Government of Rwanda

Public Financial Management Performance Report

(PFM-PR)

Final Report

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Executing Agency:

Government of Rwanda, Ministry of Finance and Economic Planning

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Abbreviations and Acronyms

AAP	Assessment and Action Plan
ACCA	Association of Chartered Certified Accountants
ACHA	Aid Coordination and Harmonization Framework
AER	Annual Economic Report
AG	Accountant General
AGA	Autonomous Government Agency
BCC	Budget Call Circular
BCDI	Bank of Commerce Development and Industry
BCR	Banque Commerciale du Rwanda
BER	Budget Execution Report
BFP	Budget Framework Paper
BNR	Banque Nationale de Rwanda
BSHG	Budget Support Harmonization Group
CBTI	Capacity Building and Technical Input
CDF	Common Development Fund
CEPEX	Central Public Investments and External Finance Bureau
CFS	Consolidated Financial Statements
CG	Central Government
COFOG	Classification of the Functions of Government
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
EAC	East African Community
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 Genocides
FY	Fiscal Year
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFSM	Government Financial Statistics Manual
GoR	Government of Rwanda
GPIAU	Government Principal Internal Audit Unit
IASB	International Accounting Standards Board
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IPPS	Integrated Personnel and Payroll Information System
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LABSF	Local Authorities Budget Support Fund
LGBSF	Local Government Budget Support Fund
LM	Line Ministry
MDAs	Ministries, Departments, Agencies
MDGs	Millennium Development Goals
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training & Labor

MINALOC	Ministry of Local Government, Community Development and Social Affairs
MINECOFIN	Ministry of Finance and Economic Planning
MINISANTE	Ministry of Health
MIPPS	Military Integrated Payroll and Personnel Information System
MTEF	Medium Term Expenditure Framework
N/A	Not applicable
NBU	National Budget Unit
NGO	Non-Government Organization
NPR	National Police of Rwanda
NTB	National Tender Board
OAG	Office of the Auditor General
OBL	Organic Budget Law
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OTR	Ordonnateur-Trésorier du Rwanda
PAYE	Pay As You Earn
PE	Public Enterprise
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PEMR	Public Expenditure Management Review
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report
PIP	Public Investment Program
PIS	Public Investment Secretariat
PPA	Public Procurement Authority
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PS/ST	Permanent Secretary/ Secretary to the Treasury
PSCBP	Public Sector Capacity Building Project
PSI	Policy Support Instrument
RDF	Rwanda Defense Forces
ROSC	Report on the Observance of Standards and Codes
RPPA	Rwanda Public Procurement Regulatory Authority
RRA	Rwanda Revenue Authority
RSSF	Rwanda Social Security Fund
Rwf	Rwanda Franc
SAI	Supreme Audit Institution
SG	Secretary General
SIP	Strategic Issues Paper
SN	Sub-National
STA	Single Treasury Account
TIN	Taxpayer Identity Number
TMU	Treasury Management Unit
USAID	United States Agency for International Development
USD	United States Dollars
VAT	Value Added Tax

Foreword

The Assessment Team is grateful for the cooperation and support of the Government of Rwanda (GoR): particularly staff of the Ministry of Finance and Economic Planning (MINECOFIN) and key staff from the Office of the Auditor General and the Parliamentary Committee on Budget and National Patrimony.

The Accountant General, Patrick Shyaka, and Robert Mpagi, PFM Reform Secretariat Coordinator, were responsible for managing the process on behalf of the GoR, for ensuring an active participation from MINECOFIN and other Government constituencies, and a swifter provision of data and information to the Assessment Team. In this respect, the Assessment Team wants to thank in particular Charles Karakye and Innocent Mujyambere from MINECOFIN that directly assisted the Team in the follow-up of information queries, the collection and gathering of evidence and documentation for the Assessment and ensuing PFM-PR Report.

The PEFA 2010 was funded by the Multi-Donor Trust Fund for PFM Reforms (financed by DFID and the European Union and administered by World Bank) and by an additional funding from KfW. The World Bank and KfW have been particularly active in supporting the PEFA 2010 process. USAID has also actively participated in the process and the Assessment by seconding USAID staff Clinton D. White as a full member of the Assessment Team. The support of the World Bank, KfW and USAID is appreciated by both the Assessment Team and the other PFM stakeholders.

1.0 Introduction

Rwanda has made remarkable progress since the tragedy of the 1994 genocide, with growth in real per capita income averaging nearly five percent and accelerating to an average of almost six percent in the last five years. It nevertheless remains one of the world's poorest countries. UNDP ranked Rwanda 167 out of 182 worldwide on its most recent Human Development Index. According to a household survey undertaken in 2005/6, 57 percent of the country's nearly 10 million people lives below a poverty line of approximately $1.30 per day, of which nearly two-thirds, or 37 percent of the total population, fall below an extreme poverty threshold of about $0.90 per day.

1.1 Objectives and Scope

The main objective of the CG Assessment is to analyze whether the measures undertaken as part of the PFM Government Reform Program inaugurated in 2008, which is described under section 2.42, have already had an effect on the PFM system, and to assess whether progress has been achieved in PFM areas compared to the status witnessed by the previous PEFA Assessment undertaken in 2007, for the FYs 2004, 2005 and 2006. [1] The two objectives are linked as the GoR PFM Reform Strategy for 2008-2012 was delineated after and on the basis of PEFA 2007 results. The objective for the SN Assessment, limited to 4 districts and 12 indicators, is to provide an initial snapshot of PFM systems and processes at the SN level given the ongoing fiscal decentralization.

1.2 Methodology and Process

This assessment of PFM in Rwanda is based on the PEFA Performance Measurement Framework.[2] The Framework was developed by the Public Expenditure and Financial Accountability (PEFA) partners as a tool that can provide reliable information on the performance of PFM systems, processes and institutions at a point of time and, by comparing ratings at two points of time, assess the progress over the intervening period.

The Central Government (CG) Assessment was undertaken through desk review of previous diagnostic reports, and two main missions for interviews with government officials and direct collection of evidence. The first mission took place for two and a half weeks in early July 2010, and the second between August 15th and September 1st, 2010. The Local Government Assessment for 4 districts and 12 selected indicators was conducted also on the basis of prior diagnostic work, after having collected substantial supporting documentation from CG during the above-mentioned missions, and through additional field trips to the selected sub-national governments of Bugesera, Kicukiro, Nyamagabe and Rulindo, between 20 July and 18 August 2010. The donor representatives and Government officials at both CG and LG levels interviewed by the Assessment Team are listed under Annex 5. Prior diagnostic work on Rwanda and PFM, as well as the documentation gathered by the Assessment Team through the missions, are listed under Annex 6.

The SN Assessment, for a sample of 12 indicators and 4 sub-national governments in Rwanda, follows the draft PEFA sub-national methodology.[3] The initial 2010 PEFA Assessment ToRs and the

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[1] Republic of Rwanda 2007, *Public Expenditure and Financial Accountability Assessment Public Financial Management Performance Report Final Report November 2007*, Rwanda.

[2] Public Expenditure and Financial Accountability (PEFA): *Public Financial Management Performance Measurement Framework*, PEFA Secretariat, June 2005. The methodology is available at the PEFA website: www.pefa.org.

[3] PEFA, *Guidelines for application of the PEFA Performance Measurement Framework at Sub-National Government Level, Volumes 1and 2, Exposure draft*, PEFA Secretariat, March 2008.
The methodology is available at the PEFA website: www.pefa.org.

associated World Bank funded budget catered for carrying out a PEFA assessment for the central government only. However, in light of the planned fiscal decentralization efforts, donors in consultation with Government considered it critical to obtain an understanding of the current PFM situation within the sub-national governments in order to guide future PFM enhancement efforts. However, due to budget and time constraints, a full assessment of the SN governments was not considered possible. Further funding was obtained from KfW in order to allow for a limited assessment of the SN governments. The selection of the SN indicators was done in close consultation between the donors and government. In the future, once budget and time constraints are eliminated, it will be preferable to consider the application of the entire set of SN indicators. The 12 indicators that were selected are: PI-1, PI-2, PI-8, PI-10, PI-11, PI-16, PI-18, PI-20, PI-22, PI-24, PI-26 and HLG-1.

The selection of 4 districts was partly a result of the time and budget constraints mentioned above. Mainly, in light of the time and budget constraints, government and the donors chose a representative sample that would cover the various rural provinces in the country and at least one municipal district. The Bugesera district, represents the Eastern Province; Nyamagabe district, the Southern Province; Rulindo district, the Northern Province; Kicukiro district, represents Kigali Province (municipality). The selection of the 4 districts was approved by the PFM Reform Steering Committee.

A PEFA Training workshop held in Kigali on July 6-7, organized in collaboration with the Accountant General and the PFM Reform Secretariat, helped a successful launch of the Assessment, and provided an opportunity for the Team to explain the PEFA methodology, familiarize government officials at the CG and LG level with the indicator set; explain the scope, coverage and objectives of this particular Assessment, and the process followed. Members of the PFM Reform Technical and Steering Committees (see Chapter 6 for a description of the PFM Reform Technical and Steering Committees), both from Government and from the Donor community, also participated to the PEFA Training Workshop. The Training workshop was inaugurated by the Minister of Finance and the PS/ST.

For the CG Assessment only, as a previous Assessment was conducted three years ago, progress has been assessed since then (see Table 1). The assessment of the PFM system at one point in time, and/or the comparison with a previous assessment is done through the scoring of the full indicator set (31 indicators) foreseen by the PFM PEFA Framework for CG, and through 12 for LG. The highest rating (score), implying compliance with accepted international standard, is A. The lowest is D.

Where an indicator has more than one dimension, each dimension is scored separately, then dimension scores are combined by one of two methods, as follows.

- Method M1: Where poor performance on a dimension is likely to undermine the impact of good performance on other dimensions, the overall score is determined by that ‘weakest link’. If any other dimension is scored more highly, a + is added to the score. Thus, an indicator having three dimensions with B, B and C scores would be rated C+.
- Method M2: where dimensions are independent of each other, the overall score is found by averaging the dimension scores. The Framework document prescribes the method of combining dimension scores for each indicator, and includes a table for averaging alphabetical scores.

For this particular Assessment, an additional decision pertaining to methodology was taken, given the transition to the East African Community (EAC) Fiscal Year (FY) in 2009. In order to have 3 full FYs, which is a necessary condition to be able to score those individual indicators (as for PI-1, PI-2, PI-3), or dimensions of others (as for PI -25 (iii)) that require to assess performance across three full FY years, 2009 has been considered as a full FY, as besides being 6 months in length, it is a full FY in all respects (annual budget law and budget execution report issued, annual budget law sent to Parliament, Consolidated Financial Statements and External Audit Report for 2009). The FY 2008 goes from January 1st to December 31st, FY 2009 from January 1st to June 30th, and FY 2009/10 from July 1st to June 30th. For the SN level, data on budget execution for FY 2009/10 were not available at the time of the Assessment evidence collection (July and August 2010). For that reason, for the SN Assessment, where three FYs are required (such as for SN PI-1, 2, as well as HLG-1), FYs 2007, 2008 and 2009 were considered.

1.3 Quality Assurance

Following the definition of the TORs by the GoR and donors, and the selection of the Assessment Team, the TL and DTL prepared a detailed work plan to carry out the Assessment and the PFM-PR, which was discussed with and approved by the PFM Reform Technical Committee (composed of GoR and donor representatives) in Kigali at the end of June 2010. Preliminary findings were presented at the end of the second mission to the PFM Reform Steering Committee on 1st September 2010. On 1st November 2010, the draft PFM-PR was shared with the GoR and development partners in Rwanda represented by the PFM Reform Steering Committee, for the identification of any factual errors. Comments were also provided through the Steering Committee: in particular by the World Bank - both the Rwanda country office and a peer reviewer selected by the office, Gert van der Linde, Lead Financial Management Specialist, Africa region-, KfW and the EU. Following the review by the GoR and donors in Rwanda, the Team addressed the comments, removed factual errors, and sent the PFM-PR for review by the PEFA Secretariat, as in due process. The PEFA Secretariat provided comments, which were considered and addressed by the Team in the final draft. A final workshop was held in Kigali on 16th December 2010, in which the final PFM-PR was presented to GoR officials and the donor community in Rwanda.

Table 1: Central Government (CG) Indicator Overview (PEFA 2010 and 2007)

PEFA Scores		November 2007	November 2010
A. PFM-OUT-TURNS: Credibility of the budget			
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	A
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A
PI-4	Stock and monitoring of expenditure payment arrears	D+	B
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency			
PI-5	Classification of the budget	A	A
PI-6	Comprehensiveness of information included in budget documentation	D	A
PI-7	Extent of unreported government operations	D+	D+
PI-8	Transparency of inter-governmental fiscal relations	B	A
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D+	C
PI-10	Public access to key fiscal information	C	A
C. BUDGET CYCLE			
C(i) Policy-Based Budgeting			
PI-11	Orderliness and participation in the annual budget process	B+	B+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+
C(ii) Predictability and Control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	A	A
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B+	A
PI-15	Effectiveness in collection of tax payments	D+	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	B+
PI-17	Recording and management of cash balances, debt and guarantees	B	B
PI-18	Effectiveness of payroll controls	D+	B+
PI-19	Competition, value for money and controls in procurement	B	A
PI-20	Effectiveness of internal controls for non-salary expenditure	D+	B+
PI-21	Effectiveness of internal audit	C+	C
C(iii) Accounting, Recording and Reporting			
PI-22	Timeliness and regularity of accounts reconciliation	B+	B+
PI-23	Availability of information on resources received by service delivery units	D	D
PI-24	Quality and timeliness of in-year budget reports	D+	D+
PI-25	Quality and timeliness of annual financial statements	C+	D+
C(iv) External Scrutiny and Audit			
PI-26	Scope, nature and follow-up of external audit	D+	B+
PI-27	Legislative scrutiny of the annual budget law	C+	C+
PI-28	Legislative scrutiny of external audit reports	D+	B
D. DONOR PRACTICES			
D-1	Predictability of Direct Budget Support	B+	A
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D	D+
D-3	Proportion of aid that is managed by use of national procedures	D	D

Table 2: Sub-National (SN) Indicator Overview (PEFA 2010)

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
A	**PFM-OUT-TURNS: Credibility of the budget**				
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	B	D	D
PI-2	Composition of expenditure out-turn compared to original approved budget	B	B	A	B
HLG-1	Predictability of transfers from higher levels of Government	B+	B+	B+	A
B	**Key Cross-Cutting Issues: Comprehensiveness and Transparency**				
PI-8	Transparency of inter-governmental fiscal relations (Not applicable (N/A))[4]	N/A	N/A	N/A	N/A
PI-10	Public access to key fiscal information	A	A	A	A
C	**Budget Cycle**				
C (i)	**Policy-Based Budgeting**				
PI-11	Orderliness and participation in the annual budget process	D+	D+	D+	D+
C (ii)	**Predictability and Control in Budget Execution**				
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	B+	B+	B+
PI-18	Effectiveness of payroll controls	B+	B+	B+	B+
PI-20	Effectiveness of internal controls for non-salary expenditure	B+	B+	B+	B+
C (iii)	**Accounting, Recording and Reporting**				
PI-22	Timeliness and regularity of accounts reconciliation	B+	B+	B+	B+
PI-24	Quality and timeliness of in-year budget reports	B+	B+	B+	B+
C (iv)	**External Scrutiny and Audit**				
PI-26	Scope, nature and follow-up of external audit	B+	B+	B+	B+

[4] N/A is a common abbreviation for *not applicable* or *not available*, used to indicate when information is not provided, either because it does not apply to a particular case in question or because it is not available. Here is it used in the sense of *not applicable*.

2.0 Country Background Information

2.1 Growth Rates, MDGs and Poverty

Rwanda has made impressive efforts at achieving several Millennium Development Goals (MDGs) overcoming major setbacks during the genocide in 1994. Today, primary enrolment rates are at 97% , the gender equality in primary and secondary education target has already been met, together with other milestones; women's participation in parliament is now more than 50% (56% in 2008), the highest in the world. Similar high-level political leadership has led to HIV prevalence rates falling from 13% in 2000 to 3% in 2006. Malaria fatalities have been reduced --from 9.3% in 2001 to 2.9% in 2006-- through a deliberate strategy of universal distribution of insecticide treated bed nets and modern treatment based on artemisinin combination therapy. Compared to 61% in 2000, the access to improved water source rate (71%) is high but MDG 7 (82%) is attainable by 2015.

That said, despite high economic growth and progress on MDGs, poverty rates have not fallen proportionately, declining only by 4 percentage points, from 60% in 2000 to 56.9 % in 2006. Child malnutrition is almost stagnant at 22% (2006). These high rates are largely due to low agricultural productivity.

2.2 Country Economic Profile

Agriculture is extremely important to the Rwandan economy. It accounted for over a third of GDP in 2009 and serves as the principal source of employment for nearly 80% of the labor force. However, almost 90 % of these are subsistence farmers, reflecting the country's low level of agricultural productivity. With virtually all arable land already under cultivation, and one of the highest rural population densities in sub-Saharan Africa at 635 people per square kilometer of arable land, the Government has recognized that the country must transform from a subsistence agriculture economy to a knowledge-based society. Its Vision 2020 lays out an ambitious agenda to do precisely that, including sustaining 8% growth in GDP and reducing population growth from 2.9% to 2.2% per year in order to reach an average per capita income of $900 by 2020 and cut poverty in half.

The current medium-term policy priorities and allocations are, or should be, derived by the Economic Development and Poverty Reduction Strategy (EDPRS), covering the period 2008 to 2012, The EDPRS includes ambitious targets to raise agricultural productivity, reduce the share of the population making its living from agriculture, and reduce the incidence of poverty, all consistent with Vision 2020's long-term goals.5 Despite the recent global economic downturn, real GDP growth during the EDPRS period has averaged 7.6%, approximating Vision 2020 and EDPRS targets, and the share of GDP derived from the services sector, the most important engine of Rwanda's economy in the medium to long term according to Vision 2020, has risen slowly but steadily to 46% in 2009.

In recognition of its track record of high growth and generally prudent macro-economic management, including achievement of low fiscal and current account deficits and maintenance of a comfortable level of international reserves, Rwanda was approved for a Policy Support Instrument (PSI) by the IMF in June 2010. The PSI is designed to address certain key vulnerabilities, including weaknesses in monetary and exchange rate policies, which have at times led to high levels of inflation; low levels of fiscal revenues and exports; and continued high aid dependence (see Table 3).

[5] MINECOFIN, *Rwanda, Vision 2020,* July 2000.

