PUBLIC ENVIRONMENTAL EXPENDITURE REVIEW TO SUPPORT POVERTY ENVIRONMENT INITIATIVE IN RWANDA

Training Manual

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ACRONYMS

CDF	:	Community Development Fund
CEPA	:	Classification of Environmental Protection Activities and
CEPEX	:	Central Public Investment and External Finance Bureau
COFOG	:	Classification of functions of government
CRC	:	Citizen Report Cards
CRS	:	Creditor Reporting System
CSC	:	Community Score Cards
DAC	:	Development Assistance Committee
DAD	:	Development Assistance Database
DDP	:	District Development Plan
DFID	:	Department for International Development
EDPRS	:	Economic Development and Poverty Reduction Strategy
EFR	:	Environmental Fiscal Reform
EIA	:	Environmental Impact Assessment
ENR	:	Environment and Natural Resources
FDI	:	Foreign Direct Investment
FONERWA	:	National Fund for Environment
GDP	:	Gross Domestic Product
GFS	:	Government Financial Statistics
GoR	:	Government of Rwanda
IMF	:	International Monetary Fund
MDG	:	Millennium Development Goals
MIJESPOC	:	Ministry of Youth, Culture and Sport
MINAGRI	:	Ministry of Agriculture
MINECOFIN	:	Ministry of Finance and Economic Planning
MINEDUC	:	Ministry of Education
MINELOC	:	Ministry of Local Government
MINICOM	:	Ministry of Commerce
MININFRA	:	Ministry of Infrastructure
MINIRENA	:	Ministry of Natural Resources
MINISANTE	:	Ministry of Health
MINITERE	:	Ministry of Lands, Environment, Forestry, Water and Mines
MoU	:	Memorandum of Understanding
MTEF	:	Mid Term Expenditure Framework
NAFA	:	National Forestry Authority
NGO	:	Non-governmental Organizations
NISR	:	National Institute of Statistics of Rwanda
ODA	:	Overseas Development Assistance
OECD	:	Organization for Economic Co-operation and Development
OGMR	:	Rwanda Geology and Mines Authority
PEER	:	Public Environmental Expenditure Review
PEI	:	Poverty- Environment Initiative
PEM	:	Public Expenditure Management
PER	:	Public Expenditure Review
PETS	:	Public Expenditure Tracking Surveys
REMA	:	Rwanda Environmental Management Authority

RRA	:	Rwanda Revenue Authority
SAGA	:	Semi Autonomous Governmental Agency
SEEA	:	The System of Integrated Environmental and Economic Accounting
SERIEE	:	European System for the Collection of Economic Information on the Environment
SOE	:	State of the Environment
ToR	:	Terms of Reference
TWG	:	Thematic Working Group
UNDP	:	United Nations Development Programme
UNECE	:	United Nations Economic Commission for Europe
UNEP	:	United Nations Environmental Programme
WB	:	World Bank

1. INTRODUCTION

1.1 Background

1. This training manual on how to carry out Public Environmental Expenditure Review (PEER) was commissioned by Rwanda Environment Management Authority (REMA) in support of the implementation of the Poverty-Environment Initiative (PEI) Rwanda. Broadly, the initiative aims to enhance the contribution of sound environmental management to poverty reduction, sustainable economic growth and the achievement of the Millennium Development Goals.

2. Led by the Rwanda Environment Management Authority (REMA) and Ministry of Natural Resources (MINIRENA)[1], the intended outcome of the Rwanda PEI Phase II is the integration of environment into national policy and district planning, policy and budget processes to implement the Economic Development and Poverty Reduction Strategy (EDPRS). Two out of the five outputs under PEI relevant to this Manual are:

   (i) improved capacity within key ministries and institutions to understand and analyse links between poverty and environment and to integrate environment into policymaking, planning and **budgets**;

   (ii) improved **national funding** levels for investing in environmental sustainability.

1.2 Users of the Manual

3. The manual was prepared to be used by (i) Environment and Natural Resources (ENR) sector institutions (ii) the Ministry of Finance and Economic Development (MINECOFIN),(iii) Ministry of Local Governments (MINELOC) (iv) Civil Society Organizations active in environmental advocacy, and , (v) other sectors whose programmes and sub-programmes are relevant for the environment

1.3 Basis for the manual

4. The content of the manual borrows from the baseline PEER in Rwanda carried out in September and October, 2009. It also builds upon international practice on public financial management in general of which it is a part. The PEER report for environment in Rwanda is a companion and case study to this Manual

5. The PEER is an evolving exercise across the world. Accordingly, this manual should be read in that context. It will be revised in light of improvements of PEER in future.

[1] [1] The Ministry has since the drafting of the manual been divided into two, namely (i) Ministry of Environment and Land (MINELA) and (ii) Ministry of Mining and Forestry (MINIFOR)

1.4 Structure of the Manual

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

Chapter 1: Introduction
Chapter 2: Knowing what you want and why from PEER
Chapter 3: Preparing to carry out PEER
Chapter 4: Defining the boundary of environment for PEER
Chapter 5: Conceptual framework for PEER
Chapter 6: Sourcing for relevant data and information
Chapter 7: Identifying funding sources and modalities
Chapter 8: Framework for analyzing public expenditure
Chapter 9: Analysing institutional arrangements for PEER
Chapter 10: Complementary monitoring tools to PEER
Chapter11: Report structure for a PEER

2. KNOWING WHAT YOU WANT AND WHY FROM PEER

2.1 Get to know what PEER is

7. The starting point in carrying out PEER is to understand what it is, why it is needed and how it fits into government's programmes. Box 1 provides the context by highlighting how the Government of Rwanda (GoR) defines Public Expenditure Review (PER) in general and its rationale. This is communicated by MINECOFIN in Box 1 below.

Box 1: Public Expenditure Reviews

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

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

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

8. It may be worth noting also that MINECOFIN's Strategic Plan 2008-2010 includes an objective of strengthening PERs across all sectors. For this reason, it will always be worthwhile to seek input from MINECOFIN when planning to carry out a PEER. Box 2 provides the definition of Public Environmental Expenditure Review and the main issues it should address.

Box 2: Public Environmental Expenditure Reviews

Public Environmental Expenditures can be defined as expenditures by public institutions for purposeful activities aimed directly at the prevention, reduction and elimination of pollution or any other degradation of the environment resulting from human activity, as well as natural resource management activities not aimed at resource exploitation or production. Their role is to put in practice the government's environmental management policy. As it is the case with public expenditures in general, regular analyses of public environmental expenditures would help ensure that they fulfill such a role. A tool that can support such analyses is the public environmental expenditure reviews (PEERs).

Although the practice of PEER is evolving, the main issues to be addressed are:

- Allocation of expenditures to environmental programmes
    - Cost of environmental policy priorities and comparison with the spending envelope made available
    - Identification of low-priority environmental programmes that could be cut to make space for high-priority environmental programmes
    - Identification of the possible scope of increasing the spending envelope (due to an increase in internally generated resources, but without advocating earmarking)
    - Identification of possible policy inconsistencies in budget allocation by using international comparisons, analyzing regional (sub-national) allocations, and examining trends over time.
- Management of expenditures in environmental programmes
    - Rationale for programmes
    - Integration of capital and recurrent expenditures
    - Analysis of amount budgeted Vs. amount spent
    - Analysis of the effectiveness of environmental programmes
    - Analysis of the efficiency and quality of environmental programmes (e.g. cost-effectiveness)
- Institutional issues (e.g. budget management, incentives)
- Problems encountered (e.g. data quality)
- Strategy for dissemination of findings

Adapted from Swanson and Lunde [2003]

2.2 Objectives for PEER

9. Box 2 has provided the definition and scope, for PEER. However, a review of case studies across the world points to the conclusion that the objectives for PEER have varied by country, time, context and resources (Table 1). It is to be noted that the PEER for Rwanda, Bhutan and Kenya shown in that table have been done under the auspices of PEI.

Table 1: Variations in objectives for PEERs across countries

Country	Year	Purpose of PEER
1. Bhutan	2009	To understand the trends of public expenditure in environment and to obtain critical information for streamlining and strengthening future investments in environmental programs, project and activities.
2. Kenya	2009	To conduct a Public Environmental Expenditure Review which will help to evaluate the appropriateness in the use of funds in the environment sector
3. Rwanda	2009	To conduct a baseline Public Environmental Expenditure Review which will help to evaluate the appropriateness in the use of funds in the environment sector
4. Mongolia	2002	To provide baseline information on trends and patterns in environmental expenditure
5. Ukraine	2002	To determine whether money distributed from a fund within the Ministry of Environment went to The purpose for which it was intended.
6. Uttah Pradesh, India	2002	To review environmental expenditures across sectors and over time to determine whether expenditures are commensurate with the economics cost of degradation
7. Indonesia	2001	To examine changes in environmental expenditures following the Asian financial crisis and to provide baseline information for future examination of trends and patterns
8. Republic of Korea	2000	To examine how environmental spending had fared in comparison with the budget as a whole during the Asian financial crisis
9. Kenya	1998	To identify ways of achieving greater efficiency in the use of resources prior to a likely budget cut
10. Malawi	1998	To assess the functions and expenditure patterns of the Forest Department for use as an an input when determining future resource requirements
11. Bangladesh	1997	To create a framework for developing priority actions to improve environmental management and monitor progress towards that goal.
12. Phillipines	1996	To evaluate the impact of the country's macroeconomic strategy on the environment

Source: AuPhil Swanson and Levi Lundethors [2003]; PEER reports for Bhutan, Kenya, Rwanda

10. The main lesson is that the GoR can focus the objectives of future PEER to a specific area of interest or concern. Evidence from 12 case studies in Table 1 suggests that PEERs have been carried out under 6 main objectives, namely:

    (i) to establish baseline and framework for analysing environmental expenditure (Mongolia, 2002; Indonesia, 2001; Bangladesh 1997, Rwanda 2009)
    (ii) to evaluate and assess how environmental expenditure conformed with budgets and purpose amidst a financial crisis (Republic of Korea,2000)
    (iii) to evaluate the effectiveness of environmental expenditure including covering the costs of degradation (Uttah Pradesh, India)
    (iv) to prepare how to position future environmental expenditure in the wake of a planned policy reform (Kenya, 1998)
    (v) to track the expenditure to see whether it actually reached the intended beneficiaries (Ukraine, 2002)
    (vi) to determine future resource requirements (Malawi, 1998)

2.3 Appreciating the type of analysis from PEER

11. As a member of PEER team, one has to have some basic appreciation of analysis to be made and how it will inform the sector and government to make appropriate decisions on how to redirect expenditure or make it effective. In turn, that should influence all the processes for planning and execution of a PEER.

12. It has already been highlighted in Box 1 that in a PER, analysis is made of **how** a government allocates and manages its financial resources. The purpose of doing the analysis is to provide recommendations on how government can manage public finances more efficiently and effectively in the future.

13. With the above understanding, the PEER team should aim high to provide answers to the generic questions of a PEER in Box 3.

Box 3: Generic questions to be answered by a PEER

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

2.4 Understand the context in which PEER fits in Rwanda

14. According to MINECOFIN's Guidelines for Planning, Budgeting and Medium Term Expenditure Framework 2008, PEER should precede Joint Sector Reviews (JSRs) which are normally carried out in the month of October. In other words, they should be made to feed and inform JSRs. However, even when they are made at other times, the findings should be disseminated. Experience across countries suggests that PERs in general are complex, data-intensive, time consuming and costly. Carrying them extensively and for all sectors annually may not be viable. The implication is that MINECOFIN should:
    (i) Provide the scope for the **less comprehensive** annual PEER which can provide basic input into a Joint Sector Review (JSR), and
    (ii) Provide the scope for **more comprehensive** PEER to be carried out after 4-5 years)

3. PREPARING TO CARRY OUT PEER

3.1 Introduction

15. The previous chapters have provided the meaning, rationale, and context of PEER in Rwanda. Here, emphasis is that a good PEER is only possible with well thought-out planning. Among others, that includes drawing up the terms of reference (ToR) or scope of work for either a consultant or sectoral team that will be charged with the review. The following categories of activities are illustrative. The detail of carrying them out should be influenced by the depth of a PEER.

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

16. The details of ToRs for PEER can vary as already highlighted in Table 1, but in order to focus the attention of the consultant or the team carrying out PEER, they should be structured in a manner to guide the consultant be focused in the delivery of a good report. The following are among the aspects the ToRs could include.

