Government of Rwanda

Public Expenditure and Financial Accountability Assessment

Public Financial Management Performance Report

Final Report

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Glossary

AAP	Assessment and Action Plan
ACCA	Association of Chartered Certified Accountants
ACHA	Aid Coordination and Harmonisation Framework
AG	Accountant General
AGA	Autonomous Government Agency
AIDS	Acquired Immune Defficiency Syndrome
BCC	Budget Call Circular
BCDI	Bank of Commerce Development and Industry
BCR	Banque Commerciale du Rwanda
BFP	Budget Framework Paper
BNR	Banque Nationale de Rwanda
BSHG	Budget Support Harmonisation Group
CBTI	Capacity Building and Technical Input
CDF	Common Development Fund
CEPEX	Central Public Investments and External Finance Bureau
CFAA	Country Financial Accountability Assessment
COFOG	Classification of the Functions of Government
CPIP	Country Procurement Issues Paper
CSR	Caisse Sociale du Rwanda
DAD	Development Assistance Database
DAF	Director of Administration and Finance
DBS	Direct Budget Support
DFID	Department for International Development
DPCG	Development Partners Coordination Group
DRI	Debt Relief International
DSA	Debt Sustainability Analysis
EC	European Commission
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit
FARAP	Financial Accountability Review and Action Plan
FARG	Fund to Assist Refugees and Genocide Survivors
GBE	Government Business Enterprise
GBS	General Budget Support
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoR	Government of Rwanda
HIDA	Human and Institutional Development Agency
HIPC	Highly Indebted Poor Country
ICT	Information Communication Technology
IDA	International Development Association
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards

IT	Information Technology
LGBSF	Local Government Budget Support Fund
LM	Line Ministry
MDAs	Ministries, Departments, Agencies
MDGs	Millenium Development Goals
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training & Labor
MINALOC	Ministry of Local Government, Community Development and Social Affairs
MINECOFINô	Ministry of Finance and Economic Planning
MINISANTE	Ministry of Health
MIPPIS	Military Integrated Payroll and Personnel Information System
MTEF	Medium Term Expenditure Framework
NGO	Non-Government Organisation
NPR	National Police of Rwanda
NTB	National Tender Board
OAG	Office of the Auditor General
OBL	Organic Budget Law
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OTR	Ordonnateur-Trésorier du Rwanda
PAYE	Pay As You Earn
PEFA	Public Expenditure and Financial Accountability
PEMR	Public Expenditure Management Review
PE	Public Enterprise
PFM	Public Financial Management
PIP	Public Investment Programme
PPA	Public Procurement Authority
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RDF	Rwanda Defence Forces
ROSC	Report on the Observance of Standards and Codes
RPPA	Rwanda Public Procurement Regulatory Authority
RRA	Rwanda Revenue Authority
Rwf	Rwanda Franc
SG	Secretary General
SIP	Strategic Issues Paper
SN	Sub-National
STA	Single Treasury Account
TIN	Taxpayer Identity Number
ToRs	Terms of Reference
US$	United States Dollars
USAID	United States Agency for International Development
USD	United States Dollars
VAT	Value Added Tax

Foreword

The preparation of the first PEFA Report for the Government of Rwanda (GoR) has been the result of a team effort involving participation from the Government, the donor community, non-government institutions and the independent Consulting Team. The Accountant General, Thomas Gatabazi, has been responsible for managing the process on behalf of the GoR and for ensuring the active participation of the wider Government team and the corresponding provision of data and information to the Consulting Team. The Public Finance Management (PFM) Adviser to the Ministry of Finance (MoF), Mr Phibian Mashingaidze, played a crucial role in ensuring a successful launch of the PEFA exercise and has been instrumental throughout the process in ensuring access to appropriate and relevant individuals and institutions and in the provision of advice and information on technical issues related to the operation of PFM in Rwanda. Individuals in HIDA, including Mr Charles Karake, Mr Rogers Muragije and Mr Peter Malinga played key roles in ensuring the logistics of Consulting Team recruitment and Mr Stephen Emasu also contributed to the work of the PEFA Management Committee. Whilst information for the PEFA has been provided by a range of donors to Rwanda, the World Bank (particularly Ms Victoria Kwakwa, Mr Lewis Murara, Ms Stephanie Steggemann and Mr Joseph Kizito), EC (particularly Mr Jean Barbe) and DFID (particularly Mr Duncan Overfield and Mr Arif Ghuari) have played a central role in ensuring the overall management and quality assurance of the process. Individuals too numerous to mention here , both inside and outside the Government, gave up valuable time to discuss PFM issues with the Consulting Team and to prepare and provide data. Ministry of Finance staff, supplemented by key staff from other Government and public sector agencies (e.g. MINALOC, NTB, Office of the Auditor General), greatly assisted the PEFA preparation process through their active participation in technical workshops at which draft PEFA conclusions were presented for discussion and analysis. Mr Frans Ronsholt of the PEFA Institute in Washington responded promptly and very helpfully to requests from the Consulting Team for clarification of key PEFA technical issues and Mr John Mawanga provided material that assisted greatly in the preparation of the workshop that successfully launched the PEFA exercise in March 2007. Finally, the importance of the inputs from the three locally-recruited consultants, Mr Camille Karamaga, Mr John Nkera and Mr Anastace Sebudande should not be overlooked, particularly the Government of Rwanda-specific experience and institutional memory of Mr Karamaga and the tireless efforts to track down relevant data and information from Mr Nkera and Mr Sebudandi.

Overview of the indicator set

A. PFM-OUT-TURNS: Credibility of the budget		**Score**
PI-1	Aggregate expenditure out-turn compared to original approved budget	B
PI-2	Composition of expenditure out-turn compared to original approved budget	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A
PI-4	Stock and monitoring of expenditure payment arrears	D+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency		
PI-5	Classification of the budget	A
PI-6	Comprehensiveness of information included in budget documentation	D
PI-7	Extent of unreported government operations	D+
PI-8	Transparency of inter-governmental fiscal relations	B
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	D+
PI-10	Public access to key fiscal information	C
C. BUDGET CYCLE		
C(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the annual budget process	B+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+
C(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	A
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B+
PI-15	Effectiveness in collection of tax payments	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	B+
PI-17	Recording and management of cash balances, debt and guarantees	B
PI-18	Effectiveness of payroll controls	D+
PI-19	Competition, value for money and controls in procurement	B
PI-20	Effectiveness of internal controls for non-salary expenditure	D+
PI-21	Effectiveness of internal audit	C+
C(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	B+
PI-23	Availability of information on resources received by service delivery units	D
PI-24	Quality and timeliness of in-year budget reports	D+
PI-25	Quality and timeliness of annual financial statements	C+
C(iv) External Scrutiny and Audit		
PI-26	Scope, nature and follow-up of external audit	D+
PI-27	Legislative scrutiny of the annual budget law	C+
PI-28	Legislative scrutiny of external audit reports	D+
D. DONOR PRACTICES		
D-1	Predictability of Direct Budget Support	B+
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D
D-3	Proportion of aid that is managed by use of national procedures	D

Summary Assessment

The experience of PFM reform in Rwanda over the last two decades has been something of a unique story. Prior to the events of 1994, the Government of Rwanda had operated a PFM system for which a modernisation process had still to commence and operated this system with substantial human resource capacity constraints. With the events of 1994, existing capacities and systems and virtually all of the institutional memory associated with them were effectively destroyed. The administration that took over inherited a disastrous PFM situation, where even the previous unmodernised system had ceased to exist and where human resource capacities had to be re-built from scratch. After passing through an emergency management phase, the new government turned its attention to rebuilding its PFM system with the limited resources at its disposal. Over the next several years, the Government made a number of important decisions in this regard. In particular, it decided that the PFM system had to be modernised whilst it was being rebuilt. Given Rwandaȏs particular history, this implied a gradual movement away from the previous francophone system. It also required the establishment of key PFM functions that had never previously existed in Rwanda. These included functions associated with modernisation of the previous francophone system (e.g. establishment of an Auditor General) but included more basic functions that had never been properly or effectively established in Rwanda (the accounting function in particular). As a result, over the last ten years, Rwanda has devoted considerable effort to the rebuilding and modernisation of its PFM system, whilst managing public finances in the context of very weak existing systems. As new processes have been introduced, the basis for a good and modern PFM system has emerged. This has occurred, however, in the context of extremely weak human resource capacity ï not in the sense that skilled individuals are absent, but in the sense that they are extremely thinly spread within and between the key PFM functions. A major implication of this is that the basis for many of the PEFA scores for Rwanda is the extremely weak historical context for PFM. Whilst the scores for the majority of the indicators are low, this is understandable given the context outlined above. It is also undoubtedly the case that the scores are substantially stronger than they would have been had a PEFA been prepared several years ago. Given the thin spread of the most skilled and experienced individuals across PFM functions and given the establishment of new and modern processes, this effectively means that good systems have been established in the context of piecemeal capacities. As a result, there are islands of good performance (e.g. classification of the budget ï PI-5; timeliness and regularity of accounts reconciliation ï PI-22) alongside areas of very weak performance (e.g. comprehensiveness of information included in budget documentation ï PI-6; quality and timeliness of in-year budget reports ï PI-24). This has been shown to be the case both between indicators (as noted above) and also in the individual dimensions within particular indicators (e.g. the very strong scores for the first two dimensions of PI-8, dealing with transparency of inter-governmental fiscal relations, alongside a very weak score for the third dimension of that indicator, dealing with the reporting to central government of fiscal information by SN governments). The context of PFM reform in Rwanda also carries the risk of fragility in the reform process. This is the case with regard to PI-12, for example (multi-year perspective in fiscal planning, expenditure policy and budgeting), where a turnover in key staff and discontinuity in technical support has resulted in a decline in the underlying performance for that indicator in the two most recent years prior to preparation of this PEFA report..

(i) Integrated assessment of PFM performance

1. **Credibility of the budget**

The relationship between expenditure outturn and budget at an aggregate level has been reasonably good, although the fact that outturn has exceeded budget by close to 10% in two out of the last three years is a matter of some concern. Subsidies to the state-owned electricity generator and for the re-capitalisation of two government-owned banks have been important underlying reasons. A closer monitoring of AGAs and PEs which focuses on fiscal risk will be important in the future for maintaining overall budget credibility and fiscal discipline. At the same time, aggregate domestic revenue outturn has been consistently above budget, which raises questions about the quality of revenue forecasting feeding into the budget and MTEF preparation processes. It also suggests that unplanned additional domestic revenue receipts have contributed to achieving deficit targets over recent years despite expenditure being higher than budget, further emphasising the importance of managing aggregate expenditure to maintain discipline.

Of greater concern, perhaps, is the fact that there has been considerable variation in expenditure at a disaggregated level in two out of the last three years. This kind of variation increases the risk of shortfalls in expenditure in priority areas and in constraining the efficiency and effectiveness of service delivery. The main challenge for the GoR with regard to budget credibility over the coming years, therefore, will be to enhance the reliability and credibility of its choices for strategic resource allocations.

2. **Comprehensiveness and transparency**

One of the success stories in Rwanda over the last ten years has been the establishment of modern budget and MTEF preparation processes. Notwithstanding this, annual budget documentation as submitted to the legislature has become weak over the last two years, which could pose a threat to fiscal discipline, with knock-on effects to strategic allocation and efficient service delivery. Public access to key fiscal information is also weak, notwithstanding the GoRós laudable efforts to make budget information accessible to the general public through public awareness sessions and access of the media to Parliamentary debates. Fiscal discipline is also potentially weakened by the absence of process and procedures for monitoring the fiscal risk associated with AGAs, PEs and SN governments, although MINECOFIN has established much of the required apparatus for such oversight and relatively simple steps could be taken to address this.

Transparency of the policy intention of the budget, particularly with regard to the strategic allocation of resources between priority areas, is ensured by its presentation according to all four classification dimensions (including programme). The Chart of Accounts is also based on the same classifications, and these are applied to budget execution reports (although it is not clear yet whether reports of the final accounts are to be presented according to the original budget classifications).

The comprehensiveness of the budget is compromised to some extent by the absence of a substantial minority of grant-financed projects, although all loan financed project expenditure is captured in fiscal reports as well as over 50% of grant-financed projects.

Central government resources destined for SN governments are allocated in a transparent and rules based manner which facilitates planning for efficient service delivery at a local level. A degree of transparency is compromised, however, as a result of the need for the SN reporting system to catch up with the pace of fiscal decentralisation to enable a reporting of expenditure by sector at SN level, although most of the pre-requisites for this are now in place.

3. **Policy-based budgeting**

Since 2000, Rwanda has developed a very sound, productive and inclusive planning and budgeting process, with Cabinet participation in ceiling-setting, under an MTEF framework which has played an important role in maintaining fiscal discipline over this period and in determining the strategic allocation of resources. Underlying participation in the MTEF and budget process at both line ministry and SN government level is strong and the links between the overarching policy tools (Vision 2020, PRSP) and the MTEF and budget processes have been designed to facilitate the linking of budgets to policies. Turnover of key Budget

Department staff in 2004 and 2005, however, has led to a weakening of the quality of the MTEF process. The failure to produce a Budget Framework Paper (BFP) in 2006 is an important symptom of this which potentially weakens the link between budgets and policies. Sector strategies exist for a number of sectors, but are only comprehensively costed in health and education which is likely to weaken the quality of the strategic allocation of resources in other sectors.

The MTEF and budget processes facilitate feedback over expenditure performance. Whilst there is a multi-year planning framework, however, it is not clear that the recurrent costs of investment decisions or multi-year procurement requirements are taken properly into account in the planning process (except to some degree in health and education by virtue of their costed strategies).

4. Predictability and control in budget execution

Rwanda has a robust and efficient domestic revenue administration which enhances the predictability of domestic revenue generation. Fiscal discipline is further enhanced by the establishment and regular updating of an annual cash-plan and by recent Treasury reforms under which a single treasury account (STA) now operates. Payroll controls are also functional. Information on debt stock, however, whilst available, are not included in reports on debt, which has the potential to undermine fiscal discipline. Likewise, although the OBL creates a clear framework for managing the undertaking of debt, institutional mechanisms to make the OBL provisions effective in this regard have yet to be fully established.

Reasonably robust cash planning, information on expenditure ceilings and predictable adjustments to budgets facilitate the use of resources according to plans for policies and priorities. Weak audit arrangements for MIFOTRA-operated payrolls and weak justifications for use of non-competitive tendering potentially risk unauthorised payments going undetected and therefore risk resource utilisation differing from plan. Whilst commitment controls are generally effective, compliance with rules for processing and recording transactions is a major issue, related more to a lack of training and experience than to a straightforward intention of officers to flout the rules.

Resource flows are reasonably predictable and do not appear to be a major constraint to efficient service delivery. Whilst procurement is largely competitive, the absence of justification, in a large proportion cases, of non-competitive tendering is a risk to the economic purchase of good quality products for service delivery and may also risk corrupt practices, leakages and patronage. This is also a risk with regard to the weakness in audit arrangements for MIFOTRA-operated payrolls.

The internal audit function has only recently been established and the impact of the recent appointment of a Chief Internal Auditor is only now beginning to feed through. As a result, it is not surprising that internal audit activities do not yet focus predominantly on systems, although this is now beginning to happen. Internal audit reports are utilised by both internal audit management and the management of the institutions being audited, and follow-up is undertaken to ensure that recommendations are addressed appropriately.

5. Accounting, recording and reporting

Whilst reporting with regard to fiscal discipline has largely relied on the use of flash reports, the absence until recently of an accounting function in government has been a major risk to the availability of information for maintaining fiscal discipline. This has been manifest by the complete absence of individual and consolidated financial statements for years up to and including 2005. The previous absence of robust accounting information has constrained the efficient monitoring of resource usage and the identification of bottlenecks and other problems in budget execution. Whilst information is available on most central government resources received by primary schools and primary health clinics (by virtue of central government resources being transferred direct to service provider accounts), information on other types of resources (financial or in-kind) is not routinely available or compiled into annual reports, thereby hindering appropriate decisions and actions of the strategic allocation of resources.

The lack of accounting information has constrained the ability of budget managers to understand the cost in practice of the programmes and outputs they deliver, thereby limiting their ability to make decisions on the future planning of resource use for the achievement of priorities. It also increases the opportunity for leakages, corrupt procurement and the use of resources for unintended purposes.

A major step forward was taken in June 2007 when Rwandaôs very first consolidated financial statement (for financial year 2006) was presented to the Office of the Auditor General for Audit. This statement was prepared with the assistance of an international firm of accountants. Given that this is the very first time that such an exercise has been carried out in Rwanda, it is not surprising that some inconsistencies in the accounts have come to light and the staff of the Accountant General is currently in the process of working with institutions to address these issues. Notwithstanding this, the Auditor General is of the opinion that there is no essential information missing from the accounts that seriously hinders the audit process. The challenge for the GoR will now be to ensure that a similar exercise can be undertaken for financial year 2007 and beyond, with or without the help of international accounting assistance.

A further area where the GoR has recently established an important PFM function from scratch is that of reconciliation of expenditure records with bank records. This is an important step in helping to maintain both fiscal discipline and the policy intention of the budget with regard to strategic resource allocation.

6. **External scrutiny and audit**

Notwithstanding the fact that the performance indicator for external audit has been allocated a low score, the very fact that a modern external audit function has been established and is operational, under the severe capacity constraints it operates with (particularly with regard to the availability of professionally qualified accountants), should be recognised as a success story (so far). Audit coverage is currently low (less than 50%) and some key areas have yet to be properly addressed (such as the wage bill ï although a plan for this is currently being developed). Nevertheless, an annual audit report is produced each year with observations and recommendations on the Governmentôs use of public resources and is presented to Parliament within the constitutionally required time-frame (although this is time-frame is below the standard for PEFA a high score). Consolidating and strengthening the Office of the Auditor General will be crucial in helping ensure government allocates and executes the budget in line with stated policies and to ensure probity in the use of public resources.

Legislative scrutiny of the annual budget law is relatively robust, although the absence of a Background to the Budget document in 2006 undermined appropriate scrutiny of macro-fiscal policy in that year. Efforts have clearly been undertaken to ensure an appropriate legislative scrutiny of the Report of the Auditor General (including the production of a report by the budget oversight committee of the Parliament with recommendations for action), although capacities for this to be fully effective remain weak (including the lack of a secretariat for the budget oversight committee and the absence of in-depth hearings that are fully effective). Until the external audit function is further strengthened, however, there will be limited scope for the legislature (and the public at large) in holding the government to account for the efficient and rules-based management of resources and for ensuring that the use of public funds is subject to detailed review and verification.

(ii) Assessment of the impact of PFM weaknesses

Whilst Rwanda has achieved low scores for a number of indicators in its first PEFA, indicating PFM weakness in these areas, it is important to understand the context within which the PMF scores have been allocated. The PFM reform achievements over the last decade in Rwanda, in fact, have been wide ranging and impressive given the circumstances, resources and capacities of the country during this period and the nature and extent of the reform challenges facing the Government. Following the events of 1994, the Government effectively had to reestablish PFM systems from scratch with even more limited resources than had previously been the case. Shortly after 1994, the GoR began to take steps to modernize its PFM systems also, establishing some key functions for the very first time (e.g. internal and external audit) and adopting modern practices for other functions (e.g. budget and planning processes). In the course of carrying out this assignment, it has been difficult not to be impressed by both the recent and on-going individual and collective efforts at modernising Rwandaõs PFM system.

Nevertheless, it remains important to understand the key weaknesses that the PEFA assessment highlights and the likely impact of these to enable appropriate measures to be undertaken to improve and prioritise the GoRõs PFM reform programme. The weaknesses are highlighted in Appendix 1 and can be summarized as:

- Comprehensiveness and Transparency
  - Annual budget documentation as submitted to the legislature will need to be strengthened to facilitate both fiscal discipline and the strategic allocation of resources. This will rely, to a large extent, on improvements in both budget and MTEF planning to reverse the recent decline in the quality of these processes.
  - The public availability of key fiscal documents is also weak, constraining the general transparency of the PFM system.
  - Much of the required apparatus for oversight of fiscal risk from AGAs and PEs is in place (e.g. submission of financial reports to MINECOFIN). The formal responsibilities of the Treasury unit charged with monitoring AGAs and PEs does not include the preparation of a report on emerging fiscal risks. As a result this constitutes an unnecessary threat to aggregate fiscal discipline.
  - The SN government reporting system has still to catch up with the pace of fiscal decentralisation. In particular, whilst SN governments are now required to report on expenditure to MINECOFIN, there is as yet no obligation to report this information according to sector (e.g. health or education) or according to sub-functions within sectors. Until this is addressed, it will continue to constrain monitoring, policy formulation and planning activities at a central level.
  - The absence of some project information in budget and fiscal reporting limits the extent to which service delivery can be efficiently planned and may lead to a waste of resources in some cases. It may also facilitate the development of patronage or corrupt practices by limiting public scrutiny and the use of appropriate PFM tools (e.g. public procurement procedures). The lack of information is also likely to constrain planning and efficiency at a local service delivery level.
- Budget Planning
  - Comprehensive and costed sector strategies exist only for education and health. Discussions with MINECOFIN staff demonstrate that this results in a

differential in quality in MTEF and budget submissions between agencies in these two sectors and those in other sectors. Whilst this reflects in part the attention that the health and education sectors have received from the donor community, it undoubtedly impacts on the quality of planning and resource allocation decisions in each of the sectors and the ability of each of the sectors to influence strategic resource allocation decisions. Improving the quality of sector strategies in each of the sectors will be important, therefore, in improving the overall budget planning process, linking budgets to policies and ensuring efficiency and effectiveness in service delivery. The process requirements for this (e.g. enhancing procedures and human resource capacities within sector ministries) will be at least as important (and probably more important) than simply developing an improved ‘product (i.e. better sector strategy documents).

- The set-back that the MTEF and budget processes have experienced in the most recent years have resulted in relatively poor scores for performance indicator 12 in particular. Unless this is rectified, there is a risk that information and decisions relating to both overall fiscal discipline and the strategic allocation of resources will be sub-optimal at best. One of the lessons to draw from this is that the MTEF and budget reforms, whilst important in their own right, are extremely fragile. Experience elsewhere, as well as in Rwanda, shows that there is a limit in the extent to which a loss of key staff can be tolerated before it impacts on sustainability of the reform itself. Decisions for withdrawing key technical assistance should also be based more on the status and requirements of the reform than on the requirements of the funding partner if donor investment in improved government processes is to be safeguarded.

- Budget Execution
  - Weak audit arrangements for MIFOTRA-operated payrolls and weak justifications for use of non-competitive tendering potentially risk unauthorised payments going undetected and therefore risk resource utilisation differing from plan and the economic procurement of good quality products for service delivery.
  - Compliance with rules for processing and recording transactions is a major issue, related mainly to a lack of training and experience.
  - Whilst a debt management unit has recently been established in the Macroeconomic Department of MINECOFIN, it will be important for this unit to become properly operational as soon as possible to enable the Department to implement properly the debt management components of the Organic Budget Law (OBL). This is likely to require staff, technical assistance and Terms of Reference for the unit.
  - Notwithstanding the very positive steps taken by the Internal Audit Department, weaknesses exist with regard to the limited attention that systems audit receives, although this is to be expected given the current stage of the Internal Audit reforms in Rwanda. Among other things, the skills and experience of internal audit staff will require attention to ensure improvements in Internal Audit over time.
- Budget Accounting and Controls
  - One of the key underlying weaknesses in the whole PFM system which impacts on many other areas has been the absence of an accounting function. Among other things, the severe weakness of the accounting function constrains the efficient monitoring of resource usage and the identification of bottlenecks and other problems in budget execution. It constrains the ability of budget managers to understand the cost in practice of the programmes and outputs they deliver, thereby limiting their ability to make decisions on the

future planning of resource use for the achievement of priorities. It also increases the opportunity for leakages, corrupt procurement and the use of resources for unintended purposes. Whilst the GoR has taken an important step to address this through the preparation for the first time ever of a consolidated financial statement for 2006, substantial weaknesses remain. The 2006 financial statement has been produced with substantial assistance from an international firm of accountants. Whilst this has established some process and methodology, it likely to be some time before the government has the capacity to undertake this task alone. A pragmatic and focussed programme of training for accountants working in the public sector will continue to be required as will some reliance on technical assistance and outsourcing of some tasks for the immediate future.
    - Resources (financial and in-kind) that are made available to SN governments are not routinely compiled into annual reports, thereby hindering appropriate decisions and actions for the strategic allocation of resources.
- Budget Reporting and External Audit
    - Given that the external audit function is virtually brand new to Rwanda, it is not surprising that the scope and follow-up of external audit are currently very weak. This effectively means that there is currently only limited external scrutiny of the use of public resources.
    - This weakness in the external audit function feeds through into weakness in the legislative oversight of the use of public resources also. In addition, capacity weaknesses (e.g. lack of technical secretariat support) and limited exposure to international experience also limits in practice the effectiveness of the legislative oversight function.

(iii) Prospects for reform planning and implementation

The Government of Rwanda has been in the process of a major PFM reform programme for much of the last ten years. Among other things, this has resulted in the establishment for the first time of external and internal audit functions and an accounting function. It has also resulted, among other things, in the establishment of modernized arrangements for planning resource use over the medium-term and annual budget preparation.

Notwithstanding the gains made to date, the GoR, with assistance from its donor partners, views the reform process as far from complete. As a result, the infrastructure for continuation of the reform programme is well established and operational. The current PFM reform programme enjoys strong political support and strong support from the donor community. This includes direct budget support arrangements, technical assistance and a consultative process for aid harmonization and alignment.

The ambition of the PFM reform programme is reflected in the newly established OBL which provides for the legal and institutional arrangements for sound PFM reform. Many of the planned and forthcoming reforms in Rwanda relate directly to new and improved provisions for PFM in the OBL.

The implementation and coordination of PFM reforms are further enabled through the establishment of PFM governance structures, including:

- A National PFM Reforms Steering Committee
- A PFM Reforms Technical Secretariat
- A PFM Reforms Management Committee
- Sub-committees to make the Reforms Management Committee effective.

Further details on this can be found in Section 4.

In addition, an overarching framework for enhancing aid effectiveness in Rwanda according to the Paris Declaration principles has been established through the Aid Coordination and Harmonisation Framework (ACHA). Within the ACHA, the Development Partners Coordination Group (DPCG) (with Government representation and membership from heads of cooperation in bilateral and multilateral institutions) is the highest level coordination structure which seeks to harmonise programmes, projects and budget support with GoR priorities. A Budget Support Harmonisation Group (BSHG) was formed in 2003 under the DPCG. The BSHG is charged with monitoring the implementation of the Partnership Framework for Harmonisation and Alignment of Budget Support which outlines commitments in terms of macroeconomic stability, public financial management and policy formulation. Among other things, the Partnership Framework also establishes guidelines for interaction of the BSHG and donor partners in the budget process.

The benefits of this level of cooperation and support from the donor community are illustrated through the high PEFA score for predictability of direct budget support. Nevertheless, the financial information provided by donors for budgeting and reporting on project and programme aid and the proportion of aid that is managed by use of national procedures is extremely weak. Given the high level of aid dependency in Rwanda, the impact of this on PFM is likely to be substantial.