Table 3: Macro-Economic Indicators

Basic Indicators	**2005**	**2006**	**2007**	**2008**	**2009**	**Proj. 2010**
Population	9.0	9.2	9.6	9.8	10.1	10.4
Annual change in Population		3.3%	3.3%	2.9%	2.7%	3.0%
Nominal GDP (in billion Frw)	1,440	1,716	2,046	2,579	2,964	3,333
Nominal GDP (million US $)	2,585	3,076	3,746	4,691	5,218	5,688
Nominal GDP per Capita (US $)	289	333	392	477	517	547
Annual change in GDP per capita (current prices)		15%	18%	22%	8%	6%
Nominal GDP per capita (Rwf)	161	186	214	262	296	320
Real GDP growth	9.4%	9.2%	7.7%	11.6%	6.0%	7.0%
Gross investment as a % of GDP	15.8%	16.0%	18.0%	22.8%	22.0%	n/a
National savings	191	153	260	404	404	n/a
National savings as a % of GDP	13.3%	8.9%	12.7%	15.7%	13.6%	n/a
Balance of Payments						
Foreign Direct Investment	10.5	30.6	82.3	103.4	118.7	102.6
FDI as a % of GDP	0.4%	1.0%	2.2%	2.2%	2.3%	1.8%
Exports of Goods and Service (million US $)	327	349	417	688	534	621
Exports of goods & services (in % of GDP)	12.7%	11.3%	11.1%	14.7%	10.2%	10.9%
Total Imports of goods and Services (million US $)	-640	-780	-945	-1401	-1482	-1742
Imports of goods and Services (in % of GDP)	-24.8%	-25.4%	-25.2%	-29.9%	-28.4%	-30.6%
Trade balance	-229	-299	-404	-613	-770	-906
Trade balance (in % of GDP)	-8.8%	-9.7%	-10.8%	-13.1%	-14.8%	-15.9%
Current account balance	-57.8	-134.4	-83.4	-230.1	-381.5	-450.5
Current account balance including official transfers (in % of GDP)	-2.2%	-4.4%	-2.2%	-4.9%	-7.3%	-7.9%
Net inflow of remittances	15.1	20.7	32.4	35.9	43.2	45.5
Net inflow of remittances (in % of GDP)	0.6%	0.7%	0.9%	0.8%	0.8%	0.8%
NPV /export ratio				44.0	67.9	61.6
External debt in million US $	1573.3	484.9	574.2	669.8	736.6	775.5
External debt in million US $ (in % of GDP)	60.9%	15.8%	15.3%	14.3%	14.1%	13.6%
Service of external debt (in % exports goods + services)	7.2	2.9	2.4	1.1	1.1	3.9
Foreign exchange reserves (in months of imports of goods and services)	6.2	5.6	4.7	4.8	5.1	4.8
Government Budget[6]						
Domestic revenues (in billion Rwf)	180.4	208.2	257.9	380.9	380.5	426.4

6 Aggregate figures for total revenue and total expenditure and net lending do not match figures in PI-1, PI-2 and PI-3 because of the local/sub-national component that is included in the Rwanda Government Budget. For PI-1, PI-2, PI-3 calculations, the Assessment Team only considered CG Expenditure and Revenue, as per Framework requirements.

Basic Indicators	**2005**	**2006**	**2007**	**2008**	**2009**	**Proj. 2010**
Domestic Revenues (in % of GDP)	12.5%	12.1%	12.6%	14.8%	12.8%	12.8%
- of which: grants (in % of GDP)	11.4%	9.8%	9.0%	10.8%	11.7%	13.5%
Expenditure (in % of GDP)	21.4%	22.3%	22.7%	25.2%	25.5%	27.3%
- of which: capital expenditure (in % of GDP)	6.0%	6.9%	7.8%	10.4%	10.0%	11.1%
Deficit (in % of GDP) including grants	-0.5%	0.4%	-1.4%	0.4%	-0.9%	1.0%
Deficit (in % of GDP) excluding grants	-8.9%	-0.2%	-10.3%	-10.4%	-12.6%	-14.5%
Total (domestic + external) debt in US $ (in % of GDP)	69.3%	24.4%	22.7%	20.3%	18.3%	n/a
Monetary Data						
Private sector Credit (in billion Rwf)	131.1	162.2	196.2	340.5	331.8	431.5
Private sector growth		24%	21%	74%	-3%	30%
Consumer price inflation (annual average rate in %)	9.0	8.9	9.1	15.4	10.3	6.4
Private Sector Credit as % GDP	9.1%	9.5%	9.6%	13.2%	11.2%	12.9%
Exchange rate: annual average national currency / 1$	557	558	547	547	568	586

Sources: National Institute of Statistics in Rwanda; National Bank of Rwanda; MINECOFIN website, Government Chief Economist Library, *Macro Economic Indicator 2010 Fact Sheet Table.*

The PSI allows for up to $240 million (4.7% of 2009 GDP) in non-concessional external borrowing for two of six complementary projects that comprise an investment strategy aimed at alleviating critical infrastructure constraints to increasing and diversifying exports of goods and services and developing the country into a knowledge-based service economy. The Debt Sustainability Analysis elaborated for the PSI request[7], suggests Rwanda's moderate level of debt distress would remain sustainable even if the non-concessional external borrowing were contracted, but its low export base means vulnerabilities could increase under adverse shocks.

2.3 Budgetary Outcomes

Owing to the global economic downturn, the Government's fiscal policy has recently sought to stimulate demand. As a result, the fiscal deficit excluding grants widened to an estimated 13.7% of GDP in FY 2009/10, though continued strong donor support reduced the deficit to 1.1% of GDP (see Table 4). This allowed spending on EDPRS priorities to rise from 8.4% of GDP at the beginning of the EDPRS period to an estimated 13% of GDP in 2009/10.

[7] IMF, Rwanda, *Request for a Three-Year Policy Support Instrument*, May 28, 2010.

Table 4: Budgetary Outcomes and Medium-Term Projections[8]

	2007/08	2008/09	2009/10 Proj.	2010/11 Proj.	2011/12 Proj.	2012/13 Proj.	2013/14 Proj.	2014/15 Proj.
	(In percent of fiscal year GDP)							
Revenue and grants	22.5	24.3	24.8	23.3	24.4	24.2	23.6	23.0
Revenues	12.6	14.9	12.2	13.6	13.6	14.2	14.5	14.7
Grants	9.9	9.3	12.5	9.8	10.8	10.1	9.0	8.3
Total expenditure and net lending	22.6	26.4	25.9	26.9	25.9	24.9	24.0	23.3
Current expenditure	15.1	14.5	14.9	14.6	15.2	15.4	15.3	15.3
Capital expenditure	8.2	11.1	9.8	11.4	10.2	9.0	8.3	7.9
of which Domestic	3.8	5.1	4.8	6.3	5.3	5.2	5.1	5.0
Net lending	-0.7	0.8	1.2	0.9	0.5	0.5	0.3	0.2
Overall deficit (commitment basis)								
After grants	-0.2	-2.2	-1.1	-3.6	-1.5	-0.6	-0.4	-0.4
Before grants	-10.0	-11.5	-13.7	-13.4	-12.4	-10.7	-9.4	-8.6
Change in arrears	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1
Overall deficit (cash)								
After grants	-0.5	-2.5	-1.4	-3.8	-1.7	-0.8	-0.6	-0.5
Before grants	-10.4	-11.8	-13.9	-13.6	-12.6	-10.9	-9.6	-8.8
Financing	0.5	2.5	1.4	3.8	1.7	0.8	0.6	0.5
Net external financing	1.9	2.6	0.8	1.5	1.7	0.8	0.6	0.5
Net domestic financing	-1.4	-0.1	0.6	2.3	0.0	0.0	0.0	0.0

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Source: IMF, Rwanda, *Request for a Three-Year Policy Support Instrument,* May 28, 2010.

2.4 Government Reform Program

2.41 The Economic Development and Poverty Reduction Strategy (EDPRS)

In 2007 the Government implemented Rwanda's second and current Poverty Reduction Strategy Paper (PRSP), the EDPRS, which provides a medium-term framework for achieving the country's long-term development aspirations as embodied in Rwanda Vision 2020, the seven year GoR program, and the MDGs.

The strategy builds on strong achievements in human capital development and promotes three flagship programs: Sustainable Growth for Jobs and Exports, Vision 2020 Umurenge and Governance. These flagships serve as a device to prioritize actions by the GoR, mobilize resources for development and improve policy implementation through more coordinated interventions across sectors. It provides a roadmap to government, development partners, the private sector and civil society, which indicates the GoR's policy priorities, the measures it needs to implement them, their cost and source of financing.

The EDPRS breaks with the past in two ways. Firstly, the strategy redefines the country's priorities. Rwanda's first PRSP covered the period 2002 to 2005. It was elaborated in a post-conflict environment where the primary emphasis was on managing a transitional period of rehabilitation and reconstruction. Having made considerable progress during this transition, the GoR considered it time to take stock and reassess its priorities. Secondly, this strategy document advocates a different way of doing things in Rwanda. In particular, it makes the case for consolidating and extending the

[8] Refer to Footnote 6.

decentralization of public spending when accompanied by robust accountability mechanisms. The EDPRS also recognizes the key role of the private sector in accelerating growth to reduce poverty.

2.42 PFM Reform Strategy

In September 2008 the Public Financial Management Reform Strategy (2008-2012) of the Government of Rwanda was presented and along with its detailed Action Plan, was approved by Cabinet in December 2008. The aim of the PFM Reform Strategy 2008-2012 is to have, by 2012, an "Enhanced Public Financial Management System" that is efficient, effective, transparent and reduces opportunities for corruption.[9]

The PFM Reform Strategy has a comprehensive whole of government approach that deals with the overarching strategic issues in a structured and sequenced manner. The overall goal of the PFM Reform Strategy is to ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery.

The PFM process encompasses the whole range of activities including planning and budgeting, budget execution and expenditure control, audit and inspection (internal and external), reporting and accountability, and oversight arrangements. Some of these are managed or implemented by line ministries, Ministry of Finance and Economic Planning (MINECOFIN), Ministry of Local Government (MINALOC), Ministry of Public Service and Labor (MIFOTRA), the districts, Rwanda Revenue Authority (RRA), the Rwanda Public Procurement Authority (RPPA), the Office of the Auditor General (OAG) and Parliament.

The PFM Reform Strategy is being implemented under four pillars and twelve distinct complementary components. The Four Pillars and their corresponding components are the following:

Table 5: PFM Reform Pillars and Components

Pillar 1: Economic Management and Budget	
Components	
1.	Economic Management
2.	Budget Formulation and Preparation
3.	Domestic Revenue Generation
4.	Intergovernmental Fiscal Relations
5.	Public Investment Policy
Pillar 2: Financial Management and Reporting	
Components	
1.	Accounting and Reporting
2.	Treasury and Expenditure Management
3.	Implementation of IFMIS/SmartGov
4.	Implementation of the Integrated Personnel and Payroll Information System IPPS

9 MINECOFIN, PFM Reform Secretariat, *Quarterly progress report on the implementation of PFM Reforms - June 2010.*

Pillar 3: Public Procurement	
Components	
1.	Public Procurement under the Rwanda Public Procurement Authority.
Pillar 4: Budget Execution Oversight	
Components	
1.	Internal Audit
2.	External Audit

A PFM Basket Fund was created in 2010. Prior to the creation of the PFM Basket Fund, the main PFM Reform Strategy funding came from –

- Multi-Donor Trust Fund: A grant provided for by the European Union and the UK Department for International Development (DfID) and administered by the World Bank. This expired on 30 November 2010; and
- Public Sector Capacity Building Project: Grant from the World Bank that expires on 31 December 2011.

2.43 The National Decentralization Policy

The *National Decentralization Policy*, May 2000, has the following objectives:

(i) Enabling and reactivating local people's participation in initiating, making, implementing and monitoring decisions and plans that concern them taking into consideration their local needs, priorities, capacities and resources from central to local government and lower levels.

(ii) Strengthening accountability and transparency in Rwanda by making local leaders directly accountable to the communities they serve and by establishing clear linkages between the taxes people pay and the services that are financed by these taxes.

(iii) Enhancing the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management and control of service delivery at the point where services are provided, and by enabling local leadership develop organizational structures and capabilities that are tailored and appropriate to the unique local environment and needs.

(iv) Developing sustainable economic planning and management capacity at local levels that would serve as the engine for planning; people and resource mobilization; and implementation of social, political and economic development to alleviate poverty.

(v) Enhancing effectiveness and efficiency in the planning, monitoring and delivery of services by devolving the responsibilities from central government which is far from the service delivery points to lower levels where needs are actually felt and service delivered, a situation that would enable optimal participation of the beneficiaries.

Rwanda's approach to decentralization places strong emphasis on the maintenance of national standards through district level spending (i.e. criteria by line ministries), which implies less freedom to make spending choices at the local level. While central guidance is needed, it requires an appropriate balance between such directives and local discretion for the potential benefits of decentralization to materialize.

2.5 Legal and Institutional PFM Framework

2.51 Central Government

a. **System of Government.** Rwanda is a presidential Republic with a bi-cameral system. The President is the head of state, whilst the Prime Minister is the head of government under a multi-party system. Executive power is exercised by the government through the President. 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 with the approval of the Senate.

b. **Promulgation**. The New Constitution of Rwanda came into effect on June 4, 2003 after a national referendum, and by Article 60, it established three organs of the Republic of Rwanda, namely, the Legislature; the Executive; and the Judiciary as separate and independent but complementary institutions of the state. The constitution has been constructed in response to the history of the country and aims at protecting and up holding fundamental rights of the people of Rwanda, and fostering unity of the people.

c. **The Legislature or Parliament.** The Constitution established a bi-cameral parliament – the Chamber of the Deputies (Deputies); and the Senate (Senators) to carry out legislative function, oversight function, and representation function. Each Chamber of Parliament has its own budget and enjoys financial and administrative autonomy from each other, with the Chamber of Deputies acting as the Lower House of Parliament. No representative in permitted to be in both houses, and a cabinet member is precluded from being a member in either house. The Chamber of Deputies comprises of: (i) 53 elected members, who serve for a five-year term by proportional representation; (ii) 24 female members, who are elected by provincial councils; (iii) 2 representatives elected by the National Youth Council; and (iv) a representative elected by the Federation of the Associations of the Disabled.

d. The Senate comprises members who are elected or appointed for an eight-year term, of whom (i) 12 are elected by provincial and sectoral councils; (ii) 8 appointed by the President, to ensure representation of historically marginalized communities; (iii) 4 appointed by the forum of political formations; and (iv) 2 elected by the staff of the universities.

e. **The Chamber of Deputies.** By Article 79 of the Constitution, the Chamber of Deputies is responsible for receiving and debating annual finance bills before they become finance laws with the concurrence of the Senate. The Cabinet, as the Executive, is responsible for the formulation, preparation and submission of finance bills to the Chamber of Deputies. The Executive is also responsible for budget execution once the bills have become finance laws. Furthermore, the Chamber of Deputies is responsible for approving external borrowings by the central government as well as setting limits or ceilings of such borrowings. Such borrowings are contracted by the Minister responsible for state finances on behalf of the government. This applies to grants as well. To complete the accountability cycle, the Chamber of Deputies is entitled to receive, direct from the OAG, audit reports and audited budget execution reports, and financial statements, review, debate and provide oversight function on the executive.

f. **The Senate.** The Senate is established by Article 82 of the Constitution, comprising of 26 representatives serving a non renewable term of 8 years. The Senate has the specific function of supervising the application of the principles referred to in Articles 9 and 54 of the Constitution. Furthermore the Senate will vote on the following matters amongst others: (i) laws amending the Constitution; (ii) organic laws passed by the lower house, the Chamber of Deputies; (iii) laws relating to public enterprises, parastatals, territorial organizations etc; and (iv) laws relating to fundamental freedoms etc. Furthermore, the Senate is vested with the authority to: (i) elect the

President, Vice-President and judges of the Supreme Court, the Prosecutor General and Deputy; (ii) approve appointments of Chairpersons, members of National Commissions, the Ombudsman, the Auditor General of State Finances, Ambassadors and representatives to international organizations etc; and (iii) approve other public officers as may be required by an Organic Law.

g. **The Executive**. Under Article 97 of the Constitution, all executive power is vested on the President and the cabinet. The President is elected by direct universal suffrage, must be of a Rwandan origin, is at least 35 years old, and may serve two terms of 7 years each. Article 113 gives the president the power to appoint and terminate the services of the following officers: (i) President and Vice – President of the Supreme Court; (ii) Prosecutor General; (ii) Director of Cabinet; and (iv) the Governor of the central bank etc. Article 116 requires formation of a government of national unity to the extent that a political organization holding a majority of seats in the Chamber of Deputies may not exceed 50 % of all members of the Cabinet. The Cabinet is accountable to both the President and Parliament in accordance with the Constitution.

h. **The Judiciary**. The Constitution establishes both ordinary (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) and specialized courts (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, the guarantor of the independence of the judiciary. It comprises six sections: (i) the Department of Courts and Tribunals; (ii) the Court of Appeals; (iii) the Constitutional Court; (iv) the Council of State; (v) the Revenue Court; and (vi) the Department of Gacaca jurisdictions. Article 114 of the Constitution states that the decision(s) of the Supreme Court is not 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 organs are of the State, public officials, civilians, military, judicial officers or private individuals are affected by the decision. 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.

i. **The Office of the Ombudsman.** Chapter 7 of the Constitution and Article 182 of the same establish the Office of the Ombudsman as an independent public institution to carry out the following responsibilities: a) to act as a link between the citizen and public and private institutions; to prevent and fight against injustice, corruption and other related offences in public and private administration; b) to receive and examine complaints from individuals and independent associations against the acts of public officials or organs, and private institutions and to mobilize these officials and institutions in order to find solutions to such complaints if they are well founded; c) to receive declaration of assets of the President of the Republic, the President of the Senate, the Speaker of the Chamber of Deputies, the President of the Supreme Court, the Prime Minister and other members of the Cabinet upon taking up and on leaving office. The Office does not involve itself in the investigation or adjudication relating to matters which are subjudice except that it may submit to the courts or the prosecution service the complaints which it has received, in which case those organs are required to respond to the office.

j. **Reporting by the Auditor General.** The Supreme Audit Institution (SAI) of Rwanda is the OAG. The Office was first established in 1998 under Law 04/98 which established it as the Supreme Audit Institution. Article 184 of the Constitution requires the OAG to: a) report to the Chamber of Deputies on the implementation of the state budget of the previous year. This report must indicate the manner in which the budget was utilized, unnecessary expenses which were incurred or expenses which were incurred contrary to the law and whether there was misappropriation or general squandering of public funds – an audit of budget execution reports; b) submit a copy of the report to the President of the Republic, Cabinet, President of the Supreme Court and the Prosecutor General of the Republic; and c) carry out a financial audit of any institution of the State or with regard to the use of funds provided by the State as may be required by Chamber of Deputies from time to time.