- *Background*

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

- *The goal and objective for PEER*

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

- *The scope for the PEER*

19. It is important to define the scope or boundary for the PEER in the TOR. This is particularly important because environment in Rwanda is not only a sector in its own right, but it is also a cross-cutting issue. Annex 1 provides the ToRs for this study. One may want to compare and contrast them with those for a PER in Water and Sanitation sector for Rwanda in 2008 (See Box 4).

Box 4: ToR for PER in the Water and Sanitation Sector, Rwanda 2008

In 2008, the GoR through MINECOFIN commissioned a PER in Water and Sanitation sector in 2008. The report which is accessible on www.grandslacs.net/doc/4140.pdf was made under the following objectives: (i) to analyse expenditure allocation, disbursement and execution. How are allocations linked to GoR policies and reflected in budgets; how well does the actual spent match allocation priorities and approved budgets.(ii) to assess the robustness of the public financial management systems and institutions in the sector; for example MTEF, budget control processes, budget execution, reporting and accountability processes, (iii) to provide a framework for a rational consideration of public financing in these sectors ensuring an integrated analysis of both recurrent and the development budget and comment on efficiency and effectiveness of public financing in the sector (iv) to provide an independent assessment of the adequacy, appropriateness and effectiveness of sector spending.

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

- *Methodology*

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

- *Source of data*

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

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

- *Outputs or deliverables*

23. At the end of the PEER, the review team would need to account for the use of the time and resources. The ToR will normally specify the outputs or deliverables and the time when they should be delivered. Depending on the details required, the client may set the standards of the outputs or deliverables e.g. structure of the report, report size, spacing, fonts, annexes, executive summary, policy brief, press release, etc. The ToR could provide the outline that the PEER team should use.

- *Qualities of the PEER team*

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

- *Support to the review team*

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

- *Consultation*

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

3.3 Procurement procedures

27. If the PEER team is to be outsourced, the ToR may include application procedures to be followed. This is particularly relevant where a comprehensive review is to be carried out. Sometimes, failure to plan for procurement delays the review, and its findings may not timely feed into other processes, e.g. JSRs. So, it should be borne in mind that procurement has to come early enough if the report has to inform JSR. These processes include;

(i) Defining the ToR
(ii) Advertising the assignment
(iii) Interviewing the consultant
(iv) Drawing up the contract

3.4 Briefing of the PEER team

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

Exercise:

(i). Review the ToR for the baseline PEER in Rwanda in Annex 1. If MINIRENA/REMA consulted you for input, what changes would you make and why?

(ii). If the government's resources were limited, say to only US$ 10,000, what specific aspect should be the focus for this year's PEER and why?

4. DEFINING THE BOUNDARY OF ENVIRONMENT FOR PEER IN RWANDA

29. The starting point for a PEER on environment is to define 'environmental expenditure'. Experience across the world points to the conclusion that 'this is not as straight forward as it seems'[2]. For Rwanda, the most important factor that guided the team in establishing the boundary for the PEER is the national definition of environment.

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

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

31. The above law goes a step further to list specific examples by the type of environment as summarized in Table 2.

Table 2: Example of categories of environment according of Organic Law N°. 04/2005

Category of environment	Specific examples
A: The natural environment	(i) Soil (ii) Water (iii) Air (iv) Biodiversity (v) Landscape[3] (vi) Site (vii) Natural Monument
B: Human environment B:1: Those that are destructive	(i) Pollutants (ii) Waste (iii) Hazardous waste (iv) Installation (v) Pollution
B:12: Those that are not destructive	Activities that enrich or reduce adverse effects of the environment e.g. afforestation, technologies, etc

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

32. At the time of baseline PEER, MINIRENA was the parent ministry overseeing ENR sector. It was organized under five programme areas of; (i) land, (ii) environment, (iii) integrated water resources management, (iv) forestry and (v) geological surveying and mining in addition to the ministry headquarters. REMA is responsible for environment, the National Land Centre is responsible for land, NAFA is responsible for forestry, and OGMR is responsible for geological surveying and mining. The integrated water resources is directly under the Ministry[4].

[2] Anil Markandya, Kirk Hamilton and Ernesto Sanchez-Triana [2006]: Getting the most for the Money-How Public Environmental Expenditure Reviews can help.
[3] This includes mountains, forests, plain lands, valleys, swamps and lakes
[4] MINERENA has since then been divided into two ministries of Environment and Lands, and Mining and Forestry

34. It should be observed from the definition of public environmental expenditure in Box 2 that the focus of PEER is on ***"activities not aimed at resource exploitation or production."*** In the following paragraphs, a description made of how they are grouped.

- **Classification of the Functions of Government**

35. The Classification of the Functions of Government (COFOG) is part of the United Nations family of international classifications. It is used .to classify the purpose of transactions such as outlays on final consumption expenditure, intermediate consumption, gross capital formation and capital and current transfers, by general government. It is given in Annex 2. From it, the details for environmental protection are given in Table 3.

Table 3: Environmental protection functions according to COFOG

Environment protection and environment promotion	**Description of function**
1. Waste management (COFOG 05.1)	Collection, treatment and disposal of waste
2. Waste water management (COFOG 05.2)	Sewage system operation and waste water treatment
3. Pollution abatement (COFOG 05.3)	Activities relating to ambient air and climate protection, soil and groundwater protection, noise and vibration abatement and protection against radiation.
4. Protection of biodiversity and landscape (COFOG 05.4)	Activities relating to the protection of fauna and flora species, the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values.
5. Research and development (COFOG 05.5) 6.	Administration of applied research and experimental development on subjects related to environment protection; operation of government agencies engaged in applied research and experimental development on subjects related to environment protection; support in the form of grants and loans for applied research and experimental development on subjects related to the environment protection undertaken by non-governmental bodies such as research institutes and universities.
7. Environment protection affairs and services n.e.c (COFOG 05.6)	Administration management, regulation, supervision, operation and support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programmes and budgets fort he promotion

36. When one looks at the national definition of environment and categorization in Table 2, one has to go beyond the sub-functions in Table 3 to maintain the national definition. For example, some of the key aspects of environment according to the GoR fall under the COFOG functions of agriculture, industry and commerce, fuel and energy, land, housing and community amenities, and water and sanitation and youth , culture and sports. This is equally recognized by IMF with its COFOG (See Box 5).

Box 5: Environmental activities not isolated in the COFOG classification

Activities not isolated in the classification

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

Protection of the environment

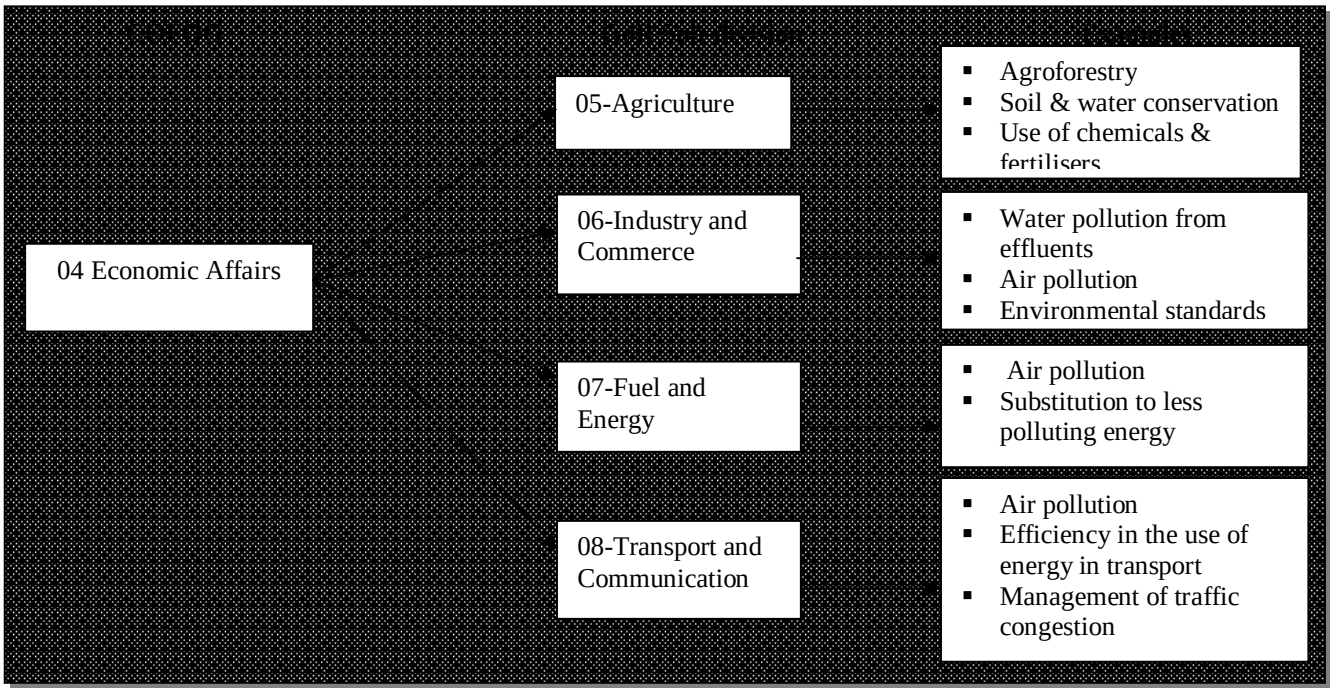
This group covers research and other aspects of environmental protection. It includes research into the causes and effects of the pollution of the air, soil, and substrata by solid waste disposal, radiation, noise, and so forth. The following classes contain relevant information.

Functional category	Related aspect
• Community development affairs and services	→ Planning of environmental protection as part of community planning
• Sanitary affairs and services, including pollution abatement and control	→ Waste collection and disposal: sewage; pollution control and abatement programmes
• Supporting and recreational affairs and services	→ Setting aside of parks, beaches, etc
• Agricultural land management affairs and services	→ Conservation and reclamation of agricultural land
• Forestry affairs and services	→ Conservation of forests and reafforestation
• Fishing and hunting affairs and services	→ Management of water resources
• Mining and mineral resource affairs and services, other than fuels	→ Pollution control in mining
• Manufacturing affairs and services	→ Pollution control in manufacturing

Source: IMF [2001]: Government Financial Statistics.

37. On the basis of the above explanation, one has to identify environmental activities across the Government of Rwanda's functional areas in Annex 3. This is illustrated in Box 6.

Box 6: Re-classification of economic affairs function by GoR and illustrative examples



- **Classification of Environmental Protection Activity (CEPA)**

38. The Classification of Environmental Protection Activities and Expenditure (CEPA) is a .generic, multipurpose, functional classification for environmental protection used for classifying activities but also products, actual outlays (expenditure) and other transactions (Eurostat 2001). It was prepared jointly by Eurostat and the UNECE in 1994 and was revised in 2000 as CEPA 2000. In June 2001 it was accepted as a member of the UN Family of International Economic and Social Classifications and was recommended by the relevant UN expert group for approval as an international standard. The CEPA is fully integrated into the Eurostat SERIEE process (and, by extension, into the SEEA) and is consistent with the questionnaire that the OECD sends out jointly with Eurostat. (See Box 7). The details are given in Annex 4.

Box 7: Classification of Environmental Protection Activity (CEPA)

1. Protection of ambient air and climate
2. Waste water management
3. Waste management
4. Protection of remediation of soil, ground water, and surface water
5. Noise and vibration abatement
6. Protection of biodiversity and landscape
7. Protection against radiation
8. Research and development
9. Other environmental protection activities
    - 9.1. General environmental administration and management
    - 9.2. Education, training and information
    - 9.3. Activities leading to indivisible expenditure
    - 9.4. Activities not elsewhere specified

- **OECD/DAC Creditor Reporting System**

39. The Creditor Reporting System (CRS), administered by OECD/DAC, is the premier international source of data on bilateral and multilateral aid commitments. The CRS database includes fields that enable users to screen for environment -related aid. Each transaction includes a purpose code highlighting the specific area of the recipient's economic or social structure that the transfer is intended to foster. The 188 purpose codes include 7 within the category general environmental protection as shown in Table 4.