Appendix 1: Links between the six dimensions of an open and orderly PFM system and the three levels of budgetary outcomes

	1. Aggregate fiscal discipline	2. Strategic allocation of resources	3. Efficient service delivery
A1 Budget credibility	*In order for the budget to be a tool for policy implementation, it is necessary that it is realistic and implemented as passed.*		
The budget is realistic and is implemented as intended	When aggregate expenditure has exceeded the budgeted amount, subsidies to the state-owned electricity generator and for the re-capitalisation of two government-owned banks have been important underlying reasons. A closer monitoring of AGAs and PEs which focuses on monitoring fiscal risk will be important in the future for maintaining overall budget credibility and fiscal discipline. Aggregate domestic revenue outturn has been consistently above budget and potentially raises questions about the quality of revenue forecasting. It also suggests that *unplanned* additional domestic revenue receipts have contributed to achieving deficit targets..	Although expenditure at an aggregate level has been reasonably close to budget, there has been considerable variation in expenditure at a disaggregated level. This increases the risk of shortfalls in expenditure in priority areas. The challenge will be to maintain a good fiscal performance at an aggregate level whist improving the credibility of the budget with regard to the strategic allocation of resources.	Improving the credibility of the strategic allocation of resources will be an important first step in ensuring efficient service delivery to ensure that activities can be implemented as planned. This may require improvements in planning capacities at line ministry level (notwithstanding the fact that the overall budget process is relatively efficient) and a strengthening of policy based budgeting to ensure that budgets as presented represent the de factor requirements of priority expenditures.
A2 Comprehensiveness and transparency	*Comprehensiveness of budget is necessary to ensure that all activities and operations of governments are taking place within the government fiscal policy framework and are subject to adequate budget management and reporting arrangements. Transparency is an important institution that enables external scrutiny of government policies and programs and their implementation.*		
The budget and fiscal risk oversight are complete and fiscal and budget information is accessible to the budget	Annual budget documentation as submitted to the legislature has become relatively weak over the last two years which could pose a threat to fiscal discipline, with knock-on effects to strategic allocation and efficient service delivery. Whilst much of the	The budget is presented and reported according to all four classification dimensions (including programme) which facilitates the strategic allocation of resources. Whilst some project expenditure remains off-budget, all loan financed project expenditure is captured in fiscal reports as well as over 50% of grant-	To the extent that a proportion of project expenditure remains off-budget, this limits the extent to which service delivery can be efficiently planned and may lead to a waste of resources in some cases. It may also facilitate the development of patronage or corrupt practices by limiting public scrutiny and the use of appropriate PFM tools (e.g. public procurement procedures). The lack of

	required apparatus for oversight of fiscal risk from AGAs, PEs and SN governments is in place, oversight in practice is weak and a potential threat to aggregate fiscal discipline.	financed projects. The SN reporting system has still to catch up with the pace of fiscal decentralisation to demonstrate that the sectoral allocation of resources is being expended according to budget.	information is also likely to constrain planning and efficiency at a local service delivery level. Resources are allocated to SN governments in a transparent and rules based manner which facilitates planning for efficient service delivery at a local level.
	1. Aggregate fiscal discipline	**2. Strategic allocation of resources**	**3. Efficient service delivery**
A3 Policy-based budgeting **The budget is prepared with due regard to government policy**	A policy-based budgeting process enables the government to plan the use of resources in line with its fiscal policy and national strategy		
	Since 2000, Rwanda has developed a very sound, productive and inclusive planning and budgeting process, with Cabinet participation in ceiling-setting, under an MTEF framework which has played an important role in maintaining fiscal discipline over this period, notwithstanding the set-backs to the planning and budgeting process over the last two years. The absence of a BFP in 2006 is a concern that will be important to correct to facilitate the maintenance of fiscal discipline in the future, however.	Underlying participation in the MTEF and budget process at both line ministry and SN government level is strong and the links between the overarching policy tools (Vision 2020, PRSP) and the MTEF and budget processes facilitate the linking of budgets to policies under normal circumstances. Turnover of key Budget Department staff in 2004 and 2005, however, has led to a weakening of the quality of the MTEF process and the absence of a BFP in 2006 potentially weakens the link between budgets and policies. Sector strategies exist for a number of sectors, but are only comprehensively costed in health and education which weakens the strategic allocation of resources in other sectors.	The MTEF and budget processes facilitate feedback over expenditure performance. Whilst there is a multi-year planning framework, however, it is not clear that the recurrent costs of investment decisions or multi-year procurement requirements are taken properly into account in the planning process (except to some degree in health and education by virtue of their costed strategies).
	1. Aggregate fiscal discipline	**2. Strategic allocation of resources**	**3. Efficient service delivery**
B1. Predictability and control in budget execution **The budget is executed in an orderly and predictable manner**	*Predictable and controlled budget execution is necessary to enable effective management of policy and program implementation.*		
	Rwanda has a robust and efficient domestic revenue administration which enhances the predictability of domestic revenue generation. Fiscal	Reasonably robust cash planning, information on expenditure ceilings and predictable adjustments to budgets facilitate the use of resources according to	Resource flows are reasonably predictable and do not appear to be a major constraint to efficient service delivery. Whilst procurement is largely competitive, the absence of justification in a large

and there are arrangements for the exercise of control and stewardship in the use of public funds	discipline is further enhanced by the establishment and regular updating of an annual cash-plan and by recent Treasury reforms under which an STA now operates. Payroll controls are also functional. Reconciliation of debt records and information on debt stock are weak, however, which have the potential to undermine fiscal discipline. Likewise, although the OBL creates a clear framework for managing the undertaking of debt, institutional mechanisms to make the OBL provisions effective have yet to be fully established.	plans for policies and priorities. Weak audit arrangements for MIFOTRA-operated payrolls and weak justifications for use of non-competitive tendering potentially risk unauthorised payments going undetected and therefore risk resource utilisation differing from plan. Whilst commitment controls are generally effective, compliance with rules for processing and recording transactions is a major issue, related mainly to a lack of training and experience.	proportion cases of non-competitive tendering is a risk to the economic procurement of good quality products for service delivery and may also risk corrupt practices, leakages and patronage. The weak audit arrangements for MIFOTRA-operated payrolls may also risk corrupt practices, leakages and patronage going undetected. The internal audit function is still new and does not yet focus predominantly on systems.
	1. Aggregate fiscal discipline	**2. Strategic allocation of resources**	**3. Efficient service delivery**
B2. Accounting, recording and reporting	*Timely, relevant and reliable financial information is required to support all fiscal and budget management and decision-making processes.*		
Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes	Whilst reporting with regard to fiscal discipline has largely relied on the use of flash reports, the absence until recently of an accounting function in government has been a major risk to the availability of information for maintaining fiscal discipline. This has been manifest by the complete absence of individual and consolidated financial statements for years up to and including 2005 (which has been addressed for 2006 through the preparation of Rwandaô s first consolidated	The previous absence of robust accounting information constrains the efficient monitoring of resource usage and the identification of bottlenecks and other problems in budget execution. Whilst information is available on most central government resources received by primary schools and primary health clinics (by virtue of central government resources being transferred direct to service provider accounts), information on other types of resources (financial or in-kind) is not routinely available or compiled into annual reports, thereby hindering appropriate decisions and actions of the strategic	The lack of accounting information has constrained the ability of budget managers to understand the cost in practice of the programmes and outputs they deliver, thereby limiting their ability to make decisions on the future planning of resource use for the achievement of priorities. It also increases the opportunity for leakages, corrupt procurement and the use of resources for unintended purposes.

	financial statement).. The recent establishment of a functional reconciliation process has been an important step in helping to maintain fiscal discipline.	allocation of resources.	
C1. Effective external scrutiny and audit **Arrangements for scrutiny of public finances and follow up by executive are operating**	**1. Aggregate fiscal discipline**	**2. Strategic allocation of resources**	**3. Efficient service delivery**
	Effective scrutiny by the legislature and through external audit is an enabling factor in the government being held to account for its fiscal and expenditures policies and their implementation.		
	Legislative scrutiny of the annual budget law is relatively robust, although the absence of a Background to the Budget document in 2006 undermined appropriate scrutiny of macro-fiscal policy in that year.	The external audit function is brand new and operates with substantial human resource limitations. Its establishment and operation alone is an achievement under these circumstances. It is not surprising, therefore, that the scope and follow-up of external audit are currently weak. Consolidating and strengthening the OAG will be crucial in helping ensure government allocates and executes the budget in line with stated policies.	Until the external audit function is further strengthened, there will be less scope for the legislature (and the public at large) holding the government to account for the efficient and rules-based management of resources and for ensuring that the use of public funds is subject to detailed review and verification.

1: Introduction

The Government of Rwanda receives over US$200m per year in budget support from international donors, representing around 50 percent of its recurrent budget and 17 percent of Gross Domestic Product (GDP). Budget support donors need to make regular evaluations of the Public Financial Management (PFM) situation as part of their ñdue diligenceò. In general, the budget support donors require the PFM system of a recipient country to be improving, in line with an agreed action plan, towards international standards. PFM assessments may be used as a basis for donor-Government dialogue around PFM in this regard, often with implications for the Governmentôs own PFM action plan.

Under the ñPartnership Framework for the Harmonisation and Alignment of Budget Supportò, it was agreed that budget support donors together with Government would agree on an annual programme of PFM related studies. These studies would then be discussed through the bi-annual Joint PFM review. Since that time, through the Joint Reviews and Budget Support Harmonisation Group (BSHG) meetings, it has been agreed that budget support donors will jointly use one annual PFM evaluation/assessment exercise, to replace previous ad hoc studies (FARAP, CBTI, ROSC, CPIP, PEMR, EC audits, Swedish PFM studies, UK Department for International Development (DFID) fiduciary risk assessments, CFAA, HIPC AAP etc.). It was agreed that the new Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework should be utilised for this purpose. It had been the intention of the Government and the donors that the PEFA should have served this purposed from 2006 onwards. Delays in recruitment of the Consulting Team, however, have resulted in the first PEFA assessment for Rwanda being completed in August 2007.

The lead donor for the PEFA exercise has been the World Bank, with support from the European Commission (EC) and DFID and the exercise has been funded under a World Bank-EC-DFID Multi Donor Trust Fund.

This being the first PEFA for Rwanda, the exercise has proven to be a learning experience in many ways. In principle, a range of preparatory activities should have been carried out in advance of mobilizing the Consulting Team, including:

- Sensitisation of key individuals in government to the role and purpose of the PEFA and the importance of providing relevant and timely information.
- Creation of the Consulting Team for the assignment sufficiently in advance for appropriate planning of the work to take place and for appropriate review of PFM materials in advance of mobilisation.
- Ensuring that protocol mechanisms are in place to enable the team to work productively with government staff and initial meetings are arranged prior to arrival in country.

In practice, the Team Leader was asked to mobilize and be in Rwanda at one weekôs notice to conduct the Introductory Workshop, with the required prior activities having not been carried out and with no knowledge at that stage of the other members of the team. The absence of these prior activities proved to be a substantial constraint to the early stages of the Teamôs work, with implications for both the potential productivity of the Team in general and the elapsed time for the exercise in particular. Moreover, two of the three team members recruited for the exercise, whilst highly skilled and experienced in their own fields, had no previous experience of PEFA-related exercises. This resulted in a need to recruit two additional consultants (with prior relevant experience), who could not be mobilized until July and August respectively. This further delayed the completion of the exercise.

The Team Leader, therefore, carried out the first field trip between March 20th to April 3rd 2007, supported by the two other team members (national consultants). An Inception Report was prepared following this field trip detailing progress to that point and the constraints noted above. This was presented to the Accountant General (AG) and distributed to the members of the PEFA Management Committee. A second field trip was carried out in the second half of May 2007, with the two national consultants carrying on with field interviews in the meantime. A report was prepared during the second field trip detailing progress to date and outlining the necessity to recruit two additional consultants (with experience in PEFA-related assignments) to supplement the efforts of the existing national consultants. The PEFA Management Committee agreed to this and a new international consultant (internationally qualified accountant) and a new national consultant (former Director of Budget) were recruited. Recruitment procedures, however, meant that they could not be mobilized until end July 2007 and mid-August respectively. The new international consultant spent two weeks in Kigali in the second half of July and the new national consultant was mobilized in August 2007 and continued with the process of interview and data gathering during the second half of August.

A draft final report was presented to the GoR at end August and this was revised following Government comments and the outcome of a Stakeholder Workshop at which the conclusions of the report were presented on September 12th 2007.

Whilst in most cases raw data is available in the key areas and is processed on request, among the many hitches the PEFA team encountered was that of obtaining processed data, to the extent that some of the data was obtained 5-6 months after the request was made (e.g. PI-1 & PI-2, Customs Arrears). The team was also constrained in some cases by the success of specific meeting arrangements. This was the case, for example, in the case of meeting representatives from sub-national (SN) governments, none of which was successful, which made triangulation of the evidence associated with SN governments (e.g. PI-8 (

The information for the PEFA was generated from a combination of sources, including:

- review of existing PFM analyses (e.g. IMF ROSC, World Bank CFAA, etc.);
- review of GoR documents (e.g. Auditor General reports, internal audit reports, budget preparation instructions, legislation, etc.)
- interview with GoR officials;
- interviews officials from other public agencies (e.g. Rwanda Revenue Authority (RRA), National Tender Board (NTB), etc.); and
- interviews with other stakeholders (e.g. donor representatives, private sector representatives).

A full list of meetings held can be found in Appendix II and a full list of documents consulted can be found in Appendix III.

PFM at the level of the central government, however, covers only one component of public expenditure, with responsibilities for expenditure also being devolved to district governments in Rwanda. This report covers central government expenditure only, although it does touch on relations with sub-national (SN) governments and autonomous government agencies (AGAs) in some of the analysis.

2: Country Background Information

2.1: Description of the Country Economic Situation

With around 9 million living in a country of around 26, 000 square kilometres, Rwanda has a population density of over 300 persons per square milometer, making it the most densely populated country in Africa and one of the most densely populated in the world. Rwanda is landlocked, with a relatively poor road network and transport system. Its economy is heavily dependent on agriculture and the country has limited access to water and energy supplies. The economy is also heavily aid dependent.

Per capita GDP was already on a declining path prior to 1994, falling by an annual average rate of 1.5% between 1982 and 1992[1]. Likewise, as noted in the recent World Bank CFAA document, even prior to 1994, institutions in the public sector lacked the capacity to fully promote equitable growth and access to services, with only a small percentage of public servants possessing some university education. Similarly, very few individuals in either the public or private sectors possessed professional qualifications (e.g. internationally recognised qualifications in accountancy).

The Genocide in 1994, during which almost one million people were killed over a three month period, was catastrophic. Aside from the obvious impact this had on the personal lives of so many people, the effect on the economy was also dramatic. It is estimated that GDP per capita fell between 1990 and 1994 by around 50% and that the national incidence of income poverty increased from 48% to 78% over the same period[2]. During 1994, over 3 million people moved outside the boundaries of the country. Their return over the period 1994 to 2000 created even more pressure on poverty indicators and housing requirements and raised issues related to ownership of land and assets.

Aside from the underlying constraints of Rwandaös geographical position and institutional and human resource capacities, therefore, the new Government that assumed power in 1994 inherited a broken economy and assumed responsibility for a population that had been plunged much deeper into poverty than had previously been the case.

Notwithstanding the above, the improved security and political stability established by the new Government following the events of 1994, complemented by an ambitious reform programme and strong support for the Government from its development partners, resulted in an impressive economic recovery over the subsequent decade. Economic growth averaged over 10% per annum between 1994 and 2004, with GDP growth per capita averaging 5.3% over the same period. This resulted in 18% of the population moving out of poverty between 1994 and 2000[3]. GDP per capita was estimated to be $250 by 2006.

Table 1 describes some of the key socio-economic data for Rwanda from the period 1980 to 2004. Over this period, the population grew by around 70% from 5.2 to 8.9 million. Life expectancy at birth fell dramatically over the period 1980 to 1990 (from 43 to 29 for males and 47 to 33 for females) but improved equally dramatically by 2004, reaching 42 for males and 46 for females, almost equivalent to the life expectancy of 24 years earlier.

The poverty focused policies of the new Government have also borne fruit with regard to education indicators, with improvements in adult literacy over the period 1990 to 2004 (increasing from 62.9% to 71.4% for males and 44% to 59.8% for females). Net primary

[1] ó*Evaluation of General Budget Support – Rwanda Country Report*ö, Ray Purcell, Catherine Dom and Gaspard Ahobamuteze, May 2006.
[2] ditto.
[3] ditto

school enrolment has increased over the same period (from 66% to 72% for males and 66% to 75% for females). The percentage of children progressing to grade 5, however, has fallen over the same period (from 61% to 43% and from 59% to 49% respectively for males and females), as have the primary completion rates (from 46% to 38% and from 44% to 37% respectively for males and females).

Improvements in some key health statistics have also been observed over the period 1990 to 2000. 31% of births were attended by skilled health staff in 2000 compared with 26% in 1990 and the prevalence of child malnutrition fell from 29% to 24% over the same period.

Table 1 - Some Key Socio-Economic Indicators for Rwanda 1980 – 2004

	1980	1990	2000	2004
Population	5.2	7.1	8.0	8.9
Life expectancy at birth (years)				
Male	43	29	39	42
Female	47	33	43	46
Adult literacy rate (% of people aged 15+)				
Male	..	62.9	..	71.4
Female	..	44.0	..	59.8
EDUCATION ACCESS AND ATTAINMENT				
Net primary school enrollment rate				
Male	..	*66*	*71*	72
Female	..	*66*	*73*	75
Progression to grade 5 (% of cohort)				
Male	..	*61*	38	*43*
Female	..	*59*	40	*49*
Primary completion rates (% of relevant age group)				
Male	..	46	24	38
Female	..	44	21	37
HEALTH				
Births attended by skilled health staff (% of total births)	..	*26*	31	..
Maternal mortality ratio (per 100,000 live births)	..	..	1,400	..
Child malnutrition prevalence, weight for age (% of children under 5)	..	*29*	24	..

Source: World Bank database of gender statistics (http://devdata.worldbank.org/genderstats)

Table 2 describes some key economic indicators for Rwanda over the last five years. Since 2002, real GDP growth has been consistent and strong (with the exception of 2003), averaging 6% per annum over the period. The overall fiscal deficit has steadily improved over most of the time since 2002, averaging 0.7% of GDP over the period. The primary fiscal balance, however, has deteriorated over much of the time since 2002, averaging 1.6% of GDP over the period. Whilst inflation was close to 12% in 2003 and 2004, it had been steadily reduced to 8.9% by 2006. The reduction in ócore inflationô (net of food and energy prices) has been even more pronounced, falling from a high of 7.8% in 2003 to 3.8% in 2006. Whilst the current account deficit fell from 7.8% of GDP in 2003 to 3% of GDP in 2004, it had deteriorated to 10.3% of GDP by 2006.

Table 2 - Some Key Economic Indicators for Rwanda
2002 – 2006

	2002	2003	2004	2005	2006	*5 yr Av*
GDP Growth^	11.0	0.3	5.3	7.2	6.3	*6.0*
Overall Fiscal Balance (% of GDP)*	-1.7	-2.3	-0.2	0.7	0.0	*-0.7*
Primary Fiscal Balance (%GDP)**	-1.6	-0.3	-1.7	-2.0	-2.6	*-1.6*
Inflation (annual change %)^	-1.3	11.7	12	9.1	8.9	*8.1*
Core Inflation (net of food & energy prices)^	2.2	7.8	7.3	5.5	3.8	*5.3*
Current Account Deficit (% of GDP)***	-6.7	-7.8	-3.0	-3.1	-10.3	*-6.2*

Sources: IMF other than where indicated ^ = National Institute of Statistics for Rwanda (NISR).
Notes:
**Fiscal balance includes grants;*
*** Excludes grants;*
**** Current account deficit includes official transfers.*

Table 3 provides an overview of the structure of the economy in 2006. The official statistics show that the services sector is the largest component of the economy, accounting for around 46% of GDP, with finance and business services alone accounting for 14% of GDP. Agriculture, however, is the dominant non-services sector, accounting for 32% of GDP, with food crops alone accounting for 27% of GDP and with some 90% of the population dependent on agriculture. Industry is a relatively minor component of Rwandaôs economy, comprising mainly manufacturing and construction activities, accounting for 8% and 7% of GDP respectively.

Table 3 - Estimates of Real GDP 2006
Bn RwF (2001 prices)

	GDP	Percent
GDP	**989.3**	**100**
Agriculture	**319.1**	**32**
Food Crop	271.5	27
Industry	**161.9**	**16**
Mining	8.3	1
Manufacturing	76.4	8
Construction	70.7	7
Services	**457.7**	**46**
Wholesale, Retail & Hotels	108.1	11
Transport & Communication	61.7	6
Finance & Business Service	141.4	14
Adjustments	**55.1**	**6**

Source: MINECOFIN 2006 Annual Economic Report

Rwandaôs long-term development plan is governed by its ôVision 2020ô document which describes the long-term development goals for Rwanda and forms the overarching framework through which Rwandaôs PRSP operates. The previous PRSP was prepared between 2000 and 2002. The preparation of a new PRSP, which takes the name of the ôEconomic Development and Poverty Reduction Strategyô (EDPRS) was officially launched in February 2006. The EDPRS will adopt a five-year horizon for attaining Rwandaôs national goals under the ôVision 2020ô Framework and will be operationalised through sector strategies and decentralised plans under the Medium Term Expenditure Framework (MTEF). The EDPRS was officially approved by the GoR in September 2007, under which greater emphasis will be given to economic growth to sustain development gains. The four key objectives of the EDPRS are:

- Speed-up poverty reduction
- Increase economic growth
- Reduce population growth
- Tackle extreme poverty

2.2: Budgetary Outcomes

Table 4 presents information on budgetary outcomes over the period 2004 to 2006. The issues of note from this table are as follows:

- Total revenue (including grants) as a proportion of GDP increased sharply by 3.4 percentage points of GDP between 2004 and 2005 before declining again by 1.6 percentage points in 2006.
- This movement was mainly accounted for by an increase in grants of 2.2 percentage points of GDP in 2005 followed by a reduction of 1.8 percentage points in 2006.
- Total expenditure showed similar changes over the same period (mainly accounted for by changes in non-interest expenditure), increasing by 2.4 percentage points of GDP in 2005 before declining again by 1 percent of GDP in 2006.
- Whilst the overall deficit in 2006 remained more or less equal to that in 2004 (as a percentage of GDP) after improving by almost one per cent of GDP in 2005, the primary deficit deteriorated over the same period by 1.4 percentage points of GDP.

Table 4 – Central Government Budget (2004-2006)
(% of GDP)

	2004	2005	2006
Total Revenue	25.8	29.2	27.4
- own revenue	14.0	15.1	15.1
- grants	11.9	14.1	12.3
Total Expenditure	26.1	28.5	27.5
- non-interest expenditure	24.9	27.6	26.7
- interest expenditure	1.1	0.9	0.8
Aggregate deficit (incl. grants)	-0.2	0.7	-0.1
Primary deficit	-1.7	-2.0	-2.4
Net financing	2.2	-0.8	1.3
- external	4.5	2.6	2.5
- domestic	-2.3	-3.3	-1.3

Source: MINECOFIN

Table 5 presents information on expenditure in 2006 by function[4]. This shows that the main functional area of expenditure is that of education which accounted for 16.5% of total expenditure in 2006. Otherwise, the next most important expenditure area by value is that of óother government servicesô which accounted for 14.5% of total expenditure. Health accounted for just 4.8% of total expenditure whilst defence accounted for 8.6% of total expenditure.

[4] The Team was unable to get access to information on expenditure by function for years prior to 2006.

Table 5 – 2006 Budget Execution by Functional Classification (% of total expenditure)

	Actual 2006
Executive & Legislative Organs	5.2
Other Government Services	14.5
Defence	8.6
Public Order & Safety	5.7
Agriculture	3.9
Industry & Commerce	2.5
Fuel & Energy	4.6
Transport & Communication	4.0
Land, Housing & Community Amenities	1.4
Water, Sanitation & Environmental Protection	1.6
Youth Culture & Sports	0.7
Health	4.8
Education	16.5
Social Protection	3.8

Source: 2006 Annual Economic Report and data from MINIECOFIN

Table 6 presents information on expenditure by economic classification over the period 2004 to 2006. Over this period, the relative share of wages and salaries in total expenditure has declined by almost two percentage points whilst the relative share of goods and services has increased by almost one percentage point. The relative share of interest payments in total expenditure has been on a declining trend over the period, falling by 1.5 percentage points between 2004 and 2006. The relative share of capital expenditure in total expenditure has also declined over the period by 2.6 percentage points, after having risen by 1.3 percentage points between 2004 and 2005. The category of expenditure which has seen the largest relative increase over the period, however, is ´otherô which increased its share by 5.3 percentage points over the period, mainly due to expenditure on peacekeeping activities.

Table 6 – Expenditure by Economic Classification 2004-2006
(percent of total expenditure)

	2004	2005	2006
Current expenditure	65.2	63.9	68.0
- wages and salaries	18.8	15.2	16.9
- goods and services	18.5	19.2	19.4
- interest payments	4.6	3.1	3.1
- others	23.3	26.4	28.6
Capital expenditure	34.8	36.1	32.0

Source MINECOFIN

2.3: Legal and Institutional Framework for PFM

Rwanda is a presidential republic, with the President being head of state and the Prime Minister being head of government under a multi-party system. Executive power is exercised by the government. Legislative power is vested with the Parliament. The President of Rwanda is elected for a seven-year term by the people. The Prime Minister and the Council of Ministers are appointed by the President. The legislature established under the 2003 Constitution comprises a bi-cameral parliament with a chamber of deputies (80 elected members) and a Senate (26 elected or appointed members). Of the Chamber of Deputies members, 53 of them are elected for a five-year term by proportional representation, 24 (female members) are elected by provincial councils, 2 by the National Youth Council and 1 by the Federation of the Associations of the Disabled. The Senate members are elected or appointed for an eight-year term: 12 are elected by provincial and sectoral councils, 8 appointed by the President to ensure the representation of historically marginalized communities, 4 by the forum of political formations and 2 elected by the staff of the universities.

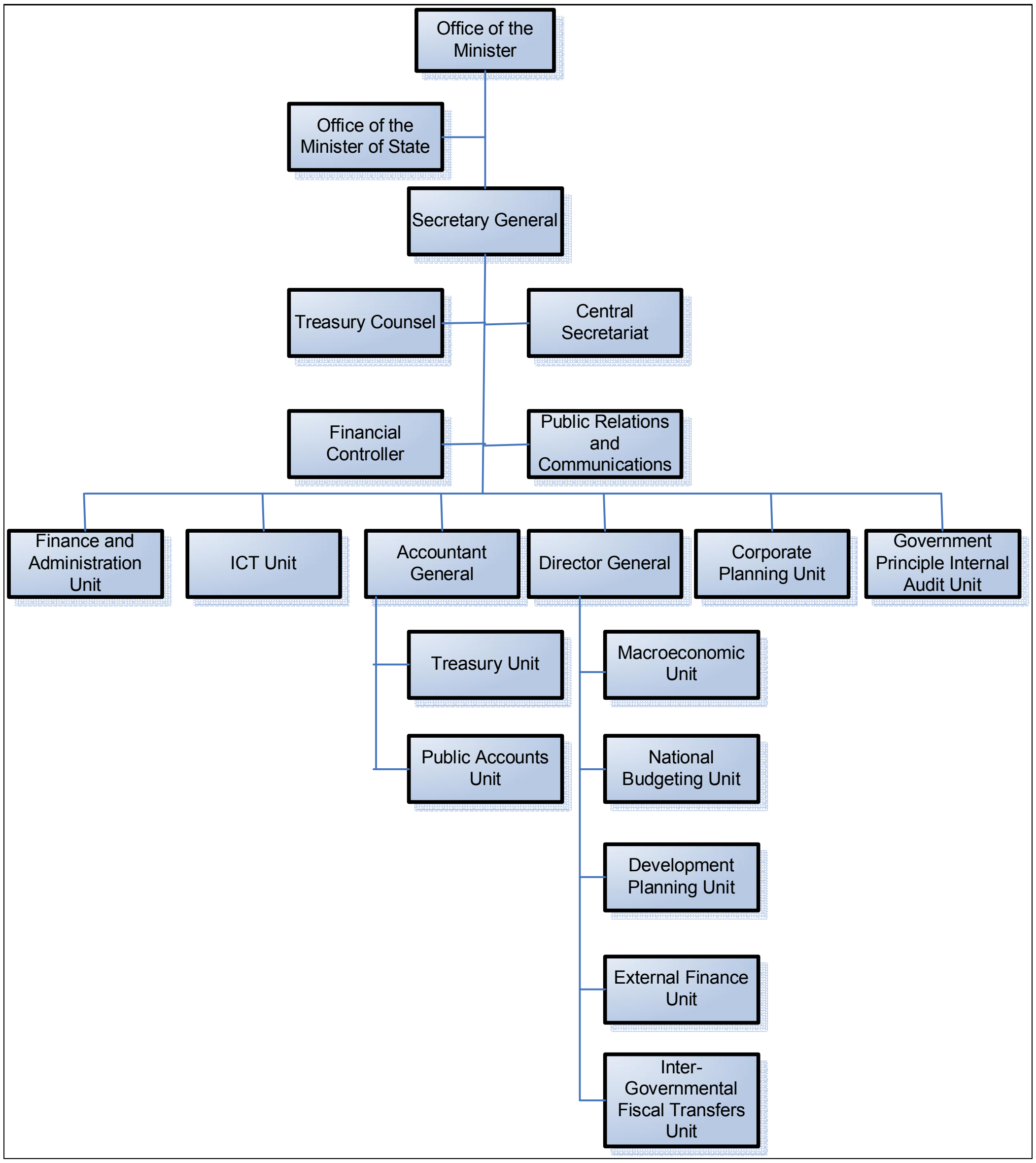
The Constitution establishes both ordinary and specialized courts. Ordinary Courts comprise the Supreme Court, the High Court of the Republic, the Provincial Courts and the Court of the City of Kigali, the District Courts and the Municipality and Town courts. Specialized courts comprise the Gacaca courts and Military courts. The Constitution caters for other specialized courts to be established under an organic law.

The Supreme Court is the highest court in the land and is the guarantor of the independence of the judiciary. It comprises six sections: the Department of Courts and Tribunals; the Court of Appeals; the Constitutional Court; the Council of State; the Revenue Court; and the Department of Gacaca jurisdictions. Article 114 of the Constitution states that ôThe decision[s] of the Supreme Court are not be subject to appeal save in terms of petitions for the exercise of the prerogative of mercy or revision of a judicial decision. Its decisions are binding on all parties concerned whether such are organs of the State, public officials, civilians, military, judicial officers or private individualsö. The President and Vice-President of the Supreme Court are elected by the Senate for a single term of eight years by simple majority vote of members from two candidates in respect of each post proposed by the President of the Republic after consultation with the Cabinet and the Supreme Council of the Judiciary. They are appointed by a Presidential order within eight days of the vote of the Senate. Among other things, the Supreme Court is responsible for ruling on the constitutionality of organic laws and laws establishing the internal regulations of each Chamber of Parliament before their promulgation.

The 2003 Constitution defines the principles and overall legal framework for the management of public finances in Rwanda. With regard to PFM, the Constitution provides for an Organic Budget Law (OBL) and Ordinary Laws (the annual finance law). An OBL was passed in September 2006 and ushered in a fundamental change in PFM in Rwanda by introducing broad but shared responsibilities in the management of government finances. It clearly assigns roles and responsibilities to the various actors in budget preparation, budget execution, financial reporting, accounting, auditing and external scrutiny, and by so doing it accentuates the role of the Minister of Finance as the overall custodian of government finances, including those of decentralized entities. The Organic Law further articulates the role of the executive and the legislature and it has introduced innovations in financial management by decentralizing powers to commit expenditures and thus financial accountability has also been decentralized to Chief Budget Managers (Accounting Officers) at all levels of government.

The organizational structure of the Ministry of Finance is presented in Figure 1.

Figure 1 – Organisation Structure of the Ministry of Finance



Overall policy responsibility for the Ministry of Finance comes under the Minister. Administrative and technical responsibility for the Ministry comes under the Secretary General. Under the general direction of the Secretary General, there are individual units for Finance and Administration, ICT, Corporate Planning and Internal Audit (being the principle internal audit office for the whole of the government as well as being responsible for internal audit for the MoF itself). The Office of the Accountant General and the Office of the Director General come directly under that of the Secretary General. The Accountant General is responsible for the Treasury and Public Accounting functions, which are managed respectively under separate units. Separate units for Macroeconomic Development, National Budgeting, Development Planning, External Finance Management and Inter-Governmental Fiscal Transfers operate under the authority of the Director General.

The powers, roles and responsibilities of the Minister of Finance are clearly spelled out in each chapter of the OBL, particularly in Articles 12, 13, 14. The powers, roles and responsibilities of the Executive are also laid out in Article 11. Furthermore, the Minister is assisted by the Secretary General and Secretary to the Treasury who is a delegated officer in the same ministry as stipulated in Article 15 of the OBL.

Moreover, the separation of powers is stipulated in chapter 2 of the OBL, where the Chamber of Deputies and the local government councils are the sole organs with powers to adopt and revise the annual budget. Roles of Chief Budget Managers as Accounting Officers are laid out in the Provisions of Article 21, while their titles are listed in the previous Article 20.

External scrutiny by the Office of the Auditor General (OAG) is provided for in Article 74 reflecting legal obligations as stated in Article 184 of the Constitution of June, 2003.

The OBL is supported by a Ministerial Order N° 37/2006 on Financial Regulations which became operational at the beginning of 2007. Furthermore four (4) volumes of manuals on Financial Management and Accounting have been prepared and are being progressively disseminated.

