



Coordination of project capital and associated recurrent costs in the budgetary process

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Scope

- **Institutional context for integration**
 - **Integration challenges**
 - **Key integration mechanisms-Rwandan context**
 - **Conclusion**
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INSTITUTIONAL CONTEXT

- In Rwanda, the coordination of Public Finance Management involving National Planning and Budgeting process is the responsibility of MINECOFIN
 - The ministry has a department in charge of coordinating national planning in line with long term vision, medium term strategies and annual action plans.
 - The same Ministry is also responsible for the National Budget management; coordinating budgeting function and ensuring the resources are allocated in line with national priorities
 - Each sector Ministry as well as other responsible agencies have a planning department that work hand in hand with the National Planning, Development and Research Department in MINECOFIN to ensure sector prioritization.
 - The National Budget works hand in hand with the macro economic office under the leadership of the chief economist to forecast the available resource envelope and then formulate sector ceilings based on the agreed upon on PRIORITIES in each sector through different consultative meetings
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INSTITUTIONAL CONTEXT

- There is a Public Investment Committee (PIC) that approves all projects before they can be allowed for financing
 - The PIC is an important component in the wider reforms strengthening the links between planning, budgeting and investment.
 - The Public Investment Committee is chaired by PS/ST MINECOFIN and composed of Permanent Secretaries from key delivery Ministries of MINAGRI, MINALOC, MININFRA, MINIRENA, MINEACOM and COO/RDB . Other members may be invited on an ad-hoc basis as required.
 - Members of the PIC do not represent interests of their respective institutions but rather consider national priorities in their decisions.
 - The PIC provides a decision making point in regard to the Development Budget. More specifically PIC approves what we call the Public Investment Program(PIP). The PIP then forms the basis of the Development budget .
 - The submission of new and ongoing projects for PIC approval is preceded by the Planning consultations that define the overall Government`s policy strategies for budget considerations.
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INSTITUTIONAL CONTEXT cont..

DEVELOPMENT AND RECURRENT BUDGETS

- During the national budgeting process, recurrent and development budget are discussed separately
 - However, this is a different case with Development projects where both capital and recurrent related costs are considered as a whole without separation
 - Development projects are assessed one on one to ensure they were first approved by the PIC and have impact on the economy.
 - The budget documentations approved by both the parliament and councils of decentralized entities present recurrent and development budget in different annexes.
 - The budget statement by the Minister of Finance and Economic Planning also states the percentages of recurrent and Development budget
 - During budget execution, different controls apply to recurrent and development budgets
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Capital and project related recurrent costs-Integration challenges in Rwanda

- The Government of Rwanda has invested much effort in the development of various infrastructures
 - ✓ Transport infrastructures
 - ✓ School Construction
 - ✓ Health infrastructures
 - Recent experience has however shown that in some cases, minimal effort was always put in during planning and budgeting for projects associated recurrent costs
 - Agencies tended to focus more on development of new infrastructures with no focus on maintenance and running costs for the existing infrastructure
 - This caused dangers of sustainability and increased sunk costs
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Key mechanisms to integrate both capital and recurrent project expenditures

- The Public Investment Committee is very instrumental to ensure completeness of project expenditure budgeting;
 - Local Government Investment Committee coordinates the approval of projects in local government with proper guidelines;
 - In addition, different forums help in ensuring good performance of development projects through different monitoring measures;
 - ✓ Joint Action Development Forum,
 - ✓ Sector Working Groups
 - ✓ Backward and Forward Looking Joint Sector reviews
 - All development projects above 750 million Rwandan Franc or 1 million USD should have a feasibility study before submission to PIC for approval and implementation start; this ensures completeness of project related costs
 - On an annual basis all agencies are currently requested to prepare and submit an annual infrastructure maintenance plan as part of their budget request to MINECOFIN; This is expected for all completed projects
 - Specific budget is also earmarked to the Road Maintenance Fund for regular road maintenance
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Conclusion

Past experience has shown that failure to integrate recurrent costs in capital budgeting results into; huge costs in the future, causes sustainability issues and increased sunk costs; a wastage of tax payers money hence the need for high attention



THANK YOU!