k. **The Organic Law on State Finances and Property, or Organic Budget Law (OBL)**. The Organic Law on State Finances and Property was published on 12 September 2006, and implements the constitutional provisions of Articles 79 and 183. It regulates the implementation of budgets of central administration, local administrative entities and other public entities which receive funding from the general budget of state finances. The law focuses particularly on the principal responsibilities of those involved in preparing and implementing the central government budget and SN governments, and on issues relating to management of State Finances and Property. It was updated in 2008 given the transition to the EAC FY.[10]

l. **The Consolidated Fund of the Central Government and Other Consolidated Funds**. There are two different types of Consolidated Funds (CF) in operation, namely the Central Government Consolidated Fund (CG-CF), and consolidated funds maintained and managed by sub national governments (SN-CF) - the districts and municipal councils. Article 7 of the Organic Law establishes the Consolidated Fund of the Central Government (CG-CF) which constitutes all revenues and other public monies, earmarked revenues, external loans and grants received. It excludes all other revenues received by public enterprises and local administrative entities. The Minister responsible for state finances and or his or her delegate is the Chief Manager of the revenues and expenditure of the CG-CF and works in consultation with the Public Treasury Committee. Article 8 of the Organic Law requires a local administrative unit to establish its own Consolidated Fund (SN-CF), and the fund is managed by a Committee chaired by the Executive Secretary, who or his or her delegate, also, is the Chief Manager of the revenues and expenditure of the consolidated fund acting in consultation of the Executive Committee of the local administrative unit. Withdrawals from the Government Consolidated Fund will be made based on a written permission of the Minister responsible for state finances. However, withdrawals from the SN-CF of a local administrative unit are to be made upon written permission of the Chairperson of the Executive Committee of that local administrative unit.

m. **The Cabinet. Article 11:** specifies the role of the Cabinet with regard to the preparation of national budgets before they are formally tabled before the Chamber of Deputies as follows: a) approve central government's broad strategic objectives and priorities for budgetary policies for the next fiscal year and for the next two successive years after the relevant fiscal year i.e. policy framework for budgeting; b) approve the Medium Term Expenditure Framework (MTEF), and annual budget estimates, especially targets for aggregate revenues, aggregate expenditures, fiscal balance and part of public debt the state is obliged to pay; c) approve and issue special regulations that define other duties and responsibilities of the Permanent Secretary, other Chief Budget Managers and on other matters that enhance the state financial management; d) approve the annual finance bill prepared by the Minister responsible for state finance; and e) determine the amount of money in the budget for local government administrative units in accordance with the law.

n. **Minister responsible for state finances. Article 12:** Specifies the responsibilities of the Minister for state finances as follows: advising the government on budgetary policies to attain stated

[10] Organic Law no. 65/2008 of 11/09/2008.

national objectives and targets; promoting good budget preparation, its management, execution, public accounting and fiscal reporting on the use of the state finances; prescribing time, and contents of reports prepared by budget recipients, local administrative entities and other public bodies for the purpose of general reports on the financial statements; ensuring within the resources available, efficient cash management to equitably meet the budgetary spending requirements of all budget recipient entities and other public bodies; coordinating, supervising, and monitoring the management of Government financial and physical assets and liabilities, including donations and loans; promote and enforce transparency and accountability in budget management including publication of financial statements as defined in Articles 67, 69, 70, 71, 72 and 73 of the organic law; ensure adequacy of internal controls and internal audit arrangements, and collaborating with the OAG when considered necessary; keep Parliament informed on a regular basis of the macroeconomic and budgetary developments; ensure that persons delegated to manage state budgets discharge their responsibilities; and prepare and submit annual consolidated public accounts to the Auditor General for audit.

o. **Article 13** gives the Minister wide ranging powers, for example to: establish units within the ministry for implementing requirements of the law; inform Chief Budget Managers in writing of their roles and financial management responsibilities; ensure establishment of units in budget agencies for accounting all budgetary revenues and expenditures; issue instructions for the preparation, use, accounting, reporting and monitoring of extra budgetary funds in Autonomous Government Agencies (AGAs) and Public Enterprises (PEs); collect and gather names and sample signatures of all authorized officers at the beginning of each year or whenever changes occur; establish internal audit procedures of each government unit; and set up appropriate ways and means for managing, monitoring and reporting on public property; and establish adequate and appropriate procedures for revenue and expenditure management in the treasury.

p. **Responsibilities of a Chief Budget Manager.** A Chief Budget Manager is the accounting officer of a budget agency as defined in Article 20 of the OBL. As the accounting officer of a budget agency for funds appropriated by Parliament, Article 21 defines responsibilities of a Chief Budget Manager which includes the following: prepare annual budget and the medium term budget framework for the agency; exercise control over the execution of the budget agency; and prepare for the Permanent Secretary of the ministry all budget execution reports and related statements.

q. **Ministerial Order on the OBL (Financial Regulations)**. The Ministerial order on financial regulations implements the Organic Law No. 37/2006 of 12 September 2006 on State finances and property; it was approved by Cabinet on 17 October 2006. The regulations were issued in accordance with Article 66 of the OBL, which provides that the Minister in charge of finance shall determine the accounting standards in the central Government, local administrative entities, other public enterprises and extra budgetary funds. Chapter 11 of the Financial Regulations is dedicated to Public Accounting & Reporting matters. Article 31 of the Ministerial Order states that, “public entities shall follow the “Modified Cash Basis of Accounting” as defined in article 2 of the regulations, except PEs are required to adopt accrual basis of accounting”. The financial statements shall comply with the International Public Sector Standards to the extent possible.

r. **Law on Public Procurement.** The new Law on Public Procurement signed in 2007 decentralized public procurement to government institutions and established the RPPA as a procurement regulatory authority in the country and to provide procurement oversight. Among others, the RPPA is responsible for setting procurement standards, guidelines, and procedures to ensure transparent, effective and efficient public procurements and also to monitor procurements. The law also provides for the establishment of Independent Review Panels.

s. **Manual of Policies and Procedures: Financial Management and Accounting**. In September 2005, MINECOFIN commissioned a project for Technical Assistance to Public Accounting. The main objective of the assignment was to build an accounting system for Government of Rwanda capable of producing auditable public accounts. The project resulted into the production of an approved manual of Government Policies and Procedures for Financial Management and Accounting for use by the accounting personnel in central and local government. The manuals, as currently issued, are set out as follows:

- Volume 1: Financial policies and procedures
- Volume 2: Uniform Chart of Accounts
- Volume 3: Books of accounts, bookkeeping and accounts
- Volume 4: Reporting Requirements

2.52 Sub-National Governments

As at Central Government (CG), a clear legal framework exists at Sub-National (SN) Government level. The following legal framework is applicable and complied with:

a. Budget preparation, budget execution, reporting and legislative scrutiny are provided for in the organic law no. 37/2006 of 12/09/2006 on state finances and property;

b. Ministerial Instructions No. 002/07 of 09/02/2007 relating to financial regulations;

c. Ministerial Instructions No. 002/09/10/GPIA of 12/02/2009 setting out regulations for internal audit for government;

d. Ministerial Instructions No. 004/09/10/MIN of 01/10/2009 establishing audit committees in public entities, local governments and semi autonomous agencies; and

e. Law No. 08/2006 of 24/02/2006 determining the organization and functioning of the district.

Districts are the only SN governments in the context of the PEFA methodology. According to article 2 and 3 of Law No. 08/2006 of 24/02/2006, districts have own elected legislature, a legal status and both financial and administrative autonomy. No other level of SN government has these features.

2.6 Sub-National Structure in Rwanda

2.61 Administrative boundaries and Local Government units

As laid down in *Law No 29/2005 of 31/12/2005 determining the administrative entities of the Republic of Rwanda*, the country is covered by four Provinces and the town of Kigali, which are divided into 30 Districts; the districts in turn encompass 416 Sectors that are in turn divided into 2,150 Cells. Finally, the Cells, with an average size of 3,800 inhabitants, are divided into groups of households, called *Umudugudu*, and which are often considered villages, even though their average size (540 inhabitants) is small.

The Province is a de-concentrated administrative level (without a council), but all other levels (district, sector, cell, and the *Umudugudu*) are sub-national government levels, with a council that is mandated to take decisions pertaining to their mandates.

The district council is considered the primary level of sub-national government, while the other levels (sector, cell, and *Umudugudu)* are subsidiary levels. This is determined by the *Law 08/2006 Determining the organisation and functioning of the District* (dated 24 February 2006), in which the district is described as 'an autonomous legal entity divided into sectors, cells and villages', while the responsibilities of the latter subsidiary units are set by Presidential Order (and not by law).

Districts are thus the focal point for local service delivery, with the Executive Secretaries as accounting officers.

2.62 Sub-national Government Institutional Arrangements

In the uniform organizational chart and structure as described in the *Cadre organique type du District (*by MINALOC and MIFOTRA, December 2005), sub-national government at the district level consists of the supreme body which is the Council, an Executive Committee with a mayor and two vice mayors, assisted by the Executive Secretary who is the head of the administrative staff.

The administrative structure has a series of units covering various functional areas. These unites are the equivalent to the central government departments and each is headed by a Director who reports to the Executive Secretary and through the latter to either the vice-mayor for social affairs or the vice-mayor for economic affairs. In reality, many districts are expected to have hired additional staff.

At the sector level, there is, according to the above-mentioned organizational chart, provision for a staff effective of only five persons: an Executive Secretary, one agronomist, one person in charge of social affairs (health and education), a population officer and an accountant. The structure at the district level is not mirrored at the sector level.

All staff at the sub-national government level are directly recruited by them and there is no direct line of command with any of the line ministries. Salaries are paid from a combination of own resources (marginal), the LABSF block grant (general staff) or specific grants.

External Audit. All districts are audited annually by the Central Government External Audit Body, the OAG.

2.63 Funding of Sub-national Government operations

The financial resources for sub-national governments (districts) are as follows:

(i) Transfers from national government, which are composed of

- Earmarked sector grants, budgeted as recurrent transfers following the line items of the line ministry programs;
- Non-earmarked recurrent block grant, called Local Authorities Budget Support Fund (LABSF), which is largely used to cater for salaries;
- Development Transfers (earmarked and non-earmarked), budgeted under projects and programs of the concerned line ministries, and only shown in the national budget as aggregated figures. It includes the non-earmarked Community Development Fund (CDF), budgeted under MINALOC, which is a discretionary cross-sectoral investment grant.

(ii) Own revenues, which apart from the three districts in Kigali Town, only constitute a minor part of the total financial envelope;

(iii) Direct off-budget donor funding to districts.

In addition, there are resources earmarked for, but not managed by the districts, including budgets kept by the line ministries and central agencies.

An average district budget (including CDF, excluding FARG) is estimated to oscillate in the range of RWF 2.5 – 4.0 billion of which the majority is contributed by recurrent grants (an estimated minimum of 75%):

- Even though a large part of these recurrent grants are still handled by central agencies (i.e. salaries health and education staff which may constitute 50% of the total), it must be acknowledged that the young institutions with modest numbers of staff handle important sums of money (RWF 1-2 billion);
- The non-earmarked recurrent block grant constitutes only around 10-15% of the total recurrent grant amount and is normally used to pay for salaries of staff. The other part of the recurrent transfer amount (some 85% or more) is earmarked for particular activities or types of activities. In practice, sub-national governments have very little formal discretion on their expenditure as most funds are officially earmarked.
- Although the recurrent grants have an important share earmarked for salaries (for teachers and health staff) and other recurrent costs, they also include components that normally would be considered 'development' or 'investment'.

2.7 Donor Coordination in Rwanda

Donor coordination in Rwanda is extensive, existing on several levels of the development plane, from high level representatives to technical working groups. Similarly, a monitoring system also exists on several levels, measuring performance and guiding coordination from the technical level up to the donor level. Lastly, a formal Division of Labor guides the GoR and development partners in the placement of development assistance.

2.71 Donor Coordination Groups

Development Partners Coordination Group (DPCG). The DPCG is the highest-level coordination body in-country and responsible for overseeing the entire aid coordination system. All development partners (bilateral and multilateral donors) are invited to attend quarterly meetings chaired by the Rwandan Ministry of Finance to discuss high level progress and successes, obstacles to better performance, improving donor coordination, and improving coordination with the GoR and relevant line ministries.

Development Partners Meeting (DPM). The DPM is an annual high-level strategic forum for dialogue between the GoR and its Development Partners (bilateral and multilateral donors, international and local NGOs, private sector). The DPM is focused upon a central theme to frame the meeting discussion. The main objectives of the DPM are to provide a space for:

- Policy dialogue - between the GoR and its Development Partners. The Government openly engages in dialogue with donors on major policy issues and the strategic orientation of their partnerships.
- The Government - to showcase its major achievements and constraints in implementing its development programs; and to present its policies and strategic priorities for national development.
- Open discussion with regard to the management of external aid, including the extent to which that aid is moving toward the Paris Declaration Principles.

Development Partners Retreat (DPR). The DPR is an annual senior-level, two-day retreat aimed at bringing together stakeholders in Rwanda's development to review and discuss different mechanisms to make aid more effective in Rwanda, consistent with the 2005 Paris Declaration. The DPR is attended by senior-level representatives of the Government of Rwanda, multilateral and bilateral donors, local and international NGOs and the local and international private sector.

Budget Support Harmonization Group. The Budget Support Harmonization Group (BSHG) is a technical working group of the DPCG formed in 2003 under the GoR's Partnership Framework for Harmonization and Alignment of Budget Support, open exclusively to donors that provide budget support or who are considering budget support. The Partnership Framework outlines commitments in three overarching areas: macroeconomic stability and the establishment of an economic environment conducive to growth and employment generation, comprehensive and effective public financial management, and strong policy formulation informed by M&E.

Sector Working Groups. Sector Working Groups are technical teams for GoR line ministries and their respective donors to coordinate and discuss programs and projects within a given sector. Their purpose is to discuss how to coordinate resources provided by donors to a single sector, in order to create the high-level impact without redundancies and to identify strategic priorities. The current Sector Working Groups are:

1. Financial Sector Development and Employment
2. Private Sector Development
3. Infrastructure
4. Agriculture and Animal Husbandry
5. Environment and Land Use Management
6. Education, Science and Technology, R&D
7. Health, Population and HIV/AIDS
8. Water and Sanitation
9. Social Protection
10. Justice
11. Decentralization, Citizen Participation, Empowerment, Transparency and Accountability
12. Security
13. Cross-Cutting Issues Working Group

In some instances, Sector Working Groups are divided into sub-sectors and even sub-sub-sectors, to create more manageable units for technical and strategic discussion.

2.72 Monitoring System

Donor Performance Assessment Framework (DPAF). The DPAF is a tool developed by the Rwandan Ministry of Finance for the monitoring of donor performance against their national-level and international commitments on the volume and quality of development assistance provided to Rwanda. The indicators and definitions utilized in the DPAF were developed from the GoR interpretation of the existing Survey on Monitoring the Paris Declaration.

Joint Review System. With regard to the system of reviews in Rwanda, donors providing general and sector budget support participate in twice-annual Joint Budget Support Reviews (JBSRs), which serve as a forum to discuss general budgetary priorities and execution progress with the GoR. The JBSRs represent the culmination of a series of Joint Sector Reviews (JSRs), where the GoR and donors take stock of sectoral progress and policy and budgetary priorities. Policy actions and performance information discussed during the JSRs make up a Common Performance Assessment Framework (CPAF), which donors providing budget support use to inform their disbursement decisions.

3.0 Integrated Summary Assessment of PFM Performance

The CG Assessment is a repeat assessment as a PEFA for CG has been undertaken in 2007. The fact that, when undertaking a repeat assessment, the previous PEFA Assessment may have under-scored or over-scored some of the ratings for indicators or individual dimensions, entails that a simple comparison of the overall scores between two assessments at different times, not detailed by dimension, and with no analysis of change, as in Table 1, can suggest deterioration, improvement or stagnation of indicators and thus PFM performance or lack thereof for the various core dimensions, which is in fact not the case. There could be real progress despite the appearance of stagnation, if an indicator was over-scored by the previous assessment (as what the Team found to be the case for PI-11), real progress despite the appearance of deterioration if indicators or dimensions were highly over-scored (as the Team found to be the case for PI-21 and PI-25), or progress but less so than indicated by a simple comparison of the overall scores, if the indicator was over-scored by the previous assessment, as the Team found to be the case for PI-18. That is why the Team has believed it necessary to also present an "Analysis of Change" Table throughout the CG Assessment in section 4, which enables to thoroughly assess whether an indicator has progressed or not.

3.1 Summary of Assessment Indicator Scores

The CG assessment found that:

The areas of PFM performance that were already at a very satisfactory level of performance (A) in 2006 and have remained such are:

- PI-3 Aggregate revenue out-turn compared to original approved budget (A)
- PI-5 Classification of the budget (A)
- PI-13 Transparency of taxpayer obligations and liabilities (A)

The areas of PFM performance that have improved and/or achieved a very satisfactory (A) or acceptable (B) level of performance are:

- PI-1 Aggregate expenditure out-turn compared to original approved budget (A)
- PI-4 Stock and monitoring of expenditure payment arrears (B)
- PI-6 Comprehensiveness of information included in budget documentation (A)
- PI-8 Transparency of inter-governmental fiscal relations (A)
- PI-10 Public access to key fiscal information (A)
- PI-11 Orderliness and participation in the annual budget process (B+)
- PI-14 Effectiveness of measures for taxpayer registration and tax assessment (A)
- 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 (B+)
- PI-19 Competition, value for money and controls in procurement (A)
- PI-20 Effectiveness of internal controls for non-salary expenditure (B+)
- PI-22 Timeliness and regularity of accounts reconciliation (B+)
- PI-26 Scope, nature and follow-up of external audit (B+)
- PI-28 Legislative scrutiny of external audit reports (B)
- D-1 Predictability of Direct Budget Support (A)

The areas of PFM performance that are showing some improvement, yet remain weak, are:

- PI-2 Composition of expenditure out-turn compared to original approved budget (D)
- PI-7 Extent of unreported government operations (D+)
- PI-9 Oversight of aggregate fiscal risk from other public sector entities (C)

- PI-21 Effectiveness of internal audit (C)
- PI-25 Quality and timeliness of annual financial statements (D+)
- D-2 Financial information provided by donors for budgeting and reporting on project and program aid (D+)

The areas of PFM performance that are not showing much improvement and remain weak, are:

- PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting (C+)
- PI-15 Effectiveness in collection of tax payments (D+)
- 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-27 Legislative scrutiny of the annual budget law (C+)
- D-3 Proportion of aid that is managed by use of national procedures (D)

Chapter 6 at the end of the report outlines recent and ongoing reform policy actions and whether they sufficiently address the areas of PFM performance that remain weak.