Following the passing of the OBL, a fundamental change was also introduced in public procurement through the enactment of Law N° 12/2007 of 27/03/2007 on Public Procurement, which essentially changes the modus operandi of procurement procedures. The new law is built on the principle of decentralization of procurement responsibilities to budget agencies while the National Tender Board retains the supervisory and regulatory roles and also provides the technical and capacity building requirements. In this regard, a separate law has been envisaged and prepared, the law establishing Rwanda Public Procurement Authority, which will soon be published.

The implementation of the OBL will continue to be reinforced by the Annual Finance Law and the Law on Sources of Revenue for districts of 2003 as amended in 2005.

The Constitution also provides for two further organic laws:

- one which defines the powers of the Chamber of Deputies, including the establishment of a Committee on National Budget and Patrimony; and
- one which defines the powers of the Senate.

Annual budgets are prepared through a medium term expenditure framework (MTEF) approach directed by the Ministry of Finance and Economic Planning (MINECOFIN) and involving the active participation of line ministries, departments and agencies and SN governments. A draft annual finance law is presented to Parliament each year by October 5th. Both Chambers of Parliament consider the budget proposals, although the Senate is restricted to an advisory role in this regard. The payments system has recently begun to operate under a Single Treasury Account (STA) and the majority of payments are centralised.

Central Government comprises 14 ministries plus 68 and four deconcentrated provinces. The Government is in the midst of a decentralisation process, with functional responsibility for a range of services (including basic health and education) having been devolved to district governments. Fiscal decentralisation has yet to substantially follow this, with decentralised financing mainly comprising earmarked resources from central government.

3: Assessment of the PFM systems, processes and institutions

3.1. Budget credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

Aggregate budgeted and outturn expenditure is presented below for 2004, 2005 and 2006 covering aggregate Government expenditure[5]..

Aggregate Government Expenditure
(excluding debt servicing and donor funded projects) Rwf billion

	Budget	Actual	+,-	%
2004	197.4	215.8	18.4	9.3
2005	233.8	237.2	3.6	1.5
2006	267.1	294.1	27.0	10.1

Source MINECOFIN Budget Implementation Data

Aggregate actual expenditure remains close to the budget in 2005 but is approximately 10% over budget in 2004 and 6.5 % over budget in 2006 . In 2004, the high level of spending compared to budget is due partly to a higher than expected subsidy to the state-owned electricity generator (Electrogaz) for purchase of diesel generators and partly due to the recapitalization of two government-owned banks. In 2006, the high level of spending is due mainly to higher than expected subsidy to Electrogaz for the purchase of power-generating diesel to address a prevailing energy crisis. In only one of the last three years has actual expenditure deviated from budget by more than 10%. A score of óBô has, therefore, been allocated.

Score ï óBô.

	Minimum Requirements (scoring Method M1)
PI-1 Aggregate expenditure out-turn compared to original approved budget	(i) Actual expenditure deviated from budgeted expenditure by an amount greater than 5% in two out of the last three years, and by more than 10% one out of the last three years. Score óBô

PI-2. Composition of expenditure out-turn compared to original approved budget

[5] The data include those aspects of óexceptional expenditureô that were not funded through earmarked donor resources. óExceptional expenditures are those associated with the aftermath of the genocide of 1994. Originally, the definition referred to expenditures of a transitional nature which were excluded from the definition of the then primary fiscal deficit in the PRGF programme. Some of these expenditures are now recognised as permanent and have been re-categorized into transfers. Those that remain as óexceptionalô include: FARG (Fund for survivors of the 1994 genocide); peace keeping operations; GACACA court operations; prison feeding programmes; Travel dôInteret General (TIG) (community based public works undertaken by released prisoners); demobilization and reintegration programmes of ex-combatants; support to vulnerable groups and street children; Haute Intensite de Main dôOeuvre (HIMO) (labour works undertaken in various districts); repatriation of refugees; printing of national identity cards (included in 2007 budget); Electoral Commission; Commission charged with investigating the role of France in the 1994 genocide of the Tutsis.

This indicator measures the extent to which reallocations between budget lines have contributed to variance in expenditure composition beyond the variance resulting from changes in the overall level of expenditure. The total variance in the expenditure composition is calculated and compared to the overall deviation in primary expenditure for each of the last three years. Variance is calculated as the weighted average deviation between actual and originally budgeted expenditure calculated as a percent of budgeted expenditure on the basis of administrative or functional classification, using the absolute value of deviation.

To assess this indicator, primary expenditure has been disaggregated by administrative head[6].

The budgeted and actual expenditure data and the variances consistent with those presented in PI-1 are presented in the following table.

PI-1 and PI-2 Variances

Year	Total expenditure deviation (PI-1)	Total expenditure variance	Variance in excess of total deviation (PI-2)
2004	9.3%	35.0%	25.7%
2005	1.5%	15.0%	13.5%
2006	10.1%	14.2%	4.0%

Variance in expenditure composition has exceeded overall deviation in primary expenditure by more than 10 percentage points in two out of the last three years.

Score ï óDô.

The following table presents the data used for making these calculations.

Primary Expenditure for PI-2 (by Administrative Head)
(Frw million)

	2004		2005		2006	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
PRESIREP	4,330	4,139	4,438	3,977	7,614	7,985
PARLEMENT	6,236	6,132	7,093	7,258	5,420	4,706
PRIMATURE	2,289	1,816	2,471	2,102	3,098	3,009
COURS.SUP	4,132	2,480	2,479	2,276	3,508	3,252
MINADEF	26,279	25,848	27,733	26,777	30,092	31,750
MININTER	8,225	6,075	8,177	8,249	2,554	2,672
MINAFFET	5,715	3,650	4,808	4,687	5,249	5,489
MINAGRI	9,332	5,221	4,650	7,005	5,445	4,635
MINICOM	3,538	2,000	3,880	4,117	4,206	7,594
MINECOFIN	8,151	31,284	14,341	18,240	37,902	44,346
MINIJUST	3,006	2,431	4,457	6,605	3,910	4,039
MINEDUC	21,177	22,710	28,476	29,266	36,783	38,302
MIJESPOC	1,595	1,028	1,654	1,547	1,086	965
MINISANTE	8,463	8,205	12,090	12,439	12,122	12,737
PARQUET GENERAL	11,228	6,676	19,865	27,415	1,415	1,715
MININFRA	860	551	928	608	21,354	29,065
MIFOTRA	1,426	778	2,862	2,666	2,650	2,348
MINITERE	1,970	1,246	5,035	5,459	7,812	7,478
MINALOC	18,193	13,215	17,733	18,962	24,759	23,457

[6] Transfers, arrears payments and net lending have been grouped into the category óotherô for the purposes of this calculation.

Other	51,245	70,315	60,589	47,586	45,917	44,445
TOTAL	197,390	215,798	233,760	237,241	267,084	279,990

Source: MINECOFIN

	Minimum Requirements (scoring Method M1)
PI-2. Composition of expenditure out-turn compared to original approved budget	(i). Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in at least two out of the last three years. Score óDô

PI-3. Aggregate revenue out-turn compared to original approved budget.

Outturn and budgeted revenue data for years 2004-2006 are presented below.

Central Government Revenue (Rwf billion)

	Budget	Outturn	+,-	%
2004	133.8	147.0	+13.3	110%
2005	169.6	180.3	+10.7	106%
2006	180.3	208.0	+28.0	116%

Source Ministry of Finance & Economic Planning (MINECOFIN)

Tax revenue collections have exceeded projections over the last three years for a number of reasons, including:

- continuing improvements in the management and operation of RRA (e.g. enhanced audits in all tax categories, enforcement on collectible arrears, improved taxpayer compliance resulting from constant taxpayer education campaigns and restructuring of the RRA into an increasingly functional organization);
- improvements in Information Technology (IT) (computerization of Tax and Customs departments has greatly increased efficiency, tracking and sharing of intra-department information); and
- continued growth in the monetized portion of the tax base.

In principle, it should have been possible to take each of these factors into account in the revenue forecasting process which raises a potential question over the recent effectiveness of revenue forecasting.

Score óAô.

	Minimum Requirements (scoring Method M1)
PI-3. Aggregate revenue out-turn compared to original approved budget.	(i) Actual domestic revenue collection has exceeded budgeted domestic revenue estimates in each of the last three years. Score A.

PI-4. Stock and monitoring of expenditure payment arrears.

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.

The International Monetary Fund (IMF) Report on the Observance of Standards and Codes (ROSC) notes that the financial regulations require any unpaid bills relating to a previous year to be paid out of the arrears allocation for the new budget year. New financial regulations, superseding those referred to in the ROSC, came into effect in February 2007 under Ministerial Order 002/07. There appears to be no reference to a similar requirement for unpaid bills from a previous year to be paid out of the arrears allocation for the new budget year. Notwithstanding this, the practice of the GoR continues to be to settle unpaid bills of the previous year from the allocations of the current year.

The Budget Laws for the 2006 budget allocated Rwf 7 billion for payment of arrears as described in the following table.

	2006
1. Wages and salaries	375,000,000
2. Goods and services	3,225,000,000
3. Project counterpart funds	500,000,000
4. Contributions to regional and international organisations	900,000,000
5. Former communes	800,000,000
6. Arrears relating to the period prior to 1994	800,000,000
7. Others	400,000,000
Total	7,000,000,000

Of these, the first four categories effectively relate to ócurrent arrearsô (i.e. those unpaid from the previous year) and include payments that remain outstanding with respect to Payment Orders that were established during the previous year. At the end of each year, the Treasury undertakes an exercise to identify all Payment Orders not settled by end of year for these two categories with a view to ensure that these are settled during the first quarter of the following year (usually by the end of the second month according to the Treasury).

The fifth category includes arrears of former communes dating back to the period prior to consolidation of district governments, responsibility for which was assumed by the Central Government. An exercise was carried out to identify all of these arrears and the Treasury informed the Team that a database exists.

With regard to the sixth category, the GoR invited all those with unpaid bills relating to the pre-1994 period to submit them to the Government. A cut-off time for submission of these was established and the stock of arrears relating to the pre-1994 period has been documented. The last category of arrears relates to all other unpaid bills.

The following table describes the stock of arrears at end 2006.

Arrears category	2006 (Frw)
Wages and Salaries	91,726,441
Arrears relating to the period prior to 1994	27,000,000,000
Goods and Services	4,084,382,873
Project counter part funds	408,600,295
Contribution to regional and international organisations	2,800,000,000
Former communes	5,900,000,000
Embassies Arrears	2,200,000,000
Others	400,000,000
Total	42,884,709,609

The stock of arrears at end 2006 was equivalent to approximately 13% of total expenditure and a score of ōDô has been allocated

Score ï D.

(ii) Availability of data for monitoring the stock of expenditure payment arrears.

Data on the stock of arrears relating to unpaid bills from the previous year is generated annually through routine procedures in the Treasury but does not include an age profile.

Score ï B

	Minimum Requirements (scoring Method M1)
PI-4. Stock and monitoring of expenditure payment arrears.	Score ï D+ (i) The stock of arrears exceeds 10% of total expenditure. Score D. (ii) Data on the stock of arrears is generated annually. Score ï B

3.2. Transparency and comprehensiveness

PI-5. Classification of the budget

(i) The classification system used for formulation, execution and reporting of the central Governmentōs budget.

The Organic Budget Law provides for programmatic, economic and functional classifications for the budget (Article 35) in line with international classification standards defined in the Government Financial Statistics (GFS) manual developed by the IMF. The current economic classification was introduced in 2000 whilst the programme classification was introduced in 2001 and developed further in 2002 with the introduction of sub-programme and output components. The functional component was introduced in 2002 and comprises 14 sectors and 58 sub-sectors.

The current practice of the Government is to present information on proposed expenditures in the annual Budget Law (Loi des Finances) according to each of the above three classifications in addition to an administrative dimension. End-year budget execution reports are also prepared according to each of the four dimensions of the current classification system. Whilst the administrative, economic and functional dimensions of the classification system are subject to little change over time, the programme dimension is regarded as dynamic and can be readily adapted to changes in programme structure over time (resulting, for example, from changes in the structure of sector / ministry policy goals and objectives).

Whilst the current classification system is broadly consistent with the 1986 version of the GFS manual, a number of inconsistencies exist (e.g. different agencies presenting a different categorisation of the same economic items and occasionally grouping some economic items together). Work is currently underway, however, to move the classification system from the 1986 version of the GFS manual to the 2001 version through revisions to the economic and functional classification in line with this. This provides an opportunity at the same time to address the existing inconsistencies.

It is worth noting that the central Government has defined a range of priority expenditures with regard to Poverty Reduction Strategy Paper (PRSP) objectives. Priority expenditures are defined according to programme classification.

Although some inconsistencies do exist in the existing classification detail, the current classification system is broadly consistent with GFS/COFOG standards and the current position warrants an A score.

	Minimum Requirements (scoring Method M1)
PI-5. Classification of the budget	Score A. Budget formulation and execution is based on functional, administrative, economic, and programme (plus sub-programme) classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.

PI-6. Comprehensiveness of information included in budget documentation.

The legislature established under the 2003 Constitution comprises a bi-cameral parliament with a chamber of deputies (80 elected members) and a Senate (26 elected or appointed members). Article 5 of the Organic Budget Law (OBL) states that the budget shall be adopted by the Chamber of Deputies before the beginning of the year to which it relates. Article 39 of the OBL states that the budget document submitted to the Chamber of Deputies shall include information pertaining to the following:

- A statement on the projected macroeconomic assumptions, the medium term budget framework and policy priorities and new revenue and expenditure policies proposed to be enacted in the context of the annual budget.
- Analytical summaries of revenues and expenditures including financing of the budget balance if a deficit is projected; if a budget surplus is projected and a statement on how the surplus is to be used shall be provided. The summaries should include:
  a. the actual data for the year before the current year;
  b. budget estimates for the current year.
- Data projections for the two years following the budget year.
- Detailed documents of:
  a. the expected revenues and expenditures including expectations in the following budget year;
  b. the actual data on the use of the budget of the previous year,
  c. the use of the budget of the current year and its revision.
- With regard to constitutional public institutions which use revenues not generated in procedures provided for by this organic law, self-raised and self independently retained revenues shall be subject to reports submitted in the same manner as that prescribed under point 2 of this article [i.e. point 2 above];

- Projections relating to public debt.

Article 41 states that annexes to the budget document submitted to the Parliament should include:

- Summaries of expected revenues and expenditures which are not reflected in the budget as well as funds provided in the public enterprises.
- Consolidated summaries of revenues and expenditures of local administrative entities.
- Information on :
  a) country loans, all interests to be paid on those loans, period of payments, how to repay foreign loans, how the loan was used and how it served the nation to achieve its goals;

  b) all donations the Government received during the year preceding the budget year, where they came from and how they were used;

  c) securities seized by the central Government in general, Government enterprises, financial institutions and local administrative entities.

The provisions in the OBL would be sufficient for a score of óAô to be allocated to this indicator. In practice, budget documentation is prepared as an integral component of Rwandaôs MTEF preparation process and represents, in effect, the culmination of this process. The MTEF process requires the production of a Budget Framework Paper (BFP) in June and for this to be submitted to the Cabinet in July alongside proposals for the allocation of resources (including proposed budget agency ceilings) over the three years of the coming MTEF period. The purpose of the BFP, in the first place, is to inform Cabinet on the resource envelope over the medium term, the anticipated costs of strategic policy options and assumptions underlying the MTEF (and annual budget) proposals placed before it. On the basis of the BFP (and any changes to this required by Cabinet), an Explanatory Note for the budget is prepared and submitted to Cabinet along with the draft Finance Law and both documents are submitted subsequently to the Parliament along with a copy of the BFP.

The Consulting Team was able to compare the fiscal information in the Explanatory Note for the 2006 Budget with the corresponding information in the Budget Law for 2006[7] and, apart from some minor differences (to be expected between drafting and finalisation of the law), the two documents are consistent with one another. Although the information in the BFP is more detailed than that in the Explanatory Note (and therefore potentially more useful with regard to the requirements of PI-6), the BFP information is substantially different to that in the subsequent annual law for some key components of the fiscal table. The reason for this is that the BFP is not updated between initial presentation to Cabinet and subsequent presentation to the Parliament. The implication with respect to the scoring of this indicator is that whilst the BFP provides a rich and relevant set of background information to inform Cabinet decisions with regard to the draft budget, some of its content appears to be effectively out of date at the time the draft Budget Law is placed before Parliament.

Moreover, whilst a BFP has been produced as part of the MTEF process from 2002 to 2005 inclusive, a BFP was not produced in 2006 with regard to preparation of the 2007 budget (see discussion on PI-11 and PI-12), apparently as a result of a high turnover of key staff around this time. Instead, a Statement of Priorities was presented to Cabinet and the Parliament, along with a substantially shorter version of the Explanatory Note to the Budget and a Macro framework for the Budget document. In addition, further documentation accompanied the 2007 budget including: macroeconomic framework, fiscal framework, cabinet paper on long term investment framework, domestic debt assumptions, external loans and grants and

[7] The team did not have access to the draft version of the law for a direct comparison of the Explanatory Note with the accompanying draft Budget Law.

allocation of priority and ñnormalò expenditures. Taken together, these documents effectively incorporate much of the information that would normally have been included in the BFP.

The following information was provided in the budget documents accompanying the budget as presented to Parliament in 2005 and 2006[8].

Element	**Included**		**Comment**[a]
	2005	**2006**	
1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.	Yes	No	• Table of macroeconomic assumptions in 2005 and 2006 Explanatory Notes. • Growth assumption in 2006 Explanatory Note and macro framework but no assumption for inflation or exchange rate.
2. Fiscal deficit, defined according to GFS or other internationally recognized standard.	Yes	No	• Information on fiscal deficit (before and after grants) and domestic deficit (including and excluding peacekeeping expenditure) in 2005 Explanatory Note. • Fiscal deficit implicit in draft *2007 Budget Law* data, but not presented as such. No further information in accompanying documents.
3. Deficit financing, describing anticipated composition.	Yes	No	• Information in óTable of Government Operationsô in 2005 Explanatory Note on: project loans (aggregate); concessional loans (by source); non-bank domestic financing (aggregate); drawdown from GoR deposit at NBR; domestic arrears payment (aggregate); debt amortisation (agregate for domestic and external respectively); and repayment of end 2004 T-Bills. Information not presented explicitly as ófinancing itemsö, however, but included in table as component of átotal resourcesô or átotal expenditureö. • Information on projections for components of deficit financing in macroeconomic framework for 2007 budget but without information on projections for the deficit.
4. Debt stock, including details at least	No	No	• Some discussion on debt

[8] The information in the BFP for the 2006 budget has not been referred to in this table as a result of the discrepancies observed between data therein and corresponding data in the 2006 Budget Law.

for the beginning of the current year.			sustainability in 2005 BFP but no information in BFP or Explanatory Note on debt stock per se. • No information provided in 2006.
5. Financial Assets, including details at least for the beginning of the current year.	No	No	• No information provided in 2005. • No information provided in 2006.
6. Prior yearôs budget outturn, presented in the same format as the budget proposal.	No	No	• No information provided in 2005. • No information provided in 2006.
7. Current yearôs budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.	Yes	No	• Summary information of current year budget outturn in 2005 Explanatory Note, but not in same form as budget proposal itself. • No information provided in 2006.
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	Yes	No	• Appropriate summaries for forthcoming year, but no summaries in draft Budget Law or accompanying documents in required formats for current or previous year (although some discussion of performance in current year in 2005 Explanatory Note). • Ditto for 2006.
9. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	Yes	No	• Cost implications of some sector policy changes (e.g. education, health, water) included in BFP along with some (uncosted) limited information on some cross-cutting reforms planned for the medium term in BFP. But note, above comments on BFP information being potentially outdated by the time it reaches Parliament. • Detailed information on programme targets in 2006 Statement of Priorities, but no cost information.

Notes: a Where the date ó2005ô is used in this column, it refers to the year in which information was prepared unless otherwise stated (e.g. ó2005 Explanatory Noteô refers to the Explanatory Note prepared for the 2006 draft Budget Law which was presented to Parliament in 2005). Ditto for use of the term ó2006ô

Although the score for this indicator would have been óBô for data presented in 2005, it would be óDô for 2006. The PEFA guidelines require this indicator to be scored on 2006 data and a score of óDô has therefore been allocated. *It should be noted, however, that this is an indicator for which the score could quite easily and quite quickly improve given the existing MTEF infrastructure and the practice until 2006 of preparing a detailed BFP.*

	Minimum Requirements (scoring Method M1
PI-6. Comprehensiveness of information included in budget documentation.	Score D. Recent budget documentation fulfils none of the 9 information benchmarks.

PI-7. Extent of unreported government operations.

(i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports.

The OBL requires annexes to the state budget document to include summaries of expected revenues and expenditures "that are not reflected in the budget as well as funds provided in the public enterprises". It also requires the Minister of Finance to prepare a quarterly report which includes, among other things, revenues and expenditures of public enterprises and extra budgetary funds.

Moreover, the annual budget law states that "It is prohibited to incur extra budgetary expenditures whatever their source"[9].

There are a number of extra-budgetary funds operated by central Government, including the National AIDS Commission, National Roads Fund and public hospitals, which operate their own bank accounts and have sources of finance in addition to transfers from the budget (including funds from donor agencies).

Around three years ago MINECOFIN began an exercise to identify and collect information on extra-budgetary sources of revenue, partly to address discrepancies in fiscal reporting and partly to facilitate the resource allocation process during budget preparation. In this regard, MINECOFIN provided a table of information to the Team listing each of the agencies with extra-budgetary sources of revenue (including both line ministries, dependent institutions and extra-budgetary agencies) and the amount generated by each. According to this table, extra-budgetary resources in 2006 amounted to Rwf 15.3 billion. This is equivalent to approximately 4% of total expenditure (or 4.4% when exceptional expenditure is excluded).

There is no evidence for any of the extra-budgetary expenditure referred to above being included in in-year or annual budget execution reports.

Score B.

(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports.

Donor resources comprise a major proportion of the Government of Rwanda's budget and spending. In 2006, for example, domestic revenue effort accounted for just 55% of total expenditure and net lending[10]. This was slightly higher than the two previous years when domestic revenue accounted for just 59% and 57% of total expenditure respectively[11]. These figures actually understate the role of donor resources in financing budgetary activities in

[9] Article 10 of *Law no. 53/2006 of 31/12/2006 Determining the State Finances for the 2007 Fiscal Year*. A similar provision is made in Article 8 of the corresponding laws for the 2005 and 2006 fiscal years.

[10] The figure rises to 60% when items of "exceptional expenditure" (e.g. demobilisation and peacekeeping costs).

[11] 53% and 54% respectively when "exceptional expenditure" is excluded.

Rwanda. In 2006, for example, in addition to providing resources for 45% of total budgeted spending, availability of donor resources effectively enabled the Government to reduce its stock of domestic debt by Rwf 17.2 billion, equal to around 4.6% of total expenditure (5% when exceptional expenditure is excluded). Broadly speaking, therefore, donor resources account for something in the region of one half of total óon-budgetô spending in Rwanda.

Whilst a large proportion of resources is provided through general budget support (GBS) arrangements by members of the BSHG (World Bank, DFID, European Commission, African Development Bank and Sweden), it is the development component of the budget which receives overwhelming support from the donor community. From 2004 to 2006, some 70% of all (on-budget) capital expenditure[12] was underwritten by the donor community, equal to Rwf 83 billion in 2006.

In spite of all the efforts in reporting, comprehensive financial reporting on a regular basis is still some way off. Currently, flash reports are generated and disseminated on a monthly basis, without a reporting of development spending funded by donors. This discrepancy in fiscal reporting results in significant ñerrors and omissionsò, which is a consequence of movements on project accounts that are not systematically monitored and/or controlled by the Treasury. Consequently, monetary management is rendered problematic. As a result, fiscal reporting, accounting and treasury (cash/liquidity) management have become a concern of both the IMF and the authorities to the extent that they form part of the structural conditionalities of the Poverty Reduction and Growth Facility (PRGF) Program.

From the beginning of 2006, however, the Central Public Investments and External Finance Bureau (CEPEX) has produced quarterly reports which present a project by project analysis of development budget implementation (both domestic and externally-financed budgetary expenditure). In addition, in January 2007, the CEPEX produced its first ever annual projects performance report (with respect to development budget expenditure in 2006). This comprises a detailed analysis of project implementation on a portfolio by portfolio basis for the year under consideration and includes all multi-lateral, bi-lateral, United Nations and internal expenditure under the development budget. The information reported includes, inter alia: start date; end date; objectives, progress with respect to indicators; progress with respect to procurement; problems arising; and financial implementation. Funds from multilateral organisations are managed either directly by the Government through project implementation units or government institutions. Information is submitted to CEPEX systems on a regular basis. Information on all multi-lateral grant and loan-funded projects is captured through this system[13]. Projects supported by grants from bi-lateral donors and UN agencies do have some information gaps, however, due to the nature of implementation.

óOn-budgetô resources only constitute one component (albeit significant) of donor activities in Rwanda, however. A difficulty in any aid-dependent country is understanding the coverage and extent of donor-funded projects that are not represented in the Governmentôs budget. Rwanda is no exception. Some idea of data gaps in the reporting of óon-budgetô project expenditure and some idea of the gaps resulting from projects which do not appear óon-budgetô at any stage can be gained from information from donors on actual disbursements. In this regard, the Government and donors, in partnership, have attempted to address this problem through the establishment in March 2006 of a web-based Development Assistance Database (DAD). The intention of the database is to enable Government and donors to collect, track, analyse and plan for all flows of official development assistance (ODA) to Rwanda.

[12] The term ódevelopment expenditureô as used here refers to project expenditure from the ódevelopmentô component of the budget. As in many other countries with a recurrent-development budget split, whilst the development component tends to equate to capital expenditure, in practice it includes expenditure of a recurrent nature also. Likewise, the recurrent component of the budget includes capital items.

[13] There are no bi-lateral loan-financed projects.

Since its creation, dedicated focal points within donor organisations have provided data on ODA and the National Aid Policy requires the DAD to be the primary entry point with regard to donor reporting of aid flows. This data has been used as a basis for the government to establish information on ODA disbursements by the donor community for submission to the Organisation for Economic Cooperation and Development (OECD) 2006 *Survey for Monitoring the Paris Declaration*[14]. This document presents a table showing aid disbursements in 2005 (as reported by donors)[15]. The table shows donor-reported disbursements of $554 million, which translates to Rwf 314.1 billion using the 2005 IMF programme exchange rate of Rwf 566.9 / $1. Actual donor spending recorded by the government for 2005[16] amounted to Rwf 146.6 billion (198.2 if óexceptional expenditureô is included). This implies that something in the region of 66% of (non-Direct Budget Support (DBS)) donor spending is óoff budgetô (57% if exceptional expenditure is included). A proportion (potentially significant) of these resources, however, is used by donors to directly fund non-government organisations (NGOs) rather than being spent on government projects. Whether the funding of NGOs constitutes project spending on behalf of government depends on whether the NGO provides a service under contractual agreement with the government and therefore whether the government has significant control over the nature and scope of the service. If this is the case, then all funds paid to the NGO, to finance the goods and services provided, ought to be counted as government expenditure and be shown in the government budget (e.g. in special schedules as memorandum items). If the NGOs provide health, education and other services which are not covered by an agreement with the government, then the NGO activities ought to be considered at par with private sector service providers and not be counted as government funded services. The government should not include in its budget ï and potentially be held accountable for - the expenditure for services over which it has no control. Data has yet to be sighted which shows the proportion of NGO-funded activities which are covered by agreements of a contractual or similar nature with the government. Given that United States Agency for International Development (USAID) dispersed around $84.4 million in ODA in Rwanda in 2005, it is likely that a substantial proportion of this would have been used to directly fund NGOs without them necessarily having a contractual arrangement with the government which suggests very strongly (given the sum of resources from USAID alone) that the amount of ODA which does not appear of the government budget and which does not constitute the direct funding of independent NGO activity would be less than 50% of total donor disbursements on government projects. A score of óBô would, therefore, be appropriate for this dimension if the CEPEX information on loan-financed projects was incorporated in budget execution reports and year-end financial statements. Since this is not the case, the appropriate score for this dimension is óDô.

Score D.

	Minimum requirements (Scoring Method M1).
PI-7. Extent of unreported government operations	Score D+ (i). Unreported extra-budgetary expenditure (other than donor-funded projects) constitutes 4% of total expenditure. Score B (ii). Complete income/expenditure information is included in fiscal reports for all loan financed projects and at least 50% (by value) of grant financed projects. Score D

[14] Government of Rwanda and Development Partners, ó2006 Survey on Monitoring the Paris declaration on Aid Effectiveness, Rwandaós Submission to OECD-DACô

[15] The data for donors presented in the table referred to in this draft report is based on survey responses by the donors.

[16] Using data supplied by MINECOFIN.

PI-8. Transparency of Inter-Governmental Fiscal Relations

(i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations).

Rwanda is currently in a process of transition with respect to inter-government fiscal relations. Despite a long tradition of administrative decentralisation, throughout most of its independence, central Government has exercised a monopoly over policy making and policy implementation. In 2000, the Government launched a National Decentralisation Policy with the aim of strengthening the practice of good governance and promoting the mobilisation and participation of the people in determining their own well-being. To achieve this, the Government passed four decentralisation laws relating to provinces, districts, the city of Kigali and urban authorities[17]. Under these laws, the four provinces (reduced from 11 in 2006) remain arms of the central Government, administered by provincial governors approved by the Senate in respect of proposal made by the Cabinet and comprising an integral component of the central Government, whilst districts and cities now exercise budgetary autonomy. Whilst law No. 17/2002[18] assigned taxes and fees to sub-national levels of government, revenues from these sources are insufficient to cover the operating requirements of sub-national governments, let alone carry out functional responsibilities assigned or delegated to them, and service delivery relies largely on grants from central Government. Since the launch of the decentralisation policy the Government has been developing mechanisms to clarify and improve the predictability of the flow of resources to district governments. There are currently three main flows of resources from the central Government: a block grant (un-earmarked) from central Government; grants earmarked for the delivery of specific public services at sub-national level; and revenues from the Common Development Fund (CDF). The relative importance of these three main sources reflect the current status of the decentralisation process. Whilst the long-run objective is to devolve services which are currently delegated to local government level (which implies a progressive decline in the use of earmarking), the requisite capacities of local governments and the associated mechanisms for managing devolution have yet to be established for this in the majority of sectors. However, in sectors like health[19] and administrative governance, most service delivery has already been devolved, while in others like education efforts for full devolution are already under way.

