Objective 3: Increase compliance with PFM systems and international accounting and auditing standards									
<i>Outcome 3.1: Increased number of MDAs and subnational entities receiving and sustaining an unqualified audit opinion</i>	% of public entities with an unqualified audit opinion:								OAG, GPU
	Financial statements	50%	55%	60%	65%	70%	75%	80%	OAG
	Compliance with laws	30%	35%	40%	43%	45%	47%	50%	OAG
	% of recommendations issued by OAG which have been followed up since last audit report	60%	63%	66%	69%	72%	76%	80%	OAG

Results, objectives and outcomes	Key Performance Indicators	Baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (target)	Source
<i>Outcome 3.2: Improved accounting and audit practices aligned with best practice</i>	Cumulative percentage of 10 accounting areas for which IPSAS rules are applied ¹⁰	0%	0%	20%	40%	60%	80%	100%	AGU
	Coverage of the OAG audit in expenditure terms	85.0%	85.5%	86.0%	86.5%	87%	87.5%	88%	OAG
	Number of VFM audits published each year ¹¹	8	9	9	10	10	11	11	OAG
Objective 4: Strengthen PFM systems supporting subnational services and investments									
<i>Outcome 4.1: Improved capacity to plan, execute and maintain capital investments at subnational level</i>	Share of feasibility studies that meet LODA standards	255/750 34%	40%	50%	70%	80%	90%	100%	LODA
<i>Outcome 4.2: The framework for fiscal decentralisation is strengthened to support improved local service delivery</i>	PFM bottlenecks in specific sectors identified and addressed	3 sectors reviewed	3 sectors reviewed	Allocations revised and bottlenecks addressed in 1 sector	Allocations revised and bottlenecks addressed in 2 sectors	Allocations revised and bottlenecks addressed in 3 sectors	Allocations revised and bottlenecks addressed in 4 sectors	Allocations revised and bottlenecks addressed in 5 sectors	MINECOFIN Budget Dept.
	Objectives of the FFD Policy and Strategy met	1/14	2/14	2/14	2/14	14/14	14/14	N/A	MINECOFIN Budget Dept.
Objective 5: Enhance VFM practices and support sound investment decisions									
<i>Outcome 5.1: Measurable improvements against general and sector-specific targets for value for money</i>	Government has set specific objectives for value for money in target sectors/area	No explicit targets		Targets set in 2 sectors		Targets set in 4 sectors		Targets set in 6 sectors	TWG to agree approach, in consultation with OAG

¹⁰ IPSAS for accrual accounting is expected to improve financial reporting in ten areas: fixed assets, intangible assets, inventories, revenue, accruals and expenses, employee benefits, provisions, financial instruments, reporting and consolidation. These are elaborated in the IPSAS Blueprint. Each year, the Government is aiming to implement the new standards in two additional areas, rising from 0/10 in 2017/18 to 10/10 in 2023/24.

¹¹ Other complex audits include special and ICT audits. These are listed in the annual report of the Auditor General.

Results, objectives and outcomes	Key Performance Indicators	Baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (target)	Source
Outcome 5.2: Improved planning and budgeting for NST-1 policies and investments	enders completed as per the terms of contract	37%	40%	45%	50%	55%	60%	65%	RPPA
	Deviation between MTEF (t+1) and expenditure budget for MINEDUC, MININFRA, MINISANTE	Average 12%	Not beyond 20%	Not beyond 20%	Not beyond 20%	Not beyond 20%	Not beyond 20%	Not beyond 20%	MINECOFIN Budget Dept.
	% of projects with feasibility studies integrated in Public Investment Plans	80	81	85	87	88	89	100	MINECOFIN NDPR
	% of project completion rate improved annually	65	70	75	80	85	90	95	MINECOFIN NDPR
Objective 6: Enhance the governance of GBEs									
Outcome 6.1: A clear governance framework in place to support improved GBE performance	Availability of a policy and legal framework	Law reinforcing governance of GBEs	GBE policy and legal framework in place	-	-	-	Review of existing policy and procedural guidelines	-	MINECOFIN Government Portfolio Unit
Objective 7: Enhance resource mobilisation for NST-1									
Outcome 7.1: Increased mobilisation of tax and non-tax revenues in real terms	Total tax revenues as % of GDP	15.9%	15.6%	15.9%	16.2%	16.5%	16.8%	17.1%	MINECOFIN Macro Unit
	Nominal % increase in total district tax collections in previous fiscal year	RWF 29.3 billion	43.0%	12.0%	15.0%	10.0%	10.0%	10.0%	MINECOFIN Budget Dept.
	Accurate and reliable taxpayer information (TADAT methodology)	C (2015)	-	-	-	B (2019)	-	B+ (2022)	RRA
Outcome 7.2: Effective policies in place for raising public and private finance	Present value of debt to GDP	25.6%	<50%	<50%	<50%	<50%	<50%	<50%	MINECOFIN Debt Unit