Ratings that have remained unchanged since the 2007 PEFA, and are difficult to justify are:

- PI-7 (ii), PI-23, and D-3 at D;
- PI-15 and PI-24 at D+;
- PI-12 and PI-27 at C+.

It is disappointing feature of the GoR Reform Program inaugurated in 2008 that it has failed to make improvements in these areas. This is especially difficult to explain for:

- <u>PI-7 (ii),</u> since more information on donor assistance than what is included in fiscal reports is available within MINECOFIN, so that the policy measures to improve this dimension would be at virtually no cost, and simply an issue of coordination and sharing of information within a single Ministry; and
- <u>PI-15, effectiveness in collection of tax payments</u>, unchanged at D+ since the 2007 PEFA, despite *Domestic Revenue Generation* being a component of the GoR reform Strategy under Pillar 1, *Economic Management and Budget;*
- <u>PI-24, as in-year budget reporting</u> did take place in 2007 and 2008; and in-year reporting just ceased, with no explanation provided to the Team, in mid-2008.

Regarding the others, it can be noted that:

- <u>D-3, proportion of aid that is managed by use of national procedures,</u> shows that donors are not sufficiently relying on country systems for the channeling of donor assistance, and have not increased their reliance since 2006, despite the constant and coordinated presence of donor support in Rwanda, an overall improvement in PFM processes, and the general objective under the Paris Deceleration and the Accra Agenda to increasingly rely on national systems;
- The failure of improvements <u>in the availability of information on resources received by service delivery units (PI-23)</u> is also quite surprising especially give the fiscal decentralization process underway, and the stated objectives of the *National Decentralization Policy*.
- <u>Regarding legislative scrutiny of the annual budget law (PI-27),</u> the indicator rating cannot improve as long as the current situation, of no limit in place for the size of supplementary budgets, reflected under dimension (iv), continues.
- <u>The failure of the MTEF (see PI-12) to deliver its true objective of linking policy targets with actual budget allocations and thus ensure at the same time **a strategic allocation of resources**</u>

and fiscal sustainability, is also especially costly in Rwanda, given the vast amount of capacity invested in the multi-year planning process, which is very extensive and involves a large variety of activities throughout the budget preparation cycle, across all sectors.

- Regarding the implementation of IFMIS/SmartGov, which is part of the official PFM GoR Reform Program, under Pillar 2, component 3, it has fallen behind schedule. Its delay is at the root of the fact that the quality of financial statements (PI-25 (i)) has not improved as much as its potential, as it is hampered by the continued coexistence of two different systems, SagePastel and SmartGov. Overall, not enough effect has trickled to PFM systems in the area of accounting, recording and reporting despite it being one of the main reform pillars.

Overall, the PEFA assessment for CG found **a marked improvement in external audit (PI-26) and legislative scrutiny of audit reports (PI-28),** which have improved from D to B+ and B respectively. Government Reform Pillar 4, *Budget Execution Oversight*, at least regarding external audit, has thus already resulted in measurable positive effects both in the directly targeted areas, and, probably as a consequence, in the related areas of controls in procurement, salary and non-salary expenditure (PI-19, PI-18 and PI-20).

Similarly, the SN Assessment found a satisfactory nature and scope of the external scrutiny of SN Governments (see SN PI-26, rated at A for nature and scope and B overall). The OAG in fact audits all SN governments on a yearly basis and issues the results of the audit as part of the Annual report presented to Parliament, under Volume III. Also in parallel with CG, and also probably as a result of an acceptable level of external oversight, including on the implementation of audit recommendations, the SN Assessment found that controls on both salary and non-salary expenditure are at an acceptable/satisfactory level, with PI-18 and PI-20 both rated at B+. At the SN level, the core dimension Transparency and Comprehensiveness was assessed only on the basis of two indicators (PI-8 and PI-10), one of which was found not applicable (PI-8). On the basis of PI-10 only, which assesses public access to key fiscal information, transparency at the SN level is satisfactory (A). The core dimension Accounting and Reporting, assessed at the SN level on the basis of the availability of funds for commitment expenditures (PI-22) and in-year budget reporting (PI-24), shows acceptable to good results (B+), and a more positive status of processes than for CG.

By indicator, the SN Assessment found that the areas that are at a good or acceptable level of performance are:

- PI-2 Composition of expenditure out-turn compared to original approved budget (B,B,A,B)
- HLG-1 Predictability of transfers from higher levels of Government (B+, B+, B+, A)
- PI-10 Public access to key fiscal information (A)
- PI-16 Predictability in the availability of funds for commitment of expenditures (B+)
- PI-18 Effectiveness of payroll controls (B+)
- PI-20 Effectiveness of internal controls for non-salary expenditure (B+)
- PI-22 Timeliness and regularity of accounts reconciliation (B+)
- PI-24 Quality and timeliness of in-year budget reports (B+)
- PI-26 Scope, nature and follow-up of external audit (B+)

Whereas the following areas were found to be weak:

- PI-1 Aggregate expenditure out-turn compared to original approved budget (D,B,D,D)
- PI-11 Orderliness and participation in the annual budget process (D+)

3.2 Credibility of the budget

At the CG level, the Rwanda PFM system performance between FYs 2008 - 2009/2010 supported a credible budget. Total expenditure variation exceeded 5% in only one of the past three years, compared to twice for the 2007 PEFA. That stated, the control demonstrates that the budget can be brought in as enacted.

Composition of expenditure out-turn compared to original approved budget measurement of variance has shown some improvement, but not at a level to change the 2007 PEFA D rating. Although total expenditure exceeded the variation by 10% in two of the last three years, the variances have decreased compared to the three years examined by the 2007 PEFA, namely, 7.1%, 18.1% and 13.1% compared to 35% in 2004, 15% in 2005, and 14.2% in 2006.

The comparison of revenue estimates to actual outturns performs very well (see PI-3). Revenue collections regularly meet and exceed budget targets (rated A), especially tax revenues, which may be due to increasingly effective tax law administration.

Expenditure arrears are decreasing quite steadily. At the end of FY 2009/10, the stock of arrears was 4.5% of total central government expenditure. In 2006, according to the 2007 PEFA, the ratio was 13%. That said, there has been no improvement on the quality of data on arrears, which, though generated annually, still does not include an age profile and is still not detailed by budgetary institution.

At the SN level, budget credibility is assessed on the basis of total expenditure variation (PI-1) and the variance in the composition of expenditure out-turn compared to original approved budget (PI-2). For the aggregate measure of variation between the approved and the executed budget (PI-1), results for the SN level are less positive than for CG, with PI-1 rated D for three districts, except for Rulindo, at B. For the composite measure (PI-2), results are more positive than for CG: PI-2 scores B for three districts and A for one (Bugesera). The fact that the composition variance scores better than the total variation between actual and approved expenditure is also an interesting result, as the former is a stricter measure of budget discipline, and is usually found to score lower than the aggregate measure. An explanation for this result has been provided by the Assessment Team under SN PI-2.

Though HLG-1 does not directly measure the forecast capacity of districts, it does have an impact on districts' ability to implement the budget in line with the approved levels, and thus on the credibility of SN budgets, as explained under HLG-1. It also measures the credibility of the budgeted allocations for transfers and earmarked grants at the level of CG, and in that respect can be considered an additional measure of the forecasting capacity of CG institutions involved in the formulation of transfers to the districts. The results obtained by the SN Assessment on HLG-1 further corroborate the above-mentioned results of overall credible budget forecasts at the CG level (though not for the MDA level), at least on the basis of the 4 SN governments examined, as HLG-1 scored B+ for 3 SN governments and A for Nyamagabe. They also suggest that districts, or district level budgetary units, are not hampered in the implementation of their budgets by unpredictable transfers from Higher Levels of Government, which is in line with the results for SN PI-2, though makes the poor results for SN PI-1 more difficult to explain or justify.

3.3 Comprehensiveness and Transparency

For CG, with respect to the classification of the budget, Rwanda's score has remained stable since the 2007 PEFA as the budget has continued to be based on functional, administrative, economic, and program (plus sub-program) classification, using GFS/COFOG standards. While still in transition to the 2001 GFSM, the GoR has managed to adhere to the required budget classifications standards for an A.

As was noted in the 2007 PEFA, the reason for the low score for PI-6 was due to the FY 2006 budget process not being adhered to. Specifically, the Budget Framework Paper (BFP) and required supporting documentation were not developed. Since FY 2007, this process has substantially improved as the GoR now produces comprehensive information that is included in the budget support documentation. Of the nine information benchmarks, the GoR meets all of them, with the exception of the debt stock and the financial assets.

The GoR includes within the budget and all fiscal reports all funds, except the Rwanda Social Security Fund (RSSF), which is currently classified as an AGA by the GoR. It constituted 1.18% of total CG expenditure in FY 2009, and 1.71% for FY 2009/2010 though according to unaudited figures for RSSF expenditure. That said, the part of RSSF expenditure which was not included in the budget was less than 1% in both FYs. Reporting on donor-financing activity is not comprehensive and lacks consistency.

All horizontal allocations within the budget are the subject to rule based allocation formulae. This is not to say that the formulae are technically satisfactory, rather it merely implies that there are no ad hoc allocations. The level of information available to SN governments in respect to allocations is both comprehensive and reliable. This is a direct reflection of the quality of the forecasting and information contained in the budget call circulars.

Major PEs and AGAs submit financial accounts to the Accountant General's Department at MINECOFIN on an annual basis and a fiscal risk review has been issued. That said, AGAs and PEs including major ones do not submit audited accounts annually and some, especially AGAs, have not been audited for the past three years. This limits the capacity of MINECOFIN and the GoR more generally to adequately assess the fiscal risk posed by the sector and prevent them from materializing, although an organizational structure for warning the Minister of Finance of risks arising from PEs and AGAs is now in place. While CG does actively monitor the fiscal position from the point of view of central transfers, local revenue and donor funds, there is a risk that SN governments could incur liabilities, which could one day pose a fiscal risk for CG.

Transparency with regards to the access of key fiscal information (PI-10) is high and rated A. This includes annual budget documentation; year-end financial statements, external audit reports, and contract awards. However, in-year budget execution reports were not issued during the last completed fiscal year, and there are still issues with the ease with which information on primary service delivery units can be obtained by the public.

For the SN level also, PI-10 was rated A. Transparency with regards to the access of key fiscal information (PI-10) is actually better at the SN level than at the CG level, with 6 out of 7 elements met, compared to 4 out of 6 for CG, due to better in-year budget reporting at the SN level compared to the CG level.

3.4 Policy-based budgeting

For CG, the budget process is orderly and transparent and Ministries and Sub-National tier governments are given clear instructions on the economic and other assumptions to be used in preparing their budget submissions. A clear, well established and respected in practice budget calendar exists, is adhered to, is distributed to MDAs with the Budget Call Circular, and allows MDAs over 8 weeks to complete their submissions. For the 2010/2011 budget preparation cycle, further initiatives have been taken by the NBU to enhance the MDAs' capacity to submit meaningful budget submissions. This has been done in 2009, by sending two BCCs to provide MDAs with more information and instructions on how to complete their submissions.

The current structure of the budget preparation cycle ensures sound and participatory bottom-up and top-down process. Besides the various forums for budget discussion that Ministries participate in the context of the MTEF (see PI-12), the preparation of which is integrated with the budget preparation process, Inter-Ministerial Consultative Meetings take place on final draft budget allocations. The weakness in the current preparation process in Rwanda lies with the lateness of political involvement: Cabinet only reviews and approves the budget ceilings after MDAs have completed their submissions, and there is no pre-approval by Cabinet of a preceding proposal for budget allocations earlier in the preparation process (such as through a budget outlook paper). Nonetheless, the budget has been consistently approved by Parliament before the start of the new FY for the past three years.

Budget preparation (PI-11) is assessed for the SN level also. The budget preparation cycle was found to be orderly at the district level as well, with a clear and adhered to budget calendar (SN PI-11 dimension (i) scored A, for all 4 districts, in parallel with the CG result for dimension (i), also at A. Like for CG, the budgets of the selected SN governments were approved before the start of the new FY, every year for the three-year period examined. The overall score of budget preparation was however penalized, and is thus D+ overall, by the lack of a Budget Call Circular specific to the SN level.

The GoR has developed an elaborate multi-year sectoral planning and budgeting system within a fiscal forecasting framework, referenced to the EDPRS. Multi-year fiscal projections have been provided by MINECOFIN for the next budget year and two outer years and presented in a *Budget Framework Paper* submitted to Parliament with the draft budget, for at least two of the past three years. Nonetheless, in practice, multi-year estimates and subsequent setting of the annual budget are not linked and the differences between the two, and between the sectoral allocations formulated by the BFP in one year with previous BFP sectoral allocations, are left unexplained.

A Debt Sustainability Analysis (DSA) has been conducted at least once over the last three years. The debt sustainability assessment is performed both for domestic and external debt. That said, the recommendation previously made by donors to create a dedicated Debt Management Unit is still not implemented. Statements of sector strategies exist and are fully costed for around 30% of total primary expenditure, but they are not broadly costed with overall fiscal forecasts. Moreover the SIPs were not provided to the Team to assess the existence of multi-year costing of recurrent and investment expenditure. The majority of investments are selected on the basis of relevant sector strategies. That said, sectors do not have the capacity to forecasts the majority of recurrent expenditure future needs stemming from current investment, so that there is a weak link between investment budgets and forward expenditure estimates, except for Health and Education. Therefore, dimension PI-12 (iv) does not show any real change since the linkage between recurrent and investment expenditures remain constant with the 2007 PEFA assessment.

3.5 Predictability and Control in Budget Execution

Taxpayer obligations and liabilities were found to be clearly defined and consistently applied. That said, the collection of tax payments was found to be ineffective, and rated D+ accordingly.

Cash flows are forecasted and monitored efficiently. Since the linkage of the forecasts to cash availability for commitments under the SmartGov, controls have become better managed in the central government of Rwanda. The reliability of in-year information to MDAs on ceilings for expenditure commitment is high, which ensures quality quarterly reviews. In-year adjustments occur once and require legislative approval. The predictability and availability of funds for commitment expenditures in fact scored B+ for CG. The Assessment found the same results for the SN level, as PI-16 scored B+ for all 4 districts.

Debt data is recorded in a dedicated database, which ensures the quality of the information with respect to domestic and foreign debt, and all guarantees, although some parts of the data is only updated annually. All loan and guarantee contracting is subject to clear criteria and annual fiscal limits, which may only be approved by Parliament.

Payroll is an important spending area within budget execution and has shown improvements since the 2007 PEFA. Controls for CG government payroll were found to be reasonably effective (B+) and operational. At the SN level, payroll controls were also found to be at an acceptable level of effectiveness, at B+, for all four districts.

Effective controls for non-competitive tendering exists, as all tendering above the relevant threshold is subject to approval by the RPPA Board. The overall procurement controls are efficient and effective with substantial information on procurement activities available to the public. Internal controls for non-salary expenditures are good, which is evident through the use of published manuals and procedures. That said, there are minor examples of failure to strictly comply with required processes. At the SN level, controls for non-salary expenditure were found to be adequate also, and rated B+.

The internal audit function, though improved since 2006, is understaffed at the level of the core unit at MINECOFIN, does not yet fully meet internationally recognized internal audit standards, and needs to further increase staff time devoted to systems-audit.

3.6 Accounting, recording and reporting

At the CG level, bank reconciliations for Treasury managed bank accounts takes place monthly, usually within 4 weeks from the end of the month. This has been consistent for the past three FYs. Suspense accounts are not used and all advances (mainly travel) are cleared promptly with no evidence of substantial delay. For the SN level as well, bank reconciliations were found to take place monthly, usually within 4 weeks form the end of the month, and acceptable overall.

The collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by primary schools and primary health clinics in relation to the overall resources made available to the sector for the operation and funding of those units did not occur. Information that may have been collected at school and health clinic levels reached only to the district level where the information was not aggregated analyzed or passed on to MINISANTE, MINEDUC or MINECOFIN. Recently, the GoR has been focusing on improving this area, which has remained stagnant since 2006, and for which improvement would help ensure that public funds are actually used to improve ***service delivery***.

At the CG level, in-year reporting has taken the (limited) form of quarterly reporting. The quarterly reports covered general government as a whole, and were broken down by the three classifications: programmatic; economic; and functional. Expenditures on External Disbursements were also included. MINECOFIN has however stopped issuing in-year budget execution reports in mid- 2008.

By contrast, quarterly budget execution reports were found to be issued at the SN level, of acceptable quality and on time.

Though a consolidated government statement is now prepared annually, and on time, essential information is missing so that the OAG has disclaimed an opinion on the consolidated government statements. The main underlying reason for the disclaimer is not likely to be resolved in the immediate future, as the IFMIS project is far from full implementation and coverage (and making interfaces with other systems, such as IPPS, operational). This implies that both Sage Pastel and SmartGov will be used in parallel to issue GoR annual accounts, which jeopardizes the integrity of accounting data and the consistency of the consolidation effort undertaken by the AG to issue the consolidated financial statements. On a positive note, IFMIS was piloted in key CG ministries and on the 1st July 2010, the core modules of the IFMIS were rolled out to 94 out of 236 budget agencies. The IFMIS will be rolled out to the rest of the budget agencies in two additional phases. That said, rollout will have to be carefully monitored, as the failure to close down parallel systems prior to the operationalization of IFMIS, has proven to be one of the key causes of failure of IFMIS projects worldwide.

3.7 External scrutiny and audit

Scope, nature and follow-up of external audit has improved substantially since the 2007 PEFA, from D+ to B+. The scope and quality of the audit by the OAG has improved through better organization, increased audit coverage and follow-up to recommendations. The OAG carries out financial audits of CG annually, covering all MDAs. It also audits all the SN governments and the Government Consolidated Financial Statements. Given that the coverage of the CG audit is now 100%, the limitations in audit scope attributed by the 2007 PEFA are found to no longer apply. For the past two completed audit reports (on the FY 2009 budget and on FY 2008), the OAG submitted the Audit Report to Parliament within 8 months after receiving the government consolidated financial statements on the same FYs. The OAG is also taking appropriate action to ensure that recommendations are implemented although implementation is still not systematic. For the SN level, as the volume containing the results of the SN audit is issued as part of the Annual Report to Parliament, it follows that the timeliness of issuance of audit reports is the same as for CG (within 8 months). The implementation of external audit recommendations by the executive, which is different from CG at the SN level, was also found to be acceptable, though not systematic.