As a result, the unconditional block grant is currently set at a level equivalent to 5% of the previous yearôs (central Government) domestic revenue, which currently provides for little more than the operating costs of local governments. It is expected that this grant will increase in (relative and absolute) importance over time as devolution becomes more effective. The horizontal allocation of the block grant among local governments is governed by a transparent formula determined by Cabinet decree which is based on population, revenue per capita, area, ópercentage increase in revenue collectionô (an incentive component with regard to revenue generation) and ófinancing gap of districtô (with respect to operating cost ï an equalisation component).

Earmarked grants are determined by and operate through the budget process of the line ministry with oversight responsibility for the function concerned. The ó*Fiscal and Financial Decentralisation Policy (revised)*ô of 2006 states that earmarked funds will be distributed

[17] Law No. 43/2000 Establishing the Organisation and Functioning of Provinces; Law No. 4/2001 Establishing the Organisation and Functioning of Districts; Law No. 5/2001 Establishing the Organisation and Functioning of Urban Authorities; Law No. 7/2001 Establishing the Organisation and Administration of the City of Kigali.

[18] Law 17/2002 Establishing the Source of Revenue for Districts and Towns and its Management.

[19] For example, the performance based financing system (contractual approach) handles 60% of the personnel payroll system of the health sector, leaving the remaining 40% to MIFOTRA.

among districts "based on objective formulae" and that the exact formula in each sector "will be proposed by the relevant ministry … in consultation with local authorities and MINECOFIN", and approved by ministerial decree". In the budget preparation process, line ministries indicate the level of earmarked resources (recurrent and development) to be transferred to each district under the various budget programmes (at the Strategic Issues Paper stage of the budget preparation process). In most cases, allocation is based on transparent formulae (e.g. in the education sector where capitation formulae operate and in the health sector where performance-based formulae operate). In cases were explicit formulae or rules have not been developed, the practice is to divide allocations equally by the number of districts. Given the early stage of the devolution process, most sectors/institutions are expected to improve on their allocation formulae in 2008 and beyond.

The CDF was established in 2002 under Law 20/2002, with the intention of providing support to districts for development purposes. The Ministry of Local Government, Community Development and Social Affairs (MINALOC) acts as the parent ministry to the CDF and also provides the president of the board for the CDF. The major source of funding for the CDF comes from the Government budget which is meant to channel an amount equivalent to at least 10% of the previous year's domestic revenue collection to the fund[20]. Funding for the CDF is also provided by the donor community.

At the outset, the allocations from the CDF were effectively formula-driven in that the fund was divided equally among districts. This method of allocation was replaced in 2005[21] with a dedicated formula, proposed by the Board of the CDF and approved by the Cabinet, based on population size, geographical area and indicators relating to household welfare and access to basic infrastructure within each district. Access to CDF funds, however, requires district governments to go through a project preparation process and to submit documents related to this before disbursements become effective.

Whilst district government access to CDF resources from the Government budget is formula driven, allocation of funds provided by donors is not. In practice, most donor assistance to districts through the CDF is earmarked to specific districts (and therefore simply uses the mechanism of the CDF).

The block grant for sub-national governments, access to Government resources provided through the CDF and allocation of a major proportion of earmarked resources for service delivery, therefore, are (explicitly) formula driven. The remainder of the transfers are allocated according to a transparent criterion (i.e. the total allocation is divided by the total number of districts and allocated to each accordingly). Data from MINECOFIN for the 2007 Budget show that over 80% of earmarked transfers are allocated according to rules based and transparent formulae, with the remainder allocated according to the transparent and rule of dividing the total by the number of districts.

Score A

(ii) Timeliness of reliable information to Sub National (SN) governments on their allocations from central government for the coming year;

The budget process for SN governments and the relations between this process and that for central Government is clearly described in a manual of planning and budgeting guidelines for

[20] This is a requirement of Law 07/2007 establishing the responsibilities, organisation and functioning of the CDF for Districts and the City of Kigali. The team was informed by the Director of Finance of the CDF that the allocation from the budget in practice has been 4%-6% of the previous year's domestic revenues.

[21] Effective for the first time in 2006.

local governments[22]. The information in this manual provides a detailed description of information flows from central Government to local governments during the budget preparation process and requires local governments to develop an MTEF process that is similar to and integrates with that for central Government. The district MTEF process requires district governments to prepare a district budget framework paper and proposed MTEF allocations for the coming budget year and the following two years. District governments prepare revenue projections for the MTEF based on figures for grant ceilings provided by central Government and on their own estimates of local revenues and donor funding. Information flows to local governments in a number of ways with respect to the coming budget. Local Governments participate in joint sector reviews, for example, which take place in most sectors at the national level and district planners meet regularly with their central Government counterparts at the annual Network of Planners meetings. At a political level the planning and budgeting process is linked through the signing of performance contracts between districts and the President[23]. Of particular relevance to this indicator, however, is the formal communication of expenditure ceilings in May for the coming three years from MINECOFIN to ministries which provide earmarked transfers to local governments as part of the MTEF process which then feeds into the local government MTEF process. Around the same time, district government representatives meet with staff from relevant central Government ministries to discuss expenditure plans for the coming year and the central Government resources required for funding these. In July, MINECOFIN provides central Government ministries with final expenditure ceilings within which budgets and MTEFs are to be prepared for the coming year, including ceilings for transfer to sub-national governments. Based on the discussions with district government representatives in May and the ceilings from MINECOFIN, line ministries communicate information on likely grant allocations to district governments. This usually occurs during July or August. Information on final grant allocations is transmitted to local governments shortly after the finance law for the coming year has been passed by Parliament, usually before the end of December.

With regard to CDF resources, information on likely allocations from the government budget is provided to CDF management in August as part of the MTEF process. The CDF allocation formula is applied to this information and information on the likely pool of resources from the CDF for each district government is passed on to the districts, usually during August.

The budget process has been designed to ensure that SN governments receive timely and reliable information on their allocations from central Government and this appears to be broadly respected. A score of A has therefore been allocated to this dimension.

Score A.

(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.

The formal framework of reporting for local governments and the format and quality of reports in practice reflect both the ambition of the GoR PFM and devolution reform processes and the very early stage that local governments are at in practice with regard to each of these reform processes. The legislative and procedural requirements for reporting are clear and appropriate. These requirements have been very recently introduced (September 2006 in the case of the OBL for example) and are obliged to operate, however, within an environment

[22] Planning and Budget Guidelines for Local Governments Volume 1: Guide to the District Development Planning and Budgeting Process.
[23] Performance contracts are effectively the action plans for districts. They are meant to describe what the districts plan to achieve over the year in terms of outputs and the inputs that are required for these. This is a relatively new mechanism, however, which is being implemented with capacity weaknesses at district government level with inevitable implications for the quality of the links between inputs and outputs in the performance contracts.

where the accounting function (and associated skills and experience) has traditionally been very weak and where systems for the regular production of such accounting reports have not previously operated.

Article 24 of the OBL requires the Executive Committee of local administrations to submit quarterly and annual budget execution reports to MINALOC and the Auditor General. The planning and budgeting guidelines for local governments[24] details the procedure and requirements for preparing these reports and also details the procedure and requirements for producing monthly financial statements. Monthly reports are to be forwarded to MINALOC and the AG within 10 days of the end of the month. Quarterly financial reports are to be forwarded to the AG and MINALOC, as an integral component of a quarterly performance report, within one month of the end of the quarter. An annual financial statement is to be forwarded to ócentral Governmentô as an integral component of an Annual District Report by February 15th of the following year. The Manual of Policies and Procedures: Financial Management & Accounting, Volume 4 on financial reporting provides details on the formats to be adopted by these reports.

Financial reporting by districts has improved since the coming into force of the OBL. In practice, district governments currently provide both monthly and quarterly financial statements to MINECOFIN (one on expenditure of block grant and earmarked funds combined and one on expenditure of CDF resources), with copies to MINALOC, which include:

- Bank Reconciliation Statements;
- Revenue and Expenditure Statements; and
- Budget Execution Reports.

Efforts are currently underway to consolidate this information on a quarterly basis across all district governments and consolidation is being undertaken using uniform reporting templates provided in the recently issued manual of financial management and accounting policies and procedures.. A special exercise was undertaken during the recent preparation of the GoRôs very first consolidated financial statement (see PI-25) whereby districts reported this information for inclusion in the consolidated statement. Although the new manual of financial management and accounting policies requires coding of this information in a format that will permit presentation and aggregation consistent with central government *sectoral* data, these specific formats were not applied to the 2006 data. Since the PEFA guidelines require this dimension to be scored against information from the last completed financial year, a score of óDô must apply.

It should be noted, however, that in 2007 districts are required to code and report information to central government on in-year expenditures in a format consistent with central government reporting which incorporates sectoral categories. The Team sighted a small sample of these reports and it seems very likely that the score for this indicator will improve with an update of the PEFA in the future.

Score D

[24] *Rwanda: Planning and Budgeting Guidelines for Local Governments. Volume 1: Guide to the District Development Planning and Budgeting Process*

	Minimum requirements (Scoring Method M2).
PI-8. Transparency of Inter-Governmental Fiscal Relations	Score B (i). The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent and rules based systems. Score A (ii) SN governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes. Score A (iii) SN government fiscal information (ex-ante and ex-post) for the most recently completed fiscal year was not reported and consolidated in a format that is consistent with central government fiscal reporting. Score D

PI-9. Oversight of aggregate fiscal risk from other public sector entities.

(i). Extent of central government monitoring of AGAs and public enterprises (PEs).

The Government refers to *public enterprises* (PEs) and *autonomous government agencies* (AGAs) in aggregate as government business enterprises (GBEs). GBEs include entities that Government has óinvested in and owns a stakeô of. The Government has 32 GBEs across various sectors which contributed 0.5% of total Government revenue in 2006 through dividend payments. Government oversight of GBEs mainly comprises representatives on the governing boards of the major GBEs that are meant to oversee the interests of the Government, although little formal reporting to the Ministry of Finance appears to take place. The Treasury Department carries out a basic monitoring function of GBEs which amounts to identifying those that are likely to make a dividend payment to the Government in the forthcoming budget and maintains a database of GBEs that have made dividend payments. GBEs are required to submit fiscal reports to the Government, which are received by the Treasury. Accounts for almost all public enterprises[25] are audited by external auditors and financial reports are submitted to the Government accordingly, once the audited accounts have been passed by the respective board, in most cases by August of the year following the accounting period. Accounts for AGAs are audited by the OAG and most (but, currently, not all) subsequently submit financial statements to MINECOFIN. Brief reports are prepared summarising the extent to which dividend declarations are consistent with information in financial statements and information provided by Government board members. Otherwise, information relating to fiscal risk associated with AGAs / PEs is not consolidated into reports (annual or otherwise) and, as a result, a score of A or B cannot apply. Since all major AGAs and PEs do submit fiscal/financial reports to Government annually, a score of C is allocated.

Score C

(ii) Extent of central government monitoring of SN governmentsô fiscal position.

Article 21 of the OBL states that the Minister of Finance shall be the sole authority to borrow or to permit borrowing of public money from any legal entity or from an individual to finance the central Government budget deficit or to raise loans for other public bodies. This effectively says that any borrowing by sub-national governments can only be carried out with the express permission of the Minister of Finance. Article 54 of the OBL permits local councils to borrow funds for development projects óonly in accordance with the law establishing the source of finances and property of Districts and the City of Kigali and their useô and by approval of the Minister of Finance. It prohibits ólocal administrative entitiesô from giving or approving securities on their general property. Following the promulgation of

[25] AFRICA-RE and AFREXIMBANK being exceptions to this.

the OBL, Financial Regulations were adopted as the instrument to facilitate implementation of the OBL as the supreme law governing public finances and property. Article 23 of the Financial Regulations number 37/2006 of 12/09/2006, reinforce the provisions of the OBL (Article 54) that prohibits local governments from borrowing apart for development purposes.

Article 66 of Law 17/2002 states that óthe District or Town can borrow money from within the country or outside the countryô and Article 69 sets conditions (loans over Rwf 10 million for ódistricts and townsô to get prior approval from the Provincial Coordination Committee, loans above Rwf 50 million for ódistricts of the City of Kigaliô to get prior approval from Kigali City Council and loans above Rwf 500 million for óthe City of Kigaliô to get prior approval from Cabinet). The provisions of these articles, however, are superseded by the OBL, as noted above.

The Government is currently undertaking efforts to ensure that officials and staff are fully aware of the provisions and implications of the OBL, including the rules and procedures for local government borrowing and the fact that Article 21 of the OBL applies first and foremost and supercedes the provisions of Law 17/2002 in this regard. Since May 2007, for example, three sensitization workshops have been held for budget agencies including district authorities on implementation of OBL and its implications for non compliance.

Notwithstanding this, although SN governments are now required to furnish financial statements to the central government, as yet there is no mechanism whereby this information is used to analyse potential fiscal risks from district governments and to present an overview of this information to central government so that potential problems can be anticipated and/or dealt with swiftly.

Score D.

	Minimum requirements (Scoring Method M1).
PI-9. Oversight of aggregate fiscal risk from other public sector entities	Score ï D+ (i) Most major AGAs and PEs submit fiscal/financial reports to central government at least annually, but a consolidated overview is missing or significantly incomplete. Score C (ii) No annual monitoring of SN governmentsô fiscal position takes place or is significantly incomplete. Score D

PI-10. Public Access to key fiscal information

Public access to key fiscal information is assessed through the six criteria for the indicator as follows.

Element	Where and when
(i) Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.	**No.** Although the Ministry of Finance has explained that full budget documentation can be obtained on demand by interested parties, local financial institutions stated that they were unable to obtain the documentation at the time of the budget and, therefore, relied on media coverage of the budget speech for analysis of budget decisions. Full media coverage of the Minister of Financeøs budget presentation and the plenary discussion of budget documents does take place and some

	of this information is also posted on the government website. A complete set of budget documents have not, however, been available to the general public at the point of their submission to the legislature.
(ii) In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	**Yes.** A quarterly budget execution report for the period January-March 2006 was made available to the public on the MINECOFIN website (no further in-year budget execution reports were produced during 2006).
(iii) Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	**No.** As noted in the analysis for PI-25, whilst an annual financial statement for 2006 is close to completion with assistance from an international firm of accountants, year-end financial statements have not previously been prepared. An annual budget execution report is prepared and submitted to OAG by 31st March of the following year, who would then analyse the report and present it to Parliament in a plenary session at the beginning of the budget session in October. The annual budget execution report is not published.
(iv) External audit reports: All reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit.	**Yes.** Media houses are provided with hard copies of the audit report (and sign to say that it has been received) just before it is presented in Parliament and the Auditor General stated that full copies of the report are available on request. plus executive summary on website. The executive summary has been made available on the Internet for the last three years.
(v) Contract awards: Award of all contracts with value above approx. USD 100,000 equiv. are published at least quarterly through appropriate means.	**No.** Details of the successful contractor and the contract price are provided to each of the firms providing tenders. Details of each contract referred to them are provided in the annual reports of the National Tender Board.
(vi) Resources available to primary service units: Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	**No.** Whilst it is possible in principle for members of the public to request information on what resources have been allocated to particular service delivery units there are no specific provisions in place to facilitate the provision of such information. There is no general provision at local or national level for issuing public information on resources available to primary service units other than through ôPublic Accountability Dayô - a public meeting where local governments issue general budget information to the public.

	Minimum Requirements (Scoring Method M1)
PI-10. Public Access to key fiscal information	Score C. The Government makes fully available to the public 2 of the 6 listed types of information

3.3. Policy-based budgeting

PI-11. Orderliness and participation in the annual budget process

(i) Existence of and adherence to a fixed budget calendar.

The budget calendar is an integral component of the Medium Term Expenditure Framework (MTEF) process which is discussed in more detail in PI-11(ii) below.

The following table presents the key components of the budget calendar for 2007 showing the due dates for each component and the date in practice that the component took place.

2007 Budget Calendar	Date Due	Date Completed
Prepare macroeconomic and fiscal framework	Jan-Mar	Mar
Draft Terms of Reference (ToR) for Strategic Issues Papers (SIPs) and MTEF	/March-April	April
Discuss ToRs for SIPs and MTEF within MINECOFINʼs key departments, Minister of State, Secretary General (SG) and Minister and finalise them	Mar/April	April
Prepare and disseminate Budget Call Circular with preliminary ceilings,	Apr-May	May
Training on budget preparation	May	May
Sector consultations and feed back to line ministries on SIP and MTEFs	Jun	June
Draft Budget Framework Paper (BFP)	July	August
Finalise budget ceilings	July	July
Submit Budget Framework Paper to Cabinet[a]	August	August
Draft Finance Law + Explanatory Note	Aug	Sep
Submit Draft Finance Law and Explanatory Note to Cabinet	Sep	Sep
Submit Draft Finance Law and Explanatory Note to Parliament	Oct	Oct

a. A Statement of Priorities was prepared in 2007 in place of a BFP. See PI-11(ii) for a discussion of the implications of this.

The above table shows that a clear budget calendar does exist and, according to this calendar, that ministries, departments, agencies (MDAs) have more than six weeks between receipt of the budget call circular (in April) and completion of their detailed budget estimates (in July)[26]. Some delays were experienced in 2006, particularly with regard to MINECOFINʼs consultations with MDAs on their MTEFs and with regard to finalisation of budget ceilings which substantially squeezed the time available for preparation of the draft Budget Law and the accompanying Explanatory Statement. The effect of this is illustrated by the relatively weak Explanatory Note compared to that produced in previous years. Also, a BFP was not

[26] Although not explicit in the calendar as presented, the BCC explains that line ministries must submit their final proposals by end July (July 28th in 2006) based on revised and final (Cabinet-approved) ceilings which are issued earlier in July.

prepared in 2006 but was replaced by a Statement of Priorities in addition to separate documents on macroeconomic framework, fiscal framework, domestic debt assumptions, external loans and grants and other annexes such as development budget details, contingent expenditure and priority and non-priority expenditures (the latter documents would normally constitute the body of the BFP and would normally be presented in more detail). The implication of this is discussed in PI-11(ii) below. In spite of the above slippage, the draft Finance Law was submitted to Parliament before the 5th October 2006 as provided by the Constitution. Notwithstanding this, MDAs had sufficient time (well in excess of 6 weeks from receipt of the budget circular) to meaningfully complete their budget estimates. Discussions with GoR officials indicate, in years immediately prior to 2006, that the timetable has generally been adhered to, although some difficulties with line ministry ownership of recent reforms that move the start of budget preparation forward did lead to delays at line ministry level in preparing and submitting budget proposals. The MINECOFIN Budget Department responded to this by providing direct support to MDAs, but a turnover of Budget Department staff during 2004 and 2005 constrained the effectiveness of this assistance. Typically, the consultation process between MINECOFIN and MDAs has been completed more or less on schedule.

Full adherence to this timetable would indicate a Score of A. Whilst key aspects of the budget timetable have been generally adhered to in the years immediately prior to 2006, the fact that there was important slippage in the most recent year (plus the absence of a BFP) and general slippage in completion of final budget proposals in the years immediately prior reduces the score to a B.[27]

Score B.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent).

A clear budget call circular (BCC) is issued each year by MINECOFIN to MDAs. The information in the 2006 BCC (for preparation of the 2007 MTEF and budget) includes, inter alia, the following:

- Instructions and deadlines for the preparation of strategic issues papers (SIPs)
- Instructions and deadlines for the preparation of detailed budget estimates
- Criteria for prioritisation
- Revised budget calendar
- Formats for budget submissions for both recurrent and development budgets
- Ceilings for the recurrent budget
- Recent PFM reforms

At the time of preparation of the BCC, the ceilings for the development budget had not been finalised and MDAs were informed in the BCC that these would be issued óin due courseö. It should also be noted that the initial ceilings for the recurrent budget as presented in the BCC are not approved by Cabinet. Revised ceilings, which are Cabinet-approved, are issued in July prior to completion of final submissions by MDAs.

Since *Cabinet-approved* ceilings are not included in the BCC and since ceilings for the development budget were not included at all in the original BCC for 2006, a score of A cannot be allocated. Cabinet approved ceilings are issued before finalisation of submissions by MDAs, however, and a score of óBô is allocated.[28]

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[27] See: óBudget Framework Paper 2006-2008ö; óExplanatory Note to 2006 Budgetö; and óExplanatory Note to the 2007 Proposed Budgetô

[28] See: óBudget Call Circular for Budget Preparation 2006-2008ö; and óBudget Call Circular for Budget Preparation 2007-2009ô

Score B.

(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years).

The last 3 Budget Laws were all approved by the legislature and gazetted before the end of the previous year[29].

Score A.

	Minimum requirements (Scoring Method M2).
PI-11. Orderliness and participation in the annual budget process	Score B+ (i). A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time. Score B (ii) A comprehensive and clear budget circular is issued to MDAs, which reflect ceilings approved by Cabinet (or equivalent). This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission. Score B (iii) The legislature has, during the last three years, approved the budget before the start of the fiscal year. Score A

PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting

(i) Preparation of multi -year fiscal forecasts and functional allocations.

An MTEF approach to planning and budgeting was introduced in 2000 and has been under development since that time. The annual budget has been incorporated as an integral component of the MTEF and represents the culmination of the MTEF process each year. Under the MTEF, the planning and budget preparation process has become a year-round activity with participation from all central Government budget agencies and with an MTEF process at district government level integrated with that at central Government level. The process begins early in the year with the preparation of a macro-fiscal framework by the Macro Department, with inputs from the Budget Department. This results in a fiscal table for the following three years with indicative resources available for recurrent and development expenditure disaggregated by major economic item. A Budget Call Circular (BCC) is issued in May which describes roles and responsibilities over the remainder of the year for budget preparation. The BCC also presents: a revised budget calendar for the year; detailed instructions on the planning process; detailed instructions for the preparation and presentation of proposed resource allocations for the coming three years; background to the derivation of preliminary expenditure ceilings and initial expenditure ceilings (for the recurrent budget at least) within which proposed resource allocations are to be presented and recent PFM reforms, if any. Expenditure ceilings are directly linked with forecasts for fiscal aggregates emanating from the analysis associated with the macroeconomic framework. Forecasts for major economic items of expenditure are derived, statutory (fixed costs or non-discretionary

[29] See: óLaw Determining the State Finances for the 2005 Fiscal Year (Law No 41/2004)ô, December 2004; óLaw Determining the State Finances for the 2006 Fiscal Year, Official Gazette of the Republic of Rwanda, Year 44, n° special bis of 23 December 2005ô; and ï óLaw Determining the State Finances for the 2007 Fiscal Year with other Fiscal Laws, Official Gazette of the Republic of Rwanda, Year 45, n° special of 31 December 2006ô.

expenditures) and priority expenditures are identified and initial ceilings for line ministries are allocated based on parameters previously established for MTEF allocations for the first two years (based on PRSP priorities) as adjusted by resource constraints and other relevant information[30], such as budget execution levels and emerging policy priorities in the course of the year. The expenditure ceilings comprise the top-down aspect of the MTEF and budget formulation processes. MDAs are required to prepare Strategic Issues Papers (SIPs) which are meant to describe the budget agencyĝs intended use of funds over the coming three years and which should also incorporate an expenditure framework by programme and sub-programme within the constraints of the ceilings issued to them. The work underlying the SIPs comprises the bottom-up component of the MTEF and budget preparation processes. Sector consultations follow in June between MINECOFIN and MDAs on their SIPs and MTEFs which provide information to modify MDA SIPs and MTEFs and information for modification of expenditure ceilings for Cabinet approval. A Budget Framework Paper (BFP) is prepared in June based on sufficient information from the SIPs, sector consultations and latest (end-June) macro-fiscal performance. The BFP presents the macroeconomic context for the MTEF and describes the macroeconomic and policy assumptions under which the estimate for the total revenues and expenditure ceiling for each year of the MTEF has been prepared. It also presents an analysis of the main policy reforms (sector and cross-sector) that are to be funded under the MTEF with information on the estimated costs of these. Revised expenditure ceilings are presented in the BFP for Cabinetĝs consideration based on the cost of the policy objectives presented in the BFP (which, in turn, derive from the PRSP). Once Cabinet approves the ceilings (in July or August according to the budget calendar), these are communicated to MDAs for finalisation of their submissions. The final ceilings to line ministries indicate the level of conditional grants to districts. The draft Budget Law is prepared and presented to Cabinet in September and this is presented to the Parliament, along with the BFP and an Explanatory Note for the budget in October. Prior to 2006, the BFP would be modified to incorporate policy changes and tax measures (if any) that have been introduced from the period the BFP was submitted to Cabinet. The name that was given to the improved BFP was Background to the Budget, which was more or less similar to the BFP, although bigger in volume and with updated information.

When this process works well, it results in the preparation of forecasts for fiscal aggregates over a three year period (including the main economic aggregates), the creation of a total expenditure ceiling for each year of the MTEF and the allocation of this ceiling between MDAs that are then responsible for allocating their ministry ceiling to programmes. The ceiling for the first year of the MTEF becomes the annual budget ceiling. If the process works well, a score of A would have to be allocated. 2005 provides a good example of this process working well.

In 2006, however, whilst the underlying work for preparing the macroeconomic framework for the budget and for deriving forecasts of fiscal aggregates for each year of the forthcoming MTEF period appears to have been carried out, a BFP describing the link was not prepared. Whilst the forecasts of fiscal aggregates for the three years of the MTEF period were, in fact established, the MTEF in 2006 (for the period 2007-09) appears to have collapsed into an annual budget preparation process. By definition, therefore, there was no link between the two outer years of the fiscal aggregate forecast and the two outer years of the MTEF. As a result, a score of A or B cannot be applied.

Score C.

[30] Note, ceilings for expenditure on development projects are not derived or allocated at this point.

(ii) Scope and frequency of debt sustainability analysis

Debt Sustainability Analyses (DSAs) were carried out in July 2006 and October 2005, with the last one prior to that in 2001. DSA exercises cover both domestic and external debt and are carried out through analysis of macro-fiscal data, including projected assumptions for future borrowing and future budget support operations, using the software system *Debtpro*. Treasury staff indicated that the next DSA is planned for July/August 2007.

Score ï ôBô.

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

As described in PI-12(i) above, the budget calendar and BCC requires line ministries to prepare SIPs and proposed MTEF allocations as part of the MTEF and budget preparation process. The objective of the SIP is to provide information about a budget agencyôs intended use of funds for the achievement of the agencyôs (and Rwandaôs) development objectives. The SIP should describe the key issues/constraints for each major policy objective as well as actions needed to resolve them. The SIP should be a relatively short document and should reflect the outcome of the relevant Joint Sector Review process. The information in the SIPs on both desired policy objectives and associated costings should be based on a more comprehensive analysis of ministry/sector policy and costs as presented in the relevant sector strategy documents. The sector strategy documents are a key component of the MTEF process and effectively represent the link between the Governmentôs overall policy framework (based largely on the PRSP) and the medium term financing framework of the MTEF. The Strategic Planning Unit of the MINECOFIN is responsible for coordinating the strategic planning process at all government levels and, in particular, for ensuring the elaboration of sector strategies. Discussions with GoR staff suggest that sector strategies for at least six sectors have been prepared (health, education, infrastructure, agriculture, water & sanitation and justice) and spell out strategic plans for the respective sectors from which MTEFs for programmes operating under the sector are drawn. The Team was presented with copies of strategies for four sectors (health, education, water & sanitation and justice). Of these, the strategies for health and education are fully costed, with costing provided for óunconstrainedô and óconstrainedô funding scenarios, taking into account assumptions for fiscal forecasts. This enables each of these sectors to clearly identify those components of their respective strategies that are funded and those components for which financing is being sought from the donor community. In this sense, the strategies for these sectors are broadly consistent with fiscal forecasts. Evidence on whether strategies for infrastructure and agriculture are costed was not provided to the team. Information is presented in log-frame format in the justice sector strategy for some of the justice programmes which includes activities from which development projects could be derived. In most cases where information on activities has been provided, a total cost figure is shown, although the assumptions under which these ótotal costô figures have been calculated are not specified. It is not clear what the total cost of the justice sector strategy is, therefore, or whether any of the costing information is consistent with fiscal forecasts. The water & sanitation sector strategy does not contain any comprehensive costing information.

Health and education together represent approximately 29% of primary expenditure (33% when items of óexceptional expenditureô are excluded from the definition of primary expenditure). A score of B has therefore been allocated to this indicator.

Score B.

iv) Linkages between investment budgets and forward expenditure estimates.

Responsibility for preparation of the development budget was recently switched from CEPEX to the Planning Department in MINECOFIN in an attempt to bring the process for preparation of the recurrent and development components of the budget closer together[31]. Under the previous process CEPEX would issue questionnaires to line ministries requesting information on the detail for completed, ongoing and planned investment projects. This would include information on projected source of funds from donors based on existing agreements with line ministries and/or ongoing discussions with donors interested in funding particular projects under the responsibilities of particular ministries. It would also include information on requirements for project counterpart funding and proposals for project funding from the Government budget. Information on donor supported projects to be implemented over the next several years would be then extracted for inclusion in the Public Investment Planning (PIP), with projects to be implemented over the coming year being included in the development budget. Line ministries would indicate in the designated formats the proposed source of funding, including funding from domestic resources. Prioritization for use of domestic resources would then be carried out (e.g. on the basis projects with a likelihood of successful implementation and a good rate of return). The transfer of responsibility for preparation of the development budget to the Budget Department in 2004 coincided with a retrenchment process. At the same time, many of the existing desk officers from CEPEX with existing links with line ministries and donors were not transferred to the Planning Department to sustain the PIP preparation process, which affected the quality of the preparation of the 2005 budget and, to some extent, the 2006 budget, with development budget allocations specified for the coming year only rather than for the full three years of the MTEF period as a result. Staff from the Budget and Planning Departments have worked together on preparation of the development budget since the switch from CEPEX, using a similar approach to that of CEPEX. In principle, both donor-funded and domestically-funded investment projects are to be chosen based on PRSP priorities. These priorities and their implications for development budget requirements are clearly articulated in the sector strategies for health and education at least. As discussed above, information is presented in log-frame format in the justice sector strategy for some of the justice programmes which include activities from which development projects could be derived. The water & sanitation sector does not contain information from which investment projects could be easily and readily derived. From the above and from discussions with MINECOFIN staff, it appears to the case that while many investments have weak links to sector strategies, recurrent cost implications are only included in forward budget estimates for health and education. A score of ó Cô has, therefore, been allocated.