Table 4: Environmental protection codes in the OECD Creditor Reporting System

Code	Description
DAC 5: code 410 CRS code	General environmental protection
41010	Environmental policy and administrative management
41020	Biosphere protection
41030	Biodiversity
41040	Site preservation
41050	Flood control/preservation
41081	Environmental education/training
41082	Environmental research

- **System of Integrated Environmental and Economic Accounting /SERIEE**

40. The System of Integrated Environmental and Economic Accounting (SEEA) grew out of the environmental accounting movement that followed the 1992 United Nations Conference on Environment and Development (the Rio Earth Summit.). The SEEA, directed by the London Group on Environmental Accounting, attempts to account for the environment and natural resources in a way that can be integrated with the System of National Accounts. The SEEA report proposes a classification of environmental activities by purpose, as follows:

    (i) Environmental protection activities
    (ii) Natural resource management and exploitation activities
    (iii) Environmentally beneficial activities
    (iv) Minimization of natural hazards.

41. It is evident from the above that the scope for environmental expenditure varies. In Rwanda's PEER, the review covered;

    (i) ENR sector, as it is overseen by MINIRENA with all agencies under it.

    (ii) Programmes and sub-programmes in other ministries, districts which are considered strategic for mainstreaming environmental activities, and budgeting for them

42. Annex 5 provides the boundary for the first or baseline PEER for environment in Rwanda, 2009.

> ***Exercise:***
> Review Annex 5 which defined the boundary for environment in Rwanda, 2009. If you were to carry out the review again in 2010, what additional areas would you include, and which ones would you exclude? Justify your answer.

5. CONCEPTUAL FRAMEWORK FOR PEER

5.1 Pillars of public expenditure management

43. Figure 1 provides a broader conceptual framework of Public Expenditure Management (PEM) for the baseline PEER in Rwanda[5]. Across countries, the practice is that governments want to improve public expenditure management (PEM) in three areas. They are;

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

44. The above aspects are explained further below.

    - *Aggregate Fiscal Discipline*

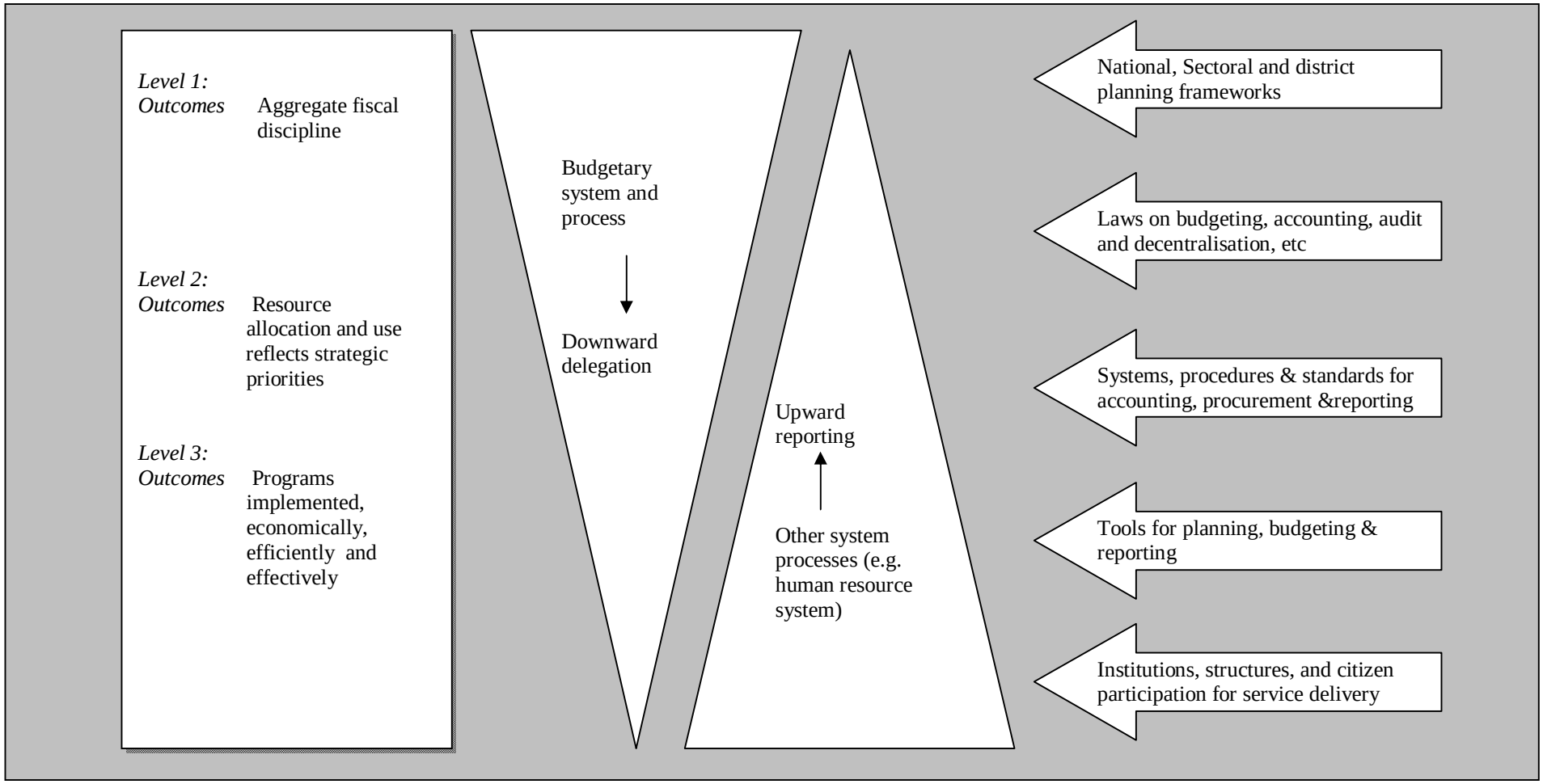
45. Controlling total expenditure is an essential purpose of every budget system. Without limits on the totals, unconstrained demands would likely result in chronically high deficits and a progressive rise in the ratio of tax revenues and public expenditure to GDP. In managing its finances, a government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

    - *Allocative efficiency*

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

[5] It is based on World Bank [1998] Public Expenditure Management Handbook

Figure 1: Framework for carrying out PEER in Rwanda



Based on World Bank [1998]: Public Expenditure Management Handbook

- *Cost effectiveness*

47. This implies achieving objectives at minimum costs. Cost-effectiveness test is best applied when benefits are difficult to measure and value or when objectives have already been chosen. Contrary to allocative efficiency, cost-effectiveness is primarily a technical concept and always suffers from political influences. It requires managerial autonomy over appraisal of specific projects and responsibility to implement defined expenditure programmes subject to clearly defined accountability for performance. Requires competent individuals in civil service attracted through adequate performance-based compensation and merit-based recruitment and promotion system.

48. It has to be recognized that even though MINECOFIN consolidates and allocates resources form the centre, the actual implementation takes place at much lower levels- the ministries, provinces, districts, and sectors. In short, there is downward delegation (Figure 1).

49. During and at the end of the fiscal year, all institutions with delegated implementation roles have to give full accountability of their performance, and hence upward reporting.

50. As the framework further shows in, the policies, laws, institutions influence the quality of the outcomes. Equally, any budget or expenditure can only function effectively when planning frameworks, management and reporting systems are result-oriented. The GoR has already adopted the notion of results-oriented budgeting which should pave way for PER processes in future.

51. With the above understanding, Figure 2 provides a broad range of issues the PEER team should prepare to analyse along others.

5.2 The structure of the budget

52. Further, it is necessary to understand what constitutes total national expenditure, of which public expenditure is part. This can be summed as follows:

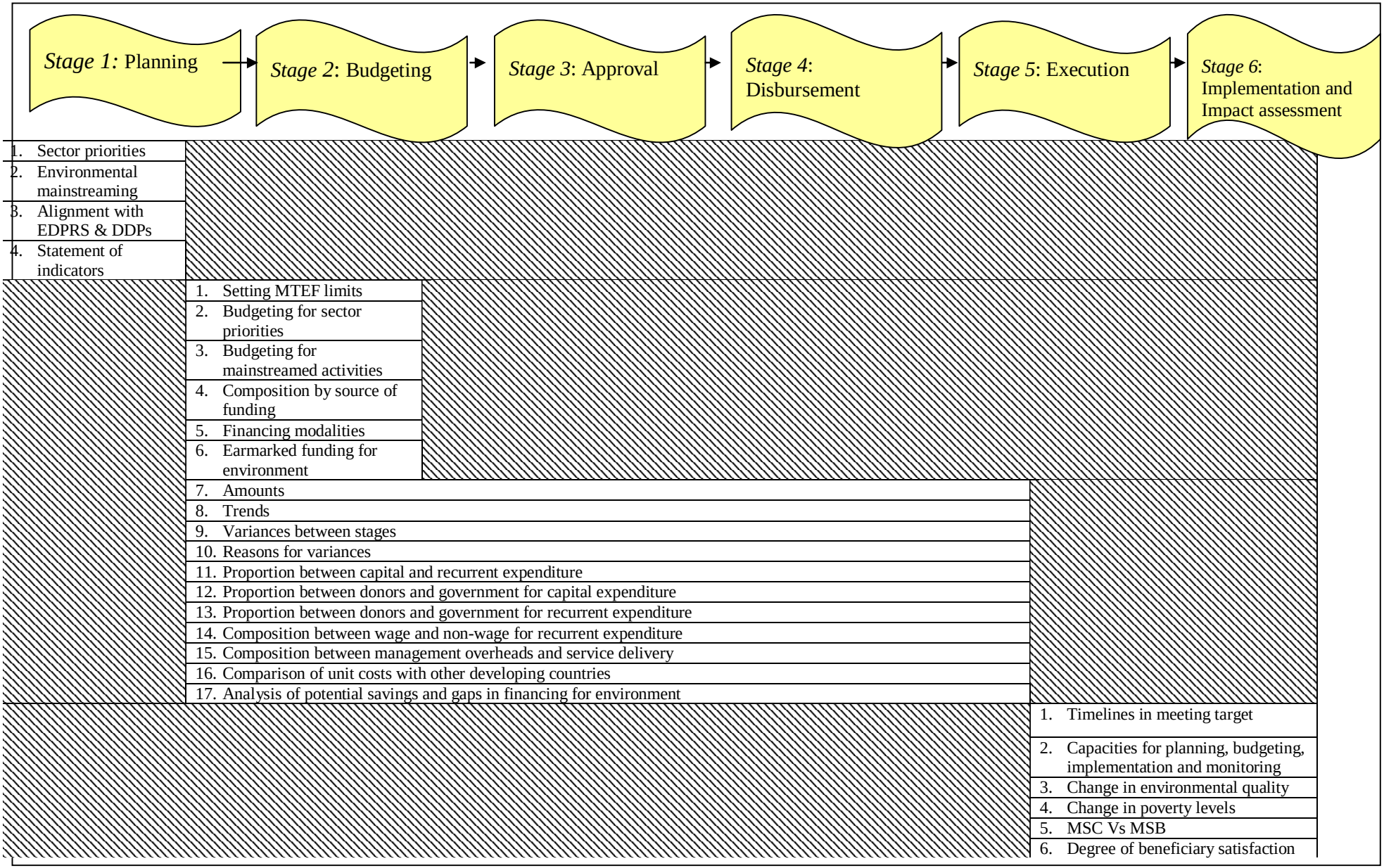
Structure of national expenditure

A: Private
B: Public of which
General government
- Central government
- Provinces
- Local government

Public agencies
- Autonomous agencies
- Semi-autonomous agencies

Domain of public expenditure

Figure 2: Proposed key aspects for analysis by key stages in PEER in Rwanda



53. Rwanda's budget is presented with a high degree of detail since 2007. As Table 5 shows, it includes:

(a) **Organisational:** Budget agency
(b) **Programmatic:** Programme and sub-programme (two levels between, that is **output** and **activities** although entered in the budget software and used to prepare each agency's budget, are **not** presented in the national budget law)
(c) **Functional:** Sector, sub-sector (The 14 sectors established in line with the COFOG norms are given in Annex 3)
(d) **Economic:** Title, chapter, paragraph and article

Table 5: Illustration of recurrent budget structure

Budget agency	Programme	Sub-programme	Chap	Article		Budget (FRW)
01 Rwanda Environment Management Authority						926,373,736
	07 Natural Resources Management					926,373,736
		05 Legal, Regulatory And Policy Systems And Institutional Frameworks For Management Of Environment And Natural Resources				926,373,736
			61 Employee Costs			310,551,582
				6103 Other Employees		310,551,582
			62 Goods & Services			615,822,154
				6201 Office Supplies		35,988,157
				6202 Water And Energy		30,505,197
				6204 Clothing And Uniforms		1,993,804
				6206 Maintenance & Repairs		72,729, 970
				6207 Transport And Travel		115, 640, 616
				6209 Publications And Printing		17,445,782
				6210 Public Relations And Awareness		117,435,036
				6211 Communication Costs		17,724, 914
				6212 Professional Services		177,049,765
				6216 Miscellaneous Expenses		29,308, 913

54. From a PEER's perspective, the team should be interested in the following:

- the budget figures from the budget law
- the execution rates
- the changes in the codes of programmes and sub-programmes from year to year

5.3 Assessment of necessary conditions for achieving PEER goals

55. Besides preparing to critically reviewing the above 3 **pillars** of PEER in Figure 1, the review team should obtain a general understanding of the extent to which the key conditions for achieving PEER goals are being met in the contrary. They are described below:

- **Transparency**

56. Relevant audited financial data should be provided timely in an understandable manner, and based on IMFs 1998 code of Good Practices on Fiscal Transparency

- **Accountability**

57. The government should have a mechanism by which it is actually seen to hold public and accounting officers liable for their actions. In this regard, the accountability mechanisms should be seen to address three aspects:

    - accountability by whom;
    - accountability for what;
    - accountability to whom;

- **Comprehensiveness**

58. Expenditure is considered comprehensive when the budget on which it is based provides a full and complete picture about all sources and categories of revenues expenditures by ministries, provinces, local governments, autonomous and semi-autonomous agencies and any other government controlled agency. Where cases exist for earmarking revenue e.g. from user fees, non-tax revenue etc, they should be fully disclosed and accounted for in a public expenditure.

