SUMMARY

- The government’s two main planning tools are: VISION 2020; and the Economic Development and Poverty Reduction Strategy (EDPRS).
- Planning and budgeting institutions are formally separate. However, both are linked to the national budget through the Medium Term Expenditure Framework (MTEF).
- Budget preparations looking 12 months ahead are quite solid, though the outer years of the MTEF are currently not used for strategically thinking through budgetary commitments.
- A clear and well respected budget calendar has been defined for all entities involved in the budget process.

This note discusses the linkages (or lack thereof) between Rwanda’s planning and budgeting processes. The first section gives an overview of the different types of planning instruments, after which the Medium Term Expenditure Framework (MTEF) is discussed. A third section summarizes the documents that the Government submits to Parliament as part of the annual budget preparation process. The penultimate section discusses Rwanda’s budgetary calendar, and a final section concludes.

PLANNING INSTRUMENTS

The hierarchy of planning instruments from the longer term (VISION 2020) to the medium term (Economic Development and Poverty Reduction Strategy (EDPRS), sector strategies, district development plans) to the annual term (annual action plans, performance contracts) is illustrated in figure 1.

VISION 2020 sets the longer term perspective and objectives for Rwanda and therefore represents the overarching framework for all Government activities.

The EDPRS was adopted by the Government in 2007, and is updated annually through the EDPRS annual report. The document is based on in-depth participatory poverty assessments and broad consultation of Rwandese society and development partners.

The EDPRS and the sector strategies define the medium term (often 5 years) objectives and priorities of the Government at national and sector level respectively. They also define performance indicators to measure the results...
achieved. They cover both recurrent and development expenditures, and should in theory cover all sources of revenue: donor projects, agencies’ own revenues and resources from the national treasury. Again, in theory, sector strategies should take into account activities of the private sector.

There is an iterative relation between the annual budget and the EDPRS & sector strategies. Every year, the financing framework contained in the planning documents is updated in line with available resources, and serves to prepare the MTEF and annual budget allocations. Budget execution data is then used to update the financing framework.¹

**District Development Plans** are the districts’ 5 year plans. They make the link between local priorities and national priorities as outlined in the EDPRS and sector strategies. They are also updated annually.

The **Annual Action Plans** are prepared annually by all budget agencies. They identify activities to be carried out each year by the budget agencies. Annual action plans are finalised and adopted at the end of the fiscal year in order to ensure that they are in line with the MTEF and the National Budget - as adopted by Parliament. Performance in implementation of the N-1 annual action plans is assessed during the Akagera Retreat that takes place each year at the beginning of the budget cycle.

Finally, each year the districts, and from 2009 onwards the Ministries, define a **Performance Contract** (imihigo) signed with the President of the Republic, which outlines the key targets and objectives of the district/Ministry for the year to come. See the briefing note “**Performance Contracts Imihigo**” for more on this.
The Rwandan tradition is one where planning and budgeting happen in separate departments. Several tools have been developed to ensure the consistency between planning and budgeting.

The Medium Term Expenditure Framework is the key instrument linking planning and budgeting since its roll-out in 2002. Its objective is to ensure the National Budget is an efficient and relevant tool to implement the plans and reach the objectives defined in the EDPRS, sector strategies, and district development plans.

The main achievements of the MTEF process in Rwanda are the enhanced quality of macro-economic planning and budget ceilings, the improved budget preparation process and negotiations between Ministry of Finance and budget agencies based on enhanced budget submissions (see below), and efforts to enhance the quality of medium term revenue forecasting (both domestic and external). Nevertheless the outer years of the MTEF remain of little use for the preparation of subsequent budgets or for analysing the medium term and recurrent implications of investments. Finally, the EDPRS priorities remain difficult to match with the budget's programme classification, with the sector strategies, and the priority areas outlined in the Budget Framework Paper. The 2010 Public Expenditure and Accountability (PEFA) exercise notes “insufficient evidence of the link between the EDPRS targets, the budget submissions by ministries, and especially the actual sector allocations in the Finance Law” (Government of Rwanda, 2010, p.61).