Score C

	Minimum requirements (Scoring Method M2).
PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	Score ï C+ (i). Forecasts of fiscal aggregates (on the basis of main categories of economic classification) are prepared for at least two years on a rolling basis. Score C (ii) DSA for external and domestic debt has been undertaken at least once during the last three years. Score - B (iii) Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75% of primary expenditure. Score B (iv). Budgeting for investment and recurrent expenditure are separate processes with no recurrent estimates being shared. Score C

[31] The budgeting and PIP responsibilities were shifted to the Budget and Strategic Planning Departments respectively.

3.4. Predictability and control in budget execution

PI-13 Transparency of Taxpayer Obligations and Liabilities

(i) Clarity and comprehensiveness of tax liabilities

Tax administration in Rwanda is operated on behalf of the GoR by the Rwanda Revenue Authority (RRA) which was established as autonomous body in 1998 under Law No 15/97 of November 1997.

Taxpayersô obligations are clearly spelt out in five key pieces of legislation and are further articulated through Ministerial Orders and Commissioner General Rules which operate under the main legislation. The five key pieces of legislation are as follows:

1. Law 21/2006 of April 2006 establishing the customs system.
2. Law 16/2005 of August 2005 on direct taxes on income.
3. Law 25/2005 of December 2005 on tax procedures.
4. Law 6/2001 of January 2001 established value added tax (VAT).
5. Law 26/2006 (as modified by Law 56/2006) establishing the excise system.

The VAT code is further developed by:

- Ministerial Order 001 of January 2003;
- Commissioner General Rule 01/2001 of August 2001;
- Commissioner General Rule 02/2002 of December 2002;
- Commissioner General Rule 04/2005 of June 2005.

Ministerial Orders for customs, direct taxes and tax procedures have recently been under preparation and are expected to be published in the Official Gazette during May 2007. Commissioner General Rules have yet to be prepared these laws. All three laws are clear and comprehensive, however, with regard to tax and customs liabilities. There are currently no Ministerial Orders or Commissioner General Rules for the excise system.

The above legislation and supporting Ministerial Orders and Commissioner General Rules clearly and comprehensively describe tax liabilities and procedures for all major taxes and strictly limit the discretionary powers of Government entities related to tax policy and administration.

Score A.

(ii) Taxpayer access to information on tax liabilities and administrative procedures.

The RRA has a dedicated Taxpayer Services Division which is charged, among other things, with ensuring that all relevant information on tax obligations, liabilities, deadlines and administrative procedures etc. is made readily available in an accessible format to the general public. Among other things, this includes:

All legislation is published in the official gazette, which is readily available in bookshops and at the Prime Ministerôs office.

- Tax campaigns are regularly conducted to provide information on a monthly basis.
- National television and local newspapers are used to disseminate information on current tax issues on a weekly basis.
- Questionnaires are issued to taxpayers to obtain specific reactions on perceived problems.
- Relevant information is posted on the RRA website.

In addition taxpayer education is also a major responsibility of the Taxpayer Services Division and features prominently in RRA Annual Business Plans. Activities to promote a 'tax culture' and to further taxpayer education have included:

- Taxpayers' groups based either on revenue size or sectors being identified and invited to attend workshops on taxation issues.
- Surveys are carried out every six months to gather information on whether taxpayers are knowledgeable on tax matters.
- The Taxpayer Services Division organizes public seminars on a quarterly basis. Furthermore, both Taxpayers Services and Customs use the public media to reach out to taxpayers.
- Tax Advisory Councils, composed of opinion leaders, private sector representatives at respective levels, have been established at District and Provincial levels. Under this arrangement Q&A sessions are conducted periodically.
- Workshops are normally organized for the public before introduction of any changes in the tax regime. As an example, with Rwanda entrance into the East Africa Community anticipated during 2007, measures to inform the public of the tax implications of this are already under way.
- An annual taxpayer's day is observed where information on regulations is disseminated by the RRA and prizes are awarded to the best taxpayers

The Customs Division of the RRA has also provided training to about 210 staff of clearing and forwarding agents in order to familiarize them with the law and procedures.

The only apparent weakness in providing taxpayers easy access to information on the framework of legislation and procedure for the major taxes is the absence of a concise publication (or other single source of information) which presents all current tax liabilities and procedural requirements in one place. The RRA is, however, working on the development for publication of such a document and anticipates completion of this during 2007[32].

Discussion with private sector representatives suggested that some confusion may remain among taxpayers with regard to their tax obligations as well as a belief among some that inconsistent decision making with regard to tax liabilities sometimes occurs. The legislation and procedure do appear to be clear and readily accessible, however, and the problem in this regard may very lie with the general weakness of the accounting function (and standards) in both the public and private sectors of Rwanda which is likely to impact on the quality of business financial records through which decisions on tax liabilities are made.

Although a single document (or other single source of information) does not yet present information on all tax liabilities in one place, the scoring for this dimension does not cater for the score to be modified for this reason. Otherwise, taxpayers do have easy access to comprehensive, user-friendly and up-to-date information on all tax liabilities and administrative procedures, supplemented by active taxpayer education campaigns and a score of A has, therefore, been allocated.

Score A.

[32] A symptom of the absence of such a document is a recent private sector publication which presents, in one volume, a range of legislation on taxation and business licensing requirements (19 documents in all. *Collection of Laws, Orders and Rules Relating to Taxes and Investment Promotion Applicable in Rwanda*, Edition 2007

(iii) Existence and functioning of a tax appeals mechanism.

Chapter VII of Law No25/2005 (Articles 30-39) provides for a Tax Appeals mechanism which applies to all major taxes. This has been fully activated. If a taxpayer wishes to contest the content of a tax notice by the RRA, the first course of action of to appeal to the Commissioner General-RRA within 30 days of receipt of the notice providing all information relevant to the appeal. The law provides that if the Commissioner General, after the expiry of 30 days (which may be extended to 60 days by the Commissioner General), has not responded to a dispute which has become the subject of an appeal, it is automatically assumed to have a basis. Otherwise, the Commissioner General may discharge the taxpayer from the relevant liability (or some part of it) if it is decided that the appeal is successful. If required, appeals are dealt with by an appeals committee of the RRA which is chaired by the Commissioner General, with membership from both legal and technical personnel of the RRA The appeals committee meets twice weekly with the majority of the cases mainly concerning small and medium taxpayers. Under normal circumstances, relevant officials from the RRA are encouraged to meet the taxpayer concerned to attempt an amicable agreement before the process is taken further.

In the event that a dispute remains unresolved following appeal to the Commissioner General, an appeal may then be made to an Appeals Commission at MINECOFIN, with representation on the commission from the Private Sector Federation. The Appeals Commission must make a decision and communicate this within 60 days, otherwise the appeal is assumed to have a basis.

If the matter still remains in dispute following recourse to the Appeals Commission, then a resolution may be sought from the open court system.

RRA data on the appeals process show during 2006 that a total of 156 appeals concerning disputed tax obligations of around Frw 6 billion were handled. Some 17% (by value) of the appeals in 2006 were successful.

Discussions with private sector representatives suggested that the appeal system was not considered to be fair and independent as the Appeals Commission is established on a case by case basis by MINECOFIN. It was suggested that a tribunal which was independent of both the RRA and MINECOFIN would be considered fairer and more independent.

A tax appeals system of transparent administrative procedures is completely set up and functional, but some issues relating to fairness need to be addressed.

Score B

	Minimum requirements (Scoring Method M2).
PI-13 Transparency of Taxpayer Obligations and Liabilities	Score A (i). Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved. Score A (ii). Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for all major taxes, and the Revenue Authority supplements this with active taxpayer education campaigns. Score A (iii). A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness or effective follow up on its decisions need to be addressed. Score B

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

(i) Controls in the taxpayer registration system.

According to the Law 25/2005, any person that sets up a business or other activities that may be taxable must complete a taxpayer registration form and obtain a unique Taxpayer Identity Number (TIN). This registration must be made within 7 days of commencing operations. Registration is obligatory and a Registration Certificate is issued which must be prominently displayed on business premises. The TIN is linked in the accounting system and Treasury of RRA. Article 60 of Law 25/2005 sets penalties for non compliance with registration.

Any person that carries out taxable activities with a turnover of Frw 20,000,000 for the previous tax year or of Frw 5,000,000 for the preceding quarter must register for VAT within seven days from the end of the year or from the end of the quarter as mentioned above.

The TIN applies to all tax issues and must be quoted in all correspondence between taxpayers and the RRA. A database of taxpayers, identified by their TIN, is maintained at the RRA which is linked into RRA accounting systems. Receipts and payments into and from RRA bank accounts can be identified with individual taxpayers by virtue of the TIN. The taxpayer database, however, does not link into other Government registration systems (e.g. issuing of business licences, opening of business bank accounts, withholding taxes on supplies of goods and services to Government etc.).

Regular media campaigns (seminars, newspapers, television and radio) encourage taxpayers to comply with the requirements for registration. These efforts are supplemented with field visits to identify unregistered tax payers or those registered for some, but not all, taxes. The taxpayer register is also reviewed each year (e.g. to move taxpayers between large and small/medium taxpayer categories) to ensure effective tax payer registration.

The database for large taxpayers is reviewed every three years. Criteria for considering taxpayers for reclassification (between large and small/medium) include:

- turnover and tax yield
- sector of activity (i.e. if carry out excisable production, they automatically become large taxpayers).
- number of employees.

Occasional surveys are carried out to identify taxpayers not already included in the system.

The database for domestic taxes (operated under the software SIGTAX) is directly linked with that for customs (operated under ASYCUDA++). Any new registration for domestic taxes is automatically registered on the ASYCUDA++ system.

De-registration only occurs when firms go out of business or when RRA is satisfied that the tax payer will not be operating above the threshold set out for each particular tax type.

A score of C has been allocated reflecting the fact that taxpayer registration operates for all taxes, is not linked with other registration/licensing functions but that occasional surveys of taxpayers are carried out.

Score C.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

Fines for non-compliance with registration and declaration obligations for domestic taxes are clearly set out in Law 25/2005.

Article 60 states that failure register or to file a declaration (in addition to other violations such as failure to comply with a tax audit or to provide proofs required by the RRA) will result in:

- a fine of 100,000 Frw for tax payers with an annual turnover equal to or less than Frw 20,000,000;
- a fine of 300,000 Frw for tax payers with an annual turnover above Frw 20,000,000; or
- a fine of 500,000 for taxpayers in the large taxpayers category.

The same violation within a five year period will result in a fine double the original. A further violation within the same five year period will result in a fine four times the original.

Article 61 states that failure to pay on time will result in a fine of 10% of the tax payable.

Article 62 states that understatement of tax, as revealed through tax audit or investigation, will result in fines equal to between 10% and 100% of the understatement depending on the extent of the understatement revealed (with the maximum to be applied for understatements 50% or more than the tax liability revealed to have been due).

Article 63 states that failure to comply with VAT provisions will result in fines of:

- 50% of the VAT payable for the entire period without registration where registration is required;
- 100% of the VAT relating to incorrect issuance of a VAT invoice; and
- 150% of the VAT indicated on a VAT invoice issued by a person not registered for VAT.

Article 64 describes the penalties for tax fraud which can result in a fine of 200% of the evaded tax and a possible prison sentence of between 6 months and 2 years.

Article 65 provides for a fine of 200% of the unpaid tax for failure to deliver tax withheld to the RRA and a possible prison sentence of between 3 months and 2 years.

Additional penalties for the above offences may also include temporary closure of business and being barred from bidding for public tenders.

Through the use of the SIGTAX software system, delays in making tax declarations are identified and fines plus interest automatically computed.

The following table shows tax penalties imposed on large taxpayers over the period 2004 to 2006 compared with total taxes due from defaulters.

Year	Penalties	Total Tax Due
2004	119,708,440	1,714,392,091
2005	214,343,693	1,908,339,274
2006	438,053,931	2,185,327,071

Penalties for non-compliance with customs requirements include imprisonment, fines and confiscation and are set out in Articles 217 to 226 of Law 21/2006 which establishes the customs system. Custodial sentences range from 6 months to 5 years depending on the number of times a specific offence is committed (with imprisonment of 2-5 years for three or more offences). Fines of 1 to 10 times the amount of evaded duties are imposed depending on the number of times the offence is committed (with 7-10 times the amount of the evaded duties for three or more offences).

Unlawful declaration with a view to unlawfully obtaining refund or drawback is punishable with 1-5 times the amount claimed.

Discussions with the private sector suggest that the level of penalties is sufficiently high to facilitate compliance and the data on penalties imposed (on large taxpayers) over 2004-06 suggest that the penalties are in practice applied. There was no evidence presented to the Team to suggest that penalties are not consistently administered.

Score A.

(iii) Planning and monitoring of tax audit and fraud investigation programs.

Articles 20-25 of Law 25/2005 on tax procedures set out the powers and procedures that RRA may apply with regard to audit. An annual plan is put in place indicating the number of audits to be carried out and assigning staff on targets. The RRA Business Plan for 2007 describes an audit programme that envisages 256 audits to be carried out by the Large Taxpayers Office and 480 by the Small/Medium Taxpayers Office, as well as a total of 984 audits to be carried out by regional offices. The Business Plan also envisages preparation of the audit plan for 2008.

The RAA audit manual provides six criteria for defining risk and identifying tax payers to audit:

- The top 5% of taxpayers (by value).
- Those with high yields resulting from previous audits.
- Those with apparently high under-declaration of turnover (e.g. where discrepancies between VAT and Pay As You Earn (PAYE) declarations arise).
- Taxpayers not audited for last 2 or more years.
- A random selection from the remaining group of taxpayers.
- Suspicions arising from third party information.
- Apparently low profitability.

At the time of the analysis in 2007, the total population of large taxpayers was 286. This implies a very high proportion of large taxpayers being audited (around 90%). The reason provided by RRA for such a high proportion being audited was that the majority of the population of large taxpayers had not been audited over the period 2003-2005.

Prior to carrying out an audit, a tax-plan is drawn up between the audit team and head of the Audit Department. This takes into account existing tax returns and financial statements. An interview with the taxpayer is carried out to provide an understanding of the enterprise for the team. An audit notification is then sent to the taxpayer advising the information that will be required (e.g. trial balances, general ledger, bank statements and supporting documents for expenditure). Audit follows seven days after the notification. Once the audit is complete a session of findings is held with the taxpayer who has an opportunity to express views on the findings at this stage. The first notice of assessment is then issued and the taxpayer is required by law to respond within 30 days of this notice. A final notice of assessment is made thereafter. An appeals process can be followed if desired by the taxpayer. RRA staff noted that tax waivers following tax appeals generally do not exceed 20%.

The small/medium taxpayers office prepares an annual audit plan. The office currently has 29 audit teams, each comprising 2 officers. Each team has a target of 2 cases per month. The total population of small/medium taxpayers at May 2007 was 6,000. The risk assessment process for choosing small/medium firms for audit is the same as for large taxpayers. Of the 6,000 small/medium firms, 300 firms are ranked as ómediumô sized and contribute over 80% of total revenue collection for the office. All three hundred firms form part of the total chosen for audit. Information extracted from audit may result in firms moving between taxpayer categories (small, medium and large).

With regard to Customs, the Customs Department informed the Team that investigative and audit powers are provided for in the Law 21/2006 establishing the customs system[33].

The Post-Clearance Unit and the Investigation Unit of Customs carries out inspection and audit activities. The RRA Business Plan for 2007 envisages: 60 inspections and audits of petrol stations (5 per month); óat leastô 208 post-clearance audits (4 per week) and óat leastô 104 post-clearance exemption audits (2 per week). The Business Plan for 2007 also envisages preparation of the audit plan for 2008. Audits may be issue-oriented or may cover all assignments associated with the importer. Choice of audit subject depends on risk profiling which is based on factors such as country of origin (of imported goods), taxpayer, clearing agent and amount of revenue involved.

Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan and a score of óAô has been allocated.

Score A

	Minimum requirements (Scoring Method M2).
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	Score B+ (i). Taxpayers are registered in database systems for individual taxes which may not be fully and consistently linked. Linkages to other registration/licensing functions may be weak but are then supplemented by occasional surveys of potential taxpayers. Score C (ii). Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered. Score A (iii). Tax audits and fraud investigations are ,managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment. Score A

PI-15 Effectiveness in collection of tax payments

(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years).

The following table presents the stock of arrears for large taxpayers for 2005 and 2006 and collections against the stock in each of those years.

[33] Although there appears to be no reference in Law 21/2006 to audit or post-clearance verification, except that the latter is defined in the law but not otherwise referred to.

	Fiscal Year 2005:	Fiscal Year 2006:
Total Arrears	43,137,685,920	59,237,332,143
Collection against arrears	5,810,474,802	4,309,666,141
RRA target (collection against arrears)	3,586,204,047	2,357,000,000
Collection ratio	13%	7%
Average collection ratio (2005-06)		**10%**

The above table shows that the average debt collection ratio for the last two complete fiscal years was just 10%. The reason for the apparently very high level of arrears and the surprisingly very low collection ratio is that, to date, regulations governing the operation of the RRA prohibit the designation of those arrears that cannot be retrieved as ónon-collectableô (e.g. as a result of the debtor having died or going out of business). That also explains the apparently very small target for collection against the stock of arrears. Having noted that, the fact that actual collection was 70% higher than that targeted over the two years suggests that the RRA either targets less than 100% of collectable arrears each year or that its designation of some arrears as ónon-collectableô is not fully reliable. RRA officials stated that a change in regulations will soon permit some arrears to be designated as non-collectable and, thereby, to be taken off the books.

Any arrear that is less than one year old is classified as ócollectableö. Anything over one year falls into a category of óhard to collectö. Beyond three years, the arrear becomes non-collectable. Under the existing legislation, the RRA is obliged to keep arrears on its books for up to 10 years. Under the new law which will come into force shortly, this situation is likely to change and RRA will be allowed to move some of its currently non-collectable arrears off the books.

With regard to the Customs Department, the following table shows collections against arrears for 2006 (data for 2005 was not presented to the team).

	Fiscal Year 2006:
Total Arrears	**433,097,444**
Collection against arrears	**362,767,298**
Collection ratio 2006	**84%**

Source: Statistics Section, RRA

The above table shows that the debt collection ratio for the last complete fiscal year was 84%. Customs arrears are classified according to age and include both collectible and non-collectible. The stock of customs arrears is much smaller than that for domestic taxes. The reason for this is that the procedure for payment of customs dues is such that payment is either made or the goods forfeit (i.e. arrears cannot accumulate in relation to regular payment of customs duties). Arrears can only accumulate, therefore through late payment of obligations resulting from post-clearance verification, investigation or fines.

Using 2006 data for large taxpayers and Customs, the average debt collection ratio is 7.8%. Whilst data has not been made available on debt collection for small and medium-sized taxpayers, the fact that large taxpayers account for a relatively large proportion of total tax revenue combined with the fact that the debt collection data for large taxpayers are so poor (and the fact that non-collectible taxes will also skew the data on debt collections for small and medium-sized taxpayers) means that it is virtually impossible for the overall debt collection ratio to be above 60% in 2006. A score of ôDô is appropriate, therefore, by virtue of the non-collectible taxes remaining on the books of the RRA and the total amount of tax arrears is not insignificant for the same reason. This score should quickly change once the RRA is permitted to remove ónon-collectibleô taxes from its books.

Score D.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.

The RRA maintains separate accounts for VAT, PAYE, Corporation Tax and Customs (within what is, effectively, an internal RRA banking facility) for the receipt of taxpayer funds. Payments into these accounts are transferred directly to Treasury accounts at the Banque Nationale de Rwanda (BNR) on a daily basis leaving a zero balance at the end of the day.

The RRA also uses the services of two commercial banks, Banque Commerciale du Rwanda (BCR) and Bank of Commerce Development and Industry (BCDI), for the receipt of payments. The former receives payments of Customs Revenue while BCDI receives payments for Domestic Taxes. According to existing contracts with the banks, transfers to BNR must be made on the third day after receipt of revenue (i.e. immediately after clearance of cheques). BNR then transfers the funds on the same day to the Treasury account leaving zero balance. Payments into branches without clearing facilities (e.g. customs collections at border posts) are transferred to the headquarters branch of the respective bank twice per week and are then transferred on the same day (or immediately following clearance) to Treasury accounts at the BNR.

The majority of payments (i.e. those made directly to the RRA headquarters or to RRA accounts at commercial banks with clearing facilities), therefore, are transferred to the Treasury account at the BNR on a daily basis (following clearance of cheques). Although a relatively small amount of funds are not transferred on a daily basis (i.e. those paid to bank branches that do not have clearing facilities), this is a function of inefficiencies in the banking system rather than in the RRA system, and payments are transferred in any case into Treasury accounts within a 3-4 days of receipt. A score of B is therefore appropriate.

Score B.

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.

Domestic tax declarations are captured in the RRA software system. Once payment is effected, the receiving bank sends a copy of the payment slip to the RRA. A daily reconciliation of declarations and payments is carried out. The commercial bank transfers funds to RRA accounts at the BNR. Some taxpayers, however (e.g. public enterprises, Treasury), make direct payments to BNR. A reconciliation unit in RRA headquarters reconciles tax receipts received on RRA accounts at the commercial banks against transfers to RRA accounts at the BNR and actual transfers to the STA. Reconciliation meetings between RRA staff and Treasury staff take place on a weekly basis.

Once a taxpayer has made a declaration, information is entered on the SIGTAX system and is issued with a Bordereux de Versement which acts as a payment slip for payment of the tax due into the RRA account at the commercial bank. There is an interface between the SIGTAX software and the bank. As a result, the RRA has online access to receipts into its account and carries out reconciliation against declaration.

A final reconciliation takes place between the Treasury receipts against RRA revenue receipts each week.

With regard to customs, once a declaration has been made, the system automatically determines the level of risk associated with the case and orients the case to an examining officer[34]. The officer determines whether the declaration has been completed correctly and the case is then dealt with by a second officer who is responsible for carrying out a final assessment and for updating the IT system with regard to the amount due. Once payment has been received (in the form of cash or certified cheque only) a payment receipt is fed into the system and a Release Order issued (which includes information on receipt number, amount of payment and reference to the customs declaration document). The release order is dispatched to the relevant warehouse[35] which permits an Exit Note to be printed. At the end of each day, the Reconciliation Unit examines all cases processed during the day, including reconciliation of payments and transfers with bank statements. At the end of each week, the Revenue Monitoring Unit of the Department of Finance at RRA headquarters carries out a reconciliation process with the Reconciliation Unit at the Customs Division.

Revenue monitoring is a permanent agenda item at the weekly RRA management meeting. Within the Revenue Monitoring Unit of the Finance Department, there is a unit which is responsible for monitoring customs accounts in BCR and a similar unit responsible for monitoring domestic tax accounts in BCDI. These units reconcile RRA accounts with bank statements (showing payments into RRA accounts at BCR and BCDI) and transfers from these accounts to the Treasury account at the BNR. Every month the RRA carries out a reconciliation process with the Treasury with regard to domestic and customs receipts by the RRA and receipts of the same into the Treasury account at the BNR.

The reconciliation process for domestic taxes and Customs is clear and fulfils the criteria for an A score.

Score A

	Minimum requirements (Scoring methodology: M1)
PI-15 Effectiveness in collection of tax payments	D+ (i) The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections). Score D (ii) All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily. Score B (iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does takes place monthly within one month of end of month. Score A

PI-16 Predictability in the availability of funds for commitment of expenditures

(i). Extent to which cash flows are forecast and monitored.

The annual cash plan is based on information from budget entities on the anticipated cash-flow requirements of their activities during the year, as constrained by forecasts for cash availability during the year. The process commences towards the end of the previous financial year. MINECOFIN indicates the ceilings to be allocated to budget entities for the forthcoming budget year as part of the MTEF/budget preparation process in August. Ceilings normally remain unchanged until the budget is finalized and appropriations made. Any changes in the

[34] Four categories of risk are catered for, with particular groups of officers assigned to deal with specific levels of risk.
[35] Electronically ï all warehouses and border posts have on-line facilities for this purpose.

limits are normally communicated immediately. The budget entities use this information to prepare an initial cash plan for the year. The various department and units under the MDA submit their anticipated cash flow requirements for the year to the budget department (or equivalent) of the entity for discussion before the consolidated requirements (by major economic item) for the entity are forwarded to MINECOFIN. The Treasury Department of MINECOFIN writes to all budget entities shortly after the annual budget law has been passed (usually in December) requesting them to submit their proposed cash plan for the year. This information is input into dedicated software which presents an aggregation of all cash plans for the year, by month and by major economic item (wages, good and services, etc.). Revenue projections for the year are entered into the software based on a time profile of anticipated receipts from RRA. The anticipated time profile for general budget support receipts is also entered[36]. Modifications in the proposed time profile for expenditures are made, if required, to ensure that monthly cash limits do not exceed acceptable levels (e.g. with regard to domestic borrowing and also with regard to Government-IMF agreements on monthly expenditure limits). This is then presented to the Treasury Management Committee for approval and letters are sent to budget entities informing them of their monthly cash limits based on this. The first 3 months of the annual cash plan becomes the cash plan for the first quarter.

The annual cash plan is reviewed on a quarterly basis. Around 6 weeks before the end of the current quarter, the Treasury writes to budget entities to request them to submit proposed cash plans for the next quarter. Following preparation of this information by the budget entities and review of the same by the Treasury, the latter then writes to the former informing them of their new commitment limits for the next quarter. This usually occurs around two weeks before the start of the next quarter.

Since the annual cash plan is updated quarterly rather than monthly, a score of B has been allocated.

Score B.

(ii). Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.

As noted above, monthly commitment ceilings for MDAs are updated on a quarterly basis and this information is communicated to them before the start of the relevant quarter.

Occasionally, within-quarter revisions to commitment limits of budget entities do occur, although the Treasury informed the Team that under current fiscal circumstances occurrence of this is rare and it did not occur during the first half of 2007. This was confirmed with the ministries of Health and Education. On those occasions when this proves to be necessary, the Treasury would normally meet with the head of the entity(s) concerned to explain the requirement to modify commitment limits (for one or more major economic item). The head of the agency (the SG in the case of ministries) would then communicate this information to the relevant finance officers (the Directors of Administration and Finance (DAFs) in the case of ministries). No formal communication (i.e. written documentation) of such changes takes place. After informing ministries of the requirement for changing commitment limits, the change would normally be effective immediately.

Since MDAs are provided reliable information on commitment ceilings at least quarterly, a score of B is appropriate.

Score B

[36] Plus the closing balance on the Treasury account for the previous year.

(iii). Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of line ministries (LMs).

Significant in-year adjustments to the budget are normally restricted to one budget revision which requires Parliamentary approval. This follows a similar process to that for preparation of the annual budget (i.e. discussions with MDAs, submission to Cabinet, preparation of draft legislation). A budget revision was prepared during 2006 in June and was passed by Parliament in September, at which point budget allocations were changed. Again in 2007 a revised budget was prepared and submitted to the Cabinet in July for transmission to Parliament.

Score A

	Minimum requirements (Scoring Method M1).
PI-16. Predictability in the availability of funds for commitment of expenditures	Score B+ (i) A cash flow forecast is prepared for the fiscal year, and is updated at least quarterly, on the basis of actual cash inflows and outflows. Score B (ii) MDAs are provided reliable information on commitment ceilings at least quarterly in advance. Score B (iii) Significant in-year adjustments to budget allocations take place only once in a year and are done in a transparent and predictable way. Score A

PI-17. Recording and management of cash balances, debt and guarantees

(i) Quality of debt data recording and reporting

Article 61 of the OBL requires the Minister of Finance to prepare and publish a public debt management strategy each year. A debt management strategy has yet to be prepared, however.

The debt policy analysis function is a responsibility of the Macro Department of MINECOFIN, although the debt database is maintained in the Treasury. External debt records were previously maintained on DMFAS debt management software. The DMFAS software used was not compatible with Windows XP now being used and so is being upgraded. The Treasury has received version 5.3 of DMFAS, the most recent version of the debt management software. It is planned to transfer the debt information into this database later in 2007. In the meantime, external debt records are currently maintained on Excel spreadsheets. The quality of external debt records had experienced some deterioration over recent years and an exercise, supported by international consultants, was recently undertaken to reconstruct some of the records. The main current problem with regard to external debt management, however, is the absence of dedicated debt management software, making the process for calculation of debt service, debt retirement and changes in debt stock complex and prone to error. This has implications for budget preparation, cash-flow planning and the timely servicing of debt obligations. Treasury staff noted that discrepancies occasionally come to light between information held on the external debt data base and corresponding information held by creditors necessitating a reconciliation process following which records are updated.

The management of information for domestic debt is much less complex than that for external debt and records are also maintained on Excel spreadsheets. This mainly involves management of information for Treasury Bills. However, the largest item of domestic debt is that due to the Caisse Sociale du Rwanda (CSR), the Auditor Generalôs report for 2005 stated that ñthe system of computing interest of late payment contributions by CSR is neither known nor followed by MINECOFINò (page 93).

Treasury staff noted that monthly reports relating to Treasury Bill operations and annual reports relating to domestic and external debt are prepared. With regard to domestic debt, these present information on payments over the previous year and current stocks of debt but do not present information on payments scheduled over the following three years. With regard to external debt, the reports present information on payments made only, with no information on current stock or payments scheduled over the following three years.

According to the information provided by Treasury staff, domestic and foreign debt records appear to be complete following the recent exercise to reconstruct some of the records in the database for external debt in particular. Details of an update for the end of the 2006 year and a reconciliation made with payments recorded in Smartgov are available. The Treasury informed the team that formal reconciliation of Treasury records for debt with those held by the National Bank of Rwanda is carried out each quarter. There appears to be no formal reconciliation with donors records however. Annual management and statistical reports are produced but do not include information on debt stocks, although the Ordonnateur-Trésorier du Rwanda (OTR or Director of the Treasury) informed the team that information on debt stocks can be readily derived from the database if and when this information is requested. Since annual reports do not include information on debt stocks, a score of B cannot be applied. Recent DSA reports, however, include information on debt stocks, however, and a score of ‘C’ has been allocated.

Score C

(ii) Extent of consolidation of the government’s cash balances

Since 2006, the Treasury has been operating a Single Treasury Account (STA). Accounts of all central Government entities and autonomous agencies have been closed and all entities and autonomous agencies now operate with sub-accounts to the main STA[37]. When the system was first established, ministries were provided with monthly commitment limits for expenditure items for which purchasing authority was decentralized (mainly small cash expenditures and travel allowances). Each day a notional amount equal to the commitment ceiling would be associated with a sub account and purchases made through these accounts involved a debit of funds directly from the STA. Each of these accounts operated as zero balance accounts. Any payments into those accounts would be cleared to the STA at the end of the day and commitment ceilings appropriately modified at the end of the day according to expenditure and revenue flows through the accounts, for application to those accounts at the start of the next day. Difficulties in reconciling accounting and banking records led to a minor modification in the system during 2007 whereby a flow of cash equal to the prevailing commitment limits would move into the sub accounts, with the accounts being cleared to the STA at the end of the day. All cash balances, therefore, are calculated daily and consolidated.