- **Fairness and equity**

59. A good public expenditure should be fair and equitable in that it should neither be discriminatory, nor regressive. Where conflict between efficiency and equity occurs, government should put in place compensatory schemes to benefit the poor or those vulnerable to an environmental risk (e.g. flooding)

- **Predictability and consistency**

60. Predictability has the advantage of supporting expenditure prioritisation. It ought to be known also that predictability by government helps the private sector to strategic in its own investment decisions.

- **Non-instructiveness**

61. Expenditure should avoid creating (excessive) distortions in the economy e.g. unfair pricing, competition or trade. Importantly, public expenditure should be confined to those activities for which the private sector is not available to support socially efficient objectives.

6. SOURCING FOR RELEVANT DATA AND INFORMATION

6. 1 Compulsory documents to read at start of PEER

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

    (i) the national planning frameworks, particularly EDPRS, Vision 2020 and MDG reports
    (ii) the ENR Sector Strategic Plan, ENR Issues Paper, and Environmental Indicators
    (iii) the Macro-economic outlook; Budget Framework Papers, and Planning and Budgeting Guidelines
    (iv) the laws determining state finances for the period covered by the review
    (v) the government's chart of accounts
    (vi) the previous PEER reports, if any, and
    (vii) the budget and project execution reports, if any

6. 2 Other sources of specific data sets

63. The type of data that has to be identified and sourced for PEER is directly or indirectly influenced by the broad conceptual framework for PEER already given in Figure 1 the analysis framework in Figure 2 and the ToR. Table 6 provides the key sources of data in Rwanda today.

Table 6: Strategic sources of data for PEER

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

6.3 Prepare adequately for interviews

64. Staff and respondents to be interviewed have a lot of demands for their time. At the same time, they may not generally know what a PEER is. It thus pays to sufficiently prepare and make out the best out of the interviews.

65. In preparing for the interviews, there are two aspects to bear in mind, namely:

    (i) the understanding of the respondents about the general issues, and
    (ii) the comparative advantage of the respondent in providing and explaining certain data sets.

66. With regard to the former, the members of the PEER team should prepare to seek qualitative information on the following:

    - their understanding of environment, environmental revenue and environmental expenditure
    - their appreciation of the planning frameworks and their linkage to the budgets
    - their assessment of coordination mechanisms for environment within and across the sectors
    - the transparency of the processes for participation, planning, budgeting, and accountability
    - their level of satisfaction with government programmes in reducing poverty and ensuring environmental sustainability

67. With regard to the latter type of information, the PEER team should prepare to seek data or clarification which by virtue of placement, the respondent is the primary and strategic response.

68. The key tips in the preparation of the interviews are;

    i) Make an appointment by phone, email, or letter as the case may be. Even where email or letter has been sent, it pays to make follow-up by phone. Explain briefly the nature of the issues you want to raise, and get to know the time the interviewee may be available for interview. This is important in determining which key issues to raise.
    ii) Get to know the organization in which the interviewee works, and its strategic relevance to PEER. This will help you prioritise the questions you want the interviewee to answer on behalf of his/her organization. (See Annex 6)
    iii) Make background reading about the organization, say from their websites.

> ***Exercise:***
> Read the interview questions that were prepared prior to the meeting with Manager, smartgov, MINECOFIN. (Annex 6)
> (i) If you had the opportunity to add more questions, what would they be and why?
> (ii) If the Manager had time for only 5 questions, which ones would you choose?

6.4 Key challenges in PEER and strategies to overcome them

69. There is no doubt, PEER imposes a lot of data demands, particularly if highly disaggregated analysis and comparisons with other countries are to be made. The following categories of challenges are described. Potential strategies and steps to overcome them are given.

- *Contradictory data*

70. Sometimes the authority for the report may have left the organisation or may not be available at the time of PEER. The strategy would be to counter-verify with other sources and to "cite" the sources and to offer your own opinion on which source you trusted and why.

71. Data from reports, sometimes from the same institution can be contradictory. It could be explained by the fact that the producers of those reports were different. It is advisable to bring this matter up during the interviews, and to seek clarification.

- *Reforms*

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

- *The merger and transfers of budget codes*

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

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

- *Inter-country comparisons*

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

- *Multiple repositories of aid data*

76. The multiple repositories of ODA in Rwanda, with regard to each having independent collection process implies that a lot of time is needed to ensure that duplication or reporting is avoided.

77. The repositories are the Budget Unit (MINECOFIN), Public Accounts Committee (MINECOFIN), Development Assistance Database (DAD), and CEPEX database (Dereck Rusagara, 2009[6]). In a sample of 147 respondents, Rob Tew [2009] found that 16% were reported in 3 repositories[7]. This is compounded by the differences in definition used by development partners as illustrated below.

- **Donor A** considers ODA to be "disbursed" when it enters into a grant agreement with an implementing partner.

- **Donor B** reports on "disbursement" when funds are transferred to the implementing partner's bank account and,

- **Donor C** considers the funds "disbursed" only when the implementing partner has spend the funds on goods and services

78. Since government is investing to improve the data quality under DAD, it should form the starting point.

- *Expenditure modalities outside the budget*

79. There are three types of expenditure which limit the understanding of **total** picture. They are:

(i) expenditure to external contractors who provide service or goods to Rwanda, but which is affected directly by the donors without passing through the national accounting system
(ii) expenditure out of extra-budgetary funds,
(iii) expenditure out of earmarked funds.

80. The government has already set in motion processes to start reporting extra-budgetary funds.

- *Inconsistencies in the annual action plans*

81. Although annual action work plans are the basis for budgeting, they are not consistently detailed across sectors for one to pull out the mainstreamed activities and their budgets. The Smartgov too, does not show and summarise budget details at that level.

[6] Dereck Rusagara [2009]: Progress and Challenges on Aid Transparency in Rwanda.
[7] Rob Tew [2009]: Aid Information in Rwanda.

7. IDENTIFYING FUNDING SOURCES AND MODALITIES

7.1 Where does the money for public expenditure come from?

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

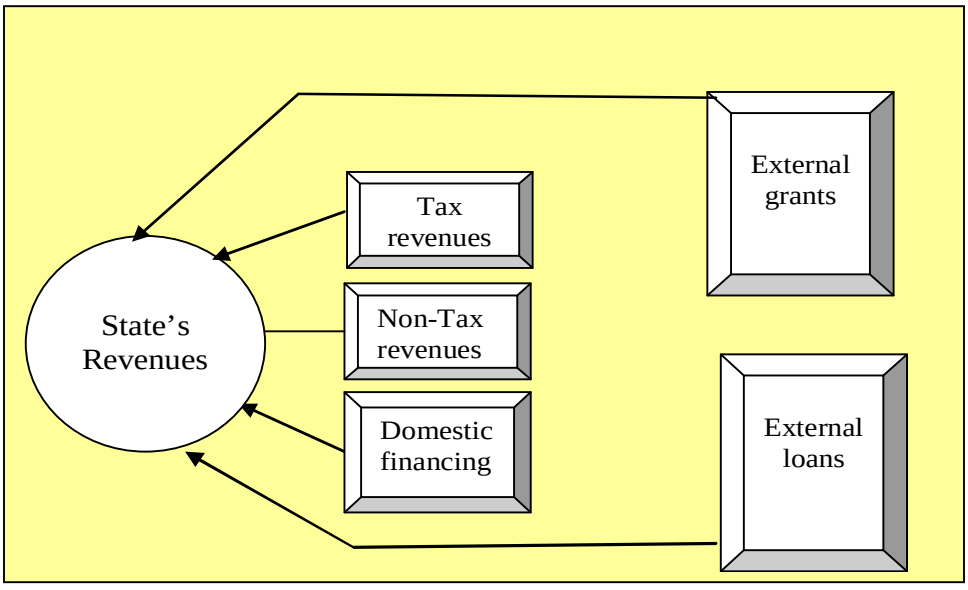
83. The state's revenues are constituted by the internal or domestic, and external sources.

- **Domestic resources include:**

i) Tax revenues; the main sources of tax revenue are indirect taxes from goods and services and Pay as You Earn income tax. This fiscal year 2009/10 the tax revenues are expected to Rwf 367.9 billion which demonstrates a 34% increase compared to 2008 tax revenues.

ii) Non tax revenues; this includes money from trade licenses, driving permits, Court fees, traffic fees, passports, consular fees and other sources. For the 2009/10 Budget, they are expected to Rwf 33.5 billion which demonstrates an increase of 49% compared to 2008 non-tax revenues. There are other non-tax revenues which are earmarked to be used by agencies collecting them. For example, the fees from concessions to harvest products are retained by NAFA under the National Forestry Fund. Districts too collect and retain some revenue. There are other potential revenues e.g. from EIA which are not yet collected. The law establishing FONERWA is the one supposed to define how they should be collected.

iii) Domestic financing; this is where the government borrows from the banks and other institutions of Rwanda through selling Treasury Bills. Also included is the drawdown from government deposits in the Central Bank. For the 2009/10 Budget, it is projected at Rwf 25.7 billion.



- **External resources are composed of:**

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

84. To note is that once the PEER team can consolidate all the sources of funding into one excel sheet, it should go a step further to calculate; (i) the proportion of each source to total budget, (ii) the proportion of each to GDP.