ANNEX 3: IMPLEMENTATION PLAN:

This table provides a more detailed set of activities identified by stakeholders within the PFM Sector. These form the basis of the costings presented in this SSP and will support the sequencing of interventions during implementation. Each intervention has been assigned a benchmark for assessing progress at a more detailed level than the strategic objectives of the SSP. These are not fixed, and may need to change during implementation, but will give a clearer picture of how the Government has planned to tackle the objectives and interventions in the SSP.

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
Objective 1: Expand the coverage and functionalities of the IFMIS and other PFM ICT systems PFM outcome 1.1: Core PFM systems are able to support effective decision making and reporting at all levels of government	Establish a blueprint for additional IFMIS functionalities in line with NST-1		
	PFM SI 1.1.1 Extend IFMIS functionality to new business processes and improve interfaces with other systems	No. of IFMIS non-core modules implemented in IFMIS	Strengthen software development, maintenance and support Enhance end-user training and change management
	PFM SI 1.1.2 Roll out the IFMIS to all local service delivery units by 2021/22 to support timely accounting and reporting	IFMIS rolled out to all local service delivery units by Yr5 (416 sectors, 44 district hospitals, 560 health centres, 3000 schools and technical support staff)	Roll-out IFMIS across the subnational level to all service delivery units
	PFM SI 1.1.3 Extend e-procurement and other adaptable management information systems to all Government entities, including GBEs	Select Government management information systems adapted and extended to GBEs	Roll-out user system implementation and adaptation (incl. in 100 new entities) Undertake systems operational and infrastructure maintenance
	PFM SI 1.1.4 Develop and implement an in-house audit system to replace Team Mate by 2022/23	No of audits/reports implemented through the in-house developed automated system	Develop a blueprint for an in-house audit system to replace Team Mate
	PFM SI 1.1.5 Automate critical workflows and migrate to paperless systems to support	A paperless PFM system by Yr3 and 'real-time interfaces' established across all PFM systems	Develop and execute a roadmap for an integrated paperless PFM system

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM outcome 1.2: Critical PFM ICT systems are sustainable and responsive to opportunities and challenges of increased automation	coordination and communication PFM SI 1.2.1 Develop a sustainability and maintenance strategy for the IT infrastructure and human capital in ICT systems	A maintenance strategy for the IT infrastructure in place by Yr2 A people strategy for Government IT systems in place by Y3	Develop a sustainability and maintenance strategy for the IT infrastructure and human capital in ICT systems Establish a people strategy for Government IT systems
	PFM SI 1.2.2 Transform IFMIS and other mature PFM systems into a 'profit' enterprise to sustain their service	IFMIS transformed into a 'commercially viable' solution for other countries and entities by Yr6	Develop a policy and legal framework to transform the IFMIS and other mature Government ICT systems into a commercial service Develop a sustainability strategy for the human capital in ICT systems Develop a 5-Year business plan to commercialise IFMIS and other mature Government IT systems
	Objective 2: Develop and sustain critical skills and partnerships for effective PFM		
PFM outcome 2.1: Critical mass of PFM skills being established and appropriate infrastructure put in place to sustain it	PFM SI 2.1.1 Implement the PFM Staff Learning and Development Strategy	A competency framework for all PFM positions established by Yr2 and implemented fully by Yr4	Conduct an organisational review including developing a competency framework and retention policies for all PFM positions
			Facilitate the development and implementation of a transformative leadership and management training programme for all PFM senior managers
			Introduce annual re-enforcement training of PFM staff 'including functional training for the IFMIS and other PFM systems'
			Develop the curriculum and materials for professional qualifications for upstream functions, and implement training
			Introduce specialist skills training for upstream functions
			Implement professional accountancy and procurement programmes
			Introduce specialist skills training for downstream functions
			Support high-performing students to undertake PFM qualifications Collaborate with NCBS to support the implementation of policy on placement and development of PFM graduate internship