Score A.

(iii) Systems for contracting loans and issuance of guarantees.

Article 54 of the OBL states that the Minister of Finance, based on Cabinet decisions, shall be the sole authority to borrow or to permit borrowing for financing the central Government budget deficit, or, to raise loans for other public bodies. Likewise, the Minister of Finance shall be the sole authority to give or approve securities for borrowing by public enterprises. All loans from external sources must be approved by Parliament. Public enterprises can only borrow with the authority of the Minister of Finance. Autonomous agencies, constitutional public bodies and extra-budgetary institutions are not permitted to borrow.

[37] There are two exceptions: ORTPN and RURA. Neither of these institutions receive transfers from the budget.

The OBL requires limits to be established for public borrowing. Article 56 requires the Executive to recommend a general limit for new borrowing (incorporating any securities) to be specified over the coming year and for the Chamber of Deputies to establish the limit when voting the annual budget. Any debts of third parties to be taken over by the central Government are to be included in this limit. Notwithstanding the approval of Parliament, the OBL states that the Minister of Finance may recommend different limits for total domestic borrowing (including short term overdrafts), total foreign borrowing and may also request Parliament to set a separate limit for total Government securities in favour of third parties.

These provisions are sufficient for this dimension to score an A. In practice, however, the mechanics of the system still have to catch up with the quality of the legislation. Debt policy has traditionally emerged in an ad hoc manner through the contracting of loans for budgetary support and for projects (mainly through a managerial role, effectively, from Treasury and CEPEX) without any real analysis of the macro-fiscal and debt sustainability implications, although this has begun to change over recent years with DSAs having been carried out and with limits for external debt established as part of the programme with the IMF. To ensure that the provisions of the OBL can be adhered to, a Debt Policy Unit has just been established in the Macro Department of MINECOFIN. This unit is far from being effective, however, and still needs to be staffed appropriately and given operational direction. Technical Assistance is likely to be required to assist with the establishment of the Debt Management Unit, in the early years at least. One of its early tasks will be to establish, for the first time in Rwanda, a debt management strategy. Consultants from Debt Relief International (DRI) will be advising the Government on this within the next several months.

Notwithstanding the above, the Minister of Finance does exercise the sole authority to borrow and issue guarantees. Clear limits for *all* loans and guarantees, consistent with the provisions in the OBL, had still to established in 2006, however, although it should be noted that limits for domestic debt were established under the programme agreed with the IMF for the first time in 2007. Establishing limits for all loans and guarantees will be one of the early tasks of the Debt Management Unit following completion of a Debt Management Strategy. Since the PEFA guidelines require this dimension to be scored against data for the last complete financial year and since clear limits for all loans and guarantees had still to be established in 2006, a óBô score cannot be allocated. The score, therefore, reverts to C.

Score C

	Minimum requirements (Scoring Method M2).
PI-17 Recording and management of cash balances, debt and guarantees.	Score B (i). Domestic and foreign debt records are complete, updated and reconciled at least annually. Data quality is considered fair, but some gaps and reconciliation problems are recognized. Reports do not include information on debt stocks. Score C (ii). All cash balances are calculated daily and consolidated. Score A (iii). Central governmentôs contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or overall ceilings. Score C

PI-18 Effectiveness of payroll controls

(i) Degree of integration and reconciliation between personnel and payroll data.

There are currently four major payrolls in operation. Two are managed by the Ministry of Public Service, Skills Development, Vocational Training & Labor (MIFOTRA) (the central Government payroll and the payroll for teachers and medical staff), one by the Ministry of Defence (the payroll for defence related personnel) and one by the Ministry of Internal Security (the police).

The expenditure on wages and salaries for first half of 2007 was as follows:

PAYROLL:	**AMOUNT (MILLIONS Rwf)**
Civil servants	6,404
Education	11,327
Health	4,053
subtotal:	**21,784**
Defence	6,404
Police	2,675
Prison warders	211
Justice	774
Embassies	1,588
TOTAL	**37,790**

Report provided by the Information Communication Technology (ICT) Director (11.7.07)

The system for the two payrolls under the management of MIFOTRA was established in 1999. Records for each individual included: name, age, number of years in employment, sex, date of birth CSR number (for some), identity card number, bank details, basic salary, and allowances. The gross pay and allowances for individuals under this system depended on personal circumstances (years of service, qualifications, etc.).

A major change was introduced in 2006 with respect to the central Government payroll. Specific salaries are now associated with particular established posts rather than with the characteristics associated individuals. The salaries for central Government posts have now been standardised according to an indexing system which allocates weights according to the responsibility associated with each post. Approximately 1,600 central Government employees are now remunerated according to this system. 36,500 teachers and 3,900 medical staff continue to be paid according to the requirements of the former system. Separate databases are maintained for each of these three sets of officers.

Personnel information relating to teachers for each district is maintained within the respective district. During December each year, district governments submit a document called a ôPlacementô to MIFOTRA which presents relevant information on all new teachers that are expected to be employed over the year. Before the start of each month, districts advise MIFOTRA of any changes to be incorporated in the payroll for the coming month and MIFOTRA updates the database accordingly. The database for teachers is operated on an Access-based system, includes complete information on schools by district and permits a range of queries. It also maintains records on all payments made since the system came into operation. There are only two officers that have access to the database for the purpose of making changes and two separate officers that are responsible for verifying changes before the database is changed. The audit trail relating to changes in the database is weak, requiring only a signature on a verification form for changes, meaning that responsibility for specific changes cannot necessarily be traced adequately. The physical security of the system is also weak.

Personnel information for the central Government is held in the respective institution where the individual carries out his/her employment. Not all personnel information is computerised. MIFOTRA maintains a complete organogram for central Government institutions and autonomous government agencies (even though MIFOTRA does not operate the payroll for autonomous agencies) and, as noted above, the new system calculates pay according to the INDEX weighting system for the post. The respective budget entities inform MIFOTRA of any changes in personnel details (e.g. new recruitment to existing posts) in advance of the month within which the change is to become effective and MIFOTRA makes changes in the payroll for central Government accordingly. As with the teacher payroll, two staff are responsible for verifying changes that are about to be made. In principle, two officers are responsible for accessing the database and making changes in records following such verification. In practice, a technical problem with the database means that neither of these officers or anyone else is able to access the database other than a local IT consultant who was instrumental in establishing it in the first place. This individual is retained by MIFOTRA pending modification of the database.

The payroll for teachers and medical staff and that for central Government employees are updated each month based on changes to personnel records as presented in documentation from district governments and central Government budget entities.

Within the Rwanda Defence Forces (RDF) the Records Section is responsible for maintaining personnel records and the Personnel & Salaries Section is responsible for payroll. Both sections are in the J1 Department. The RDF has maintained a computerized combined personnel and payroll database since 1994. This was developed by the in-house IT department, it is known as the Military Integrated Payroll and Personnel Information System (MIPPIS). Access to the system is password controlled and is restricted to authorised officers. The Records Section has an organisation chart indicating authorized posts, their ranks and associated salaries. It also maintains detailed records for each and every employee on MIPPIS. These include service number, full names, current rank, parents names, date and place of birth, date of entry into the army, bank account details, photograph etc. Monthly payrolls are prepared by Personnel & Salary Section. Salaries are paid direct into employee accounts at a bank or Savings and Credit Society. Changes to personnel records are made by the Records Section on receipt of written authorization from the respective unit. As an example, new recruits are recorded on advice of the Training Wing after clearance by the Chief of Staff and physical identification & verification by J1 Directorate. All changes to payroll from one month to the next are checked. Changes must be justified by supporting documents from the relevant unit. J1 Department is not authorized to initiate any such changes.

Within the Directorate of Administration & Personnel of the National Police of Rwanda (NPR) there are two sections, the Records Section is responsible for maintaining personnel records and the Payments Section prepares the payroll. These two sections use different computer systems which are yet to be integrated. Monthly reports from different units are provided to the Records Section which then passes the information to the Salary Section through the Director of Administration & Personnel. Since personnel information and the respective payrolls are not directly linked, a score of óAô cannot be allocated. Since the payroll is supported with full documentation for all relevant changes to personnel records each month and checked against the previous monthôs payroll data, a score of óBô is allocated.

Score B.

(ii) Timeliness of changes to personnel records and the payroll.

Personnel records are effectively decentralised to district governments (for teachers and health workers) and central Government budget entities. It is the responsibility of each of these institutions to update personnel records as and when appropriate. MIFOTRA staff noted that changes in the payroll are generally made in time for the following month if changes in personnel information are received in advance of preparation of the Payment Order for the next monthôs payroll. Using the central Government payroll as a basis for estimating the efficiency of making changes based on updated personnel details for MIFOTRA-operated payrolls, it appears likely that retroactive changes occur frequently[38].

Within the RDF, the Records Section makes the necessary changes to the personnel records as information is received. Retroactive adjustments are rare and much less than 1%.

The National Police of Rwanda ensure changes are undertaken each month and backdated changes are also less than 1%.

Notwithstanding the relative efficiency of the Police and Defence payrolls, the relatively frequent retroactive adjustments in the MIFOTRA-operated payrolls mean that the appropriate score for this dimension is C.

Score C.

(iii) Internal controls of changes to personnel records and the payroll.

Information from MIFOTRA, as noted above, demonstrates that authority to change the payroll is both restricted and clear, although the audit trail is weak.

All changes to RDF personnel records are made by the Records Section and are supported by written authorization from a senior officer. Changes to payroll are supported by changes to the personnel data. A complete audit trail is maintained.

The Records Section of the NPR maintains an organisation chart detailing the posts assigned to each section and department. There is also a list of established ranks showing the associated salary scales. All changes to personnel records must be authorized by the Director of Administration & Personnel on the basis of written reports from all units on incidents necessitating changes to personnel records, for example, abscondments, deaths etc.

The NPR recruits once a year for officer cadets and for constables. The numbers recruited are based on budgetary provisions in the national budget. Lists are prepared for Basic Police Training by the training college which are approved by the Ministry of Internal Security. Promotions are authorized at cabinet level for all ranks. All payroll changes are authorized by the Deputy Commissioner General (Administration & Finance). The monthly payroll is checked by the Director Finance, including a reconciliation with the previous month. It is then passed to the Deputy Commissioner General (Administration & Finance) and then to the Secretary General for approval before submission to MINECOFIN.

The appropriate score for this dimension is B.

Score B.

[38] In April 2007, some 300 retroactive changes in the database were made. Assuming this to be a representative month, this would imply 300 / 1,600 = 18.8% of records are updated retroactively. Whilst the limitations of this calculation are obvious, it does at least provide an indication that retroactive changes occur frequently.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.

No payroll audits have taken place in the last three years. Although an internal audit report in the first quarter of 2007 did identify an ex-employee in a health unit who was still on the payroll three years after their employment had finished.

RDF unit commanders carry out monthly head counts and these written reports are received by the Records Section. In addition, unit commanders check and sign the payrolls for their unit and return these to the Personnel and Salaries Section.

The appropriate score for this dimension is D.

Score D.

	Minimum requirements (Scoring Method M1).
PI-18. Effectiveness of payroll controls	Score D+ (i) Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous monthôs payroll data. Score B (ii) Up to three monthsô delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retroactive adjustments. Score C (iii) Authority and basis for changes to personnel records and the payroll are clear. Score B (iv) No payroll audits have taken place in the last three years. Score D

PI-19 Competition, value of money and controls in procurement

(i) Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold).

The National Tender Board (NTB) was established in July 2004 under a Presidential Order No 28/01 of 19th July 2004. Under this Order, the Public Procurement Organs were established which include:

- The Board of Governors of the NTB.
- The Executive Secretariat of the NTB.
- The Internal Tender Commissions of different government institutions.

Article 5 of the Order requires each public procurement entity to establish a Tender Commission that is responsible for procurement planning, preparing tender documentation, opening and evaluating bids and awarding of contracts. Article 6 requires the Minister of Finance to specify the authorised threshold limits for each procurement entity. Procedures for carrying out procurement activities at all levels are specified clearly in the Order. A new law on public procurement N° 12/2007 was promulgated in April 2007 and new law to establish a new Public Procurement Agency (PPA) taking over from the NTB is under consideration in the Parliament. This will involve the decentralisation of procurement to the government institutions, with the new PPA undertaking a policy and oversight role.

In April 2007 the Presidential Order was replaced with law 12/2007 on Public Procurement.

The following table presents information on the methods of public procurement used during 2006 and describes the extent to which contracts above the threshold for NTB involvement were awarded on the basis of open competition.

	2005				2006			
Procurement Procedure	**No. of contracts**	**%**	**Rwf (bn)**	**%**	**No. of contracts**	**%**	**Rwf (bn)**	**%**
Open competitive bidding	168	84	95.6	89	181	82	94.0	73
Restricted Tendering	27	13	10.9	10	15	7	20.1	16
Shopping	1	0	0.4	0	5	2	5.1	4
Sole Source	5	2	1.0	1	20	9	9.2	7
Total	**201**	**100**	**108.0**	**100**	**221**	**100**	**128.3**	**100**

Source: NTB Annual Report 2006.

The data from the NTB Annual Report for 2006 shows that in 2006 82% of contracts were awarded on the basis of open competition, which accounted for 73% of the total value of contracts above the threshold awarded during that year. This compares with 84% of contracts that were awarded on the basis of open competition in 2005, accounting for 89% of the total value of contracts above the threshold awarded during that year.

The PEFA scoring guidelines require this dimension to be scored on the basis of data from the last complete financial year (2006). The guidelines also require the dimension to be scored on the number of contracts awarded rather than the total value of those contracts. The appropriate score for this indicator, therefore, is A.

Score A

(ii) Extent of justification for use of less competitive procurement methods

Article 28 of the Order describes the procedure and requirements for applying restricted tender methods. This procedure does not require advertising of the procurement opportunity in question. A short list no less than three bidders is drawn up ‘in a non-discriminatory manner’ and invitations to submit bids are issued. The criteria for engaging in this kind of restricted tendering include:

- Where contracts are of a complex or highly specialised nature that are supplied by a limited number of contractors.
- When the time and cost of the bidding process is disproportional to the value of the goods or services supplied.

Article 29 of the Order describes the procedure and requirements for using solicitation of quotations / shopping method of procurement. This method is restricted to standard products that are generally available and of a very low value (not exceeding Rwf 500,000 at the time of the establishment of the Order).

Article 30 of the Order describes the procedure and requirements for applying single source procurement. The only occasion when single source procurement is authorised is when a single supplier has exclusive rights in respect of the items and no reasonable alternative or substitute exists in Rwanda or elsewhere.

We reviewed the 2006 annual report for the NTB and a summary of contracts which the Board had managed in the first half of 2007. We then discussed the justification for five contracts let on the basis of single tender in 2006 (one in five of the total) and two in 2007 (one in four of the total). In only two of the seven cases we reviewed was the justification in line with the Procurement Law, however, this justification was not clearly stated in the briefing for the relevant Board meeting nor the in the report from the meeting.

A clear regulatory requirement identifies open competition as the preferred method of public procurement and the Law on Public Procurement specifies when less competitive methods of procurement can be used. However, the NTB records do not, clearly indicate which of the four exceptions apply in cases of single source tendering and so a score of C must be applied.

Score C

(iii) Existence and operation of procurement complaints mechanism

Prior to the promulgation of the new procurement law in 2007, the Presidential Order of 2006 prescribed the establishment of an appeals committee and the modalities of its operation. Articles 59 to 68 of the Order set out the complaints mechanism with regard to public procurement. Appeals against the decisions of the Internal Tender Commissions were to be submitted to the Executive Secretariat of the NTB. Appeals against decisions of the NTB itself were to be submitted to the Board of Directors of the NTB. Appeals against decisions taken by the NTB Board of Directors were to be forwarded to the Public Procurement Review Panel. This Panel was formed by the Minister of Finance and comprised representation from senior officials from the public administration, representatives of the private sector and members of civil society. Appeals before the NTB Board and the Review panel had to take place within five working days of the day following notification of the deadline for the period granted to the administration to respond. The ultimate institution with respect to arbitration of appeals associated with procurement, the Review Panel, was external to the NTB. Although the panel was established by the Minister of Finance with representation from the Government administration, representation on the panel by the private sector and civil society suggests that it exercised a degree of independence.

The new public procurement appeals mechanism is built on principles of autonomy and its membership is drawn from public, private sector and civil society organizations (CSOs).The new procurement law has provision for an autonomous appeals mechanism (Article 21), with committees at both district and national levels which are already operational. At both level levels, the committees are made up of 5 members-2 from central government (or from sub-national government), 1 from CSO and 2 from the private sector.

The Private sector Federation considers that complaints are dealt with promptly and they are content with the procedures. Reports on appeals and complaints are not currently made publicly available. Since data on resolution of complaints is not yet accessible to public scrutiny, a score of óAô cannot apply.

Score B

	Minimum requirements (Scoring Method M2).
PI-19 Competition, value of money and controls in procurement. (M2)	Score B (i). Available data on public contract awards shows that 82% of contracts above the threshold were awarded on the basis of open competition in 2006. Score A (ii). Justification for use of less competitive methods is weak or missing. Score C (iii). A process (defined by legislation) for submitting and addressing procurement process complaints is operative, including reference to an external Public Procurement Review Panel. Data on resolution of complaints is not yet accessible to public scrutiny. Score B

PI-20 Effectiveness of internal controls for non-salary expenditure

(i) Effectiveness of expenditure commitment controls.

We reviewed the expenditure commitment controls in the Ministry of Health, the Ministry of Education and the Office of Tourism and National Parks.

In each budget agency there are two officers who deal with commitments and maintain the accounting records. These are the budget officer and the accountant.

The budget officer maintains the commitment and payment records on Smartgov. The budgets are loaded in to Smartgov by the Information Communication Technology (ICT) Directorate in the Ministry of Finance each quarter and notification of the quarterly planning ceilings are provided to the budget officer, this is the cash budget. The budget officer records commitments at least for the direct payments. A quarterly report is provided to the relevant Director of Administration and Finance on the commitments and the balance available on each budget line. In addition, such reports can be provided from Smartgov at any time.

The accountant is responsible for maintaining the accounting records on Sage Pastel and for making cheque payments from the zero balance account at the central bank. This amounts to less than 20% by value of the payments made. The majority of payments are made by direct bank transfer.

All orders are authorised by the Director of Administration and Finance and by the Secretary General. In addition, internal audit staff review all expenditure undertaken each quarter in at least the main budget agencies, this will include confirming budgetary compliance. Finally, the Auditor General also reviews budgetary compliance in the agencies which are subject to audit each year.

As a result, expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception. A score of B is appropriate.

Score B

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.

The Organic Law on State Finances and Property (OBL) outlines the main internal financial controls. These are outlined in more detail in the Financial Regulations (Ministerial Order No.

002/07) and the *Manual of Government Policies and Procedures: Financial Management & Accounting* (issued in May 2007). However, none of the financial officials which we interviewed had ready access to any of these documents. In addition, they had not been provided with any training on the practicalities of these documents, although some training was planned for late July 2007 for the accountants and budget officers from each budget agency who would then be provided with copes of the *Manual of Financial Management*. In addition, in the first quarter of 2007 a one day general awareness workshop was organised for all Secretaries General and Directors of Administration and Finance on the Organic Budget Law.

Other internal control rules and procedures consist of a set of rules for processing and recording transactions, which are mainly understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance. As a result, a score of C is relevant.

Score C

(iii) Degree of compliance with rules for processing and recording transactions.

Cash books were being maintained by the accountants in the budget agencies which we visited. However, the Auditor General report for 2005 noted (page5) that, in some institutions, ñcashbooks are posted using bank statements instead of primary source documents like receipts and payment vouchers.

In one ministry monthly bank reconciliations had not been undertaken since December 2006 as the accountant had not been trained on the new software (Sage Pastel). In the other ministry bank reconciliations had not been undertaken since March 2007 (four months) due to a problem with the software. In her audit report for 2005 (page 5) the Auditor General stated that ñBank reconciliations are not prepared.ò

The bank reconciliations, when completed are reviewed and signed by the relevant Director of Administration and Finance and Secretary General. They are then submitted to the Ministry of Finance.

Non-compliance with established internal financial controls is reported to be widespread in reports from both internal auditors and the Auditor General.

Thus the core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures.

Score D

	Minimum requirements (Scoring Method M1).
PI-20. Effectiveness of internal controls for non-salary expenditure	Score D+ (i) Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception. Score B ii) Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance. Score C

	(iii) The core set of rules for processing and recording transactions are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures. Score D

PI- 21 – Effectiveness of Internal Audit

(i) Coverage and quality of the internal audit function

The Government Chief Internal Auditor, an Association of Chartered Certified Accountants (ACCA) member, was appointed a year ago. He has 12 direct staff and four temporary staff attached to the Ministry of Finance. Most of the internal auditors are seconded to line ministries, for example, health and education. There are also 54 internal audit staff in the autonomous agencies and one in each of the 30 districts. However, the most recent report of the Auditor General issued in October 2006 indicated that ñmost of the audited entities do not have internal audit functionsò. It should be noted, though, that the 2006 OAG report is reporting transactions that were undertaken up to October 2005 and the internal audit function (which is very new) has been developing since that date.

A comprehensive Internal Audit Charter is being finalised, this refers to the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. A consultant is also working with the Government Chief Internal Auditor to develop an internal audit manual.

A three day training session was provided in July 2007 for all the internal audit staff. Key areas covered included:

- risk based auditing
- legal and regulatory environment relevant to internal auditors such as OBL, Financial regulations and the new procurement law;
- professional ethics and international auditing standards
- budgeting process, external debt, cash planning and accounting consolidations (part of the objective of this session was to encourage a move from transaction testing to systems audit).

The internal audit staff do not undertake pre-payment checks.

The Government Chief Internal Auditor reports direct to the Secretary General of the Ministry of Finance & Economic Planning (MINECOFIN) and the annual audit plan is agreed with the Secretary General and the Minister.

We discussed the work of the internal audit staff seconded to the ministries of Health and Education. Much of the work is taken up with transaction testing. So half the time will be devoted to a 100% check of payment vouchers with additional work reviewing projects and tender documents. In addition, specific audit assignments are undertaken across budget entities. In the first quarter of 2007 this included 18 assignments many of which focused on systemic issues.

Although the most recent report of the Auditor General (for 2005 and issued in October 2006) states that ñwhere internal auditors are in place, their work is neither effective nor reliableò (Page 7), the quality of internal audit is likely to have significantly improved with the appointment of the Government Chief Internal Auditor.

The internal audit function is operational for at least the most important central Government entities and undertakes some systems review (at least 20% of staff time). However, it is accepted that further improvements are needed to ensure a systems approach is widely adopted. Thus a score of C is applicable.

Score C.

(ii). Frequency and distribution of reports

The Chief Internal Auditor prepares a business plan for the year which incorporates a fixed schedule of internal audit activities. Internal auditors follow this schedule. They also respond to ad hoc internal audit issues as they arise.

Reports are produced for individual internal audit assignments, for example, we reviewed a report on the Promotion of Youth and Adolescent Reproductive Health Clinic Project issued in April 2007 and another on the Fund to Assist Refugees and Genocide Survivors (FARG) issued in June 2007. Quarterly internal audit reports are produced for at least the main line ministries and we reviewed that of the Ministry of Education for the first quarter of 2007. Monthly internal audit reports are required for each of the local government districts. In addition, the Government Chief Internal Auditor also produces a quarterly summary report. We reviewed the report for the first quarter of 2007 issued in April which included summaries of the work of 18 internal audit assignments in a range of ministries.

The draft internal audit reports are issued to the auditee management who are given the opportunity to provide comments which are included in the final report. All internal audit reports are edited and issued by the Government Chief Internal Auditor. The final internal audit reports are sent to Secretary General and the Minister of the relevant ministry. In addition, all internal audit reports are sent to the Auditor General and to the Secretary General and the Minister of the Ministry of Economy & Finance.

The internal audit reports include executive summaries, conclusions and general recommendations. They are well structured providing observations, risks and recommendations for each of the audit findings. Detailed findings are provided in an appendix.

Internal audit reports are issued regularly for most audited entities, are distributed to the audited entity, the Ministry of Economy & Finance and the Auditor General for State Finances. A score of óAô is therefore appropriate.

Score A.

(iii). Extent of management response to internal audit findings

We were informed that relevant officers are provided with the opportunity to comment on internal audit reports and the draft Internal Audit Charter states that a debriefing meeting is held at the end of each audit assignment to provide the relevant officers with the opportunity to confirm the findings or provide their comments. The draft internal audit report is then sent to the relevant officers to enable them to again provide their comments. Auditees written responses are attached to the final audit report so that the authorities can get a balanced and unbiased picture of the audit findings for quality decision making. The officials that we interviewed in the Ministry of Health and Education were positive about the role of internal audit which they found useful.

In June 2006 the Chief Internal Auditor, on behalf of the Minister of Finance, wrote to MDAs to instruct them to prepare a report on the actions taken to implement recommendations presented in the internal auditorsô reports. A similar instruction was sent out in May 2007.

Score B.

	Minimum requirements (Scoring Method M1).
PI-21. Effectiveness of Effectiveness of Internal Audit	Score C+ (i). The function is operational for at least the most important central government entities and undertakes some systems review (at least 20% of staff time), but may not meet recognized professional standards. Score C. (ii). Reports adhere to a fixed schedule and are distributed to the audited entity, MINECOFIN and the Auditor General. Score A. (iii). Prompt and comprehensive action is taken by many (but not all) managers. Score B.

3.5. Accounting, recording and reporting

PI-22. Timeliness and regularity of accounts reconciliation

(i) Regularity of bank reconciliations

Prior to 2006, the Treasury did not maintain a cash book. Under these circumstances the bank statement for the Treasury account effectively acted as the cash book and so reconciliations were not possible. In late 2005 the GoR decided to establish a cash book for the Treasury Account and to introduce a process for reconciling the cash book records with the bank statements from this account. The cashbook is currently maintained on Excel spreadsheets and has yet to be integrated with SMARTGOV.

The GoR operates a zero balance accounting system with a Single Treasury Account (STA) and 77 sub accounts. The Treasury cash book records all receipts and expenses to and from the STA. Information on expenditures processed centrally (at least 80% of the expenditure) is input into the cash book from records of completed payment orders passed on to the BNR for payment. Information relating to receipts and other transactions (e.g. relating to Treasury Bills, bonds, letter of credit, etc.) is input from information provided in the STA bank statement from the BNR

Reconciliation of cashbook records with the bank statements for the STA is now carried out on a monthly basis. Staff in the Treasury receive daily bank statements from the BNR (each relating to transactions from two days prior) and reconcile the transactions therein with transactions recorded in the cashbook (Excel spreadsheet) each day. This information is summarised on a monthly basis and a monthly reconciliation statement is prepared.

Most central Government expenditure is still processed through the Treasury and reconciliation of cashbook and bank statements with regard to these transactions is carried out by the Treasury Team. Under the zero balance system, the expenditure process for some budget items (less than 20% by value for most budget agencies) has now been devolved to the management of budget entities and responsibility for reconciliation has passed to those entities also. The bank reconciliations are submitted to the Treasury if and when they are undertaken, but many of them are not undertaken regularly, for example, one ministry has yet to submit any bank reconciliations, another has not reconciled its bank accounts since the end of 2006 and a third ministry last reconciled its bank account at the end of March 2007. In addition, supporting documents, for example, copy bank statements, trial balances etc are not necessarily submitted.

The detail of the transactions processed through the Treasury for these items appears on the bank statement for the STA, but Treasury staff do not have independent records for these transactions. The cash book is, therefore, updated with respect to these transactions through data provided on the bank statement for the STA. Treasury reconciliation of these transactions is not possible and responsibility for reconciliation lies with the budget entities themselves. Similarly, the Treasury has no independent data on receipts and other transactions (e.g. relating to Treasury Bills, bonds, letters of credit, etc.) and the cashbook entries for these derive from bank statements of the STA and reconciliation is not possible.

The OTR account is not reconciled to the accounting information maintained on SmartGov or Sage Pastel on a regular basis. A reconciliation to the information on SmartGov was undertaken as part of the preparation of the consolidated financial statements for 2006.

Thus bank reconciliation for all Treasury managed bank accounts (in the sense of the single treasury account, the OTR account) takes place monthly, usually within 4 weeks from the end of the month. A score of B is appropriate.

Score B

(ii) Regularity of reconciliation and clearance of suspense accounts and advances.

Suspense accounts are not utilized. Advances are limited to those for travel when officers are away on business, when standard daily allowances apply from which they pay their own expenses. On return, officers must demonstrate they have been away on business for the number of days provided and must return unused allowances for any trips which are cut short. There are no generally applied guidelines on the expensing of travel allowances and differing informal rules operate in different institutions as a result. The view of the Internal Audit Department is that, in practice, reconciliation and clearance of advances takes place shortly after completion of each trip.

Score A.

	Minimum requirements (Scoring Method M2).
PI-22. Timeliness and regularity of accounts reconciliation	Score B+ (i) Bank reconciliation for all Treasury managed bank accounts take place at least monthly, usually within 4 weeks from end of the month. Score B (ii) Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward. Score A

PI-23 Availability of information on resources received by service delivery units.

(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.

The practice pertaining to the various mechanisms for transferring funds from central government to districts is clear. In this regard, there are three types of direct recipient of central government funds: district governments; particular categories of employees (e.g. teachers and health workers); and particular categories of service delivery providers (e.g. schools and primary health units). For example, while the Local Government Budget Support Fund (LGBSF) is transferred to the bank accounts of the respective districts, basic health service providersô accounts are credited directly with funds such as those of the ócommunity contractual approachô and ódistrict personnel motivation fundsö. In the education sector, ócapitation grantsô and óschool feeding resourcesô are sent directly to the accounts of schools, while salaries for teachers and basic health workers go directly to their bank accounts. A feedback mechanism exists in the health sector, for example, whereby service delivery centres send reports of fund transfers, performance and financial performance to a dedicated department in Ministry of Health (MINISANTE), and information sharing and monitoring and evaluation are further reinforced through a website that is accessible to authorised officers of the ministry.