7.2 Funding modalities in Rwanda

85. Rwanda exhibits several funding modalities shown in Figure 3. To the extent possible, it is advisable to review are modalities to the government, and the flow of environmental expenditure by modality. These modalities are: (i) general budget support, (ii) sector budgets, (iii) stand-alone projects, (iv) funding through CDF

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

86. The following list provides some of the analysis that the PER team could carry out.

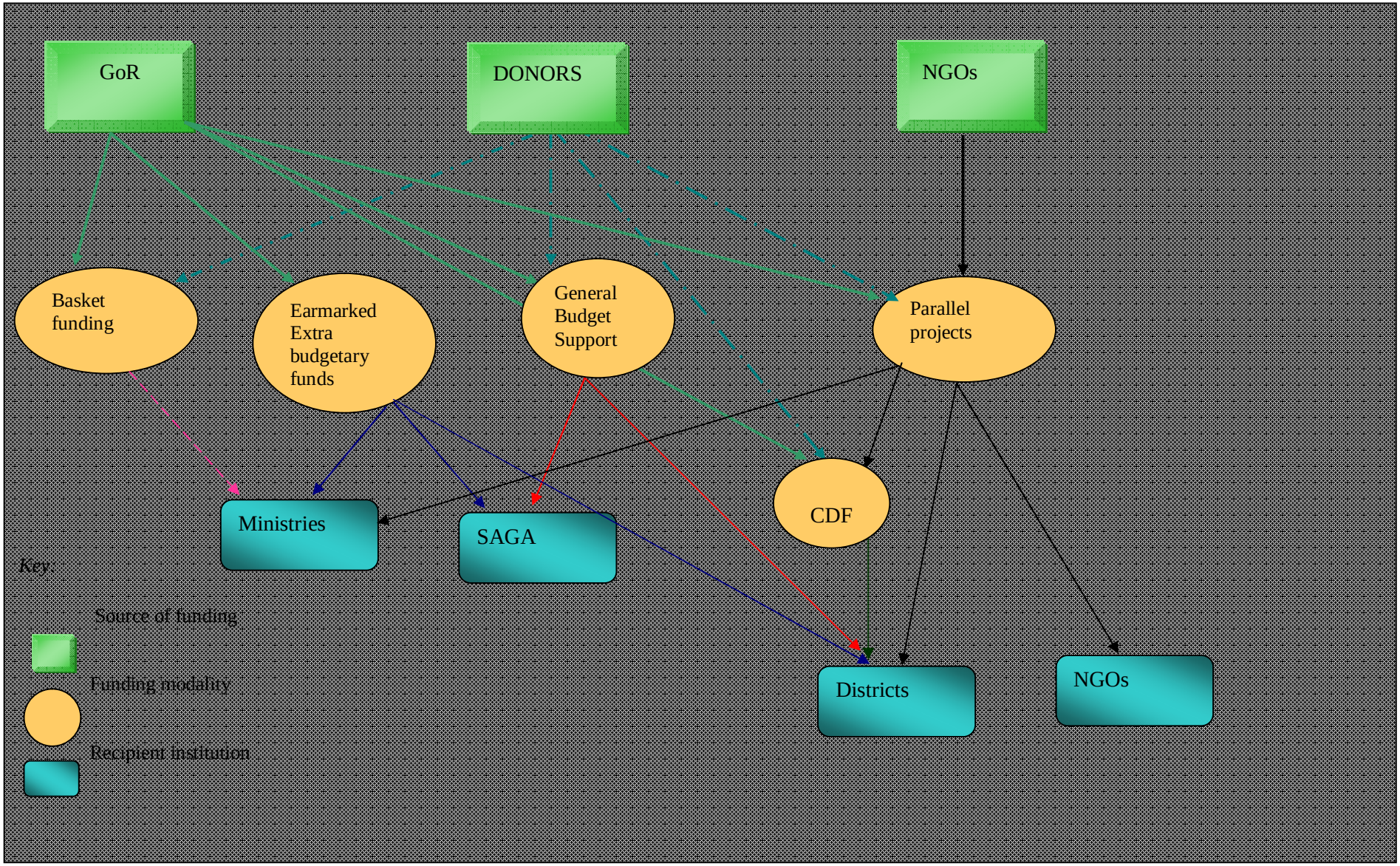
(i) the trends in revenue by source, and as a percentage of GDP
(ii) the proportionality of each funding source
(iii) the trends in internally generated revenue. This has a bearing on reducing dependency on external aid
(iv) the trends and amounts of extra-budgetary funds,
(v) the trends and amounts generated by districts,
(vi) the form in which the development partners chose to use their aid, that is, among general budget support, sector basket funding, and stand-alone projects.
(vii) predictability of funding by source and
(viii) national and global issues likely to positively or negatively affect funding in future.

7.4 Sources of data for external funding

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

Exercise:
Read the aspects to be analysed with respect to funding sources. Are there additional aspects you would want to be included?

Figure 3: Tracking Public Environmental Expenditure for environment by source of funding, funding modality and recipient institutions in Rwanda



8. FRAMEWORK FOR ANALYSING PUBLIC EXPENDITURE

8.1 The macroeconomic framework and the aggregate level of public spending

88. The previous sections have in a way given certain aspects that should form part of the PEER. Those provided in this section complement them, and some are additional.

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

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

- *The macroeconomic impact of budget deficits*

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

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

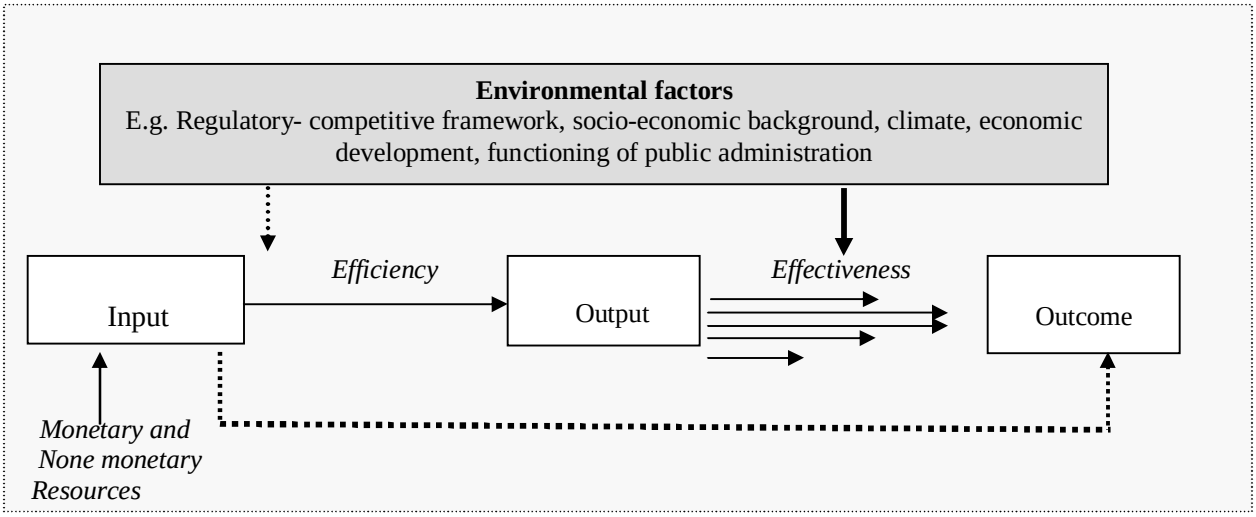
Exercise:
Read Rwanda Macro-economic framework for 2009/2010 and Donor Aid Policy, 2009. What is the government's plan with regard to (i) grants, (ii) loans, (iii) fiscal deficit, (iv) inflation control?

8.2 Framework for analyzing the composition of expenditures

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

94. In analyzing PEER, we have to understand the concepts of efficiency and effectiveness of public expenditure. The analysis of efficiency and effectiveness is about the relationship between inputs, outputs and outcomes. Figure 4 illustrates the conceptual framework of efficiency and effectiveness. It makes the link between input, output and outcome. The monetary and non-monetary resources deployed (i.e. the input) produce an output. For example, education spending (input) affects educational attainment rates (output). The input - output ratio is the most basic measure of efficiency. The external environmental factors may also affect the achievement of efficiency and effectiveness.

Figure 4: Conceptual framework of efficiency and effectiveness



95. To simplify Figure 4 further, the following table provides definitions and formulae for economy, efficiency and effectiveness.

Criteria	Definition	Formula
(i) Economy	Competitive procurement of inputs needed to provide a good or service	Input/total resources
(ii) Efficiency	Providing output of the required quality at the minimum cost	Output/input
(iii) Effectiveness	Achieving target outcome for the least overall cost	Outcome/cost

96. By way of example from the education sector:

- Teacher salaries and the cost of school construction can be used as indicators to measure **economy**
- Pupil/teacher ratio is an indicator to measure **efficiency**
- The production of a graduate at least cost measures **effectiveness**

8.3 Criteria for analyzing expenditure allocations based on international practice

97. Many PEERs have been carried out world wide. They have differed in scope and coverage. But there are basic ingredients they should communicate. See Box 8.

Box 8: Generic elements of PEER

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

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

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

8.4 The national criteria for priority public expenditure

98. The GoR has come up with 10 criteria for priority public expenditure in Box 9. They are quite similar to those in Box 7. They should to the extent possible be analysed in PEER

Box 9: Criteria for prioritizing public expenditure in Rwanda

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

Exercise:
(i) Read Box 8. Are there criteria you would want omitted or included? Justify your opinion?
(ii) What guidance would you require from MINECOFIN so that your budgeting and expenditure satisfy the criteria in Box 8?

8.5 Analysis of functional classification of expenditure

99. Annex 3 provides the government functional classification of expenditures. It can form basis for analyzing **effectiveness** of public expenditure. However, because environment is cross-sectoral, analysis can also extend to other sectors. For this to be done objectively, the analyst should choose a programme or sub-programme with relatively homogeneous benefits e.g. soil and water conservation, agroforestry, e.t.c outside the function of environmental protection. It should also cover environmental promotion (e.g sustainable management of natural resources).

100. Thereafter, one can then analyse how public expenditure for environment is widespread across sectors- e.g. agriculture, infrastructure, private sector development. Opportunities for synergies, coordination, e.t.c can be identified when such analysis is made. (e.g. between NAFA and MININFRA on biomass energy strategy).

101. In analyzing the functional composition of expenditures, it is important to ascertain the constitutional division of functional responsibilities among the various levels government (i.e. Ministry, Province, and District). Economic theory suggests that such decentralized decision making can in principle enhance allocative efficiency and social welfare because lower levels of government may be better being able to map expenditures to meet local preferences, provided economies of scale and benefit-cost spillovers have been taken into account. In such structures, it becomes imperative to analyse not only the assignment of expenditure functions and tax revenues across levels of government, but also the efficiency and equity implications of the design of intergovernmental fiscal transfers (e.g. block grants, specific purpose grants, matching grants) to offset the vertical and horizontal imbalances, interjurisdictional spillovers, e.t.c.

8.6 Analysis of economic classification of expenditure

102. The economic composition of public spending consists of capital and current expenditures, and within current expenditures, wages and salaries, non-wage operations and maintenance, interest payments, subsidies and other current transfers. It is given in Box 10. Table 7 presents the economic classification of total government expenditures both as a percentage of GDP and as a percentage total expenditures.

Box 10: Economic Classification of expenditure

Recurrent expenditure
(i) Salaries;
(ii) Goods and services;
(iii) Exceptional expenditure;
(iv) Interest payment;
(v) Arrears;
(vi) Net lending;
(vii) Repayment of principal on debt;
(viii) Subsidies and current transfers;
Capital expenditure
(ix) Domestic development expenditures.

Table 7: Analysis by economic classification

Variables	Year1	Year2	Year
Percentage of GDP (i) Total expenditure (ii) Current expenditure (iii) Goods and services (iv) Wage (v) Other goods and services (vi) Interest payment (vii) Subsidy and transfers (viii) Capital expenditure (ix) Fixed capital			
Percentage of total expenditure (i) Current expenditure (ii) Goods and services (iii) Wage (iv) Other goods and services (v) Interest payment (vi) Subsidy and transfers (vii) Capital expenditure (viii) Fixed capital			

103. Where data or other evidence permits, inter-country comparisons can be made. However, the results should be interpreted cautiously because of the following reasons:

(i) measurement of efficiency and effectiveness is highly sensitive to data sets being used. Comparisons are justified where data sets are homogeneous
(ii) funding instruments may differ
(iii) countries may have started at different times to spend to achieve a certain output and outcome

- *Trends in Recurrent Budgets and Actual expenditure*

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

- *Variance between Budgets and expenditure*

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

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

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

- *Budget Execution*

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

- *Undisbursed Resources*

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

8.7 Intra-program or sectoral analysis

109. Where expenditure details exist, the same analysis above in Table 7 can be carried out by programme, sub-programme or budget agency under the sector. This can disclose the most funded (e.g. environment) and the least funded (e.g. integrated water resources).

8.8 Analysis of development projects

110. The above analysis would entail the following;

(i) The listing of development projects under the sector, showing total budget, and how they are shared between government funding and external funding. This can tell the extent to which the government is improving the financing of capital expenditure.

(ii) The likely future recurrent expenditure consequences of development expenditure. In Rwanda, ENR does not take much development budget.

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9. ANALYZING INSTITUTIONAL ARRANGEMENTS IN A PEER

111. Thus far, the focus has been entirely on the analysis of the level and composition of public expenditure allocations. However, to improve public expenditure allocations, it is important to evaluate both the institutional arrangements-or rules of the game among key decision makers who allocate public spending-that influence and determine these expenditure allocations, as well as the allocations themselves. It is imperative to evaluate underlying institutional processes and incentives, and support institutional reform that can result in improved expenditure allocations on a sustained basis.

112. Public expenditure management is characterized by four distinct but related theoretical problems namely
    (i) the tragedy of the commons.
    (ii) information asymmetries and high transactions costs that may impede an efficient mapping of expenditures by government with the preferences of individual and groups in civil society that constitute its power base.
    (iii) information asymmetry and incentive incompatibility within the government hierarchy (e.g., the relationship between the central and line ministries) that can impede a socially desirable allocation and use of budgeted resources.
    (iv) perverse incentives that may stem from external, donor assistance in aid-dependent developing economies.