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM outcome 2.2 Strengthened PFM coordination and partnerships			Develop training materials for induction training for all PFM occupational disciplines
			Support continuing professional development (CPD) and annual subscription fees for professionally qualified PFM staff
	PFM SI 2.2.1 Strengthen the SPIU to coordinate implementation of the PFM SSP	A functioning and strengthened SPIU	Strengthen the SPIU to implement the PFM SSP
	PFM SI 2.2.2 Establish a survey conducted every three years to monitor the quality of partnerships in the PFM sector and the effectiveness of the revised MOU	A revised MOU in place by end of 2018 (baseline: existing PFM MOU)	Review and update the PFM MOU to strengthen coordination for effective results
	PFM SI 2.2.3 Support ICPAR to become self-sustaining and strengthen accounting and broader PFM training and qualifications	ICPAR self-sustainable and the accounting qualifications strengthened	Conduct and disseminate the results of a partnership survey every three years (Yr 3 and Yr 6)
			Support ICPAR to establish an appropriate infrastructure
			Strengthen ICPAR Secretariat
			Strengthen ICPAR's capacity to sustain compliance with SMOs in the public interest
			Strengthen the ICPAR Qualifications Framework
			Support expansion of ICPAR membership
			Support ICPAR to strengthen member value
			Grow the ICPAR brand
	PFM SI 2.2.4 Establish an IIA	IIA established and related national PFM skills enhanced	Hire a consultant to develop a legal instrument establishing IIA Rwanda
			Benchmarking studies and consultations with other IIAs
			Establish IIA Secretariat to coordinate the IIA activities
Objective 3: Increase compliance with PFM systems and international benchmarks	PFM SI 2.2.5 Support Procurement Institute	The Procurement Institute established and related national PFM skills enhanced	Hire a consultant to develop a legal instrument establishing the Procurement Institute
			Support Procurement Institute Secretariat to coordinate its activities

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM outcome 3.1 Increased number of MDAs and subnational entities receiving and sustaining an unqualified audit opinion	PFM SI 3.1.1 Strengthen central scrutiny and support for financial management, procurement and contract management in MDAs and districts	% of public entities with unqualified audit opinion	Develop and implement a subnational PFM Mentorship and Coaching Programme (MCP)
			Upgrade and maintain the automation of PAU business processes and ensure timely and credible financial reports
			Technical support by PAU to strengthen accountability of MDAs, districts, PEs investments, including by ensuring regular reporting through IFMIS and quality review of reports
			Publish and disseminate the new PFM Policies and Procedures manual
			Update, publish and disseminate the non-current assets management framework
			Maintain a healthy cash flow management practice within the Treasury
			Develop mechanism to motivate government accountants to qualify in their professional courses
			Set up an accountability forum to regularly discuss PFM issues chaired by the Accountant General that include the CIA, Auditor General, DG Budget and DG RPPA
	PFM SI 3.1.2 Ensure all laws, regulations and procedures for PFM are clear, relevant and consistent by 2022	PFM Legal and Regulatory Framework updated to continue to address critical needs of efficiency and effectiveness of financial management and ensure conformity with new laws and Government initiatives	Review and revise the Organic Law on state finances and property, PFM regulations and procedures
	PFM SI 3.1.3 Strengthen the internal audit function and support auditees to adopt risk-based management practices	Extent of external audit reliance on internal audit tracked annually	Publish and disseminate the new PFM operation framework of laws, regulations and procedures
PFM outcome 3.2 Improved accounting and audit practices	PFM SI 3.2.1 Implement the blueprint for the accrual basis IPSAS	Cumulative percentage of 10 accounting arrears for which IPSAS rules are applied	Develop a revised internal audit strategy to fully align with PFM SSP
			Implement a revised internal audit strategy to fully align with PFM SSP
			Strengthen IPSAS project management and staffing
			Train staff on accrual basis, IPSAS accrual standards and change management