Whilst information is available on most (if not all) *central government financial resources* received by primary schools and primary health clinics across the country (by virtue of central government resources being transferred direct to service provider accounts), the Team was presented with no evidence of routine data collection and/or accounting systems providing information on other types of resources (e.g. in-kind resources such as vaccines and school textbooks) received by service delivery units and no evidence that such information is compiled into annual reports. This means that a score of óAô or óBô cannot be allocated. The Team also saw no evidence of special surveys conducted within the last three years demonstrating the level of resources received in cash and in kind by either primary schools, primary health clinics or other primary service units in other sectors which means that a score of óCô cannot be allocated.

Score D.

	Minimum requirements (Scoring Method M1).
PI-23. Availability of information on resources received by service delivery units	Score D (i). No *comprehensive* data on resources to service delivery units in any major sector has been collected and processed within the last 3 years. Score D.

PI-24. Quality and timeliness of in-year budget reports.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Article 67 of the OBL requires the Minister of Finance to prepare monthly and quarterly reports of revenues, expenditures and the modalities of filling the budget deficit.

Over the last several years, MINECOFIN has produced periodic reports on in-year fiscal performance, including some information on budget performance. Typically these have included information on the performance of key fiscal indicators for which benchmarks have been established in the programme agreed with the IMF[39]. The driving force for these reports within the Government has largely been to ensure the agreed programme (including targets for expenditures) remains on-track and to facilitate quality discussion with the IMF over the

[39] From the beginning of 2006, an attempt was made to enhance fiscal reporting by producing a budget performance report in addition to the monthly Flash Reports which are essentially fiscal monitoring tools for the PRGF programme.

on-going management of the programme. The report for the period January to March 2006, for example, includes data and analysis relating to:

- overall revenue performance;
- realisation of external inflows;
- performance of major (recurrent) economic items of expenditure;
- public debt; and
- arrears.

The report also presents a table of actuals against budget (at an aggregate level) for line ministries and a similar table for districts (although the latter is based on transfers rather than actual expenditure). A more detailed table (programme aggregates for recurrent expenditure) is presented for six ministries. Actuals against budget is also presented for the development budget by ministry (although the óactualsô are derived from CEPEX).

Reports of this nature were produced on a regular basis until a key individual providing long-standing technical assistance left MINECOFIN. No further reports with such breadth of coverage were produced until the same individual briefly returned to Kigali in early 2006 (when the report referred to above was produced). Further in-year reports of this breadth and nature have yet to be produced although a budget out-turn report was produced for the first quarter of 2007 and one was being produced for the second quarter at the time of our fieldwork in July 2007. Regular Flash Reports, however, continue to be produced.

Although regular reports have not been prepared over the period in question, the above information demonstrates the quality of report that has been produced in the recent past and a score of óCô is therefore allocated.

Score = C.

(ii) Timeliness of the issue of reports

Since regular reports have not been produced over the period in question, a score of óDô is allocated.

Score = D.

(iii) Quality of information

There appears to be no material concerns regarding data accuracy.

Score = A.

	Minimum requirements (Scoring Method M1).
PI-24. Quality and Timeliness of in-year budget execution reports	Score = D+ (i). Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage (but not both). Score C. (ii). Regular quarterly reports have not been prepared over the period in question. Score D. (iii). There are no material concerns regarding data accuracy. Score A.

PI-25. Quality and timeliness of annual financial statements

(i). Completeness of the Financial Statements.

Article 70 of the OBL requires budget entities, local administrative entities and other public bodies to submit annual financial statements, including reports of subordinate organs to the Minister of Finance within one month of the end of the fiscal year, including a complete bank reconciliation statement where appropriate. Article 71 sets out the responsibility of the Minister of Finance to prepare a consolidated financial statement for general government and to submit this, on behalf of the Cabinet, to the Auditor General not later than 31st March of the year following that to which the accounts pertain. Budget agencies, local administrative entities and other public bodies are required to submit their accounts directly to the Auditor General by the same date. Article 72 requires all accounts reports, including those of local administrative entities and public bodies, to be classified and arranged in the same format as that for the respective budgets.

Discussions with the Auditor General, review of audit reports and review of various public financial management diagnostic material (e.g. the World Bank Country Financial Accountability Assessment, 2005) confirm, however, that the financial reporting function of Government is fundamentally weak. As a result, there has not been a tradition of producing regular management accounts and up to 2007, the Government had yet to prepare consolidated financial statements for years prior to 2006 which include a balance sheet. Likewise, most public entities have weak accounting systems and capacities for producing financial statements.

The Government has recently taken steps to address this with the establishment of a new post of Accountant General and through a dedicated programme to train public accountants within Government. New accounting rules and procedures have recently been prepared. Accounting Units have been established in each budget agency and are responsible for preparation of accounts and financial statements and submitting these to MINECOFIN. Recording of transactions is carried out using the Sage Pastel system. This is a continued area of weakness, however, as issues noted in the reports of the Auditor General and commentary in the CFAA remain.

To meet the new accounting requirements in the OBL, MINECOFIN has hired an international firm of accountants to assist the Government in preparing public accounts for 2006 and to construct a consolidated financial statement for the first time for the Government, local administrative entities and other public bodies. Sage Pastel accounting software had been installed in all relevant institutions at end 2006 to facilitate accounts preparation. Since there was insufficient time for training in the use of the software to be delivered to all institutions, reporting templates were designed and issued to all relevant institutions[40] for the purpose of 2006 accounts preparation and accounts were prepared and reported on through use of these templates. Institutions were also subsequently required to key data into the Sage Pastel accounting software[41].

A consolidated financial statement for the Government was finalized on 19th May 2007 and was approved by Cabinet on 31st May 2007 and subsequently submitted to the Office of the Auditor General on 5th June 2007. Given that this is the very first time that such an exercise has been carried out in Rwanda, it is not surprising that some inconsistencies in the accounts have come to light and the staff of the Accountant General is currently in the process of

[40] Up to and including 2006, an accounting system for the public sector had not existed, although a small number of institutions did operate their own accounting systems. Reporting templates were also issued to these institutions to ensure consistency in preparation of accounts across institutions.
[41] Except for the small number already operating their own accounting software.

working with institutions to address these issues. Notwithstanding this, the Auditor General is of the opinion that there is no essential information missing from the accounts that seriously hinders the audit process (although she also noted that this view is based on information from the early stages of the audit process which remains ongoing).

Score C

(ii). Timeliness of submission of the Financial Statements.

Since the consolidated financial statement was submitted to the Auditor General by 5th June 2007, a score of óAô is appropriate here.

Score A.

(iii). Accounting Standards Used.

The Government has adopted a ñmodified cash basisò for accounting as defined by Article 2 (20) of the Ministerial Order 002/07, and the standards to be applied are appropriately the cash International Public Sector Accounting Standards (IPSAS). The Accountant General informed the Team that whilst this standard has been *generally* applied. The Auditor General has tentatively confirmed this, based on information from the early stages of the audit process (which remains ongoing, as noted above).

The PEFA guidelines require this dimension to be scored against financial statements for the last 3 years. This is Rwandaôs very first consolidated set of accounts, however, and IPSAS standards appear to have effectively been applied, therefore, to annual accounts in every year in which they have been prepared (i.e. one year only). Since the IPSAS standard has been *generally* applied, a score of óBô has, therefore, been allocated.

Score B

	Minimum requirements (Scoring Method M1).
PI-25. Quality and timeliness of annual financial statements.	Score C+ (i). A consolidated government statement is prepared annually. Information on revenue, expenditure and bank account balances may no always be complete, but the omissions are not significant. Score C. (ii). The statement is submitted for external audit within 6 months of the end of the fiscal year. Score A. (iii). IPSAS standards (modified cash basis) are applied. Score B

3.6. External scrutiny and audit

PI-26: Scope, nature and follow-up of external audit

(i) Scope/nature of audit performed (incl. adherence to auditing standards)

The Office of the Auditor General of State Finances (OAG) came into existence in June 1998 under Law 04/98 which established the OAG as the supreme audit institution. Article 183 of the Constitution confers legal personality and administrative and financial autonomy on the OAG and requires the OAG to audit the finances and accounts of the State as well as local government organs, public enterprises and parastatal organizations, privatised state enterprises, joint enterprises in which the State is participating and Government projects. Prior to this, external oversight was carried out under the Court of Accounts. The Court of Accounts was effectively abolished with the promulgation of the new Constitution in 2003. A draft Audit Law is being developed to provide more detailed regulation of the OAG and its services and to replace Law 04/98 which is no longer in force.

Article 184 of the Constitution requires the Auditor General to submit a report to each Chamber of Parliament, prior to the commencement of the session devoted to the examination of the annual budget for the following year. The Auditor Generalôs report should indicate the manner in which the budget was utilized, unnecessary expenses which were incurred or expenses which were contrary to the law and whether there was misappropriation or general squandering of public funds. Copies of the report are to be sent to the President of the Republic, Cabinet, the President of the Supreme Court and the Prosecutor General of the Republic. Article 74 of the OBL requires that annual audit reports are published.

Article 79 of Constitution requires Government to submit annual accounts to the OAG and to Parliament within three months of the end of the financial year, and to submit a report on the implementation of the budget for the previous year, certified by the Auditor General, within 6 months of the end of the financial year.

The current Auditor General of State Finances was appointed in August 2004.

The executive summaries of the reports of the Auditor General for 2003, 2004 and 2005 are available on the website of the Office of the Auditor General. These do not include the opinion of the Auditor General on the financial statements of individual institutions which had been audited. In each case the reports were issued in the October of the following year. Auditor General reports are available in libraries and on request at the OAG.

The Auditor Generalôs report for 2005 notes that óto date the Ministry of Finance and Economic Planning has not produced State consolidated financial statementsô and, therefore, that the Auditor General ódid not carry out an audit of the State consolidated financial statementsô (page 2). The Auditor General also notes that óthe periods audited are not consistent with the Government financial yearô and that the Audit Report covers óthe audits concluded during the period November 2005 to October 2006[42].

The OAG only has 65 audit staff (relatively low by African standards) and only the Auditor General and the Deputy Auditor General are professionally qualified, although it is hoped that three other auditors will have completed their ACCA examinations in June 2007. It is not practical to out-source any of the work of the OAG due to the weakness of the local auditing profession and their lack of experience of public sector auditing (although there are now international audit firms with local offices in Kigali).

The Auditor Generalôs report noted that the following institutions were covered in the 2005 Audit Report (page 2):

		Number of Audits	**Total number of entities**
a.	Ministries and other Central Administration units	17	32
b.	Government Projects and Programs	18	Not known
c.	Local administration (Districts, before decentralisation implementation program)	9	106
d.	Autonomous and Semi ï autonomous Public Enterprises	24	50
e	Public schools	12	271
f	Embassies	-	14
Total		**80**	

[42] the Report of the Auditor General of State Finances for the year ended 31 December 2005 covers the audit work undertaken for the period November 2005 to October 2006. It is referred to in this document as the 2005 Audit Report.

As a result, the Auditor General estimates that less than half of the Governmentôs payments and receipts are audited each year.

The 2005 Audit Report notes that budget procedures, the management of bank accounts and a review of the internal control systems set up by the audited entities are covered in the report. Since most of the entities audited were not in the practice of producing financial statements, the audits were based on a review of bank statements and supporting documentation which inevitably constrains the work of the OAG and, consequently, the comprehensiveness of the audits carried out. In addition to the lack of financial statements, the Auditor General noted the following other persistent issues in her report for 2005:

- poor management of Bank accounts, including lack of reconciliation of bank statements;
- poor management of fixed assets, with some entities continuing to have no fixed assets registers or information to enable effective control over fixed assets,
- absence of title deeds for Government properties
- lack of segregation of duties
- poor compliance with tax procedure requirements;
- expenditure irregularities (relating to procurement and non-supported expenditure);
- failure to monitor activities of third parties in receipt of transferred funds;
- non-compliance with contractual terms;
- ineffectiveness of internal audit functions;
- failures in budgetary control;
- poor construction works;
- some unimplemented previous audit recommendations (and the need to establish audit committees in institutions to address this);
- limited capacity of Directors of Finance and Administration in most institutions;
- poor value for money in consultants; and
- a continued requirement for the training of accounting officers and board members.

The Auditor General states in the Report for 2005 (page 4) that the audit assignments were carried out in accordance with generally accepted auditing standards.

Only 17 out of 32 ministries and other central administration units were covered in the 2005 Audit Report. The 17 entities accounted for less than half of the 2005 budget/expenditure. As a result, D will therefore apply.

Score D

(ii) Timeliness of submission of audit reports to legislature

The Auditor General tabled the 2005 Audit Report before Parliament on October 4th 2006 in line with the Constitutional requirements. The reports for 2004 and 2003 were also issued in October of the following year. This was more than 8 months after the end of the financial year and a score of C is allocated.

Score C

(iii) Evidence of follow up on audit recommendations

The Report of the Auditor General for 2005 notes that: ñ[d]uring our audits, we assessed the implementation of our previous audit recommendations. I noted that many institutions made some remarkable efforts to implement the previous audit recommendations, however significant irregularities still persistedò (page 4). However, the report does not provide a detailed summary of the extent to which previous audit recommendations have been implemented.

Since 2006, the Government Chief Internal Auditor has been writing to MDAs instructing them to prepare a report on the actions taken to implement recommendations of the Auditor General. The team had the opportunity to review a sample of reports from MDAs in response to instructions issued by the Chief Internal Auditor on behalf of the Minister of Finance in June 2006 in which they explain the actions undertaken in those institutions in response to the Auditor General's recommendations relating to reports prepared for financial years 2003 and 2004. This demonstrates that there is effective and timely follow-up of these recommendations[43]. A similar exercise is being undertaken in 2007, with letters being sent to MDAs by both the Prime Minister and the Prosecutor General.

In addition, in the first quarter of 2007 the Government Chief Internal auditor undertook an exercise to ascertain the extent to which the recommendations from the Auditor General's report for 2004 had been implemented. Results had been received from 34 of the 57 institutions in July 2007.

Score A

	Minimum requirements (Scoring Method M1).
PI-26. Scope, nature and follow-up of external audit.	Score D+ (i) Audits cover central government entities representing less than 50% of total expenditures. Score D (ii) Audit reports are submitted to the legislature within 12 months of the end of the period covered. Score C (iii) A formal response is made, though delayed or not very thorough, but there is little evidence of systematic follow-up. Score A

PI-27: Legislative scrutiny of the annual budget law

(i). Scope of the legislature's scrutiny

Article 79 of the 2003 Constitution requires Cabinet to present the finance bill to the Chamber of Deputies before commencement of the Budget session (October 5th), to examine the proposed budget for the next financial year on the basis of the budget implementation report for the current year and to adopt the finance law.

Article 79 also requires, the President of the Chamber of Deputies to seek the opinion of the Senate on the finance bill before final adoption of the Budget.

Prior to 12 September 2006, the annual Finance Law (based on Decree-Law 23/79 and confirmed by Law 01/82) not only established the Government's budget for the following fiscal year, but also contained provisions normally catered for in an Organic Budget Law[44] (OBL). This situation changed in September 2006 when the new OBL came into effect.

Neither the 2003 Constitution nor the OBL make any specific provisions for the establishment of a budget or finance committee. Article 38 of the organic law establishing the procedures of the Chamber of Deputies[45], however, establishes 11 standing committees, including the Committee on Budget and National Patrimony. The responsibilities of this committee include issues related to:

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[43] The Auditor General report for 2004 was completed in October 2005. The Chief Internal Auditor's correspondence regarding MDA follow-up was issued within eight months of MDAs receiving these recommendations.

[44] Source = CFAA.

[45] Reference = *Organic Law N°06/2006 of 15/02/2006 Establishing Internal Rules of Procedure of The Chamber of Deputies in the Parliament*

- the use of the ‗national budget and patrimony';
- the report of the Auditor General of State Finances; and
- the reports of how the national property and finance are used;

As such the Committee on Budget and National Assets is responsible for reviewing the annual law on state finances. The Committee will normally examine in detail the budget proposals as adopted by the plenary session of Parliament. The Minister of Finance briefs the Committee on underlying macroeconomic assumptions, past year's performance and constraints, emerging challenges, new policy issues, the cost of strategic choices criteria on resource allocation, new tax measures if any etc. The committee members have an opportunity to raise issues which were not adequately addressed during the plenary session. After that, committee members discuss issues relating to the budget with staff from MINECOFIN and the leadership of line ministries, other government institutions, provinces and districts[46]. This is normally carried out over a period of 30 to 45 days. The Committee records daily proceedings (in Kinyarwanda), and makes a consolidated report at the end of the hearings which is presented to the Bureau of Parliament, and then to the Plenary Session of Parliament, where it is read by the Chairperson of the Committee, and is supplemented by information from the MoF where necessary., Normally, the recommendations will indicate which sectors have not performed well and why and sectors that have not received due attention in the resource allocation process and will advise MINECOFIN to find the additional resources for particular sectors as appropriate (without changing the level of fiscal deficit).

Article 39 of the OBL describes the information (in addition to details of proposed expenditures and revenues) that must be submitted to the Chamber of Deputies as part of the State budget document, which should include, inter alia:

- projected macroeconomic assumptions;
- the medium term budget framework;
- policy priorities under the proposed budget;
- new revenue and expenditure policies to be enacted through budget;

On presentation of the annual Finance Bill, a Background to the Budget[47] would normally be presented to the plenary indicating the macro-economic situation, available resources, expected expenditure, and the financing of the budget, although this document was not prepared, and therefore not presented to Parliament, for the 2007 Budget. When the plenary is satisfied with the background explanations given by the Minister of Finance through the Budget Speech then the budget is forwarded to the Budget Committee. The Presidency, Cabinet, Judiciary and other stakeholders are invited for a presentation of the budget. This is an open session, with invitations extended to a range of invitees, including both the Diplomatic Corps and the media.

All the 4 Senate Commissions must examine whether the Budget meets the national priorities in accordance with Article 9 of the national constitution. The 4 commissions are:-

- Commission Economique.
- Commission politique.
- Foreign Affairs and Security.
- Social Affairs.

The Commission Economique coordinates the exercise.

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[46] Ministries are represented by Ministers, Ministers of State, SG and relevant directors. Heads of semi-autonomous institutions are included. Provinces are represented by Governors, Executive Secretaries and key directors. Districts are represented by Mayors, Executive Secretariess and key directors.

[47] The Background to the Budget document is an improved version of the BFP addressing changes that have taken place between the time lag from submission of the BFP to Cabinet until information reaches Parliament.

When the Budget has been revised and the annual Budget Law is about to be voted on, the Minister of Finance presents the annual budget out-turn report to a sitting of the Senate and the Minister is questioned on significant variances. Ministry of Finance provides the reasons for any significant variances.

Since the Background to the Budget document was not presented to the Parliament in 2006 for the 2007 Budget, the legislatureôs review would not have properly covered the medium term fiscal framework, or medium term priorities, although its review does seem to have covered fiscal policies, aggregates for the coming year and detailed estimates of expenditures and revenues. Whilst a score of óAô is possible for this indicator, a score of óBô has been allocated because of the absence of the Background to the Budget document in 2006.

Score B

(ii). Extent to which the legislatureôs procedures are well-established and respected

The Parliament is highly organised and the Budget Committee has a comprehensive remit and its members are conscientious and experienced. At least three members have been members of the Committee for more than five years.

The Committee raises a number of issues relevant to budget documentation which are taken in to account by officials from MINECOFIN when developing this documentation for future years, for example, it was suggested that the narrative of the development budget could be expanded so that details are provided for individual development projects.

The responsibilities of the Budget Committee (Committee on National Budget and Patrimony) are specified in Organic Law N°06/2006 OF 15/02/2006 óEstablishing Internal Rules of the Chamber of Deputies in the Parliamentö. The procedures for the Budget Committee are also specified in this legislation in common with the procedures for all standing committees. Discussions with Ministry of Finance officials suggest that these procedures are generally respected.

Score B

(iii). Adequacy of time for the legislature to provide a response to budget proposals for both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle.

Article 68 of the organic law establishing the procedures of the Chamber of Deputies[48] specifies October 5th as the start of the Parliamentary session during which the draft budget law is examined. As noted above, Article 79 of the 2003 Constitution requires Cabinet to present the finance bill to the Chamber of Deputies before commencement of the Budget session. The legislature, therefore, has provision for over two months to review budget proposals.

The Budget Committee then has a series of sittings for around 30 days and then provides a summary report and recommendations to the Bureau of the Chamber of Deputies. The Bureau in turn reports to a plenary sitting of the Chamber of Deputies which then agrees the budget.

In 2006 the draft budget law was presented by the Ministry of Finance in October and the budget was finally ratified by the Chamber of Deputies in December.

[48] Reference = *Organic Law N°06/2006 of 15/02/2006 Establishing Internal Rules of Procedure of the Chamber of Deputies in the Parliament*

Score A

(iv). Rules for in year amendments to the budget without ex-ante approval by the legislature.

Article 11 of the 2006 Budget allows budget virement, but only within the same category of expenditure within the same entity. Budgets may not be transferred between salaries and other expenditures.

In September 2006, this provision was replaced by Article 51 of the OBL which makes provision for the Minister of Finance (subject to Cabinet approval) to authorise Chief Budget Managers to transfers funds between items óof the same categoryô within their appropriations, subject to a twenty (20%) per cent limit for any such item. All such reallocations must be notified in writing to the Minister who may withdraw authorisation at any time. The ócategoriesô within which such transfers may be made are to be defined through instructions to be issued by the Minister of Finance. Transfers beyond the approved limit and between broad categories of an institutionøs budget are permitted subject to Cabinet approval. Any transfers in excess of those authorised by the Minister of Finance may be retroactively approved by the Minister of Finance following approval from the Cabinet. Transfers from the ósalary and allowances lineô into óother ordinary budget linesô and transfers between óinstitutional budgetsô are prohibited unless otherwise approved by the Chamber of Deputies.

If a Chief Budget officer wishes to make a virement above the 20% limit, a request is made in writing to the Secretary General of MINECOFIN. In practice the authority is delegated to the Director of Budget. If the virement is approved it is actioned in SmartGov and no confirmation is sent to the line ministry.

The formal rules for in-year budget amendments by the executive, therefore, are clear. Transfers between institutional budgets (and from salaries and allowances to other items) by the executive is not allowed without recourse to the legislature. It is possible in principle, however, for the executive to substantially change the structure of the budget within an institution, depending upon how the Minister of Finance defines the term ócategoryô and/or the willingness of the Cabinet to approve transfers beyond the limit set (20%) and transfers between ócategoriesö. Information has not been provided to the Team on the extent to which, in practice, rules for transfers are respected and administrative reallocations occur. As a result, a score of óBô or óAô cannot be allocated.

Score C

	Minimum requirements (Scoring Method M1).
PI-27. Legislative scrutiny of the annual budget law.	Score C+ (i) The legislatureøs review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. Score B (ii) Simple procedures exist for the legislatureøs budget review and are respected. Score B. (iii) The legislature has at least two months to review the budget proposals. Score A (iv) Clear rules exist for in-year budget amendments by the executive, but information has not been provided to the Team on the extent to which, in practice, these are respected and administrative reallocations occur. Score C

PI-28: Legislative scrutiny of external audit report

(i) Timeliness of examination of audit reports by the legislature

Article 79 of the Constitution states that a report on the implementation of the budget, certified by the Auditor General of State Finances, will be submitted both houses of parliament before they consider the budget for the following year. The Auditor General makes a presentation of her report before a joint session of both houses of parliament, This last happened in October 2006. Following this plenary presentation, the audit report is placed before the standing committee responsible for the budget (the Committee on Budget and National Assets) for more detailed scrutiny. Last year a formal sub-committee of the House of Deputiesô Budget Committee reviewed the extent of implementation of the Auditor Generalõs recommendations.

The legislature is required to complete its scrutiny and to report on its findings and recommendations within six months of receipt of the audit (Article 184 of the Constitution).

On 11 May 2007, the Chamber of Deputies agreed a report and resolution on action to be taken in response to the Auditor Generalõs report for the financial year of 2005 which had been present to Parliament on October 4th 2006. The report had been developed on the basis of visits by members of Parliament to ministries and districts. A similar report had been presented to the Chamber of Deputies in September 2006 on the Auditor Generalõs reports for 2003 and 2004.

As scrutiny of audit reports is usually completed by the legislature within 12 months from receipt of the reports, the appropriate score is C.

Score C

(ii) Extent of hearings on key findings undertaken by the legislature

The Commission to review the Auditor Generalõs report from the Chamber of Deputies holds meetings at which each of the Secretary Generals of the ministries mentioned in the Auditor Generalõs report are questioned on the weaknesses outlined in the report. In addition, in 2007 the members of the Commission paid visits to the ministries and districts concerned. There are little or no *in-depth* hearings with problematic entities, however. This is an issue that the Chamber of Deputies is currently attempting to address, particularly through exposure of Committee members to international practice of the workings of similar committees in other countries. In addition, the Chamber of Deputies has agreed to establish a Public Accounts Committee.

A weakness in the process of legislative oversight is the fact that the Committee has only administrative support, with no technical support. As a result, staff members from the Office of the Auditor General are requested to spend time with the Committee to assist in understanding and interpreting its content.

Senate examines the Auditor General annual report and the ministers are questioned on the aspects referring to their ministry. The role of the Senate is mainly advisory to the Chamber of Deputies on what action should be taken as a result of the Auditor Generalõs report. The Senate may also request or direct the Auditor General to scrutinize particular Government activities in more detail (Article 184 of the Constitution).

Although hearings on key findings take place with responsible officers from the audited entities as a routine, since the Committee does not yet carry out hearings of an in-depth nature a score of óDô must be allocated.

Score D

(iii) Issuance of recommended actions by the legislature and implementation by the executive

The Constitution states (Article 184) that:

The institutions and public officials to which a copy of the annual repot of the Auditor General is addressed are obliged to implement its recommendations by taking appropriate measures in respect of the irregularities and other shortcomings which were disclosed.

As described above, the Budget Committee of the Chamber of Deputies establishes a Commission to prepare a report of its scrutiny of the Auditor General's annual report and makes a presentation of this to a plenary session of the Chamber. This report includes a series of recommendations which are then passed to the executive for action. The May 2007 report included 13 main recommendations which included, for example:

- Government services and institutions must take heed of the advice given by the Auditor General's Office
- moveable goods must be registered in appropriate books and each individual article coded
- the Government's debts must be recorded more clearly
- the Office of the Auditor General needs adequately qualified personnel in order to fulfil their mission properly.

The Chamber of Deputies agrees actions which are recommended to the executive, some of which are implemented, according to existing evidence. Thus a score of B is appropriate.

Score B.

	Minimum requirements (Scoring Method M1).
PI-28. Legislative scrutiny of external audit report	Score D+ (i) Scrutiny of the audit reports is usually completed by the legislature within 12 months from receipt of the reports. Score C (ii) Although hearings on key findings take place with responsible officers from the audited entities as a routine, the Committee does not yet carry out hearings of an in-depth nature . Score D (iii) Actions are recommended to the executive, some of which are implemented, according to existing evidence. Score B

3.7. Donor practices

D-1 Predictability of Direct Budget Support

(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the Government submitting its budget proposals to the legislature (or equivalent approving body).

The overarching framework for enhancing aid effectiveness in Rwanda according to the Paris Declaration principles[49] is the Aid Coordination and Harmonisation Framework (ACHA). Within the ACHA, the Development Partners Coordination Group (DPCG) (with Government representation and membership from heads of cooperation in bilateral and multilateral institutions) is the highest level coordination structure which seeks to harmonise programmes, projects and budget support with GoR priorities. A Budget Support Harmonisation Group (BSHG) was formed in 2003 under the DPCG. The BSHG is charged with monitoring the implementation of the Partnership Framework for Harmonisation and Alignment of Budget Support which outlines commitments in terms of macroeconomic stability, public financial management and policy formulation. Among other things, the Partnership Framework also establishes guidelines for interaction of the BSHG and donor partners in the budget process. This includes the following as presented in the table below.

BSHG / Donor Partner Event	Links with Budget Process
Joint sector reviews (1st quarter of year)	Examines progress, future plans and financing needs by sector. Feeds directly into preparation of Strategic Issues Papers and proposed MTEF allocations for the sector
First Joint Budget Support and Public Financial Management Review (March/April)	Examines status of macroeconomic framework, budget execution, performance of priority sectors, PFM and budget support predictability. Informs annual progress report of PRS. Contributes information to of BFP (and thereby to budget preparation).
Second Joint Budget Support and Public Financial Management Review (September)	Examines status of budget preparation. Forum for pledging budget support and disbursement schedule. Forum for preparing disbursement schedule for óon-budgetô project/ programme support (also to be captured in the DAD)

[49] The five principles under the 2005 Paris Declaration for Aid Effectiveness are: Ownership, alignment, harmonisation, managing for results and mutual accountability.

GBS planned and actual disbursements for 2005 and 2006 are presented below. Data for 2004 was not made available to the Team[50]. Having noted this, the Team was informed that GBS payments were delayed and, in some cases, suspended in 2004 due to political difficulties and it is safe to assume that the data for 2004 would show that GBS for that year would have fallen short of that planned *by at least* 5% (and almost certainly much more than this). As will be demonstrated below, both this dimension and dimension (ii) can be scored adequately with 2005 and 2006 data combined with an assumption that DBS for 2004 fell short of the plan by at least 5%.

GBS Planned and Actual Disbursements for 2005 (US$[a])

	DFID		WB		AfDB		EC		SIDA		Total	
	Planned	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**
Jan	13.24										13.24	-
Feb							8.07	8.07			8.07	8.07
Mar		13.24									-	13.24
Apr	13.00	13.00									13.00	13.00
May											-	-
Jun	14.40	14.40					11.48	11.48			25.88	25.88
Jul											-	-
Aug	13.84	13.84									13.84	13.84
Sep[											-	-
Oct											-	-
Nov	13.56	13.56						6.68	10.00	10.00	23.56	30.24
Dec			55.00	55.00	22.90	22.90	6.68		12.50	12.50	97.08	90.40
Total	**68.04**	**68.04**	**55.00**	**55.00**	**22.90**	**22.90**	**26.23**	**26.23**	**22.50**	**22.50**	**194.68**	**194.68**

Notes: a. Quarterly average exchange rates ($US/£ sterling, $US/Euro) have been used to convert DFID and EC GBS payments to dollar equivalent to enable GBS for all donors to be presented in a common format.