113. Each of the above problems can result in socially undesirable outcomes. Institutional arrangements can help redress these problems to some extent, and thereby improve expenditure allocations.

114. Annex 7 provides a wide range of questions that can answer a lot of the above institutional issues. Such questions are best addressed during a comprehensive PEER. The Annex helps identify institutional arrangements that can address the four key problems mentioned above and thereby improve expenditure outcomes. With this framework, key questions can be identified to help diagnose the institutional features that will influence the aggregate level of spending, the prioritization or composition of spending and the technical efficiency in the use of budgeted resources. These include not only the formal and informal rules that ought to be examined but also an examination of the accountability and transparency features associated with these rules that make them binding or ineffective .

115. A questionnaire that can be used to structure this diagnosis can be found in Annex 7

116. To identify whether there are rules or institutional arrangements that address the tragedy of the common problem above and thereby enforce *aggregate fiscal discipline,* key questions would include (i) whether the budget is prepared based upon a macroeconomic framework; (ii) whether there exist formal constraints-constitutional or donor conditionality on aggregate spending, deficits or borrowing; (iii) whether the central ministries have dominance in enforcing aggregate expenditure ceilings in budget preparation and execution ,as measured by the percent deviation between their proposals on the one hand, and actual budgetary submissions and expenditures on the other; and (iv) whether there are limits on overspending by individual line ministries.

117. For expenditure prioritization, three main categories of questions can be identified to assess whether formal and informal rules are conducive to producing expenditure allocations that maximize social welfare. The first set of questions concerns the breadth of consultations and transparency with which actual budgetary priorities are established.

118. The second set of questions determines the basis on which expenditure priorities are based, and how macro versus micro tensions are resolved between the central and line ministries in making budgetary allocations.

119. The third set of questions pertains to the extent to which expenditure prioritization is donor-driven, and if so, what the incentives towards particular types of expenditures are.

120. For technical efficiency, a key issue is the adequacy of civil service wages and salaries, as measured by the public-private pay differential at various levels.

10. COMPLEMENTARY MONITORING TOOLS TO PEER

10.1 Value-for-money audit

121. In its National Planning, Budgeting and MTEF Guidelines, MINECOFIN has listed or referred to other public expenditure monitoring tools. Where they have been used, their findings should inform the PEER. They are described below.

122. The value-for-money audit verifies whether expenditure was economic, efficient, and cost-effective by available standards (e.g. unit costs). It goes beyond assessing that expenditure was incurred according to budget, following the laid down administrative and financial procedures.

10.2 Public Expenditure Tracking Surveys

123. Public Expenditure Tracking Surveys (PETS) are used to track the flow of funds through different layers of government up to the final service provider, e.g. a school, hospital, *umudugudu* e.t.c. The objective of PETS is to diagnose and understand problems in budget execution and service delivery, with a view towards improving the efficiency of government spending. In a PETS, the paper trail of financial transfers is followed, verifying whether the outturn is consistent with the initial allocation, whether records are consistent between different levels, and identifying the delays in financial transfers (or distribution of material). PETS can provide local communities with information about the level of resources actually allocated to particular services in their area and how much of those resources actually reach. Such an analysis can potentially reduce the leakages of public funds, increase the efficiency of public spending, and ultimately increase the quantity and quality of public services (See Box 11).

Box 11: Closing public expenditure leakage

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

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

10.3 Citizen Report Card and Community Score Cards

124. The above are some of the tools for potential use in Rwanda, listed in the Planning, Budgeting and MTEF Guidelines 2008. It was gathered that MINELOC plans to introduce them to measure the level of satisfaction with services provided by districts.

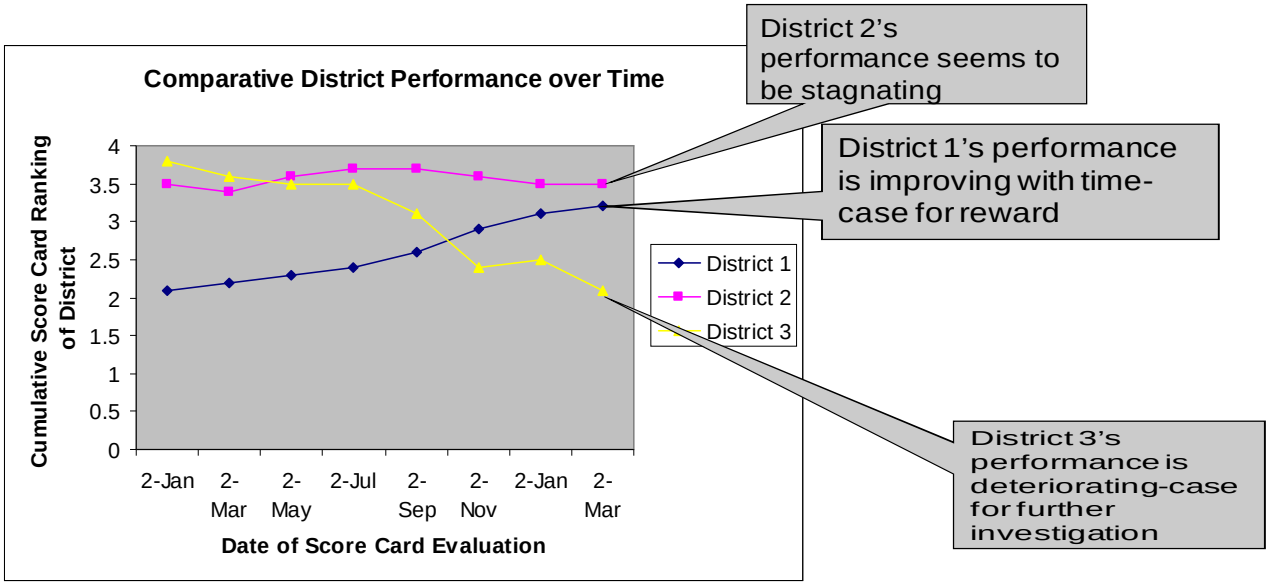
125. The Citizen Report Card (CRC) is a tool to (i) collect citizen feedback on public services from actual users of a service, (ii) assess the performance of individual service providers and/or compare performance across service providers and (iii) generate a database of feedback on services that is placed in the public domain.

126. The beneficiaries (as individuals) score the service providers using say marks from 1 to 100. On the other hand, the Community Score Card (CSC) approach gathers the level of satisfaction from a group of people rather than individuals.

127. World Bank used Community Score Cards to get community level of satisfaction across districts in which a Social Action Fund was implemented in Malawi.(See Figure 5)

128. Cross-district comparisons over time showed where urgent attention was needed. In order to observe changes in performance, it is advisable to use these tools more than once.

Figure 5: Comparative district performance over time



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

CHAPTER 11: STRUCTURE OF THE PEER REPORT

By and large, the structure of the report should be based on the scope of work in the ToR. As already mentioned, the ToR for a PEER could suggest an indicative outline of the report. An example is given in Box 11 for a recently advertised PEER for Mozambique by PEI.

Box 11: Proposed structure for the PEER report for Mozambique

1. Executive Summary
2. Introduction
3. Defining the boundaries of public environmental expenditure
4. Context
    a. Policy and regulatory framework (for the whole public sector and for the environment sector in particular)
    b. Institutional set up (main actors and how they relate to each other)
    c. Recent reforms (including EFR if relevant)
    d. Development assistance (volumes, sources, aid instruments)
    e. Public expenditure in Mozambique (whole public sector)
    f. Public expenditure management in Mozambique (from the perspective of the environment sector)
    g. Lessons from previous PERs
5. Public environmental expenditure review
    a. Overall estimate of public environmental expenditure: the estimate should include expenditure by MICOA, all key sectors etc. If an estimate of actual expenditure is not possible to calculate then at least an estimate of budgeted expenditure should be provided.
    b. Sources of funding: internally generated revenue and development assistance
    c. Expenditure analysis by sectoral area: trends and breakdown by sectoral (ENR and other relevant sector), economic and programme classifications
    d. Contribution of the environmental resources to national revenues during the study period (2005 – 2009) and their utilisation
    e. Comments on efficiency, effectiveness and sustainability
6. Case study 1: fiscal decentralisation for environment
7. Case study 2: Institutional capacity for environmental management and budgeting
8. Emerging lessons
9. Conclusions and recommendations

Annexes:

a. List of references
b. Detailed tables showing budget, actual and committed expenditure, revenue and notes on how various estimates were arrived at, including definitions, assumptions and data sources.
c. Definition of public environmental expenditure and revenue in Mozambique (the annex should be prepared as a standalone document);
d. Sector summaries (7 summaries, maximum 5 pages each, each focusing on specific issues relevant to the agriculture, energy, mineral resources, public works, health, tourism and fisheries) - the annexes should be prepared as standalone documents
e. Summary on issues related to environmental expenditures at decentralized level (the annex should be prepared as a standalone document, max 5 pages)
f. List of persons interviewed

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15. IMF [2001]: Government Financial Statistics.
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Annex 1: Terms of Reference

Republic of Rwanda

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TERMS OF REFERENCE

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Consultancy – Public Expenditure Review to Support PEI Project Activities

1 OBJECTIVE

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

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

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

2 BACKGROUND

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

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

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

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

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

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

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

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

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

3 SCOPE OF WORK

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

3.2 Responsibilities:

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

The following broad areas should be explored in the PER:

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3.3 *Analysis of Past Trends (2005-2009);*

3.3.1 Overview of allocations and trends in public expenditure from all sources (domestic revenue and external funds);

3.3.2 Overview of other environment sources and expenditure trends where data available private sector, NGO, community, household

3.3.3 Trends in priority given to the environment sector within overall Government of Rwanda budget and comments on intra-sectoral allocations within environment. Clarify definitions of sector and sub-sectors used in analysis;

3.3.4 Analyse the effectiveness of expenditure allocation, disbursement and execution;

3.3.5 Outline reasons for any differences between approved budgets vs actual disbursements and expenditures. Explain progress and implications in linkage to policy objectives;

3.3.6 Analyse input mix (including recurrent vs capital, salary vs non-salary, balance between management overheads and service delivery expenditure);

3.3.7 Evaluate performance of Rwanda in relation to regional and international benchmarks. Cross country comparison should be made wherever possible throughout the report. Identify lessons from international best practice;

3.3.8 Provide thorough and clear commentary and analysis on moves taken towards de-centralisation of funds;

3.3.9 Analyse and comment on allocations at local government level. Evaluate current allocation mechanisms and formulas for de-centralised expenditures and provide suggestions on how this could be improved using available data;

3.3.10 Provide a commentary on the progress and trends of government spending on environment;

3.3.11 Provide a clear analysis of the role of newly established semi autonomous government agencies such as REMA and NAFA in the financing mechanisms as well as budget allocation and execution for ENR management. Evaluate efficiency of fund allocation with regard to the – agencies and whether establishment have had a value added to the environment sector in terms of financing and execution;

3.3.12 Develop an analysis on the level of involvement of sectors key to the environment such as those in the rural cluster in terms of how they have been monitoring budget allocation and execution for environmental activities and to what extent this has impacted on the sector objectives. What kind of monitoring tools have been used and what trends have been observed. Discuss lessons that have been gleaned from countries with similar challenges to inform PER process in Rwanda;

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

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3.4 Forward-Looking Analysis and recommendations

3.4.1 Highlight areas for efficiency savings. Compare current and projected unit costs to other developing/Sub Saharan African countries. Identify possible areas for cost savings and improvement in efficiency with reference to best practice surveyed in other developing countries;

3.4.2 Are semi autonomous government agencies (SAGA) operating at a cost effective level? Compare management overhead costs of each SAGA compared to money that is spent on service delivery by each SAGA. Examine service delivery and management cost;

3.4.3 Identify implications of Government decentralisation plans for environment sector. Provide recommendations on pathway for future decentralisation of fund;

3.4.4 Identify key recommendations in improving public financial management and draft an action plan relating to the requirements for line ministries under the organic budget law to be introduced in Rwanda. This should be provided in the form of a matrix of issues and suggested responsibilities;

4 METHODOLOGY AND REPORTING FRAMEWORK

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

4.1.1 Adequate participation of key stakeholders in ministries and relevant public sector agencies, private sector especially service providers, and civil society representatives;

4.1.2 Adequate consultation with different GoR Ministries/Agencies (at least: MINIRENA, REMA, MINECOFIN, MINALOC) and decentralised levels (Provincial administration and Districts and other local authorities), donors and other development partners and end-user;