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
aligned with good practice			Develop/update policies, procedures, accounting instructions and guidelines
			Acquire IPSAS implementation technical support to collect data, improve processes, chart of accounts etc... and develop comprehensive accounting policies and rules in line with IPSAS accrual standards
			Undertake quality assurance reviews
			Develop a new OAG strategic plan to fully align with PFM SSP
			Implement the new OAG strategic plan to fully align with PFM SSP
			Implement a retention programme for OAG in line with its mandate
			Consolidate the coverage of external audits
			Support to PAC to strengthen oversight
			Establish and operationalise a parliamentary budget office
			Capacity-building for standing committees of Parliament
		Introduce a programme of research and outreach by the new budget office	
		Conduct specialised training for audit staff	
		Conduct at least two (2) ICT (systems) audits every two years	
		Conduct forensic and special audits	
		Support OAG to conduct regular performance audits across GBEs	
Objective 4: Strengthen PFM systems supporting the subnational investments and services			
PFM outcome 4.1 Improved capacity to plan, execute and maintain capital investments at subnational level	PFM SI 4.1.1 Adopt a lifecycle approach to managing capital investments by 2020/21, with a particular emphasis on operation and maintenance	A blueprint for lifecycle management of capital investments in place by Yr4 to support operations and maintenance	Develop a blueprint for lifecycle management of capital investments
			Execute and monitor effectiveness of operational and asset maintenance across subnational level governments
			Strengthen the budgeting and programming of operations and maintenance expenses
			Conduct a needs assessment and a blueprint to develop analytical capacity and contract management

PFM SSP outcome	Strategic Interventions		Benchmarks for progress		Activities	
PFM outcome 4.2 The framework for fiscal decentralisation			Improved quality of investments and contract management at the district level		Support implementation of the capacity building blueprint	
	PFM SI 4.1.2 Review and strengthen the coordination mechanisms and support for subnational investment planning by 2020/21		Improved investment planning at the subnational level		Implement a programme to professionalise planning at subnational level Strengthen the capacity of LODA to support effective local investments MINECOFIN to provide mentoring of district staff for subnational planning and investment management Develop models for delegation of service delivery and building of infrastructure from districts to their subsidiary entities Disseminate and provide capacity-building and technical support to districts and sectors to apply, adapt and refine the models	
	PFM SI 4.1.3 Strengthen feasibility studies, project and contract management by districts		Share of feasibility studies that meet criteria standards (of LODA)		Support LODA to strengthen the quality of subnational feasibility studies Strengthen district investment project implementation and management systems Strengthen capacity in project selection and feasibility studies Strengthen capacity for contract management and other areas of project implementation	
	PFM SI 4.1.4 Develop and implement tailored practical capacity-building for basic PFM functions and compliance at the subnational level		% increase of districts getting clean audit opinion year on year		Develop a blueprint to increase practical skills at subnational level Implement the blueprint to increase practical skills at subnational level	
	PFM SI 4.1.5 Develop the framework and capacity for district access to new project financing mechanisms such as bonds and PPPs by 2022/23		Legal framework for local borrowing in place by end of 2019		Develop systems and procedures to implement subnational PPP projects Conduct creditworthiness analysis of districts Develop a potential debt-financing mechanism through domestic banks or a special entity	
	PFM SI 4.2.1 Reliability issues in specific sectors are identified, analysed and addressed (starting		Reliability issues in specific sectors identified and analysed		Technical assistance to develop a forum/approach to identify/address service delivery challenges linked to the PFM system (or flow of resources) Meetings and Special Assembly costs	

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM SSP outcome is strengthened to support improved local service delivery	with expenditure assignments in 2018/19)		
	PFM SI 4.2.2 Implement an holistic approach to strengthen capacity for basic PFM functions at the subnational level by 2019/20	At least 10 districts receive an unqualified audit report	Improve district planning, budgeting, budget execution and reporting processes Strengthen district internal audit function Provide support to districts to implement internal audit and OAG recommendations
	PFM SI 4.2.3 Conduct expenditure assignments and cost functional assignments in five (5) sectors by 2021	Earmarked transfers for five (5) sectors are revised based on costing of functional competencies	Roll out expenditure assignment reviews in five (5) functional sectors Review current district model and systems for providing public services and building infrastructure and identify the respective roles between the districts and their subsidiary entities Review allocations and formulae for earmarked transfers based on new functional competences
	PFM SI 4.2.4 Review and strengthen district oversight structures, including responsibilities for overseeing subsidiary entities by 2022/23	District oversight structures strengthened by 2022/23	Strengthen the capacity of district finance and audit committees Strengthen capacity of District Council Economic Commission Reinforce PFM inspections at local level
	PFM SI 4.2.5 Promote fiscal transparency, accountability and outreach with increased publication of budget information by 2021/22	Budget information published regularly	District budget execution reports analysed and communicated to citizens Budget information published annually by 2022
	PFM SI 4.2.6 Review the transfer system in order to enhance discretion, equity and performance incentives by 2021/22	Share of grants where districts have increased discretion over resource allocation	Conduct a study to assess block grants and the functioning and effectiveness of earmarked transfers Review earmarked transfer guidelines to ensure better documentation of costing elements and of annual modifications Introduce a performance-based development/investment grant system
Objective 5: Enhance VFM practices and support sound investment decisions			Technical assistance to pilot performance budgeting in priority ministries