Source: External Finance Unit (EFU)

GBS Planned and Actual Disbursements for 2006 (US$[a])

	DFID		WB		AfDB		EC		SIDA		Total	
	Planned	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**
Jan	13.58										13.58	-
Feb		13.58									-	13.58
Mar									6.32		6.32	-
Apr	42.47	42.47					22.49				64.96	42.47
May									3.79		3.79	-
Jun					7.00			22.33			7.00	22.33
Jul											-	-
Aug											-	-
Sep[										10.70	-	10.70
Oct											-	-
Nov											-	-
Dec											-	-
Total	**56.05**	**56.05**	**-**	**-**	**7.00**	**-**	**22.49**	**22.33**	**10.11**	**10.70**	**95.65**	**89.08**

Notes: a. Quarterly average exchange rates ($US/£ sterling, $US/Euro) have been used to convert DFID and EC GBS payments to dollar equivalent to enable GBS for all donors to be presented in a common format.

Source: EFU

The above data demonstrates that the actual outturn of budget support fell short of that planned in 2006 by 6.9% but that all budget support planned for 2005 was disbursed within

[50] Data for 2005 and 2006 was provided by the External Finance Unit (EFU) of MINECOFIN. The EFU did not have a record of disbursements for 2004. The Team wrote to the GBS donors to request monthly disbursement information but was unsuccessful in achieving all the data that was required for this indicator from that source. Data for 2005 and 2006 from the EFU is therefore used to score the indicator.

that year. With the assumption that 2004 GBS disbursement fell short of that planned *by at least* 5%, a score of B is allocated to this indicator (in no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 10%).

Score B.

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

Monthly disbursement schedules for DBS were agreed with donors before the start of 2005 and 2006 respectively. Applying the calculation model, provided by the PEFA Secretariat, to the quarterly GBS data in the above two tables demonstrates that there were no in-year disbursement delays for GBS in 2005 and a cumulative (weighted) delay of 17.8% in 2006. A score of A is therefore allocated.

Score A.

	Minimum requirements (Scoring methodology: M1)
D-1 Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature	Score B+ (i). In no more than one of the last three years has direct budget support fallen short of the forecast by more than 10%. Score B. (ii). Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursement delays (weighted) have not exceeded 25% in two of the last three years. Score A.

D-2 Financial information provided by donors for budgeting and reporting on project and programme aid

(i) Completeness and timeliness of budget estimates by donors for project support.

Notwithstanding the recent efforts by both the donors and the Government with regard to the aid harmonisation agenda, discussions with CEPEX demonstrate that the provision of information on a timely basis and according to a classification system that is consistent with that of the Government by donors remains a major problem in Rwanda. It is the view of CEPEX that comfortably less than half of donors provide budget estimates for disbursement at least three months prior to the start of the coming fiscal year. A score of D is therefore allocated.

Score D.

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.

Whilst substantial efforts are being undertaken by the Government and the donors to improve reporting information with regard to donor disbursements (e.g. through the establishment and active maintenance of the DAD), discussions with CEPEX make clear the fact that timely reporting by donors and reporting according to a classification consistent with that of the Government on disbursements undertaken remains a significant problem. It is the view of

CEPEX that quarterly reports are not produced by donors for at least 50% of externally-financed projects in the budget within two months of end of quarter. A score of D is therefore allocated.

Score D.

	Minimum requirements (Scoring methodology: M1)
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	Score D (i). Not all major donors provide budget estimates for disbursement of project aid at least for the governmentôs coming fiscal year and at least three months prior to its start. Score D. (ii). Donors do not provide quarterly reports within two months of end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget. Score D.

D-3 Proportion of aid that is managed by use of national procedures.

(i) Overall proportion of aid funds to central government that are managed through national procedures.

The following table has been derived from a similar table presented in OECD *2006 Survey for Monitoring the Paris Declaration*. It shows ODA provided to the Government sector from each of the major donors during 2005 (the latest year for which such complete data is available).

	Aid disbursed for gov. sector (USD millions)	**PFM systems**				
		Budget execution (USD millions)	**Financial reporting (USD millions)**	**Auditing (USD millions)**	**Procurement systems (USD millions)**	**Proportion using National Procedures[a] (%)**
African Dev. Bank	39.50	24.00	24.00	24.00	24.00	60.76
Belgium	15.30	0.00	13.80	10.00	11.40	57.52
Canada	2.60	0.00	0.00	0.00	0.00	0.00
European Commission	93.90	26.00	26.00	26.00	25.80	27.64
France	3.20	0.00	0.00	0.00	0.00	0.00
Germany	12.70	4.70	4.70	4.70	4.70	37.01
Global Fund	30.00	0.00	0.00	0.00	30.00	25.00
IFAD	7.30	0.00	0.00	0.00	0.00	0.00
IMF	2.90	2.20	2.20	2.20	2.20	75.86
Japan	2.00	0.00	0.00	0.50	0.50	12.50
Netherlands	15.00	0.00	0.00	0.00	0.00	0.00
Sweden	21.30	16.00	16.00	16.00	16.00	75.12
Switzerland	2.30	1.50	1.50	1.50	1.50	65.22
United Kingdom	81.30	67.40	70.80	70.80	70.80	86.04
United Nations, Total	28.50	0.00	0.00	0.00	2.90	2.54
United States	84.40	0.00	0.00	0.00	0.00	0.00
World Bank	111.70	65.00	65.00	65.00	65.00	58.19
Total	**553.90**	**206.80**	**224.00**	**220.70**	**254.80**	**40.91**

Note: a. Figures in this column are calculated by averaging the percentages of funds from column 1 using national systems for each of the four areas of execution, reporting auditing and procurement respectively.

Score D

	Minimum requirements (Scoring methodology: M1)
D-3 Proportion of aid that is managed by use of national procedures	Score D Less than 50% of aid funds to central government are managed through national procedures. Score D.

4: Government reform process

The PFM reform achievements over the last decade in Rwanda have been wide ranging and impressive given the circumstances, resources and capacities of the country during this period and the nature and extent of the reform challenges facing the Government. In the course of carrying out this assignment, it has been difficult not to be impressed by both the recent and on-going individual and collective efforts at modernising Rwandaôs PFM system. The scale of the reforms which have been attempted would have been daunting for any well-resourced OECD Government (and much of the process would still be underway). The fact that many of the reforms have still to be completed and/or substantially implemented (as reflected in some of the PEFA scores) is a reflection of the scale of the challenge. The achievements to date with the resources available are, in many ways, remarkable. Establishing from scratch external and internal audit functions in a country where these have not previously existed and where there is little traditional of accounting (and where there are still very few internationally qualified accountants), for example represents an achievement in itself. The PEFA scores for the associated indicators for these (and other) areas mask much of the achievement that has been made in the relatively very short time since their inception. The effort and intent that have been evident to the PEFA team in these areas are replicated in many other reform areas, which have already fed through, in many cases, into positive PEFA scores. The establishment and operation of the RRA is an obvious example. The establishment and implementation of (modern) budget and MTEF processes provide other very good examples of reforms that are both new and modern and that have already fed into high PEFA scores. The fact that a high PEFA score for accounts reconciliation (PI-24) has been achieved in an environment where the institutional architecture and tools to permit timely and reliable accounts reconciliation did not exist until very recently provides a powerful example of the breadth of effort that has been applied to the reform process over recent years. Low PEFA scores for accounts preparation and associated reporting (PI-24 and PI-25) also mask the scale of the challenge facing the Government and the corresponding efforts of the Government to meet this challenge. The timing of the research for this first PEFA for Rwanda, in fact, has been such that it has seen the completion of the GoRôs very first consolidated financial statement. The breadth of the PFM reform programme in Rwanda also incorporates an ambitious and far-reaching decentralisation programme. Low PEFA scores for some aspects of relations with SN governments reflect the fact that the decentralisation reforms still have some way to go and also the fact that reporting arrangements still have to catch up properly with the realities of decentralisation achievements to date. In brief, there are very few (if any) countries in the world that have been faced with, and have responded to, such a wide-ranging set of reform requirements with such limited resource availability. The scores for the PEFA indicators must be interpreted with these facts in mind for a clear understanding of their meaning.

Notwithstanding these achievements, however, the scale and breadth of the PFM reform programme inevitably comes at a price. With so many activities going on in so many areas, prioritisation becomes difficult and individuals and institutions can become overwhelmed to the extent that particular priority activities may not receive the attention that they require in a sufficiently timely manner. In the course of carrying out the PEFA assessment, the Team has benefited greatly from the time it has spent with officials of the Government in coming to understand the workings of the PFM system in Rwanda ï time that those officials have been scarcely able to spare given the demands of the reform programme and those of their day-to-day work. Whilst the PEFA itself has been one of several high-profile priorities of the Government, progress has been constrained by the many other reform priorities in front of the Government. Perhaps one of the greatest challenges now facing the Government is the risk of óreform fatigueô. The PEFA assignment itself provides an opportunity to address this. With the performance of the PFM system having been benchmarked comprehensively (at a high level) for the first time, the Government now has an opportunity to consider its reform programme in the light of this performance. In particular, it raises the opportunity of reconsidering relative reform priorities within available resources through a review of the reform programme in the light of the PEFA scores achieved in this first assessment.

4.1. Recent and on-going reform measures

PFM reform progress took a significant step forward with the promulgation of the Organic Budget Law in September 2006. Following its enactment, implementation instruments followed suit namely, the Financial Regulations that became operational in February 2007 and the Manual of Financial Management and Accounting that was published in May 2007. A number of measures were taken to implement these instruments, including design and dissemination of new reporting formats for both central and local governments and undertaking a series of sensitization and training workshops. This provides the framework for substantially improved financial reporting at all levels of government. It also continues to raise awareness about the importance of PFM in general, has consolidated the existing reforms and provides the legislative framework for the production of the first ever consolidated government financial statements that were produced in May 2007.

The following presents a brief summary of recent and ongoing PFM reforms in addition to the promulgation of the OBL.

Budget Reforms:

- Development and recurrent budget integration envisages the revision of economic classification of capital expendures to allow integration with recurrent budget. This has been done within the new Chart of Accounts and 2008 budget will be prepared with revised economic classification.
- Modification of the budget format to allow integrated presentation to allow for partial integration of development budget programs and sub-programs. This is has been done and it is expected that the 2008 budget will be prepared under the new format.
- Monitoring of extra-budgetary expenditures- the objective is to design a system of capturing and monitoring of own resources and expenditures outside the budget system. Although information on extra budget resources is being progressively collected, there is no system as such that has been put in place to ensure maximum compliance from agencies. The issue continues to be addressed.
- Capture and integrate development budget execution reports simultaneously on the Smartgov. The application has been designed by Director of ICT in MINECOFIN and efforts to train and sensitize users are on-going.
- Strengthening of performance based budgeting. A key objective is to ensure that the MTEF structure allows monitoring of Economic Development and Poverty Reduction Strategy (EDPRS) and sector policy implementation. A second objective is to update the criteria for priority expenditure to monitor implementation of the EDPRS through the Annual Budget. Thirdly, training programs have been designed, destined for reinforcing planning units at central and local government levels, including training in costing. Training programs have already been carried out.

Treasury:

- Establishment and operationalization of the Single Treasury Account (STA). The objective is to consolidate achievements in implementation of the zero balance account system and extend its coverage to province, districts and project accounts in the short term.
- Improvements in quarterly cash-flow planning are ongoing.
- Elimination of dormant accounts to manage better liquidity levels and improve monitoring system of government bank accounts. This has been completed.

- Reconciliation of the main treasury account system – objective is to avoid discrepancies in fiscal and monetary reports, liquidity management and improve the government's fiscal stance. The reform has been ongoing since 2005.
- Monitoring of movements of project accounts in the banking system, in collaboration with BNR, with the aim of generating adequate information for monetary policy management.
- Efficient debt management system – the objective is to maintain the debt sustainability analysis, while the reconciliation of the debt databases in MINECOFIN and BNR is also undertaken and completed.

Public accounts:

- Produce consolidated government financial statement - work has been completed, awaiting dissemination.
- Produce monthly, quarterly and annual financial reports. The exercise is ongoing for all government entities including local governments, with ongoing work for consolidation of the same by the Accountant General Office.
- Capacity building program for GoR accountants and internal auditors with the aim of creating sustainable capacity for public accounting and internal audit in Government Institutions. The training program is two-fold: short-term for skills enhancing and long-term for professionalizing these staff.

Procurement:

- Establishing a legal framework reflecting procurement best practice. This has recently been achieved.
- Adopting a law establishing Rwanda Public Procurement Regulatory Authority. Draft law is in Parliament awaiting adoption;
- Draft other legal texts that will facilitate implementation of the Procurement Code and the Rwanda Public Procurement Regulatory Authority (RPPA). The exercise is ongoing – operationalization of the RPPA-draft roadmap has been prepared and is under discussion in the Procurement Task Force;
- Restructuring of the tendering process will commence after adoption of the law establishing the RPPA.
- Develop Procurement Operational Tools for all budget agencies – final versions of standard bidding documents have been prepared and will be disseminated soon.

Internal Audit;

- Setting up a streamlined internal audit function across the government. Terms of reference have been drafted and a consultant undertaking the work has already been mobilised.
- Developing annual audit plans and internal audit programs. This has been achieved.

ICT:

- Implementation of the Smartgov to replace the SIBET in 2006 with accounting module is already functional.
- Integration of budget execution of donor funded projects is envisaged for the immediate future, as well as creating interface with DAD in External Finance Unit.

4.2. Institutional factors supporting reform planning and implementation

The PFM reform agenda is integral to the achievement of the goals of the Vision 2020, EDPRS and Millennium Development Goals (MDGs). It underpins the ingredients embodied in the first pillar of the vision namely, "Good Governance and a Capable State".

Consequently, all key policy documents and implementation strategies have to articulate the contribution of PFM reforms as a cross-cutting issue.

PFM reform, therefore, is thus backed by a strong political will, clear visioning process, dissemination and sensitization of planning guidelines at central and sub-national government levels and a clear and consultative budgeting process. The Decentralization Policy and Fiscal Decentralization policies and the subsequent laws governing intergovernmental fiscal relations continue to generate great impetus for deepening of economic and governance reforms including PFM reforms, through improved coordination of planning and budgeting processes. Further, PFM reforms are heavily supported by the donor community through, but not limited to, provision of direct budget support, technical assistance and being part of the consultative processes that have led to aid harmonization, alignment and birth of the PEFA assessment framework. In this regard, IDA spending on PFM reforms includes the funding of a multi-million dollar capacity building fund which is operated through an institution purposely created for this, the Human and Institutional Development Agency (HIDA).

The newly established OBL provides for adequate legal and institutional arrangements for sound PFM reform as discussed in Section 2.3.

The implementation and coordination of PFM reforms are further enabled through the establishment of PFM governance structures namely:

- National PFM Reforms Steering Committee
- Technical Secretariat
- Management Committee
- Sub-committees

The *National PFM Reforms Steering Committee* comprises representation from the following institutions:

- MINECOFIN
- MINALOC
- HIDA
- RRA
- OAG
- MIFOTRA
- BNR

The *Technical Secretariat* is coordinated by a Reforms Coordinator who was appointed in the last quarter of 2006, and is supported by staff from key departments, under the auspices of the Accountant Generalõs Office in MINECOFIN.

The *Management Committee* comprises the Accountant General, PFM Reform Coordinator, HIDA and representatives from sub-committees.

The *Sub-committees of National PFM Steering Committee* are as follows:

- *Financial Management and Accountability*, comprising Internal Audit, External Audit, Accounting and ICT departments
- *Planning, Budgeting and Fiscal Decentralization* comprising Development Planning, Budget and IGFR Departments
- *Procurement Reforms in the NTB*, managed by the relevant task force

The office of the Accountant General, as delegated by the MoF is the chief technical custodian of the OBL and is responsible for systems assurance in treasury, public accounts and auditing as well as overseeing reforms in budgeting and procurement. His office is responsible for issuance of directives circulars, designing of training programs and identifying capacity building gaps and consolidation of financial reports of government.

Government leadership and ownership of the PFM reform programme, therefore, is very strong. Political support is evident and appropriate (and inclusive) institutional structures and organisational arrangements have been established. Key public documents (e.g. Vision 2020, EDPRS) clearly articulate the importance of PFM reforms and require all key policy documents to articulate the contribution of PFM reforms. Whilst technical assistance does support the reform process in general and the management arrangements for the reform process in particular (e.g. through the PFM Reform Coordinator) the process is largely driven by government experts.

The main threat to sustainability, as noted above, is the risk of ‘reform fatigue’ – expectations that too much can be achieved with existing resources in too little time.

Appendix 1: Summary and Explanation of Indicator Scores

	Score	Explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	Actual expenditure deviated from budgeted expenditure by an amount greater than 5% in two out of the last three years, but by less than 10% in all of the last three years.
PI-2. Composition of expenditure out-turn compared to original approved budget	D	Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in at least two out of the last three years.
PI-3. Aggregate revenue out-turn compared to original approved budget.	A	Actual domestic revenue exceeded the budgeted amount by 10% in 2004 and by 6% in 2005 and 2006.
PI-4. Stock and monitoring of expenditure payment arrears.	D+	The stock of arrears exceeds 10% of total expenditure. Score D and data on the stock of arrears is generated annually.
PI-5. Classification of the budget	A	Budget formulation and execution is based on functional, administrative, economic, and programme (plus sub-programme) classifications. Although some inconsistencies do exist in the existing classification detail, the current classification system is broadly consistent with GFS/COFOG standards.
PI-6. Comprehensiveness of information included in budget documentation.	D	The provisions in the OBL would be sufficient for a score of óAô. Based on 2005, the score for this indicator would be óCô. For 2006, however, partly as a result of the absence of a BFP, none of the 9 benchmarks was fulfilled and a score of óDô, therefore, applies. It should be noted, however, that this is an indicator for which the score could quite easily and quite quickly improve given the existing MTEF infrastructure and the practice until 2006 of preparing a detailed BFP.
PI-7. Extent of unreported government operations	D+	MINECOFIN data show extra-budgetary revenue to be around 4% of total expenditure. More than 50% of grant-funded projects are included in fiscal reports and information on loan-funded projects is captured through CEPEX systems.
PI-8. Transparency of Inter-Governmental Fiscal Relations	B	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent and rules based systems. Based on discussions with district government representatives in May and ceilings from MINECOFIN, line ministries communicate information on likely grant allocations to district governments around during July / August. Information on the likely resources from the CDF is passed on to the districts around August. SN government financial reporting to central for 2006 was not consistent with central government sectoral reporting (although 2007 appears to be).
PI-9. Oversight of aggregate fiscal risk from other public sector entities	D+	All major AGAs and PEs submit financial reports to Government annually. Government representatives on the governing boards of the major AGAs and PEs óoversee the interests of the Governmentô. Accounts for most PEs are audited by external auditors and accounts

		for AGAs are audited by the OAG. Brief reports are prepared by a unit in the Treasury focusing mainly on dividend payments. Otherwise, information relating to fiscal risk associated with AGAs / PEs is not consolidated into reports. Although local governments are now required to provide financial reports in standard format to the central government, as yet there are no formal arrangements for this information to be monitored or consolidated into reports.
PI-10. Public Access to key fiscal information	C	Public access to key fiscal information is poor. The report of the OAG is made public (although only through presentation to Parliament and on request from the OAG), but none of the other 6 types of information are currently accessible to the public. With regard to in-year budget execution reports and end-year financial statements, lack of public access is a function of the fact that these documents have not been prepared in the first place.
PI-11. Orderliness and participation in the annual budget process	B+	A clear budget calendar exists and has been generally adhered to in the years immediately prior to 2006, although there was some slippage in 2006 (plus the absence of a BFP in that year) and slippage in completion of final proposals in previous years. The budget circular is comprehensive and clear and includes ceilings for the recurrent budget. Cabinet-approved ceilings are issued before finalisation of submissions by MDAs. The last 3 Budget Laws were all approved by the legislature and gazetted before the end of the previous year.
PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	Whilst forecasts of fiscal aggregates for the forthcoming MTEF period were carried out, a BFP describing the link was not prepared and the MTEF collapsed into an annual budget process. DSAs have been undertaken in each of the last two years. Costed sector strategies exist for sectors representing approximately 28% of primary expenditure. Recurrent cost implications of investment decisions are only included in forward budget estimates for health and education.
PI-13 Transparency of Taxpayer Obligations and Liabilities	A	Taxpayersô obligations are clearly spelt out in five key pieces of legislation and are further articulated through Ministerial Orders and Commissioner General Rules. The RRA has a dedicated Taxpayer Services Division which ensures all relevant information on tax obligations, liabilities, etc. is made readily available in an accessible format to the general public. An appeals mechanism exists, although some issues relating to fairness need to be addressed.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B+	A unique TIN is assigned to each taxpayer for identification and compliance purposes but is not linked with other registration/licensing functions. Penalties are sufficiently high for deterrence and are consistently administered. Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan.

PI-15 Effectiveness in collection of tax payments	D+	Formally, debt collection efforts are extremely poor and total arrears are high because legislation requires ónon-collectibleô taxes to remain on the books of the RRA. This will change once draft legislation which allows ónon-collectableô arrears to be removed from the books is enacted. Tax payments are made either through commercial banks or directly to RRA headquarters. Transfer to the Treasury is efficient and reconciliation is regular and timely.
PI-16. Predictability in the availability of funds for commitment of expenditures	B+	An annual cash plan is prepared and updated quarterly. MDAs are provided reliable information on commitment ceilings at least quarterly in advance. Significant in-year adjustments to the budget are normally restricted to one budget revision which requires Parliamentary approval.
PI-17 Recording and management of cash balances, debt and guarantees.	B	Domestic and foreign debt records appear to be complete and reconciled each quarter. Reports do not include information on debt stocks. Operation of the STA results in daily calculation and consolidation of all cash balances. The Minister of Finance exercises sole authority to borrow, but clear limits consistent with provisions in the OBL still have to be established.
PI-18. Effectiveness of payroll controls	D+	The payroll is regularly updated with changes in personnel information, with some delays in a minority of cases. Retroactive adjustments are frequent with MIFOTRA-operated payrolls, but are rare for Defence and Police payrolls. Authority to change the MIFOTRA-operated payrolls is both restricted and clear, although the audit trail is weak. No payroll audits have taken place in the last three years.
PI-19 Competition, value for money and controls in procurement.	B	NTB data show that 73% of contracts were let on the basis of open competition in 2006. Procurement rules require open competition and state when less competitive methods of procurement can be used. NTB records on do not consistently and clearly justify cases of single source tendering. A process (defined by legislation) for submitting and addressing procurement process complaints is operative, including reference to an external Public Procurement Review Panel. Data on resolution of complaints is not yet accessible to public scrutiny.
PI-20. Effectiveness of internal controls for non-salary expenditure	D+	Commitment and payment records are maintained on Smartgov and Internal Audit and OAG staff review expenditure for budgetary compliance. The OBL, FRs and a manual describe the main internal financial controls, although lack of availability of documentation and training suggests these have yet to be properly implemented in practice. Non-compliance with established internal financial controls, however, is reported to be widespread in reports from both internal auditors and the Auditor General.
PI-21. Effectiveness of Internal Audit	C+	The internal audit function is operational for at least the most important central Government entities. Much of the work is taken up with transaction testing, although some specific audit assignments focus on systemic issues.

		Internal audit reports are well structured providing observations, risks and recommendations for each of the audit findings. Quarterly reports are produced for the main line ministries and a quarterly summary report is produced by the Chief Internal Auditor. Line ministry officials are positive about the role of internal audit. Prompt and comprehensive action is taken by many (but not all) managers in response to audit recomendations..
PI-22 Timeliness and regularity of accounts reconciliation	B+	Bank reconciliation for all Treasury managed bank accounts take place monthly, usually within 4 weeks from the end of the month. No suspense accounts or advances are utilised.
PI-23. Availability of information on resources received by service delivery units	D	Systems for transfer of central government resources direct to the accounts of primary schools and basic health units provide information on a substantial component of resources received by service providers. There is no systematic collection, however, of information on *all* resources (financial and otherwise) received by service providers and no special surveys have been carried out in the last three years.
PI-24. Quality and Timeliness of in-year budget execution reports	D+	The OBL requires the preparation of monthly and quarterly budget reports. Regular in-year budget reports (other than Flash Reports) have not been consistently produced over the last several years and have not included information on all aspects of budget execution when they have. The last reasonably comprehensive report was prepared for the period January to March 2006. There were no material concerns over the accuracy of the data in this report.
PI-25. Quality and timeliness of annual financial statements.	C+	The accounting function in Rwanda has been weak and there has been little tradition of account keeping in the GoR. To meet the new accounting requirements in the OBL, MINECOFIN hired an international firm of accountants to assist the Government in preparing public accounts for 2006. Rwandaǿs first consolidated government statement was presented to the Auditor General in June 2007. Some information on revenue, expenditure and bank account balances appears to be complete, but the omissions are not significant. IPSAS standards (modified cash basis) are applied..
PI-26. Scope, nature and follow-up of external audit.	D+	To date, it has not been possible for the OAG to audit consolidated financial statements or to provide an opinion on the financial statements of individual institutions because of their absence. 17 out of 32 institutions, accounting for less than 50% of total expenditures, were covered in the latest audit report. Audit reports have been presented to Parliament within the statutory required timeframe, but more than 8 months after the end of the period covered. Actions are taken to implement the Auditor Generalǿs recommendations.
PI-27. Legislative scrutiny of the annual budget law.	C+	The legislatutureǿs review would normally cover fiscal policies, medium term fiscal framework, medium term priorities, and details of expenditure and revenue,

		although the absence of a Background to the Budget in 2006 meant that the medium term fiscal framework and medium term priorities may not have been covered well in that year. The legislature has over two months to review budget proposals. Clear rules exist for in-year budget amendments by the executive, but information has not been provided to the Team on the extent to which, in practice, these are respected and administrative reallocations occur. Simple procedures exist for review of the budget and are generally respected.
PI-28. Legislative scrutiny of external audit report	D+	Scrutiny of audit reports is completed within 12 months of their receipt. Although hearings on key findings take place with responsible officers from the audited entities as a routine, the Committee does not yet carry out hearings of an in-depth nature. Actions are recommended to the executive, some of which are implemented.
D-1 Predictability of Direct Budget Support	B+	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 10%. There were no in-year disbursement delays for GBS in 2005 and a cumulative (weighted) delay of only 17.8% in 2006.
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	D	Less than half of donors provide budget estimates for disbursement at least three months prior to the start of the coming fiscal year. Quarterly reports are not produced by donors for at least 50% of externally-financed projects in the budget within two months of end of quarter
D-3 Proportion of aid that is managed by use of national procedures	D	Less than 50% of aid funds to central government are managed through national procedures

Appendix 2: Meetings

Andre Habimana	Director DPU
Anicet Habimana	Clerk to Parliament
Apollinaire Muyango	Director, Currency & Banking Department, BNR
Arif Ghauri	DFID
Asimwe Onesmus	Accountant, MinEduc
Atanase Nzayisanga	Audit RRA
Augustus Seminega	Executive Secretary, NTB
Ayinkamiye Speciose	Vice-Chairperson, Economic Commission, Senate
Ben Kagarama	Commissioner, Large Taxpayers Division, RRA
Benard Ndungu	PWC, Nairobi
Biraro Obadiah R	Deputy Auditor General
Bisa Octavia Samali	MinPla
Bizimana Jazan	Public Debt Department, Minecofin
Caleb Rwamugana	Minecofin
Ceasar Nkusi	Director Finance, RRA
Charles Lwanga	Director Planning & Research, RRA
Christian Shingiro	Budget Support Specialist, External Finance Unit
Christine NYIRANSHIMIYIMANA	Officer, Budget Department, Minecofin
Clare Mukayisa	DAF, Mineduc
Claude KANYAMAHANGA	PIP Consultant, Minecofin
Claude SEKABARAGA	Director of Planning, Minisante
Claver Yisa	Director Planning, MinEduc
Dan Zitunga	Consultant, Minecofin
Dr Louis RUSA	Coordinator, Performance Based Budgeting (Contractual Approaches), Minisante
Duncan Overfield	DFID
E. Rugamba	DAF, CDF
Edmond Linguye	Director Finance, Mindef
Elias Baingana	Director Budget, Minecofin
Emmannuel Gatari	Head Procurement, NTB
Emmannuel Kabanda	DAF, MinSante
Emmanuel Hategeka	Executive Secretary, RSFP
Eugene Torero	Deputy Commissioner and Commissioner Customs, RRA
Evelyn Kamagaju Rutagwenda	Auditor General
Fidel Ngerero	Audit, RRA
Francois Nkurikiyimfura	Director Treasury, Minecofin
Fred Mujuni	Director General, Internal Audit, Minecofin
Fred Quarshie	Economic Adviser, Minecofin
George Byamukama	Director Local Government Finance Unit, Minaloc
Gerald Nkusi Mukubu	Director Taxpayer Services, RRA
Hadija Murangwa	Director Legal Services, RRA
Isale Murashi, MP	VP, Budget Committee, Chamber of Deputies
Isungi Rwibikombe	AIP Salary, Police
James Billing	Mifotra
James Katabazi	Director One Stop, RIEPA
Janet Nyiraziroro	Minecofin
Jean Barbe	European Union
Jean Bernard RUZIGA	Director Administration, Personnel & Salaries (MIFOTRA)
Jean de dieu Rurangirwa	Director ICT, Minecofin
Jean Jacques Nyiributama	External Finance Unit, Minecofin

John Munga	Director Public Accounts, Minecofin
John Twahirwa	DAF, NTB
Kader Gueye	Resident Representative, African Development Bank
Lewis K Murara	Public Sector Management Specialist, World Bank
Mailan CHICHE	Budget Officer/ODI Fellow, Budget Department, Minecofin
Marie Flora Uwamahoro	Minecofin
Mike Kirenga	DAF, Muhanga District
Nick BARIGYE	Officer, IGFR
Paul JABO	Vice Mayor, Economic Affairs, GASABO District
Peter Ruyumbu	Director, Quality Assurance Department, RRA
Prosper Musafiri	Director MEP, Minecofin
Richard Furama	Internal Auditor, MinSante
Roger Migabo	IT, Mindef
Rosine Mukamuragwa	Internal Auditor, MinSante
Rugamba Egide	DAF, CDF
S. Ayinkamiye	Vice-Chairperson, Economic Commission, Senate
Steven Gahamanu	Minecofin
Thomas Gatabazi	Accountant General
Tito KANYANKORE	Director of Salaries (interim), MIFOTRA
Victoria Kwakwa	Resident Representative, World Bank
Vienney Nshingimana	Director Administration & Personnel, Police
Vincent Uzarama	Deputy Commissioner, Domestic Taxes Department, RRA
William Nkrunziza	Director General, Investment Promotion Agency
Yusuf MUGIRANEZA	Director, IGFR

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