The Legislature’s procedures for budget review are firmly established and respected. The Budget Committee has examined in detail the budget proposals as adopted by the plenary session of Parliament over the past three FY years. Overall arrangements for the Parliament’s consideration of the draft budget are set out in the Constitution and OBL. That said, though there are clear rules for in-year amendments, there is no rule that sets a limit for supplementary budgets, which impeded an increase in the indicator score, which is thus still a C.

Regarding legislative scrutiny of external audit reports, the review process has been completed within six months after the report has been presented to Parliament for the past three years. This is an improvement from the period examined by the 2007 PEFA, under which the scrutiny of audit reports was being completed within twelve (12) months. Moreover, in-depth hearings take place with the bodies concerned by the audit reports, and there is evidence that some recommendations have been implemented.

3.8 Donor Practices

In Rwanda, budget support has been an important source of government income by international donors. Their use has been effectively monitored at both the forecasted and disbursement phase. The D-1 indicator illustrates and emphasizes that forecasted aid is well planned.

Financial information, including its completeness and timeliness, provided by the donors for the budgeting and reporting on project and program aid still remains weak (D-2). This is due to the donor estimates not being aligned with or consistent to the government’s budget classification and delays in the quarterly reports on disbursements. There have been ongoing improvements by both the government and donors, as the CEPEX unit in MINECOFIN prepares quarterly and annual reports on externally financed development budget and execution, and the External Finance Unit (EFU) has implemented the Development Assistance Database (DAD) as another source of comprehensive information on aid flows, which allows donors access to update information about their commitments. However, donor funding has not been adequately disclosed in the CFS for FY 2009 (as well as for FYs 2008 and 2007 before that), especially regarding the breakdown between loans and grants (see PI-25), or in the FY 2009/2010 Budget Execution Report as actual/executed donor-funded expenditure for both loans and grants is not included (PI-7 ii). This also negatively impacts overall budget credibility and transparency.

In Rwanda, a considerable proportion of aid (57%) remains outside country systems, as it is not delivered in the form of general and sector budget support. Several donors continue to cite headquarter regulations or domestic legislative constraints as the main reason for not using national systems.

4.0 CG: Assessment of PFM Systems, Processes and Institutions

4.1 Budget Credibility

Indicator		Score November 2007	Score November 2010	Analysis of Change
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	A	Real improvement: total expenditure variation exceeded 5% in only one of the past three years, compared to twice for the 2007 PEFA.
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D	No change in the score, yet improvement in the size of the variance in expenditure composition. Although variance in expenditure composition exceeded total expenditure variation by 10% in two of the last three years, so that the score for PI-2 is still D; the level of the variances have decreased compared to the three years examined by the 2007 PEFA.
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A	No change.
PI-4	Stock and monitoring of expenditure payment arrears	D+ (i)D (ii)B	B (i)B (ii)B	No change in dimension (ii). For dimension (i), the stock of arrears over total expenditure was found to be greater than 10%, i.e. 13%, at the end of FY 2006, and thus dim (i) rated D, compared to 4.5% at end of FY 2009/10, so that a real and progressive improvement can be noted. The level of arrears is also being progressively reduced, by over 25% over the past two FY years.

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

Dimension to be assessed (Scoring by method M1):

The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e. excluding debt service charges, but also excluding externally financed project expenditure)

A. Total expenditure variation exceeded 5% in only one of the past three years (2009).

PI-1 compares actual expenditure, in total, with the original approved budget. It is a measure of how well a government can forecast expenditure at aggregate level. The Total expenditure variation over the period examined was low: less than 2% in two years, and 7.9% in 2009, as reported in Table 6 below (the calculations at the basis of the Table are reported in Annex 1). The previous PEFA Assessment had found total expenditure variation to be around 10% for two of the three years examined.

Table 6: PI -1 and PI-2 Results Matrix

	for PI-1		**for PI-2**
Fiscal Year	Total Exp. Deviation	Composition variance	Variance in excess of total deviation
2008	1.7%	7.1%	5.3%
2009	7.9%	18.1%	10.2%
2009/2010	0.2%	13.1%	13.0%

Source: Ministry of Finance and Economic Planning, National Budget Unit; Annual Finance Law and Budget Execution Reports for 2008, 2009, 2009/10.[11]

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

Dimension to be assessed (Scoring by method M1):

Extent to which variance in primary expenditure composition exceeded overall deviation in primary expenditure (as defined in PI-1) during the last three years

D Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in two of the last three years examined.

PI-2 is a tighter measure of budget discipline. It measures how well a government can forecast expenditure at the MDA level. By consequence, as it considers the variation between the budgeted and actual distribution of expenditure, it also measures whether the budget is a credible statement of policy intent. As shown in Table 6 above, the composition of expenditure at the MDA level varied between 7.1% and 18.1% in the past three years. Moreover, firstly, the composition variance is just above 5 percentage points of total expenditure deviation in 2008. Secondly, it is above 10% in the last two years: 2009 and 2009/2010; however, there is an improvement than the one found by the 2007 PEFA: namely, 7.1%, 18.1% and 13.1% compared to 35% in 2004, 15% in 2005, and 14.2% in 2006. Nonetheless, since the variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in two of the last three years examined the score remains a D.

The approved budget and levels of expenditure detailed by the 20 largest MDAs, for the three years in question, are presented in Annex 1.

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

Dimension to be assessed (Scoring by method M1):

Actual domestic revenue collection compared to domestic revenue estimates in the original approved budget.

A Actual domestic revenue collection was never below, but always well above the defined threshold of 97% of budgeted domestic revenue estimates in each of the last three years.

This indicator focuses on any shortfall of domestic revenue (tax and non-tax revenue). In all the last three fiscal years, revenue collections have exceeded budget (see Table 7 below).

[11] The data both for the original approved budget and the outturn for FY 2009/10 are not yet audited.

Table 7: Domestic Revenue, Budget compared to out-turn (2008, 2009, 2009/2010)

	Budget	Out-turn	+/-	%
2008	298.3	381.0	+82.7	128%
2009	195.1	193.6	-1.5	99%
2009/2010	385.1	391.5	+6.4	102%

Source: Ministry of Finance and Economic Planning.

Revenue is recognized at the point of collection. The main sources of domestic revenue collected are from: income tax, value added tax, excise duty, and import duty. A comparison of actual receipts against the original budgeted figures indicates that, in aggregate, the revenue collection has exceeded budgeted figures for two of the last three years (2008 and 2009/2010). In one of the past three years substantial excess of revenue was collected and particularly noteworthy was that in the 2009 and 2009/2010 budget years the budget successfully forecasted the actual revenue receipts within 2%. As a result this indicator still warrants an A, which is unchanged from the 2007 PEFA score. The details of the calculations for PI-3 and the figures reported in Table 7 are presented in Annex 2.

PI-4 Stock and monitoring of expenditure payment arrears

Dimensions to be assessed (Scoring by method M1):

(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.

B At the end of June 2010 (end of last completed FY), the stock of arrears was 4.5% of total CG expenditure. The stock of arrears has also been reduced by over 25% over the past two FYs.

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

B Data on arrears is generated annually, does not include an age profile, and is complete by expenditure category (though not detailed by budgetary institution).

Overall score: B

Table 8 below shows that at the end of FY 2009/10 the stock of arrears over total expenditure was between 2% and 10%: more precisely, 4.5% at the end of FY 2006, according to the 2007 PEFA, the ratio was 13%. The stock of arrears has also been progressively reduced, by 25.4% between the end of FY 2009/10 and the end of FY 2008 (see Table 8).

Data on the stock of arrears is generated at least annually, at FY-end (given the change of budget calendar in June 2009, it was reported twice in 2009, both at end of June 2009 and at the end of December 2009). The stock of arrears is classified by expenditure category, but not by specific budget institution, although the data is available within the Treasury Management Unit (TMU) at MINECOFIN for this classification to be undertaken except for two categories (Arrears before 1994 and Arrears for former communes). Like in 2006, it still does not include an age profile.

Table 8: Stock of Arrears (2007, 2008 and 2009) by expenditure category, & as a % of Total CG Expenditure (in Rwf)

	End of FY 2008 (end of December 2008)	End of FY 2009 (End of June 2009)	End of FY 2009/10 (End of June 2010)
Arrears for wages and salaries	53,648,614	791,844,592	99,726,591
Arrears before 1994	25,240,614,294	25,189,428,751	18,060,260,802
Arrears on Good and Services	3,139,856,088	4,061,587,960	2,567,652,113
Arrears on Maintenance and repairs	94,701,490	94,701,490	94,701,490
Arrears on Projects counter Part Funds	193,042,251	480,070,268	947,675,857
Arrears for Regional and international organization contributions	1,158,359,657	1,055,245,599	553,445,260
Arrears for former communes	4,730,123,794	4,671,126,845	4,108,591,595
Arrears for Expropriations and Others	1,324,570,302	1,242,924,964	384,686,697
Arrears for embassies	87,830,791	510,965,612	62,882,584
Accumulation (including carry-over of unpaid checks)	-	-	
Total arrears	36,022,747,281	38,097,896,081	26,879,622,989
Stock of arrears/Total expenditure	8.3%	15.2%	4.5%
Reduction in the total stock of arrears over the last two years (end 2009/10 stock compared to end 2008 stock)	25.4%		
Total CG expenditure	435,790,563,795	249,874,680,612	602,269,336,805

Source: MINECOFIN, National Budget Unit; and GoR, MINECOFIN; Annual Finance Law and budget execution reports for 2007, 2008, 2009, 2009/2010.

4.2 Transparency and Comprehensiveness

		Score November 2007	Score November 2010	Analysis of Change
PI-5	Classification of the budget	A	A	No Change.
PI-6	Comprehensiveness of information included in budget documentation	D	A	In 2006, which was assessed in 2007 PEFA, the entire relevant budget documentation was missing for that FY. Since then the GoR has consistently used a comprehensive budget documentation process. This change was forecast in the 2007 PEFA.
PI-7	Extent of unreported government operations	D+ (i)B (ii)D	D+ (i)A (ii)D	For dimension (i), the level of extra-budgetary expenditure has decreased, from between 4 to 4.4% of total CG expenditure in FY 2006 according to the 2007 PEFA, to less than 1%.

		Score November 2007	Score November 2010	Analysis of Change
PI-8	Transparency of inter-governmental fiscal relations	B (i) A (ii) A (iii) D	A (i) A (ii) A (iii) A	No change in dimensions (i) and (ii). Real change in dimension (iii), as reporting formats introduced in 2007 addressed the shortcomings identified by the 2007 PEFA, which in fact anticipated an improvement in the rating, and satisfy the reporting requirements of dimension (iii).
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	D+ (i)C (ii)D	C (i)C (ii)C	Overall real improvement in the overall score, given improvement in dimension (ii) as SNs are now required to submit financial statements to MINECOFIN. For dimension (i), MINECOFIN via the creation of the GPU in 2009, is taking measures to achieve a complete database for GBEs, systematize and expedite the annual submission of audited accounts, align the GBE reporting period to that of the GoR, also to better assess the fiscal risk posed by the sector. Recent measures include the issuance of an overall fiscal risk report. Nonetheless, significant shortcomings still exist in this area so that improvements since 2006 are not sufficient to impact the dimension score.
PI-10	Public access to key fiscal information	C	A	The information elements are substantially met due to a change in practices by the GoR.

PI-5. Classification of the budget

Dimension to be assessed (Scoring Method M1):

The classification system used for formulation, execution and reporting of the central government's budget

A The current classification system of the budget is consistent with GFS/COFOG standards.

Overall score: A

Article 35 of the Organic Budget Law (OBL) provides for programmatic, economic and functional classifications for the budget in line with the IMF Government Financial Statistics Manual (GFSM) 1986. The current economic classification was introduced in 2000 whilst the program classification was introduced in 2001 and developed further in 2002 with the introduction of sub-program and output components. The functional component was introduced in 2002 and comprises 14 sectors and 58 sub-sectors.

Government presented information on proposed expenditures in the annual Budget Law in line with the three classifications and an administrative dimension in FYs 2008, 2009, 2009/2010 & 2010/2011. The final budget execution report for FY 2009/2010 presents the information on actual expenditures in line with the same classifications.

The only classification that is not stable over time is the program dimension, which must respond to changes in national sectoral policy as they occur, but even this dimension is relatively stable as changes in national sectoral policy are not common or of such a degree that would impact the program structure of the national budget. This is reflected in the content of the annual Budget Call Circulars (BCCs). The classification system is in the process of moving to the GFSM 2001, but this has yet to be completed.

The current classification system is consistent with GFS/COFOG standards and the current position warrants an A score and this is unchanged from the 2007 PEFA.

PI-6. Comprehensiveness of information included in budget documentation

Dimension to be assessed (Scoring method M1):
Share of the above listed information in the budget documentation most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met).
A The information included in the budget documentation covered 7 of the required 9 Information benchmarks.

The 2003 Constitution establishes a bi-cameral parliament with a Chamber of Deputies and a Senate. Article 5 of the Organic Budget Law (OBL) provides 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:

1. 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.
2. 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.
3. Data projections for the two years following the budget year.
4. 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.
5. With regards to constitutional public institutions, which use revenues not generated in procedures provided for by the OBL, self-raised and self independently retained revenues shall be subject to reports submitted in the same manner as all other funds;
6. Projections relating to public debt.
7. Article 41 states that annexes to the budget document submitted to the Parliament should include:
8. Summaries of expected revenues and expenditures, which are not reflected in the budget as well as funds, provided in the public enterprises.
9. Consolidated summaries of revenues and expenditures of local administrative entities.
10. 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.

Budget documentation is prepared as an integral component of Rwanda's MTEF preparation process and implements OBL requirements. The MTEF process requires the production of a Budget Framework Paper (BFP) in April and for this to be submitted to the Cabinet in the same month with proposals for the allocation of resources (including proposed budget agency ceilings) over the three years of the period cover by the related BFP/MTEF.

The purpose of the BFP 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 last budget present to Parliament was the budget for FY 2010/2011. The Assessment Team compared the Explanatory Note for the FY 2010/2011 Budget with the Budget Law for 2010/2011 and they are consistent in the format presentation and the issues covered by this indicator. The MTEF process was also complied with and the BFP for that FY was finalized in April and was submitted to Cabinet in the same month.

The following information was provided in the budget documents accompanying the budget as presented to Parliament in 2010/2011, which is the last budget presented to Parliament.

Table 9: Information Benchmarks

Information Benchmarks	2010/2011
1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.	Yes
2. Fiscal deficit, defined according to GFS or other internationally recognized standard.	Yes
3. Deficit financing, describing anticipated composition.	Yes
4. Debt stock, including details at least for the beginning of the current year.	No
5. Financial Assets, including details at least for the beginning of the current year.	No
6. Prior year's budget outturn, presented in the same format as the budget proposal.	Yes
7. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.	Yes
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
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

The Assessment Team, as it was unable to locate the material, specifically asked MINECOFIN staff to attempt to identify the debt stock and the financial assets in the budget or the budget documents that accompanied it to the legislature, and staff was not able to identify it.

That said, overall, given that the recent budget documentation fulfills 7 of the 9 information benchmarks, the appropriate score for this indicator is A. This is a marked change from the 2007 PEFA, which scored it D, which was due to the fact that a BFP was not issued or presented to Parliament in FY 2006, nor the accompanying documentation, so that no information by which to assess the indicator was presented.

PI-7. Extent of unreported government operations

Dimensions to be assessed (Scoring method M1):
(i) The level of extra-budgetary expenditure (other than donor-funded projects) which is unreported i.e. not included in fiscal reports.
A The level of unreported extra-budgetary expenditure (other than donor-funded projects) constitutes less than 1% of total central government expenditure.
(ii) Income/expenditure information on donor-funded projects, which is included in fiscal reports.
D Actual expenditures of donor-funded projects are not being captured in fiscal reports.
Overall Score: D+

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

The 2007 PEFA found that the Road Fund and the Rwanda Social Security Fund (RSSF) were extra-budgetary. Since then, the Road Fund has been included in the annual budget. The central government has also been providing budget support to the Road Fund for road maintenance. These funds are processed through the budget system, signed-off by the Treasury and paid through the Treasury Account in the Central Bank. Both the funds provided by central government for this purpose and those collected by Road Fund are shown on the budget and approved by the Parliament each year. The budget of the Road Fund for FY 2009/10 was Rwf 12 billion and was budgeted and voted to be Rwf 14 billion for FY 2010/11. The contribution of the central government to Road Fund has been progressively decreasing: budgeted and voted at zero in the annual finance law for FY 2010/11 and about Rwf 3.5 billion in FY 2009/10. The Road Fund is a budget agency consistent with Article 2 of the OBL and is headed by a Chief Budget Manager as provided in articles 20 and 21 of the same law.

As for the RSSF, it is considered an AGA by the current GoR classification (See PI-9 (i)).[12] As such, the GoR does not include or report all of RSSF expenditure in the budget. That said, the RSSF performs a CG function and the majority of RSSF expenditure is funded by the GoR through direct subsidies and transfers or funding of civil servants' contributions to the scheme, which is 5% of their basic salary. RSSF expenditure should as such be included in the budget, also in line with the Clarifications to the Framework.[13] The proportion of RSSF expenditure which was funded by the

[12] In fact, as discussed in PI-9, the current classification of PEs and AGAs may not be completely in line with the GFSM 2001, so that certain bodies presently classified as AGAs or PEs may actually be CG agencies, which are erroneously reported under the public sector balance (and thus as Public Bodies' annual accounts audited by the OAG or another external auditor) instead of being reported under the annual budget. See for instance, the fact that the body ORTPN was classified as a GBE until the end of FY 2008, and then became part of the CG budget in FY 2009, as it was merged into the Rwanda Development Board (RDB), which is an MDA in the CG budget, as presented in Annex 1. For the integration of ORTPN into the RDB, see page 2 of the OAG Report on the 2009 CFS; Volume II of IV of the OAG Annual Report on the 2009 accounts.

[13] *Clarifications to the PFM Performance Measurement Framework of June 2005* (updated by the PEFA Secretariat, October 2007).

GoR was over 70% in FY 2009, and 52% in FY 2009/10 (on the basis of unaudited figures for RSSF total expenditure).

Expenditure and revenue projections of the RSSF (as well as those of the other GBEs) have been annexed to the Annual Finance Law, under Annex V, in parallel with MINECOFIN efforts to increase the transparency of reporting for GBEs described under PI-9 (i). It is also a requirement of the OBL that annexes to the Annual Finance Law include summaries of expected revenues and expenditures that are not reflected in the budget as well as funds provided in the public enterprises. Actual expenditure by the RSSF (as for the other GBEs) was not annexed to the Budget Execution Report issued for FY 2009/10 (or the previous year), as in September when it was issued the accounts for GBEs were not available as most are still reporting following the pre-EAC transition financial/fiscal year (see PI-9 (i)).