The Budget Framework Paper (BFP) (see e.g. MINECOFIN, 2011b) plays a crucial role in linking planning and budgeting as it sets out the Government’s medium-term strategic thinking. As such, the BFP, which is usually developed a month before the submission of the budget to Parliament (see next section on the Budgetary Calendar), does take a longer-term view, even though there is typically little detail on specific expenditures.

Another tool developed alongside the MTEF in the framework of the budget preparation process is the Strategic Issues Papers (SIPs). SIPs are prepared by budget agencies and give background and justification to a ministries’ budget submission. They summarise the main current policy issues, focusing especially on what the priority areas should be. This is important in helping planning and budgeting to be more of a strategic than historical process.

Figure 2 illustrates the key role of the MTEF in facilitating the link between policies and priorities (planning) and the annual budget.

FIGURE 2: MTEF AS THE LINK BETWEEN PLANNING AND BUDGETING

- The macro-economic projections of future revenue and expenditure provide the overall envelope for N+1, N+2, N+3
- The review process and performance analysis provides policies and National priorities for N+1, N+2, N+3:
- Which leads to the definition of expenditure envelopes (ceilings) for ministries and agencies for N+1, N+2, N+3: the MTEF
- Which leads to the preparation of the Annual Budget
- When the budget is adopted by Parliament
- The MTEF is updated accordingly
- The Annual Action Plan is finalised
- The sector strategy is updated
ANNUAL BUDGET DOCUMENTS SUBMITTED TO PARLIAMENT

A draft Finance Law is presented to Parliament in June of each year. This is actually quite a short document (28 pages) and only details the main spending and revenue categories. It is accompanied by an “Explanatory Note to the Draft Finance Law” which gives an overview of the main spending and revenue categories together with some explanation regarding the main policy changes that are proposed in the budget. This explanatory note can be considered as both an update and an overview of the Budget Framework Paper.

The draft Finance Law submitted to Parliament in June 2011 for the budget 2011/12 had the following ten annexes, which give much more detail on spending and expenditure categories:

- Annex II-1: 2011/12 Detailed Expenditure by Budget Agency
- Annex II-2: 2011/12 Budget by Programme, sub-programme and economic category
- Annex II-3: 2011/12 Development Budget by Agency, Project and Funding Type
- Annex II-4: 2011/12 Budget by Agency and Economic Classification
- Annex II-5: 2011/14 Budget by Agency, Programme and Sub-programme
- Annex II-6: 2011/14 Budget by Budget Agency
- Annex II-7: 2011/14 Budget by Budget Agency and by Economic Category
- Annex II-8: 2011/14 State Expenditure by Division and Groups
- Annex II-9: 2011/14 State Expenditure by EDPRS Priorities

BUDGET CALENDAR

In accordance with the requirements of the Organic Budget Law (OBL) (Article 28), the Ministry of Finance has defined a calendar for the budget preparation and planning process, outlining the responsibilities of specific parties (see figure 3 below). This calendar has been progressively improved over the years, in particular in order to ensure budget agencies (line ministries and districts) have enough time to prepare their budget submissions (two months currently) and to improve the alignment and coordination between the planning and budgeting processes. It has been relatively well applied in recent years and the budget has been submitted in time for examination by Parliament.

As outlined in the latest PEFA report (Government of Rwanda, 2010), this calendar allows for strong involvement of the political level, in particular through the adoption of the budget ceilings by Cabinet – although relatively late in the budget process and inter-ministerial consultative meetings on final draft budget allocations. In addition, efforts have been made to provide relevant information to civil society to foster a more inclusive budget process. Finally, planning, budgeting and domestic accountability processes (such as performance contracts) have been progressively streamlined over the years: an increasing number of ministries are for example able to use the results of their joint annual reviews to inform the preparation of their budget submissions for the following year.