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM outcome 5.1 Measurable improvements against general and sector-specific targets for VFM	PFM SI 5.1.1 Pilot performance budgeting in priority ministries starting in 2020/21		Technical assistance to pilot new approaches to policy and expenditure analysis in priority ministries Technical assistance to review options for strengthening value for money in budget execution Technical assistance to support managers in sectors and districts to use financial information provided by IFMIS
	PFM SI 5.2.1 Maintain aggregate fiscal discipline while strengthening the MTEF as a guide for sector-level spending	Deviations between MTEF (t+2) and expenditure budget for four (4) largest ministries	Support MTEF planning and expenditure management in four (4) largest ministries
	PFM SI 5.2.2 Increase the quality of national investment proposals and budget submissions from MDAs	No. of projects with feasibility studies integrated in Public Investment Plans % of projects approved by PIC	Finalise and disseminate feasibility study guidelines to a wide range of users Train planners on feasibility study guidelines Appraise submitted projects for PIC approval
PFM outcome 5.2: Improved multi-year planning and budgeting for NST-1 policies and investments	PFM SI 5.2.3 Improve the quality and timeliness of national project implementation	% of low performing projects	Develop and update a project pipeline database for fund mobilisation Produce quarterly project execution reports for Cabinet consideration to enhance project implementation Promote peer learning among MDAs to encourage knowledge and information transfer on project execution best practices
	PFM SI 5.2.4 Ensure the transparency and sustainability of the National Investment Programme	The National Investment Programme strengthened	Consultancy services to develop the National Investment Programme aligned with NST-1
	PFM SI 5.2.5 Strengthen MINECOFIN's capacity to deliver more detailed policy analysis, investment appraisal, and M&E	No. of NDPR staff certified under relevant professional courses Research institution engaged for collaboration	Annual support to the PIC Facilitate NDPR staff to attend certified professional courses in project management, M&E, investment appraisal, etc. Establish research partnerships and mentor NDPR staff
	PFM SI 5.2.6 Strengthen government units for managing,	No. of planning cadres trained annually on programmes and	Organise and conduct a training for all cadres of project management, monitoring and reporting framework

PFM SSP outcome	Strategic Interventions		Activities	
	monitoring and reporting on in national programmes and projects	project management, monitoring and reporting	Develop and regularly update process and procedure manual and associated guidelines for projects/programmes management, monitoring and reporting	Develop and regularly update process and procedure manual and associated guidelines for projects/programmes management, monitoring and reporting
Objective 6: Enhance the governance of GBEs	PFM SI 5.2.7 Undertake the evaluations for Vision 2020 and NST-1 to inform policy implementation	Process and procedure manual and associated guidelines for projects management, monitoring and reporting	Develop a concept note for hiring an advisor to support the National Programmes and Projects Monitoring Division (NPPMD)	Recruit Technical Assistant to offer advisory support to the NPPMD
		Electronic filing system for programmes is in place	Develop and operationalise an electronic filing library system for programmes and project documents	
	PFM SI 6.1.1 Establish a robust legal framework for GBEs by 2020/21	Mid-term and end-term evaluation reports for Vision 2020 and NST-1	Hire consultancy services to undertake Vision 2020 and NST-1 mid-term and final evaluations	
	PFM SI 6.1.2 Promote specific procedures and management tools for GBEs by 2019/20	Availability of a legal framework by Y3 (baseline: multiple frameworks that need to be improved or enforced)	Develop a legal framework for effective support and management of GBEs	
		Availability of standard M&E guidelines as well as tools for GBEs in place by the end of 2018	Monitor and support the implementation of an adaptable comprehensive procedure manual for GBEs	
	PFM SI 6.1.3 Strengthen the selection, development and accountability of GBE Boards for effective oversight	Selection, development and accountability of GBE Boards strengthened	Develop terms of reference for Boards for industry/mission adaptation	
			Establishment of a committee that formerly evaluates GBE Board Members	
	PFM SI 6.1.4 Strengthen the Government Portfolio Unit (GPU)	GPU oversight and reporting role strengthened	Reinforce the signing of performance contracts for GBEs	
			Provide a peer-learning platform for Boards	
			Develop a Government 'ownership policy' for GBEs	
			Develop and track a GBE Performance Index (GPI)	
			Review and align mandate and reporting lines for the GPU	
			Strengthen GPU capability for effective support and oversight of GBEs	