For FY 2009, RSSF expenditure from audited accounts was 2.95 billion Rwf, or 1.18% of total CG expenditure. That said, as above-mentioned, the GoR pays the employer's contribution to the scheme, which is 5% of the basic salary (before tax). That part of RSSF expenditure is included in the budget, both approved and executed.[14] In FY 2009, the executed amount equaled 2.09 billion Rwf. By deducting the RSSF expenditure that was included under budget execution in FY 2009 to the total RSSF expenditure, the part of RSSF expenditure that was extra-budgetary in FY 2009 can be identified: namely, 0.87 billion Rwf, which corresponds to 0.35% of total CG expenditure. For FY 2009/2010, the unaudited available figures for RSSF expenditure[15] are 10.3 billion Rwf, which corresponds to 1.71% of total CG expenditure. The GoR contribution to the scheme that is included in the budget (execution) for FY 2009/10 equaled 5.37 billion. By consequence, the RSSF-related off-budget expenditure for FY 2009/10 is estimated at 4.93 billion Rwf, or 0.82% of total CG expenditure.

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

The PEFA Framework definition of 'donor-funded projects' covers those projects under the implementation control of the GoR. Under this dimension, expenditure is "reported" if it is included in the fiscal reports, either by consolidation with other central government expenditure or shown in a separate section or annex of the document. In line with the Clarifications to the Framework,[16] which specify that the definition of fiscal report only includes the annual budget, budget execution reports (and related annexes for both), and separate documents only in so far as they are issued or presented to Parliament at the same time as the annual budget or budget execution reports, reports by the Central Public Investments and External Finance Bureau (CEPEX) have not been considered. The Framework also requires this dimension to be assessed on the basis of the last completed FY, which is 2009/2010. Given that, as reported later under PI-24, MINECOFIN has not issued any in-year budget execution reports in FY 2009/2010, or since mid-2008 for that matter, the Team considered the Annual Finance Law and the Budget Execution Report (BER) for FY 2009/10 to assess this dimension. The Team also examined the BFP of April 2009, for 2009/10-2011/12, as it was presented to Parliament together with the 2009/10 Annual Finance Law (also see PI-11 and P-12).

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14 It is reflected under *wages and salaries* for civil servants in ministries, under *subsidies and transfers* for those in AGAs, for which the GoR also pays the contribution to the scheme equivalent to 5% of the basic salary, and under *exceptional expenditures* for those working in institutions working on issues related to the 1994 genocide.

15 These were communicated to the Assessment Team during the insertion of PEFA Secretariat comments in late November 2010, as these were not available at the time of the Assessment, given the Team's findings under PI-9 (i)), or in time to be included as an annex to the Budget Execution Report for FY 2009/10.

16 *Clarifications to the PFM Performance Measurement Framework of June 2005* (updated by the PEFA Secretariat, October 2007).

In the Annual Finance law the following figures are presented for 2009/2010 (in Rwf):

(i) Grants 342,230,763,836, broken down by:

a. Current grants 215,830,862,904

b. Capital grants 126,399,900,932

(ii) Foreign financing (i.e. loans): 68,600,000,000

For 2009/2010, the aforementioned BFP reports:

(iii) Foreign Financing: 53,500,000,000

(iv) Grants: 361,300,000,000, with no further breakdown provided.

Firstly, the divergence in the figures between the Budget and the BFP indicates that the information, which is reported on donor financing, lacks consistency; secondly, it anticipates the Team's findings under PI-12.

Furthermore, the 2009/2010 BER does not report expenditure for donor-funded project loans or project grants under the development budget. This was ascertained by reviewing the report as well as the financial tables annexed to the BER. The tables do not include a separate category for actual development expenditures or consolidated figures. As a result, there is no consolidated figure on actual donor-financed expenditure, or is a breakdown provided between loan and grant donor financing. Further evidence of this is provided by the Team's findings on the fact that the Consolidated Financial Statements (CFS) and the accounts more generally also fail to provide a breakdown between loans and grants (see PI-25). Moreover, the BER report itself highlights the absence of information on donor-funded loan and grant project actual expenditures: as a result, primary expenditures only include total recurrent expenditures, domestic capital and net lending. Thus, the weakness in the current reporting process in Rwanda lies in the fact that actual/executed donor-funded expenditure for both loans and grants is not included in fiscal reports.

CEPEX provides reports on a quarterly and yearly basis, including in FY 2009/2010, which do include information on donor-funded development projects. According to its 2009/2010 year-end report, the amount of donor support in the 2009/2010 budget is significant at 21% (Rwf 128.7/602.3 billion).[17]

Although the CEPEX Unit is in MINECOFIN and is linked to the NBU, the information from CEPEX's 2009/2010 reports is not at all included in the Budget Execution Main Report or Annexes. The 2007 PEFA also highlighted that CEPEX data was not incorporated into the budget execution reports, which also affected the completeness of reporting on outturns. The NBU also receives budget estimates from the Ministries and donors that feed into the Annual Budget Law and the BFP. The Ministries provide this information through the MTEF, the related action plan and the Strategic Issue Papers (SIPs). The donors provide it through the Development Partners Coordination Group and the bi-annual Joint Budget Support Reviews (JBSRs).

Though more information on donor funds, both loans and grants, is thus available within MINECOFIN to a greater extent that what is included in fiscal reports, the dimension remains a D, despite progress has been achieved on the available level of information on donor assistance since the 2007 PEFA. That said, with regards to in-kind donor-funded projects (i.e. those donor-funded projects

[17] The percentage is derived from donor loan and grant disbursement figures represented in the 2009/2010 CEPEX year-end report for projects in the amount of 128.7 billion (grants Rwf 98.3 billion; loans Rwf 30.4 billion) against the total expenditure for CG, also reported in the PI-1 calculation tables in Annex 1.

that are under donor control), the Team found that these are not yet fully captured by the CEPEX reports either.

PI-8. Transparency of Inter-Governmental Fiscal Relations

Dimensions to be assessed (Scoring method M2): (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). A All allocations to SN governments are the subject of allocation formulae. (ii) Timeliness of reliable information to SN governments on their allocations from central government for the coming year; A All SN governments are given timely and reliable information in respect of allocations by central government. (iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories. A All SN governments report quarterly and annually to central government in respect of revenues and expenditure according to the sectoral categories of the national budget which are reflected in the SN budgets. Overall Score: A.

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

There are currently three main flows of resources from the central Government:

- a block grant from central Government aimed primarily at meeting wage costs and some operational costs;
- grants earmarked for the delivery of specific public services at sub-national level; and
- development funds from the Common Development Fund (CDF).

Line ministry development budgets are not yet decentralized, although this is proposed by the Fiscal Decentralization Strategy, together with extensive mechanisms for decreasing the overall number of earmarked transfers so as to increase sub-national autonomy to allocate funds to locally identified priorities.

The majority of these allocations are currently based on the principle of equal shares and none are made on an ad hoc basis. In some line ministries, notably MINAGRI, MINEDUC and MINISANTE, there are extensive allocation formula processes.

The block grant now reviewed annually and is set as a percentage of the previous year's (central Government) domestic revenue. In FY 2009/2010, the block grant was allocated in line with the formula discussed in the 2007 PEFA. In 2010, for FY 2010/2011, the GoR reviewed the block grant allocation formula and based it on a need based, transparent and poverty sensitive formula approved by Cabinet based on the following parameters and weights:

Table 10: LABSF (Parameters, Data Sources and Weights FY 2010/2011

S/N	Allocation Parameter	How Parameter Meets LABSF Purpose as a salaries and operational costs grant	Data Source	Weights for Expenditure Needs
1.	Population	The greater the population, the greater the number of people requiring service delivery that impacts on expenditure estimates.	Population data available from identity card project; more valid than 2001 census.	20%
2.	Poverty	Relative number of poor people; it impacts on local revenue potential and available funds for service delivery. Substitutes for equalization.	Poverty data available from National Institute of Statistics of Rwanda.	30%
3.	Number of Sectors	The number of Sectors is a proxy for the wage bill, area and population. It is also a proxy for service delivery costs.	Nationally known data.	50%

Earmarked grants are determined by and operate through the budget process of the line ministry with oversight responsibility for the function concerned. The Fiscal and Financial Decentralization Policy and the Fiscal Decentralization Strategy state that earmarked funds will be distributed among districts based on objective formulae and that the exact formula in each sector is to be proposed by the relevant sector in consultation with local authorities and MINECOFIN and approved by ministerial decree. In the last completed FY 2009/2010 all allocations were all made pursuant to allocation formulae.

In the budget preparation process, sectors are meant to indicate the level of earmarked resources to be transferred to each district under the various budget programmes in the response to the Budget Call Circular. This did occur and in most cases, allocations were based on transparent formulae (e.g. in the education sector where capitation formulae operate and in the health sector where performance-based formulae operate).

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. Funding for the CDF is also provided by the donor community.

The initial CDF allocation process of equal shares was replaced in 2005 with a formula based on population size, geographical area and indicators relating to household welfare and access to basic infrastructure within each district. This was reviewed in 2010 and the new formula applied in FY 2010/2011. Access to CDF funds requires a non-budget process of project preparation process and approval before funds are released. CDF released are slow. Under the terms of the Fiscal Decentralization Strategy, the CDF is to be converted into a non-sectoral conditional grant and released through the standard budget process in FY 2011/2012.

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 horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent and rules based systems and the score for this dimension is A.

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

The second annual Budget Call Circular provides for the information to sub-national governments on their allocations for the following FY. The second Budget call Circular for FY 2009/2010 was circulated in November 2008 and provided the sub-national governments with the indicative budget figures for a budget that had to be in place by 30 June. This was more than adequate time to allow for the development of a timely and considered sub-national budget and this was confirmed in the interviews with sub-national government officials in four sub-national governments that were sampled. Changes do occur to allocations post-November as the available resource envelope is refined, but these are not major and require SN governments to make only slight budgetary adjustments. This process was also in place for the FY 2010/2011.

As sub-national governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes, the score for this dimension is 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

Article 24 of the OBL requires the Executive Committee of sub-national governments to submit quarterly and annual budget execution reports to MINALOC and the Auditor General. The planning and budgeting instructions for local governments detail the procedure and requirements for preparing these reports and the procedure and requirements for producing monthly financial statements.

Quarterly financial reports are to be forwarded to the Accountant General 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 central government as an integral component of an Annual District Report within 6 weeks of the close of the prior FY. 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.

District governments currently provide quarterly financial statements to MINECOFIN with copies to MINALOC, which include:

- Bank Reconciliation Statements;
- Revenue and Expenditure Statements; and
- Budget execution reports.

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 Assessment Team has reviewed these reports for all districts and this is a universal practice and consistently applied. The local government reports cover all local government expenditure (central transfers, donors and own source revenue) and are consolidated into annual reports within one month of the end of the FY. The score for this dimension is A.

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

Dimensions to be assessed (Scoring Method M1):
(i) Extent of central government monitoring of AGAs and PEs
C Though most PEs and AGAs submit financial accounts to the Accountant General's Department at MINECOFIN on an annual basis, and an overall fiscal risk report has been issued, not all major AGAs and PEs annually submit audited accounts, and some have never submitted audited accounts over the past three years.
(ii) Extent of central government monitoring of SN governments' fiscal position
C Fiscal information on SN governments is monitored annually but it is not used to produce a overall fiscal risk report.
Overall score: C

(i) Extent of central government monitoring of AGAs and PEs

Government Business Enterprises (GBEs) in Rwanda comprise both PEs and AGAs. The OAG only audits a small percentage (5% in terms of expenditure size, during the audit of the 2009 accounts), yet has visibility of the accounts and financial health of more GBEs (11% in terms of expenditure size, during the audit of the 2009 accounts) as it receives the audit reports of the GBEs that outsource the audit of their accounts to auditors pre-approved by the OAG.

Though MINECOFIN was receiving the accounts for GBEs already in 2006 through the Treasury Department; since 2009, with the creation of the Government Portfolio Unit (GPU), under the Accountant General department, MINECOFIN has been taking important measures to collect complete information on the accounts of GBEs; to increase GoR visibility of the sector by streamlining the submission of audited accounts through a letter by the PS/ST to the Board of the GBE that is delayed in submitting audited financial statements; to increase GoR's ability to assess the fiscal risk posed by the sector by requesting GBEs to align to the GoR new reporting period,[18] and by undertaking a fiscal risk review.

That said, combining the information on GBEs received by the GPU and the OAG, the Assessment Team could assess that only 7 of the 17 existing GBEs (according to MINECOFIN classification) had completed the audit of the 2009 accounts at the time of the Assessment (January to June 2009 for the RSSF). Regarding size of individual GBEs, the 2009 audited accounts of AGA CAMERWA, which according to the data received by the GPU and the OAG is the fourth largest GBE, and could represent up to 8% of the estimated sector in terms of expenditure[19] had not been received by either MINECOFIN or the OAG. The audited accounts for 2009 of PE RECO&RWASCO (formerly, ELECTROGAZ) had been received by the OAG by the end of July 2010, but not by MINECOFIN. The team has estimated that this is the largest GBE, accounting for over a third of the estimated sector in terms of expenditure.

[18] For the accounts contained in the database and thus in the Fiscal Review undertaken as well, GBEs' financial year is January until December 31st 2009, except for the RSSF, which had already made the transition to the EAC budget calendar and had submitted the audited accounts for FY 2009 from January to June when the database was assembled. The other GBEs have however already also been requested through a letter by the MINECOFIN PS/ST to align their reporting period to the Government FY (July to June).

[19] The Team calculations are on 2009 accounts and are approximate as: though most GBEs present total expenditure figures, a few only report net income or profit; some accounts for 2009 were unavailable so the expenditure size on the basis of 2008 was estimated instead for the total estimated sector size; some (such as RSSF) submitted accounts in June 2009 so that 2008 was used also; some accounts are unaudited.

Two AGAs, the Rwanda Civil Aviation Authority (RCAA) and the Automobile Guarantee Fund, have not been audited since 2007. Unaudited RCCA expenditure for 2009 could represent up to 10% of total GBE expenditure making it the third largest GBE and the largest AGA. According to the OAG, it was undertaking the audit it of RCAA for both the 2008 and the 2009 accounts at the time of the Assessment.

Four GBEs have never submitted audited accounts during 2007-2009: the PE ONATRACOM, and AGAs RAMA, OCIR CAFÉ, and RURA. Though the expenditure for each of these bodies was estimated between 2 and 5% of the total sector, RURA, ONATRACOM and RAMA were estimated as the fifth, sixth and eighth largest. The four also represent a significant size of the sector if taken combined. According to GPU information, the audit of RAMA and RURA for the past three financial years was ongoing at the time of the Assessment. On the basis of these data, it also can be concluded that the audit of AGAs in particular needs to be improved. Out of the 10 existing AGAs, in fact, only 2 (RSSF and Prime Holding) have submitted audited accounts every year since 2007; 3 (CAMERWA, and two minor ones, National Post Office and Military Medical Insurance, have not yet submitted the 2009 audited accounts); the largest (RCAA) has not submitted audited accounts for two years; and the remaining 5 have never submitted audited accounts since 2006.

Overall, despite recent efforts to create a complete database of audited accounts on GBEs at the level of MINECOFIN in order to better evaluate fiscal risk posed by the sector (see below), there are issues in: consolidation of information given discrepancies found between the information held by the OAG and MINECOFIN (over and above information regarding RECO&RWASCO); delays in the submission of audited accounts to MINECOFIN by a few PEs, including the largest one; delays in the submission of audited accounts for the majority of AGAs ranging from one to three years.

Regarding unaudited financial statements, though these are submitted annually my most GBEs, there are delays in as much as at the time of the Assessment, RAMA and OCIR-CAFÉ had only submitted the financial statements for FY 2008.

On the positive side, the GPU has undertaken a *Fiscal Review of Government Investment Portfolio*, issued in June 2010, that contains information on PEs and AGAs, listing them per category, specifying whether their accounts have been audited or not for financial years 2007, 2008 and 2009; and, if so, by which audit body or audit company.[20] The *Fiscal Review of Government Investment Portfolio* undertaken as a first exercise for three years during the first years of the unit's existence, is the launching of an annual exercise. The GPU has presented the Review to the Senior Management Board, which is composed of all the MINECOFIN DGs and the PS/ST, so that they can inform the Minister of any high risk factors that require immediate attention and action. As a result, a risk report on PEs and AGAs has been issued in the past year, and a organizational and reporting structure is in place so that fiscal risks posed by PEs and AGAs can be acted upon by the Minister.

That said, the above-mentioned shortcomings in the completeness of the database despite recent efforts imply that that the analysis of potential risks is not based on audited accounts for most AGAs, including major ones; is not updated with the audited accounts of the major PE (RECO&RWASCO) and is not based on audited accounts for another (ONATRACOM) for the three years); The database

[20] The Review also specifies the external audit opinion received by the GBE, assesses corporate governance issues, financial management and reporting structures, internal control weaknesses that could negatively impact profitability and long-term financial sustainability, and the strength of the legal, regulatory and oversight framework for the whole sector. It also provides an individual analysis by GBE, which highlights priority action areas, actual or potential financial losses, debt accumulation, and the risk of declining profitability or default.

is also not fully consistent with the data held by the OAG, so that improvements should be made to consolidate information at the GoR level.

The GPU also uses the notion of “controlling interest” to define whether a body is a public sector entity (PE or AGA) or a private enterprise, and equates it with majority share-holding, or guarantee provision, instead of the IMF GFSM 2001 notion of “control”, which goes beyond majority share-holding to include other factors of government control such as voting, appointment, and veto powers.[21] As a result, the MINECOFIN database for public sector entities (which also however contains information on private sector enterprises in which the Government has an investment share in) may be misclassifying some PEs and AGAs as private enterprises. Moreover, the current GoR subdivision between PEs and AGAs may not be correct (OCIR THE is in fact a body of the same nature of OCIR CAFÉ and the GPU database considers the former a PE and the latter and AGA).

(ii) Extent of central government monitoring of SN governments' fiscal position

Organic Law N° 37/2006 of 12/09/2006 on State Finances and Property (OBL) provides the legal framework for local government borrowing in Rwanda. Local administrative entities are defined in the OBL to refer to elected institutions that exercise powers entrusted by law and that prepare and execute their particular plans of action and that prepare and execute budgets relating to the plan of action and the entities are established and governed by law. This covers districts as sub-national governments in Rwanda.

Article 6 of the OBL provides that all revenues, including debts and loans, shall be included in the local administrative entities budgets. Article 8 of the OBL requires:

1. All loans to be deposited in the local administrative entities consolidated fund;
2. That the Executive Secretary is the chief manager of the revenues and expenditures of the consolidated fund in the local administrative entities, after consultations with the Executive Committee.