CONCLUSION

Linkages between Rwanda’s budgetary and planning processes have long been hampered by the tradition in the country of keeping the two processes institutionally separate. The Medium Term Expenditure Framework (MTEF) is the key tool to integrate planning and budgeting. However, the outer years of the
### FIGURE 3: RWANDA BUDGET CALENDAR

<table>
<thead>
<tr>
<th>TIMEFRAME</th>
<th>MINECOFIN</th>
<th>LINE MINISTRIES</th>
<th>DISTRICTS</th>
<th>NON-STATE ACTORS/DEV PARTNERS</th>
<th>CABINET/ PARLIAMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>Update of macro-framework</td>
<td>Preparation of financial statements</td>
<td>Preparation of financial statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>Preparation of budget execution report</td>
<td>Preparation of annual reports</td>
<td>Preparation of annual reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>Issuance of First Budget Call Circular to communicate Sector MTEFs and request for preparation of Sector BFPs</td>
<td>Review of Ministerial expenditures</td>
<td>Review of District expenditures</td>
<td>Preparation of District expenditure reviews</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>National budget consultative workshop to officially launch the budget process</td>
<td>Joint Sector Review &amp; preparation of Sector BFPs</td>
<td>District Expenditure Review &amp; preparation of District BFPs</td>
<td>Participation to the National Budget consultative workshop</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>Training of budget staff on new utilities of SmartGov</td>
<td>Joint Budget Review (JBR) &amp; update of macro-framework</td>
<td>Participation in the JBR</td>
<td>Consultation with Ministries on District BFPs</td>
<td>Participation in the JBR</td>
</tr>
<tr>
<td>December</td>
<td>Issuance of the second Budget Call Circular with revised MTEF &amp; agency ceilings</td>
<td>Training of Budget Officers on the use of SmartGov</td>
<td>Preparation &amp; submission of the Revised Budget to Cabinet</td>
<td>Participation to the SWG Retreat</td>
<td>Approval of Revised Budget by Cabinet</td>
</tr>
<tr>
<td>January</td>
<td>Submission of Revised Budget to Parliament</td>
<td>Online Budget Submission by Budget Agencies</td>
<td>Revised budget data input in the SmartGov</td>
<td>Communication of Indicative Commitments</td>
<td>Approval of Revised Budget by the Parliament</td>
</tr>
<tr>
<td>February</td>
<td>Inter-Ministerial Consultative Meeting on Budget Priorities &amp; Resource Allocations</td>
<td>Budget data input in the SmartGov</td>
<td>Approved budget data input in the SmartGov</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>Preparation &amp; submission of the National BFP and draft Budget to Cabinet</td>
<td></td>
<td>Participation to the JBR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>BFP presented to Parliament not later than April 5</td>
<td>Draft Budget submitted to Parliament</td>
<td>Communicate the draft budget estimates to CBMs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>Joint Budget Review</td>
<td>Participation in the JBR</td>
<td>District Council scrutiny and approval of Annual Budget</td>
<td></td>
<td>Participation in the JBR</td>
</tr>
<tr>
<td>June</td>
<td>Preparatory of the Budget Speech and finalisation of the draft Budget</td>
<td>Communication of firm commitments</td>
<td>Approval of the Budget</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend:**
- MTEF: Medium-Term Expenditure Framework
- BFP: Budget Framework
- SWG: Sectoral Working Group
- CBMs: Community Budget Monitoring Groups
- EAC: East African Community
- JBR: Joint Budget Review
MTEF have not really been used for translating government priorities into long-term budgetary commitments.

Thinking through long-term budgetary consequences of current decisions did happen in the preparation of the Poverty Reduction Strategy Paper (PRSP) and the EDPRS but the extent and the quality of that costing exercise varied strongly per sector.

It should be stressed however that the one year-ahead budget preparations are quite solid with a well-functioning budgetary calendar. The experience over the past couple of years indicates that the Ministry of Finance and Economic Planning (MINECOFIN) is managing budgetary deadlines more comfortably, which gives other parties such as Parliament more time to debate budgetary documents.

ENDNOTES

1. See also the briefing note on sector strategies.
2. Until 2000, Rwanda had its separate Planning Ministry. After which the Finance ministry and the Planning ministry where merged, but planning and budgeting are carried out by separate units within the Ministry of Finance and Economic Planning. Having separate departments carries the inevitable risk that planning departments will produce plans without fully taking into account the budget constraints and the finance departments will produce budget without due attention to long term strategic objectives. Other countries – such as Uganda and UK – have a single team for each sector that covers both planning and budgeting issues.
3. All these documents can be found on www.minecofin.gov.rw
4. See the briefing note “Budget Transparency and the Citizens’ Guide to the Budget”.
5. See also the briefing note on sector strategies and its discussion of the functioning of sector working groups and joint sector reviews.

BIBLIOGRAPHY


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