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
PFM outcome 7.1 Increased mobilisation of tax and non-tax revenues in real terms	PFM SI 6.1.5 Support/encourage GBEs to implement their business processes through integrated and real-time management information systems with an ERP backbone system	No of GBEs with real-time and integrated management systems supported by an ERP system	Conduct a mapping study for GBE management information systems to identify gaps and solutions Develop an engagement strategy to influence GBEs towards 'real-time integrated' management information systems solutions Execute a support programme for GBEs that will lead to improved results and integrated reporting
	Objective 7: Enhance resource mobilisation for NST-1 priorities		
	PFM SI 7.1.1 Develop and implement a strategy for RRA aligned with NST-1	A new RRA strategy (2018-2024) in place by 2019 (baseline: current RRA strategy). Taxpayer Perception Index (TPI)	Develop a new strategy for RRA aligned to NST-1 Support RRA to implement the new strategy Strengthen the taxation legal framework to improve service delivery and taxpayer compliance
	PFM SI 7.1.2 Support the design and implementation of a revised property tax	A revised property tax implemented by 2022	Develop a new property tax by 2022 Support implementation of the new property tax
	PFM SI 7.1.3 Strengthen the Tax Policy Committee (TPC) with research and effective administration	TPC technical support improved	Develop and implement a blueprint to strengthen the effectiveness of the TPC
PFM outcome 7.2 Effective policies are in place for raising public and private finance	PFM SI 7.1.4 Support risk-management capability to sustain effective management of public debt, PPPs and tax incentives	A blueprint for effective management of public debt, PPPs and investment incentives established by Yr3	Strengthen and sustain the capacity for debt unit Develop a blueprint for effective management of public investment incentives
	PFM SI 7.2.2 Replace the 'Aid Policy' with a 'Partnership Policy' and an NST-1 Financing Strategy by 2019	A Partnership/Aid Policy in place by 2019 (baseline: current)	An Aid Policy and manual developed that aligns with NST-1
	PFM SI 7.2.3 Develop and execute the NST-1 Financing Strategy	An NST-1 Financing Strategy in place by 2020 (baseline: none)	Map the financing options for the NST-1 and eligibility criteria

PFM SSP outcome	Strategic Interventions	Benchmarks for progress	Activities
	PFM SI 7.2.4 Strengthen and sustain the capacity of the external finance division	The conditions for Rwanda to access any source of international finance are known by end of Yr2	Updating external resource mobilisation strategy
			Updating the division of labour document
			Developing innovative financing strategy (green bonds, social impact bonds, health bonds)
			Updating the private sector financing map
			Build capacity of sector working groups to enhance dialogue

ANNEX 4: RISKS AND ASSUMPTIONS:

This annex summarises some of the important assumptions and risks, which will need to be managed for successful implementation of the PFM SSP. Many lie outside the PFM Sector and constitute ‘exogenous factors’ that could impact PFM reforms. Others relate more specifically to the ‘delivery risks’ associated with pursuing multiple, complex PFM reforms over an ambitious time horizon in support of NST-1. A further set of challenges are linked to ‘capacity and sustainability’ to deliver and maintain improved PFM systems. The various risks are presented below.