Article 12 OBL gives the Minister of Finance the responsibilities of coordinating, supervising, and monitoring the management of Government financial and physical assets and liabilities, including donations and loans.

Chapter V of the OBL covers most direct aspects of local government borrowing. Article 54 OBL establishes the Minister, in accordance with the decisions taken by Cabinet, as the sole authority to borrow or to permit borrowing public money from any legal entity, or from an individual, for financing the central Government budget deficit, or, to raise loans, for other public bodies. PEs, and therefore public bodies, are defined in the OBL as the public legal entities, wholly or partially owned

[21] The IMF GFSM 2001 discusses the notion of government “control” which is important for identifying whether an enterprise should be attributed to the private or public sector, and thus provides a conceptual basis for a clear delineation of the public and private sectors. It is acknowledged that not all accounting issues have been settled. The GFSM 2001 defines the public sector. Its two main components are “general government” and public enterprises. General government comprises all institutional units that produce goods and services on a nonmarket basis. Besides central government, all lower levels of government, as well as social security administrations, are included in “general government”. In practice, the “market” versus “nonmarket” criterion is difficult to apply. However, this difficulty does not affect the measurement of the public sector, but only the “public enterprise” versus “general government” split within it. According to the GFSM 2001, corporations that are “owned or controlled by general government units” are also part of the public sector. The notion of “control” is not limited to majority share-holding, but includes other factors of government control such as voting, appointment, and veto powers. Autonomous government owned and controlled entities that set fees that are economically significant, and spend outside the government’s budget, should be classified as public enterprises. See Ian Lienert, “Where does the Public Sector Boundary End?” PFM Blog, November 17, 2008.

by Central Government or local administrative entities, established to provide goods and services for sale. This provision therefore only applies to entities owned in whole or part by local administrative entities and not to the entities themselves.

The current national legal framework thus precludes local governments from accumulating commercial debt in their own name, or public debt in the name of CG. Nonetheless, a sub-national government can accumulate other debt in its own name, such as unpaid wages or procurements for which it has no funds, which can eventually cause its fiscal position to weaken, and in turn create a fiscal risk for CG.

The TMU at MINECOFIN monitors the position of SN debt. Moreover, the Accountant General's department receives the accounts for all 31 SN governments every year, and the information, including on revenue and expenditure- both aggregated for all SNs and also disaggregated per SN - is captured in the consolidated financial statements. Moreover, all SN government's accounts are audited by the OAG on an annual basis, and the results of the audit are presented in Volume III of the Report of the Auditor General to Parliament. The accounts are prepared following the modified cash basis of accounting, which requires the presentation of a financial statement at year-end, a statement of financial assets and liabilities and an aggregation of all the payables and receivables. The OAG also audits the opening balance of each SN government and compares it to the previous year's end-balance. There is thus an element of monitoring of SN's fiscal position; of consolidation of information on SN governments total expenditure (both with the Accountant General's department, and the OAG), and of analysis of SN's fiscal position (with the OAG), although the information is not used for an overall fiscal risk analysis or report.

PI-10. Public Access to Key Fiscal Information

Dimension to be assessed (Scoring method M1):
Number of listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met).
A Five of the six elements of information are available.

The six elements of public access to information are assessed in the following table.

Table 11: The Six Elements for key public access to fiscal information

Element 1 - Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.
The official policy of MINECOFIN is that the complete set of budget documents shall be available to the public on request through appropriate means at the time of submission to the legislature. In practice, it is difficult for MINECOFIN to instantly comply with all requests and some perseverance is required to ensure that the documents are provided promptly, but with perseverance, a complete set of the documents can be obtained. The element does not require that the documents are 'easily' obtained, simply that they can be obtained, with the appropriate means. In the 2007 PEFA, it was found that, although the MINECOFIN explained that full budget documentation could 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, which was not a complete set of documentation. This interpretation however implied an interpretation of the framework that documents could be easily obtained, rather than, as it is, through 'appropriate' means. In any Finance Ministry, the time of budget preparation,

particularly at the time of the submission of the budget documents to the legislature, is very busy and documents are being finalized up to and including the period immediately prior to the submission. This element is met.
Element 2: In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.
This element is not met. With respect to the last completed FY, no completed budget execution reports were published. The element is not satisfied. (Refer to PI-24)
Element 3: Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.
Year-end financial statements are always prepared and submitted to the OAG for audit and analysis and presentation to the legislature. After presentation to the legislature which is within 6 months of the completed audit, the statements, including the audit, is available to the public on request. The element does not require a particular form of year-end financial statements, and the implication is that the statements must be in a form for the year-end that are capable of being audited. The GoR does produce year-end financial statements and these are audited by the OAG; therefore the requirement of the production of year-end financial statements is met. These statements are always audited by the OAG and are available to the public on request within 6 months of the completed audit. The element is satisfied.
Element 4: 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.
All central government audit reports of the OAG are made available to the public on request at or very close to the time of the presentation of the report to the legislature and the executive summary is published on the internet. The element is satisfied.
Element 5: Contract awards: Award of all contracts with value above approx. USD 100,000 equiv. are published at least quarterly through appropriate means.
The details of all large value contract awards above RFW 300 million are published on the RPPA website on a quarterly basis. The element is satisfied.
Element 6: 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).
It is possible for members of the public to request information from central government MINECOFIN on what resources have been allocated to particular service delivery units but there are no specific provisions in place to facilitate the provision of such information. Again, this is a matter of perseverance as when a member of the public makes such a request, given available human resources, it may not be possible to respond immediately to the request, but the request will be complied with by the relevant MDA of MINECOFIN. The Assessment Team has seen three examples of such requests and the responses. The Assessment Team has directly witnessed instances of such requests, as well as of the responses that met the requests. This element is satisfied.

4.3 Policy- Based Budgeting

		Score November 2007	Score November 2010	Analysis of Change
PI-11	Orderliness and participation in the annual budget process	B+ (i)B (ii)B (iii)A	B+ (i)A (ii)C (iii)A	Real improvement, that does not show in the overall scoring because of over-scoring of dimension (ii) by the 2007 PEFA, as a B, instead of a C. Dimension (i) has improved: the BCC is now transmitted earlier in the preparation process; the (second) BCC now includes clear and hard ceilings for all expenditure categories; involvement by MDAs and citizens has been increased by providing more information in the BCCs to MDAs and by providing citizens the tools to participate in a meaningful and informed way to the budget process, through initiatives such as the Citizen Guide to the Budget. Dimension (ii) is C as Cabinet still approves the ceilings after MDAs have completed their submissions in detail, as in 2006 and the years before.
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+ (i)C (ii)B (iii)B (iv)C	C+ (i)C (ii)B (iii)C (iv)C	No change in the overall rating for most dimensions. Under dimension (i) for the period examined by the 2007 PEFA, this indicator was allocated a C because the FY 2006 BFP was not prepared; now it is apparent that multi-year estimates and subsequent setting of annual budget are not linked. Furthermore, the differences between the two, and between the sectoral allocations formulated by the BFP in one year with previous BFP sectoral allocations, are left unexplained. Moreover, there is a weak link between the Macro fiscal framework and the MTEF/BFP as their figures are not aligned. Under dimension (iii), although costed strategies exist for sectors representing 30% of total expenditure, a lower score than in 2007 has been attributed as the link between sector strategies and aggregate fiscal forecasts was found to be weak. Dimension (iv) does not show any real change since the linkage between recurrent and investment expenditures remains constant with the 2007 PEFA assessment.

PI-11 Orderliness and participation in the annual budget process

Dimensions to be assessed (Scoring method M2):
(i) Existence of and adherence to a fixed budget calendar
A A clear, well established and respected in practice budget calendar exists, is adhered to, is distributed to MDAs with the Budget Call Circular, and allows MDAs over 8 weeks to complete their submissions.
(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)
C Cabinet is involved in the approval of budget allocations/ceilings late in the budget preparation cycle, after MDAs have completed their submissions.
(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)
A For all last three years, the budget has been approved by Parliament before the start of the new FY.
Overall score: B+

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

A clear and well established budget calendar exists, is adhered to and distributed with the BCC every year. It allows MDAs 8 weeks or more to complete their submissions. It clearly details the key stages in the budget preparation cycle, and the role played in each stage by the different key stakeholders (the Ministry of Finance, Line Ministries/Sectors, Districts, Non State Actors and Development Partners, Cabinet and Parliament). That the Ministry of Finance has the responsibility to issue a budget calendar, and that the budget preparation cycle should follow it, is also specified in the legal framework, Article 28 of the OBL.[22]

For the 2010/2011 budget preparation cycle, further initiatives have been taken by the NBU to enhance the MDAs' capacity to submit meaningful budget submissions. This has been done in 2009, by sending two BCCs: besides the regular November circular (26 November, for 2009), an additional circular has been sent at the end of September (30 September 2009) to provide MDAs with more information and instructions on how to complete their submissions. The regular calendar (see Table 12) is attached to the September BCC, as well as a simplified budget calendar showing key activities. The circular also already provides broad sectoral envelopes, and adds additional requirements to MDAs' submissions, such as to provide a Gender Budget Statement,[23] sector review reports (in the context of the MTEF, see PI-12), a draft action plan, and a procurement plan. This has in fact resulted in improved submissions by MDAs for the 2010/2011 budget preparation cycle.

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[22] Article 28 of the OBL (both in the 2006 OBL and the revised OBL issued after the alignment to the EAC FY) requires that "the preparation of the budget shall follow the budget cycle including the calendar determined by instructions issued by the Minister".

[23] The Statement is mandatory for pilot sectors (Health, Agriculture, Education and Infrastructure) but other sectors are also required to demonstrate how Gender has been integrated in their budget submissions.

Table 12: Rwanda Budget Calendar for the preparation of the 2010/2011 budget

TIMEFRAME	MINECOFIN	LINE MINISTRIES	DISTRICTS	Non-State Actors/DevPartners	CABINET/ PARLIAMENT
July	Update of Macro-Framework	Preparation of Financial Statements	Preparation of Financial Statements		
	Preparation of Budget Execution report				
August	Preparation of Budget Outlook Paper	Preparation of annual reports	Preparation of annual reports		Cabinet Retreat and approval of BOP[24]
September	Issuance of First Budget Call Circular to communicate Sector MTEFs and request for preparation of Sector BFPs	Review of Ministerial expenditures	Review of District Expenditures	Participation in District Expenditure Reviews	
October	National Budget Consultative Workshop to officially launch the budget process	Joint Sector Review and Preparation of Sector BFPs	District Expenditure Reviews and Preparation of District BFPs	Participation to the National Budget Consultative Workshop	
	Local Government Consultative Workshop				
November	Training of Budget staff on new utilities of SmartGov				
	Joint Budget Review (JBR) and update of Macro-framework	Participation in the JBR	Consultations with Ministries on District BFPs	Participation in the JBR	
December	Issuance of the second Budget Call Circular with Revised MTEF and Agency Ceilings	Training of Budget Officers on the use of SmartGov		Participation to the SWG Retreat	

[24] Though this activity has been included in the budget calendar for the FY 2010/2011 budget preparation cycle, to involve Cabinet earlier on in the budget preparation process and in the approval of overall of preliminary allocations, it has not taken place in 2009, or 2010, and is now planned to take place in 2011, for the preparation of the 2012/13 budget. The implementation of this activity would change the scoring of dimension (ii), as explained later, from C to A, as it would allow Cabinet to pre-approve a preceding proposal for aggregate allocations, before the BCC s are sent out, and MDAs submit their budget requests. It is nonetheless recommended not to include the activity in the budget calendar, until it is certain to take place, as it inserts a flawed element in what is, under all other aspects, an accurate and very articulated representation of the actual budget preparation process.

TIMEFRAME	MINECOFIN	LINE MINISTRIES	DISTRICTS	Non-State Actors/DevPartners	CABINET/ PARLIAMENT
January	Preparation and submission of the Revised Budget to Cabinet	SWG Retreat to consolidate Sector BFPs		Communication of Indicative Commitments	Approval of Revised Budget by Cabinet[25]
	Submission of the Revised Budget to Parliament	Online Budget Submission by Budget Agencies	Estimation of district resources and preparation of District Budgets		Approval of the Revised Budget by the Parliament
February	Inter-Ministerial Consultative Meeting on Budget Priorities and Resource Allocations	Revise budget data input in the SmartGov			
	Beginning of the EAC Pre-Budget Consultations process		Budget data input in the SmartGov		
March	Preparation and submission of the National BFP and draft Budget to Cabinet				
April	BFP presented to Parliament not later than April 5				Cabinet Approval of the BFP and Draft Budget
	Draft Budget submitted to Parliament				
	Communicate the draft budget estimates to CBMs		District Council Scrutiny and Approval of Annual Budget		Discussion of the BFP and the draft Budget by the Parliament
May	Joint Budget Review	Participation in the JBR		Participation in JBR	
	EAC Ministerial Consultations on Tax Policy Issues				
June	Preparation of the Budget Speech and finalization of the draft Budget				

25 The reference here is to the revised (or supplementary budget) that can be voted during the year for the budget year *being executed*, not to the draft budget *under preparation*, which is the subject matter treated by PI-11.

TIMEFRAME	MINECOFIN	LINE MINISTRIES	DISTRICTS	Non-State Actors/DevPartners	CABINET/ PARLIAMENT
	Presentation of the draft Budget to the Parliament				
				Communication of firm commitments	Approval of the Budget

Source: September 30, 2009 BCC.

The November circular provides MDAs almost 2 months for their submissions (Nov 30 to Jan 29) as well as specific ceilings, detailed once at the sector and subsector level (combining current and development expenditure), and once by agency and economic expenditure.[26] The 2007 PEFA had highlighted the issue that the BCC did not provide ceilings for development expenditure. In 2009, the ceilings detailed by agency and economic expenditure breakdown expenditure by current/capital expenditure. For domestically financed capital expenditure, ceilings are always provided. For the externally financed one they are not provided for five headings, because the corresponding agencies will not receive externally financed expenditure for 2010/2011.[27] The shortcoming highlighted by the 2007 PEFA in this respect have thus been addressed.

(ii) Clarity/comprehensiveness of and political involvement in the preparation of budget

The current structure of the budget preparation cycle ensures sound and participatory bottom-up and top-down process. Besides the various forums for budget discussion that Ministries participate in the context of the MTEF (see PI-12), the preparation of which is integrated with the budget preparation process, Inter-Ministerial Consultative Meetings take place on final draft budget allocations (though these have not yet been approved by Cabinet, see below). Ministries are also invited to participate in the discussions and review process during the months of April and May at Parliament. In parallel with initiatives to increase *informed* participation by Ministries, steps have also been taken since 2009 to provide civil society with the tools to participate to the budget process in a more meaningful way, by issuing a *Citizen's Guide to the Budget* explaining key budget priorities, budget preparation and execution, and the Citizen's role in developing and monitoring the budget.

The weakness in the current preparation process in Rwanda lies with the lateness of political involvement: Cabinet only reviews and approves the budget ceilings after MDAs have completed their submissions, and there is no pre-approval by Cabinet of a preceding proposal for budget allocations earlier in the preparation process (such as through a budget outlook paper).[28] This creates an element of uncertainty for MDAs, as they know the budget allocations they have been allocated by MINECOFIN for the following year are not certain, but may be revised by the Executive later in the budget cycle. (This either can lead to last minute changes to budget proposals, and results in MDAs being allocated different envelopes by the Finance Law, or seriously limits Cabinet's ability to make adjustments, if it wants to avoid that and keep in line with the envelopes initially assigned by MINECOFIN).

(iii)Timely budget approval by the legislature within the last three years

The budget has been consistently approved by Parliament before the start of the new FY for the past three years. Article 80 of the Constitution as well as Article 68 of the OBL (2006 and 2008 amendment) require for Parliament to approve it by the end of the FY. The 2006 OBL (Organic Law N°37/2006), applicable to the budget preparation cycle before the transition to the EAC budget calendar, required Parliament to approve it by December 31st. Organic Law N°65/2008, applicable since the transition to the EAC budget calendar, requires for Parliament to approve the Finance Law for the new FY year by June 30th. Specifically, the

[26] See Annexes 1.1 and 1.2 distributed with the September 30, 2009 BCC.

[27] They are not included for the Supreme Court, the Ministry of Foreign Affairs, the Ministry of East African Community, Justice and the National Public Prosecution Authority.

[28] Refer to PEFA, *Public Financial Management Performance Measurement Framework,* June 2005, page 24.

dates of submission to Parliament for the past three years have been: October 11, 2008, for the FY 2009 budget (January 1st to June 30th); 20 April 2009, for the FY 2009/2010 budget (July 1st to June 30th); 21 April 2010 for the FY 2010/2011Budget (July 1st to June 30th).

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

Dimensions to be assessed (Scoring method M2):
(i) Preparation of multi -year fiscal forecasts and functional allocations
C Multi-year fiscal projections have been provided by MINECOFIN for the next budget year and two outer years and presented in a *Budget Framework Paper* submitted to Parliament with the draft budget, for at least two of the past three years. Nonetheless, multi-year estimates and subsequent settings of annual budget are not linked and the differences between the two, and between the sectoral allocations formulated by the BFP in one year with previous BFP sectoral allocations, are left unexplained.
(ii) Scope and frequency of debt sustainability analysis
B A Debt Sustainability Analysis (DSA) has been conducted at least once over the last three years.
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure
C Statements of sector strategies exist and are fully costed for around 30% of total primary expenditure, but they are not broadly costed with overall fiscal forecasts. Moreover the SIPs were not provided to the Team to assess the existence of multi-year costing of recurrent and investment expenditure.
(iv) Linkages between investment budgets and forward expenditure estimates
C The majority of investments are selected on the basis of relevant sector strategies. That said, sectors do not have the capacity to forecast the majority of recurrent expenditure future needs stemming from current investment, so that there is a weak link between investment budgets and forward expenditure estimates, except for Health and Education.
Overall Score: C+

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

The MTEF preparation process is integrated with the budget preparation cycle described above under PI–11: in fact, the BCCs request submission for the budget and sectoral MTEFs at the same time. In addition, the BFP and the budget are prepared and submitted to Cabinet and Parliament together. The revenue forecasts provide for reliable one year forecasts (see PI-3), however, the two outlying years are the result of simple extrapolations on revenue growth. As a result, the multi-year estimates are not linked to the annual budget ceilings.

The BFP is meant to set out the affordable resource envelope over the medium term and clarify the costs of strategic policy options. In both 2009 and in 2009/2010, a BFP with projections for the following year and two outer years was prepared, and submitted with the draft budget to Parliament. [29]

[29] BFP of April 2009, for 2009/10-2011/12; BFP of April 2010, for 2010/11-2012/13.