4.1.3 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;

4.1.4 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;

4.1.5 A significant element of quantitative analysis, evidence based findings and an emphasis on making clear recommendations based on thorough, objective analysis;

4.1.6 A clear definition of the environment sector is to be used in the analysis;

4.1.7 ALL relevant budget lines in and outside of MINIRENA and REMA, including district budgets, other relevant sector ministries and agencies who are involved in the preparation, execution, monitoring of or reporting on public expenditures related to environment and natural resources;

4.1.8 Visit of, public financial management and accountability institutions such as the Office of the Auditor General (OAG) and agencies such as the Institute of Statistics, Rwanda Revenue Authority (RRA) and CEPEX;

4.1.9 The PER should be undertaken with strong collaboration between the GoR and the consultant(s), and efforts should be made to ensure ownership of the conclusions and recommendations by the GoR. It is to be emphasised that capacity building for local

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

5 DELIVERABLES

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

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

5.1.2 An inception report after five (5) days;

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

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

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

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

5.1.3 Summary policy report including major findings and recommendations;

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

5.2 Data Source

5.2.1 Reference Materials available include:

a) EICV I and II;

b) PRSP Environment sector self evaluation 2006;

c) Interim PRSP and PRSP I documents;

d) Joint budget sector review reports;

6 QUALIFICATIONS

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

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6.1.1 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;

6.1.2 Minimum of five (5) years work experience in related fields such as Poverty Reduction Strategies, policies, Monitoring and Evaluation and strategic planning and more specifically, the suitable candidate should have significant experience in budgetary and PER processes and review and proven record in informing and influencing such processes;

6.1.3 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;

6.1.4 Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University;

6.1.5 Proven understanding of ongoing processes such as EDPRS and DDPs;

6.1.6 Minimum of three (3) years work experience in poverty focused data analysis and management of environmental issues;

6.1.7 Minimum of three (3) years work experience in institutional coordination and harmonisation;

6.1.8 Proven experience in environmental information gathering and field based environmental research for media coverage;

6.1.9 Fluency in English, preferably with functionality in French.

6.2 Competency and skills

6.2.1 Strong interpersonal skills with ability to work under pressure and to establish and maintain effective work relationships with people of different backgrounds;

6.2.2 Ability to take initiative and to work independently, as well as part of a team;

6.2.3 Proven capacity to organize and facilitate workshops and meetings;

6.2.4 Ready to travel extensively in rural areas and districts;

6.2.5 Excellent oral and written communication;

6.2.6 Excellent communication skills, reporting with ability to express ideas clearly, concisely and effectively, both orally and in writing;

6.2.7 Computer literacy in full Microsoft Office Package and web browser capability;

7 REMUNERATION AND OTHER CONSIDERATIONS

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

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

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

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

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

8 SUBMISSIONS

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8.1 **Qualified team of consultants or firm that meet the above requirements are invited to submit:**

8.1.1 Motivation letter expressing suitability for the assignment;

8.1.2 Curriculum Vitae with the required supporting documents;

8.1.3 List of previous work, contractual responsibility and successful completion of consultancy services related;

8.2 **The Submissions should be made in One envelope or attachments (if submitted via email) indicating; DO NOT OPEN IN ADVANCE).**

8.3 **Please note that Submissions by E-mail WILL BE ACCEPTED (see details in the Expression of Interest).**

9 SELECTION PROCESS

9.1 **Submissions will be evaluated in consideration of the evaluation criteria as stated below:**

9.1.1 Evaluation Criteria (Total of 100 points):

a) Masters degree in a relevant field such as Economics, Development Economics etc from a recognized University [Maximum 20 points];

b) Minimum of five (5) years work experience in related fields such as Poverty Reduction Strategies, policies, Monitoring and Evaluation and strategic planning and more specifically, the suitable candidate should have significant experience in budgetary and PER processes and review and proven record in informing and influencing such processes [Maximum 15 points];

c) Proven understanding of ongoing processes such as EDPRS and DDPs [15 points];

d) Minimum of three (3) years work experience in poverty focused data analysis and management of environmental issues [Maximum 15 points];

e) Minimum of three (3) years work experience in institutional coordination and harmonization [Maximum 15 points];

f) Proven experience in environmental information gathering and field based environmental research for media coverage [Maximum 10 points];

g) Fluency in English or French with a working knowledge of the other [10 points];

9.1.2 In order to qualify for further consideration the Individual Consultant must accomplish a minimum score of 70 points;

9.1.3 Candidates who qualify for further consideration may be invited for a personal interview.

8.2 **The Basis of Award will be to the Individual Consultant who qualifies in both -Evaluation by Desk Review and Personal Interview.**

9.2 **This Opportunity is open to male and female candidates. Applications from qualified female candidates are encouraged.**

Annex 2: Classification of functions of government (COFOG) according to IMF, 2001

01 - General public services

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

02 - Defense

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

03 - Public order and safety

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

04 - Economic affairs

- 04.1 - General economic, commercial and labour affairs
- 04.2 - Agriculture, forestry, fishing and hunting
- 04.3 - Fuel and energy

- 04.4 - Mining, manufacturing and construction
- 04.5 - Transport
- 04.6 - Communication
- 04.7 - Other industries
- 04.8 - R&D Economic affairs
- 04.9 - Economic affairs n.e.c.

05 - Environmental protection

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

06 - Housing and community amenities

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

07 - Health

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

08 - Recreation, culture and religion

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

09 - Education

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

10 - Social protection

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

10.9 - Social protection n.e.c.

Annex 3: Classification of government functions in Rwanda

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

02 DEFENSE
021 Military Defense
023 Foreign Military Cooperation
024 Defense n.e.c

03 PUBLIC ORDER AND SAFETY
031 Police and Security Services
033 Law Courts and Gacaca
034 Prisons
035 Public Order and Safety n.e.c

04 EVIRONMETAL PROTECTION
041 Pollution abatement and Control
042 Biodiversity and Landscape Protection
043 Environmental Protection n.e.c

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

06 INDUSRTY AND COMMERCE
061 Mining and Quarrying
064 Trade and Commerce
066 Craft Industry
067 Industrie et Commerce n.e.c

07 FUEL AND ENERGY
075 Fuel and Energy n.e.c

08 TRANSPORT AND COMMUNICATION
081 Road Transport
087 Broadcasting and Publication
088 Transport and Communication n.e.c
089 Information and Communication Technology
09 LAND HOUSING AND COMMUNITY AMENITIES

091 Housing Development
092 Land and Community Development

10 WATER AND SANITATION
103 Water and Sanitation

11 YOUTH CULTURE AND SPORTS
111 Sports and Recreational Services
112 Art and Cultural Services
113 Youth and Other Community Services
114 Youth, Culture and Sports n.e.c

12 HEALTH
121 Primary Health Care
122 Secondary Health Care
123 Tertiary Health Care
124 Health n.e.c

13 EDUCATION
131 Pre-primary and Primary Education
132 Secondary Education
133 Non formal Education
134 Higher Education
135 Scientific and Technological Research
136 Education n.e.c

14 SOCIAL PROTECTION
142 Gender Protection
143 Assistance to Vulnerable Groups

Annex 4: The Classification of Environmental Protection Activities and expenditures - CEPA2000

1 PROTECTION OF AMBIENT AIR AND CLIMATE
- 1.1 Prevention of pollution through in-process modifications
  - 1.1.1 for the protection of ambient air
  - 1.1.2 for the protection of climate and ozone layer
- 1.2 Treatment of exhaust gases and ventilation air
  - 1.2.1 for the protection of ambient air
  - 1.2.2 for the protection of climate and ozone layer
- 1.3 Measurement, control, laboratories and the like
- 1.4 Other activities

2 WASTEWATER MANAGEMEN
- 2.1 Prevention of pollution through in-process modifications
- 2.2 Sewerage networks
- 2.3 Wastewater treatment
- 2.4 Treatment of cooling water
- 2.5 Measurement, control, laboratories and the like
- 2.6 Other activities

3 WASTE MANAGEMEN
- 3.1 Prevention of pollution through in-process modifications
- 3.2 Collection and transport
- 3.3 Treatment and disposal of hazardous waste
  - 3.3.1 Thermal treatment
  - 3.3.2 Landfill
  - 3.3.3 Other treatment and disposal
- 3.4 Treatment and disposal of non-hazardous waste
  - 3.4.1 Incineration
  - 3.4.2 Landfill
  - 3.4.3 Other treatment and disposal
- 3.5 Measurement, control, laboratories and the like
- 3.6 Other activities

4 PROTECTION AND REMEDIATION OF SOIL, GROUNDWATER AND SURFACE WATER
- 4.1 Prevention of pollutant infiltration
- 4.2 Cleaning up of soil and water bodies
- 4.3 Protection of soil from erosion and other physical degradation
- 4.4 Prevention and remediation of soil salinity
- 4.5 Measurement, control, laboratories and the like
- 4.6 Other activities

5 NOISE AND VIBRATION ABATEMENT (excluding workplace protection)
- 5.1 Preventive in-process modifications at the source
  - 5.1.1 Road and rail traffic
  - 5.1.2 Air traffic
  - 5.1.3 Industrial and other noise
- 5.2 Construction of anti noise/vibration facilities
  - 5.2.1 Road and rail traffic
  - 5.2.2 Air traffic
  - 5.2.3 Industrial and other noise
- 5.3 Measurement, control, laboratories and the like
- 5.4 Other activities

6 PROTECTION OF BIODIVERSITY AND LANDSCAPES

6.1 Protection and rehabilitation of species and habitats
6.2 Protection of natural and semi-natural landscapes
6.3 Measurement, control, laboratories and the like
6.4 Other activities

7 PROTECTION AGAINST RADIATION (excluding external safety)
7.1 Protection of ambient media
7.2 Transport and treatment of high level radioactive waste
7.3 Measurement, control, laboratories and the like
7.4 Other activities

8 RESEARCH AND DEVELOPMENT
8.1 Protection of ambient air and climate
8.1.1 Protection of ambient air
8.1.2 Protection of atmosphere and climate
8.2 Protection of water
8.3 Waste
8.4 Protection of soil and groundwater
8.5 Abatement of noise and vibration
8.6 Protection of species and habitats
8.7 Protection against radiation
8.8 Other research on the environment

9 OTHER ENVIRONMENTAL PROTECTION ACTIVITIES
9.1 General environmental administration and management
9.1.1 General administration, regulation and the like
9.1.2 Environmental management
9.2 Education, training and information
9.3 Activities leading to indivisible expenditure
9.4 Activities not elsewhere classified

Annex 5: Programmes and sub-programmes reviewed for public expenditure on environment

MIN	Prog.		
A: MINISTRIES			
09	**MINAGRI**		
	02	Intensification and development of Sustainable Production Systems	
		01	Sustainable management of Natural Resources and Soil Conservation
		02	Integrated system of Intensive agricultural and livestock production
		03	Marshlands development
		04	Irrigation development
		05	Supply and use of agricultural inputs and mechanization
		06	Food security and vulnerability management
10	**MINICOM**		
	02	Promotion of Trade and Industry	
		01	Monitoring of polices of trade and industries
		05	Promotion and oversight of key industries
		07	Establishment and maintenance of quality standards
15	**MIJESPOC**		
	09	Promotion and development of sports and leisures	
		01	Promotion of mass sports and entertainment
18	**MININFRA**		
	02	Energy	
		02	Improving access to energy
	03	Housing and Urban development	
		05	Promotion of Imidugudu
		06	Improvement of Informal neighborhoods
22	**MINITERE (MINIRENA)**		

	01	Planning and management of land	
		01	Management support
		02	Policy programme for land management
		03	Land administration
		04	Cartography and land measuring and settlement planning
		05	Expropriation and optimal use of land resources
	02	Environmental conservation and protection	
		01	Legal, Policy, Regulatory and Institutional framework for management
		02	Sustainable management of Ecosystems for Income generation
		03	Pollution management
		05	Management support to REMA
	03	Forestry	
		01	Management of Forestry resources
		02	Efficient use of forestry resources to provide energy and generate income
		03	Forest management
		04	Timber transformation technologies
		06	Permanent Secretariat of the National Forest Fund
		07	Forest policing division
		08	Administration and finance division
	06	Water and sanitation	
		05	Sanitation
		12	Water sector policy
		13	Integrated management of water resources
		14	Portable water infrastructure