No	Risk to be managed	Objective at risk	Likelihood of occurrence	Likely impact on SSP results	PFM sector response
1.0 Exogenous factors					
1.1	Economic shocks may impact on the fiscal position and require MINECOFIN and the PFM Sector to focus on ‘fire-fighting’ instead of longer-term reforms.	All	Medium	High	The Government will continue to maintain a prudent fiscal policy stance with periodic monitoring by the IMF.
1.2	SSP reforms and objectives extend beyond available resources.	All	Medium	High	MINECOFIN will work with the TWG to determine available financing ahead of the 2018/19 Budget. A strategy will be agreed on how to finance the SSP objectives and prioritise activities and interventions as needed.
1.3	Government changes or drops NST-1 objectives, which the PFM SSP aims to support, making reforms less relevant.	All	Low	Medium	PFM reforms will be reviewed annually to ensure they remain aligned to the Government’s policy agenda.
1.4	Political commitment to PFM weakens overall (e.g. compliance) or in specific ministries in charge of certain functions (e.g. in relation to GBE management).	All	Low	High	MINECOFIN and the TWG will continue to support the accountability functions of Government (OAG, PAC). MINECOFIN will continue to raise the importance of good PFM in high-level policy fora (e.g. Cabinet).
2.0 Delivery risks					
2.1	NST has focused on high-level, strategic reforms. However, if underlying systems are eroded, there is a risk that SSP objectives will also fail.	All	Low	High	MINECOFIN and TWG will continue to invest in existing systems. Diagnostic tools such as PEFA, as well as feedback from stakeholders, will be used to ensure reforms do not ‘back slide’ as the focus changes.

2.2	Delivery of PFM reforms may become overly 'siloed' with each department focusing on its mandate without considering issues in the PFM system overall. The result may be pockets of improvement without systemic improvement (e.g. in compliance, budgeting or value for money).	Mainly objectives: 3, 4, 5, 6	Medium	Medium	PFM SSP retains high-level targets. There will be periodic reviews of the implementation architecture as part of the M&E cycle. SPIU and the TWG maintain an overview of the sector as a whole, to ensure linkages are made and appropriate cross working is encouraged to engender 'shared results'.
2.3	High expectations may push implementers to introduce reforms too quickly, or without the capacity to manage changes, causing disruption and 'reform fatigue'.	All	Medium	Medium	MINECOFIN will put in place structures to solicit regular feedback from line ministries, departments, agencies and subnational governments to facilitate greater communication. QAGs may be used to reflect on the pace of delivery in complex reform areas.
3.0	Capacity and sustainability risks				
3.1	Capacity to coordinate reforms is insufficient or occupied by other Government priorities (e.g. in SPIU or at management level)	All	Medium	Medium	MINECOFIN will review implementation arrangements for the PFM SSP annually based on feedback from stakeholders and component heads.
3.2	Capacity in IFMIS Unit to support an orderly and responsive IFMIS roll-out to Sectors and non-budget agencies (NBAs) is insufficient.	Mainly objectives 1, 3 and 4	Medium	Medium	A dedicated strategy will be put in place to ensure the sustainability of the IFMIS and enhance the capacity of the IFMIS Unit to respond to 'user' requests as the number of users increases.
3.3	Connectivity at the level of NBAs is insufficient to deliver broad roll-out of IFMIS and SEAS as planned	Mainly objectives 1, 3 and 5	Medium	Medium	The IFMIS Unit will maintain close contact with the teams in MICT responsible for expanding internet access at facility level. Where fibre cables are not practical, alternative options will be considered.
3.4	Capacity constraints limit the use of new systems and information, such as: Insufficient skills or staff numbers (e.g. in finance departments of line ministries and districts)	All	High	Medium	The Skills Development Unit in SPIU will monitor key capacity gaps and challenges and liaise with the relevant departments and development partners to have them addressed.

	• Skills spread across too many units to deepen knowledge and understanding (e.g. Planning and Budgeting) • Incentives from management continue to focus on compliance rather than value for money.					Incentives for management to address VFM considerations will be reflected on holistically as part of the bi-annual stock take.
3.5	Key skills cannot be attracted, bought in or retained.	All	High	Medium		The Skills Development Unit in SPIU will monitor key capacity gaps and challenges and liaise with the relevant departments and development partners to have them addressed.
3.6	Professional bodies remain underfunded and unable to fulfil their mandate in support of the PFM SSP and the learning and development agenda.	Mainly objectives 2, 3, 4	Medium	Medium		Government and development partners to review the funding and sustainability of professional bodies every three (3) years; as well as a 'light review' each year as part of the Joint Sector Review.