	06	Geological surveying and mining	
		01	Mines, Quarries and geology

Annex 5: Programmes and sub-programmes reviewed for public expenditure on environment cont'd

23	**MINALOC**		
	04	Community Development	
		02	Community Development Planning
		03	Community mobilization and agglomeration
		04	Vision 2020 Umurege programme monitoring
		05	Community Development Fund (CDF)
B: SEMI AUTONOMOUS GOVERNMENT AGENCIES			
			REMA
			NAFA
C: DISTRICTS			

	Good governance and social affairs unit		
	Prog	**Sub-prog**	
	04	Good governance and decentralization (MINALOC	
		02	Decentralization and capacity building
	06	Community Development (MINALOC)	
		01	Community development planning
		02	Community mobilization and agglomeration
		03	Coordination projects and Public Investment Plan
		04	Jumelage
	Planning, economic development and employment promotion unit		
	10	Intensification and development of Sustainable Production Systems (MINAGRI)	
		01	Sustainable Management of natural resources and soil conservation
		02	Integrated system of intensive agricultural and livestock production
		03	Supply and use of Agricultural inputs and mechanization
		04	Irrigation development
		05	Food security and vulnerability management
	13	Planning, policy review and development partner coordination	
		01	Management support
	Infrastructure, land, housing and town planning unit		
	14	Land planning, management and Administration (MINITERE)	
		01	Effective land administration services
		02	Land use planning and management services
	15	Environmental Conservation and protection (MINITERE)	
		01	Sustainable management of Ecosystems for Income generation

		02	Pollution management
	16	Forest resources management	
		01	Management of forestry resources
		02	Efficient use of forestry resources to provide energy, generate income and support livelihoods
	17	Geological survey and mining (MINITERE)	
		01	Performance, productivity and value addition in the mining sector enhanced and based on environmentally sustainable practices
	18	Water and sanitation (MINITERE)	
		03	Access to water for economic purposes
		04	Access to hygienic sanitation services
	20	Energy (MININFRA)	
		01	Improvement of Access to energy
		02	Diversification of energy sources
		03	Managing energy costs
	21	Habitat and Urban development (MININFRA)	
		03	Support to urban plan development
		04	Promotion of Imidugudu
		05	*Amelloration des Quartiers Informels*
		06	Cross-cutting issues: AIDS/Environment/ gender

Annex 6: Questions for discussions with smartgov at MINECOFIN

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

Annex 7: Diagnostic Questionnaire for institutional aspects of PEER

*1. **Aggregate** Fiscal Discipline*

A. Budget preparation and approval

la. Are there formal constraints (constitutional or legislatively mandated) on aggregate spending and/or deficits?

lb. Is the government required to publish actual figures relative to these constraints?

Ic. Are these constraints imposed and monitored by donors?

2a. Are there formal constraints (constitutional or legislatively mandated) on public debt and domestic/external borrowing by (i) central government, (ii) subnational governments; and (iii) public enterprises?

2b. Is this monitored by the Central Bank?

2c. Are these constraints imposed and monitored by donors?

2d. Is the government required to publish actual figures relative to these borrowing constraints?

3a. Is there a medium-term expenditure framework which projects an aggregate expenditure ceiling over a three- to five-year horizon, consistent with the macroeconomic targets?

3b. Is this published?

3c. What is the percent difference between the aggregate spending in the medium-term projection and that in the annual budget?

4a. What is the percent deviation between the aggregate spending in the budget as proposed by the central agencies (i.e., Minister of Finance in the Budget Call Circular) and that approved by cabinet at the end of budget discussions?

4b. What is the percent deviation between aggregate spending proposed by the cabinet and the legislature?

B. **Budget execution and** monitoring

la. Is there formal rules that guard against overspending by agencies relative to budgeted amounts (e.g., central agencies, chief accountants or banks having the authority to refuse expenditures if there are insufficient funds in the ministerial account)?

lb. Is there a published reconciliation of actual expenditures versus budgeted amounts?

Ic. Is there punitive action taken against overspending agencies?

2a. Is there a formal or informal requirement to report on aggregate fiscal outcomes relative to targets?

2b. Are these published?

2c. If so, with what lags?

2d. What is the percent deviation between the aggregate spending in the annual budget and the total amount actually spent at the end of the fiscal year?

*2. Expenditure Prioritization **and** Allocative Efficiency*

A. Budget preparation and approval-breadth of consultations

I a. What percent of expenditures are allocated by the central government (as opposed to subnational governments)?

lb. Which of these activities do subnational governments have constitutional responsibility for in allocating their budgetary expenditures: (i) primary education, (ii) secondary education, (iii) university education, (iv) hospitals, (v) health clinics? Check only those which apply.

2a. Are there explicit pre-budget consultations about budgetary priorities between government and the following groups in the private sector: (i) business community; (ii) public interest groups (e.g., NGOs), (iii) labor unions; (iv) farmers' associations? Check only those which apply.

2b. How large a change vis-a-vis existing priorities in the current budget have emerged from such consultations: negligible, modest or large?

2c. Are there post-budget consultations with the same group which attempt to reconcile pre-budget understandings with actual allocations?

3a. At the start of budget preparation, is there a session in the legislature about budget priorities?

3b. How large a change vis-a-vis existing priorities in the current budget have emerged from such a session: negligible, modest or large?

4a. Rank the following in terms of their relative influence of the following in deciding upon broad priorities for the composition of expenditures: (i) Ministry of Finance/Planning; (ii) the Cabinet; (iii) the Legislature; (iv) Donors; (v) private sector-government consultation conmmittees.

4b. What is the average percent deviation in the allocation for major sectors and programs (i) between the budget as proposed by the central ministries and that by the cabinet, and (ii) between the budget as proposed by cabinet and that approved by the legislature? Range: negligible (0-10%), modest (10-30%), high (more than 30%).

5a. Does the government publish expenditure priorities corresponding to the following levels of disaggregation: (i) sector expenditures; (ii) programs, (iii) projects? Check only those that apply.

5b. If so, are these expressed in terms of outcomes (i.e., impact on beneficiaries-e.g., infant mortality) or outputs (i.e., goods and services produced-e.g., number of health clinics or immunizations provided)?

5c. Are actual achievements of sectoral expenditures published?

5d. If so, is there a public or published reconciliation with the targets?

6a. What percentage of public spending is financed by donors?

6b. Is there a prior agreement among donors about the composition of expenditures that are being collectively financed?

6c. If so, is this agreement induced by the leadership of a central donor?

B. **Budget preparation and approval-allocation rules and criteria**

la. Are expenditure allocations across ministries and programs increased or decreased in the same proportion across-the-board?

lb. Are there formulae or rules which earmark funds for specific expenditures? What proportion of total expenditures do they constitute?

2a. Is there a formal or informal rule which requires an explicit consideration of whether individual programs or projects that are to be funded by the budget can be undertaken by the private sector?

2b. For which sectors is this done? For what percentage of programs/projects is this actually done (100%, 50-99%, 20-49%, less than 20%)?

3a. Is there a requirement to conduct an *ex ante* quantitative analysis of costs and benefits before a new program/project is initiated?

3b. For which sectors is this done? Indicate the percentage of programs/projects for which this is actually done (100%, 50-99%, 20-49%, less than 20%)?

4a. Is the distributional impact of public spending explicitly quantified and considered in allocating resources among programs and projects?

4b. For which sectors is this done? Indicate the percentage of programs/projects for which this is actually done (100%, 50-99%, 20-49%, less than 20%)?

C. **Budgeting preparation and approval-norms**

1 a. Is there a system of forward estimates which projects the future cost implications of existing and proposed programs and projects?

lb. Are these automatically rolled over into the next budget, adjusted only for key national parameters such as inflation rate?

1c. Are these forward estimates published?

Id. Does the government publish a reconciliation statement explaining any significant deviations in the composition of expenditures between the original forward estimates and the annual budget?

2a. Are line agencies required to identify cuts in their existing programs to match new spending proposals?

2b. Are various new spending proposals and offsetting cuts discussed systematically at a Cabinet or sub-Cabinet level?

D. **Budgeting preparation and approval-capital recurrent budgeting**

la. Are there separate budgets for capital and recurrent expenditures?

lb. Is there a requirement to estimate the recurrent cost implications of new capital investments?

Ic. Are there different ministries responsible for preparing capital budgets (e.g., Ministry of Planning) and recurrent budgets (e.g., Ministry of Finance)?

1d. What percent of public investments is donor financed?

E. **Budgeting preparation and approval-donor rules**

la. Is there donor conditionality on the overall composition of expenditures?

lb. Has expenditure composition been changed in accordance with this conditionality?

Ic. What percent of donor financed expenditures are earmarked for particular programs and projects?

F. Budget execution and monitoring

1 a. What is the average percent deviation between the composition of expenditures as approved in the annual budget and the actual allocation at the end of the budget year?

lb. On what basis was the composition changed: (i) arbitrary/ad *hoc;* (ii) related to specific problems?

Ic. What was the relative role of the following in inducing these changes: (i) Ministry of Finance/Planning; (ii) the Cabinet; (iii) the Legislature; (iv) private sector-government consultation committees? Rank these in order of importance, with **I** for the least influence and 4 the most.

2a. Is there a requirement for carrying out *ex post* evaluation of programs/projects? By whom: central agencies, line agencies, or by independent external agencies? Check all those that apply.

2b. For what percentage of programs/projects (100%, 50-99%, 20-49%, less than 20%)?

2c. Are the results used in expenditure allocations for the next budget?

2d. Are the results of *ex post* evaluations published?

3a. Are client surveys routinely carried out as part of these evaluations?

3b. For which ministries or services?

3c. With what frequency?

3d. Are the results published?

*3. **Technical** Efficiency*

A. Autonomy

1a . What is the percent and type of expenditure items over which line agencies have flexibility in allocating budgetary resources during budget preparation?

2a. During budget implementation, what percent of budgeted allocations are automatically released to line agencies?

2b. What percentage of items require additional documentation and approval from the central agencies?

2c. How much time (in weeks) does it take on average to secure approval for these items?

3a. What is the frequency of turnover over the last 15 years of heads of agencies for health, education and transport?

3b. Whenever there is a change in government, is there a corresponding change in personnel in line agencies? If so, how deep do these personnel changes go? Check all those that apply.

B. **Accountability**

la. Is there a clear specification of the output to be produced by: (i) a ministry;(ii) a department within a ministry; and (iii) a division, programme or project unit within a department?
lb. If so, are these outputs published?

2a. Are performance indicators specifically linked to senior managers'(i) tenure;(ii) promotion; and (iii) compensation?

2b. Are these performance indicators based on the achievement of outputs (i.e., goods and services produced-e.g., number of immunizations or health clinics) or outcomes (i.e., impact on beneficiaries-e.g., lower infant mortality). Check all that apply.

2c. Have chief executives been fired on account of nonperformance?

3a. What is the percentage deviation between public and private pay for different grade levels?

3b. Is there an explicit link between pay and performance?

4a. Is competitive bidding required for the procurement of major expenditure items'?

4b. Are the rules for bidding made public?

5a. When are financial accounts of line agencies prepared: (i) quarterly during the budget year; (ii) semestral during the budget year; (iii) within six months from the end of the fiscal year; (iv) more than six months but less than one year; (v) between one and three years; (vi) more than three years.

5b. Are there punitive actions taken against (i) delays; and (ii) discrepancies?

5c. Are these accounts tabled before a separate session of the Legislature?

5d. Are they made public?

6a. Are the agency accounts audited?

6b. If so, by whom: internal agency auditor, the government auditor within the Executive, independent auditor? Check all that apply.

6c. When are audits of agency accounts undertaken:(i) quarterly during the budget year; (ii) semestral during the budget year; (iii) within six months from the end of the fiscal year; (iv) more than six months but less than one year; (v) between one and three years; (vi) more than three years.

6d. What percent of programs have been audited in the last five years?

6e. What percent are financial audits as opposed to performance audits?

6f. Are the results published?

6g. Has there been punitive action or promotion based on these audits?

7a. Are there client surveys undertaken?

7b. How frequently?

7c. Are the results published?

7d. Do these surveys measure satisfaction with service delivery (i.e., outputs),or with success of the program(i.e., outcomes)or both? Check all that apply.

8a. How many major donors provide project financing? Indicate the number.

8b. Do these projects specify the amount and type of expenditures on which project resources w ill be spent?

8c. Does each donor have its own rules about disbursement, procurement, accounting and auditing of project funds?

8d. Do these rules match those of the government?