However, outer year projections of the BFP do not match the allocations of later BFPs, or budget allocations for overall expenditure for that year in both the finance law and/or the BER. The Team had to consider earlier years of the MTEF/BFP to allow a comparison with outer years for both the MTEF and the budget, and could not find clear links between the projections of the BFPs, nor with subsequent draft and executed budget allocations (see table 13 below).

Table 13: MTEF/BFP Outer Year Links in (Billion Rwf)

2008 BFP Projection for Overall Envelopes 2009/2010,	2009 BFP Projection for Overall Envelopes 2009/2010	2009/2010 State Finance Law Expenditure Envelope	2009/2010 Budget Execution data
708.2	810.5	838.0	693.5

Source: MINECOFIN, *Budget Framework Paper 2008-2010* (September 2007), *Budget Framework Paper 2009/2011/12* (April 2008), *2009/2010 Annual State Finance Law,* and 2009/2010 BER.

In addition, the MTEF is supposed to ensure the link between the budget allocations and the national policy targets expressed as priority areas in the EDPRS (Rwanda's PRSP). The 4 out of 5 EDPRS priority areas are Governance and Sovereignty, Productive Sector, Human Development and Social Sector, which is represented by Education and Health. These are respected in the BFP, except that it adds Infrastructure as an additional priority area, whereas in the EDPRS infrastructure is covered only as part of the productive sector.

Moreover, the Team analyzed the link between the macro fiscal framework (MFF) under the medium term macroeconomic framework (MTFP) and the MTEF/BFP. By comparing the MFF from 2009/2013 against the 2009/2011/12 BFP projections for the fiscal year 2009/2010, the Team was able to ascertain that the figures were not aligned. The MFF projected 849 (Billion Rwf) compared to 810 (Billion Rwf). The Team also analyzed the MFF figures for Operations of the Central Government tables against a similar table in the MTEF/BFP under its Annex 5. These figures were also different under the heading "Revenue and Grants" for 2009/2010 at 779.6 (Billion Rwf) and 768.3 (Billion Rwf) respectively, and under the heading "Total Expenditures and Net lending" 849 (Billion Rwf) compared to 771 (Billion Rwf). As a result, the BFP forecasts are not well aligned with fiscal policy parameters and decisions that frame the 3-year fiscal framework and expenditure prioritization.

(ii) Scope and frequency of debt sustainability analysis

In 2008 (FY and CY) and in the course of 2009, a DSA for both domestic and external debt was conducted to coincide with IMF missions in the context of the PRGF. In 2008, the GoR produced a DSA for both domestic and external debt as a result of the publication of the *Medium Term Debt Strategy* and the *Public Debt Policy*, both in 2008. The written output of the DSA is summarized in the Annual Economic Report (AER) of 2008, and includes a full version in the 2008 *Medium Term Debt Strategy* with two baseline scenarios (one with export shocks, and one with aid shocks), an external debt strategy, a debt burden threshold, an external borrowing cap, and a technical annex explaining the assumptions underlying the DSA.

In 2007, a DSA had been conducted by the IMF and the World Bank alone, and for FY 2009/2010 or during the course of 2010 up to the time of the Assessment, a DSA has not been conducted. The Team was only provided with a short write-up issued only as an internal draft in May 2010, as evidence of the DSA done in 2009, for 2009/2010, which, aside the issues of analysis depth or length, is an analysis conducted one year too late and to date still incomplete. The recommendation previously made by donors to create a dedicated Debt Management Unit is still not implemented.

(iii) Existence of sector strategies

Sector Strategies are transitioning in terms of financial needs and budget allocation needs by sector. For Rwanda's national investment program, the total of 23 sectors is organized in four large groupings, (1) Governance, (2) Infrastructure, (3) Economic Sectors, and (4) Social Sectors. The strategies are prepared by sector and/or sub-sector. All line ministries do not prepare fully costed strategies; however, this is encouraged. The Team was presented with copies of strategies for 11 sectors and sub-sectors. The key sectors include education, health, agriculture justice; the infrastructure sub-sectors - water and sanitation, electricity, and meteorology; the industry and commerce sub-sectors - craft industry, mining and quarrying, environmental protection; and the social protection sub-sector - gender protection. Of these, all of the strategies were costed. However, four of these strategies were not costed between capital (investment) and recurrent expenditures. Therefore, it was difficult to determine the difference between the two.

Costed sector strategies were formulated for 2009/2010 representing over 30% of total expenditure. The sector strategies are prepared over a 4 or a 5 year horizon, as for Education. The horizon reflects EDPRS targets at the sector level. That being said, the Team was informed that it is through the SIPs that the sector costed strategies are linked to the budget submissions in response to the BCC. Moreover, it was explained to the Team in interviews that every budget submission is accompanied by SIPs and no budget submission can discussed without the SIP, as highlighted in the BCC. The SIPs alone would thus provide the link between the EDPRS, sector strategies and the budget allocations in the budget law and the executed budget. Despite the request for SIPs for all sectors, especially for ones with costed sector strategies, the Team only received SIPs for the health sector. As a result, except for one sector, there is insufficient evidence of the link between the EDPRS targets, the budget submissions by ministries, and especially the actual sectoral allocations in the Finance Law and/or BER.

(iv) Linkages between investment budgets and forward expenditure estimates

MINECOFIN established a new unit called the "Public Investment Secretariat" (PIS) during 2009. The PIS' basic mission is to prepare each fiscal year's PIP for incorporation in the annual Budget. From meetings with MINECOFIN, the Team learned that the majority of important investments are selected on the basis of relevant sector strategies. Nonetheless, the PIS noted [30] that the PIP's contribution to the MTEF is not sufficient to estimate recurrent cost implications at the overall level.

Moreover, recurrent and capital budgets are not fully integrated at the program level. The associated current and future expenditure implications, including recurrent requirements of investment projects are not systematically linked or analyzed. The Team also learned that sectors have the capacity to forecast the recurrent costs implications of current investment that

[30] Annex 7 of 2nd BCC – Towards a higher quality public investment program: Strategic Orientation Note and Operational Guidelines for the 2010/11-2012/2013 PIP, Public Investment Secretariat, MINECOFIN (November 2009).

will fall under the "wages and salaries" heading, which represent around 70% of the investments per sector. The remaining 30% of recurrent cost implications of current investment mostly fall under "maintenance and repairs" or "tools and spare parts". Contrarily to wages and salaries, the recurrent costs implications of current investment for these categories are difficult for sectors to estimate. Although the future recurrent expenditure needs corresponding to maintenance and repairs and tools and spare parts are lower in terms of budget per sector than that for wages and salaries, most ministries besides Health and Education put forward future recurrent expenditure requests for these headings. This implies that the majority of total recurrent cost implications of current investments are not included in sector forecasts and responses to the BCC. (On the positive side, the NBU is aware of the importance of budgeting for recurrent costs implications of current capital expenditure, and reminds sectors in the BCC to keep this aspect in mind and include recurrent cost estimates in sector submissions).

That said, for Health and Education, recurrent expenditure needs arising from current investment do for the most part include new wages and salary demands, as the existing personnel will not be able to meet investment generated needs, contrarily to most other sectors. As sectors have the capacity to estimate these correctly, the corresponding recurrent costs implications in terms of wages and salaries for Health and Education are included in forward estimates by sectors, and thus can be considered by the NBU, and later budgeted for. Therefore, at least for two of the national policy priority areas, as defined in the EDPRS, there is assurance that the recurrent future needs generated by current investment can be met by the budget (essentially, the teachers for new schools and doctors for new hospitals).

4.4 Predictability and Control in Budget Execution

		Score November 2007	Score November 2010	Analysis of Change
PI-13	Transparency of taxpayer obligations and liabilities	A (i)A (ii)A (iii) A	A (i)A (ii)A (iii)A	Unchanged.
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B+ (i)C (ii)A (iii)A	A (i)B (ii)A (iii)A	For dimension (i), in Rwanda, business registration is at a SN level and there is no database to link to, but in all other processes, TINs are required to be produced (for instance, in obtaining government contracts or opening any bank account).
PI-15	Effectiveness in collection of tax payments	D+ (i)D (ii)A (iii)A	D+ (i)D (ii)B (iii)A	While there has been a substantial increase in the rate of arrears collections, these are still less than 60% of total arrears, so that dimension (i) is still a D, causing the indicator to remain rated as D+ overall. Dimension (ii) has decreased from A to B, though the status of systems assessed by the dimension has not changed since 2006.

		Score November 2007	Score November 2010	Analysis of Change
PI-16	Predictability in the availability of funds for commitment of expenditures	B+ (i)B (ii)B (iii)A	B+ (i)B (ii)B (iii)A	Unchanged and is unlikely to change in the near future. GoR issues quarterly commitment limits, not monthly and this is unlikely to change in the immediate future.
PI-17	Recording and management of cash balances, debt and guarantees	B (i)C (ii)A (iii)C	B (i)C (ii)B (iii)A	Overall unchanged because the quality of the debt and guarantee data is only fair and is undated annually, not monthly or quarterly. No real change in dimension (ii) as the facts unchanged from 2007 PEFA. However dimension (iii) has improved as the method of contracting loans and guarantees is clear.
PI-18	Effectiveness of payroll controls	D+ (i)B (ii)C (iii)B (iv)D	B (i)A (ii)A (iii)A (iv)B	All 4 payrolls are now under strict control and the IPPS is in place and used. Dimension (iv) is rated as B because the implementation of recommendations is not strong. The 2007 PEFA scored dimension (iv) as D, making the overall score D+, but should have been 'B', meaning an overall C+. There is in fact real progress but less than what appears from a simple reading of the scores in the summary Table (Table 1) due to underscoring in the 2007 PEFA.
PI-19	Competition, value for money and controls in procurement	B (i)B (ii)C (iii)B	A (i)A (ii)A (iii)A	This improved because all sole source contracts are now under the control of the RPPA and all such contracts are subject to justification to the RPPA Board, with no exceptions.
PI-20	Effectiveness of internal controls for non-salary expenditure	D+ (i)B (ii)C (iii)D	B+ (i)A (ii)A (iii)B	Since the 2007 PEFA the GoR has introduced specific manuals and instructions that are now widely used. It did not score higher because internal audit and OAG noted minor issues with compliance.
PI-21	Effectiveness of internal audit	C+ (i)C (ii)A (iii)B	C (i)C (ii)C (iii)C	Small deterioration in the rating not due to real deterioration of the internal audit function, which has in effect improved overall, but to overrating of

		Score November 2007	Score November 2010	Analysis of Change
				indicator by the 2007 PEFA. No change in the rating for dimension (i), as the internal audit function still does not meet international standards for internal audit, and staff does not spend at least 50% of its time on systemic issues. That said, the proportion of staff time focused on system audit has increased since 2006, and the internal audit function is increasingly shifting from one mostly based on transaction and compliance audit, to a modern internal audit function. Dimension (ii) was overrated in 2007 as internal audit reports are not systematically distributed to the OAG. Dimension (iii) was also overrated, as a system is now in place for monitoring the implementation of recommendations, which is still delayed nonetheless.

PI-13 Transparency of Taxpayer Obligations and Liabilities

Dimensions to be assessed Scoring method M2):

(i) Clarity and comprehensiveness of tax liabilities

A The legislation in respect of tax liabilities is extensive, comprehensive and clear.

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

A Taxpayer access to information is extensive.

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

A The tax appeals mechanism operates well.

Overall score: A

(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.

Taxpayers' obligations are clearly spelt out in key pieces of legislation and are further articulated through Ministerial Orders and Commissioner General Rules which operate under the main legislation. [31]

The 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. The score for this dimension is 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. All legislation is published in the Official Gazette, which is readily available in bookshops and at the Prime Minister's office, as well as on relevant government websites. 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 (the list of activities is extensive and therefore not complete):

- In July 2009, the RRA organized an inter-university tax competition on how to improve taxation of small taxpayers while ensuring their business growth.
- In collaboration with MINICOM and MINEAC, RRA organized and participated in EACCU community sensitization in the areas of eight border posts.
- Dialogue was held with the business community and Private Sector Foundation representatives to communicate and sensitize the business community on Rwanda's integration into the EAC.
- In collaboration with RPD, RRA conducted VAT invoicing operations in Kigali City aimed at helping taxpayers understand the law and educate them on how to handle financial accounting matters.

[31] The key pieces of legislation are as follows: Law N° 08/2009 of 27/04/2009 determining the organisation, functioning and responsibilities of Rwanda Revenue Authority (RRA), Law 21/2006 of April 2006 establishing the customs system, Law 16/2005 of August 2005 on direct taxes on income, Law 25/2005 of December 2005 on tax procedures, Law 6/2001 of January 2001established value added tax (VAT), Law 24/2006 of May 2006 Modifying and Complementing the Law No 06/2001 of 20/01/2001 on the Code of Value Added Tax, Law 26/2006 (as modified by Law 56/2006) establishing the excise system, Law 56/2006 of December 2006 Modifying the Law 26/2006 of 27/05/2006, Determining and Establishing Consumption Tax on Some Imported and Locally Manufactured Products', December 2006, Law 25/2002 of July 2002 Fixing the Import Duty Tariff on Imported Products, Law 73/2008 of December 2008 modifying and implementing law no. 16/2005 of 18.08.2005 on direct taxes on income, Law 74/2008 of December 2008 modifying and implementing law 25/2005 of December 2005 on tax procedures, Law 75/2008 of December 2008 modifying and complementing law 26/2006 of May 2006 determining and establishing consumption tax on some imported and locally manufactured products, Law 008/2009 of December 2009 Ministerial Order determining the amount of registration fees for imported and already registered vehicles in Rwanda.

- Trained members of the Association of consultants at the national University of Rwanda on withholding taxes.
- 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.
- 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 staff of clearing and forwarding agents in order to familiarize them with the law and procedures.

It was the intention of the RRA to produce a single document with respect to taxpayer's obligations, but this has not yet been done. The reason appears to be that there is a certain level below which simplification is not reasonably possible. Even so, taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RRA supplements this with active taxpayer education campaigns. Taxpayer organizations were not directly consulted as they have already been included in the specific surveys and consultations undertaken by the RRA. The score for this dimension is A.

(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. 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 Committee, with representation on the commission from the Private Sector Federation. The Appeals Committee 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 Committee, then a resolution may be sought from the open court system.

RRA data in respect of taxation appeals is published in the quarterly RRA Performance Reports. Indicatively, in the third quarter of FY 2009/2010, RRA received 39 appeal cases, compared to 65 received in the same period in 2009. Of these, 39 were completed, including 23 received during the previous quarter and the 22 remaining cases were carried forward into the next quarter. The older cases received priority attention in order to avoid expiration. Of the completed cases, 65.8% of the cases resulted in the assessed tax liability being reduced by the Appeals Committee. Additionally, 18 tax cases were heard in courts of which 9 cases were resolved in favor of the RRA and 6 in favor of the taxpayer, with 3 cases being resolved partially in favor of both. This is clear evidence that a tax appeals system of transparent administrative procedures with appropriate checks and balances, and implemented through independent institutional structures, is completely set up and effectively operating with satisfactory access and fairness, and its decisions are promptly acted upon. Taxpayers' ability to review decisions in the courts is evidenced by the fact that approximately 50% of reviews are being upheld. The score for this dimension is A.

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

Dimensions to be assessed (Scoring method M2):

(i) Controls in the taxpayer registration system.

B All taxpayers are registered and some linkages exist to all other regulatory processes.

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

A Penalties for non-compliance are substantial, effective and relate to the level non-compliance.

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

A Tax audits and fraud investigation programs are planned and implemented annually.

Overall Score: A

(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 because such other systems do not exist that are relevant. Business licenses are issued by sub-national government and not central government, but in any event, to be issued a business license, a TIN registration must be provided but it is not checked against the TIN database. The central government does not have a data base in respect of business bank accounts, but sets the required documentation for the opening of such accounts, one of which is the production of the TIN registration, but again, this is not checked against the TIN database. All contractors executing contracts with government must produce a TIN registration at the time of signing the contract, but again, this is not checked against the TIN database.. All new company registrations are, at the time of registration, issued with a TIN.

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. 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.

Taxpayers are registered in a database system with some linkages to other relevant government registration systems and financial sector regulations. The score for this dimension is B.

(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 taxpayer's 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 2007 to 2010 compared with arrears due.

Table 14: Penalties & Arrears FYs 2007, 2008, 2009,2009/2010

FY	SMTO Arrears	SMTO Penalties	LTO Arrears	LTO Penalties	Total Arrears	Total Penalties
2007	4,389,691,805	671,964,401	4,316,605,548	2,395,559,960	8,706,297,353	**3,067,524,361**
2008	6,765,101,478	1,232,811,886	12,090,620,408	4,766,831,573	18,855,721,886	**5,999,643,459**
2009	8,975,256,260	2,905,047,324	8,975,256,260	2,008,092,547	17,950,512,520	**4,913,139,871**
2009/10	15,492,624,049	3,774,800,796	9,624,956,053	7,447,056,838	25,117,580,102	**11,221,857,634**

Source: RRA Annual Reports.

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.

There is considerable discretion within the RRA in terms of fines and penalties, however, all fines and penalties are subject to independent judicial review and the RRA cannot impose a custodial sentence, only the courts of law after following due process can impose that penalty.

There was no evidence presented to the Assessment Team to suggest that penalties are not consistently administered. Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered. The score for this dimension is 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. Prior to 2007, the RRA Business Plans described the audit programmes for the Large Taxpayers Office, the Small/Medium Taxpayers Office and the regional offices. The RRA Business Plan for 2008 does not describe the detail of the audit plans for that or following years, neither does the RRA Strategic Plan 2009/2010, although both make clear reference to strengthening audit functions and processes.

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

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

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 investigative and audit powers of the Customs Department are provided for in the Law 21/2006 establishing the customs system.

The Post-Clearance Unit and the Investigation Unit of Customs carries out inspection and audit activities.). 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 the score for this dimension is A.

PI-15 Effectiveness in Collection of Tax Payments

Dimensions to be assessed (Scoring method M1):
(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).
D The collection rate for arrears for the last two FYs is less than 60% of total arrears.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.
B Tax collections are transferred to BNR on a weekly basis.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.
A Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month.
Overall score: D+

(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

Table 15 on the following page presents the stock of arrears for FYs 2007, 2008, 2009 and 2009/2010 and collections against the stock in each of those years.

Under Article 46 of Law 25/2005 of December 2005 on tax procedures, the RRA is effectively required to keep unpaid taxes on its books for a period of then years, after which the taxes are no longer enforceable. At the time of the 2007 PEFA, RRA had old arrears (some approaching the ten year age limit) totaling almost RFW 28 billion, almost all of which was owed by various government agencies, departments and ministries. These amounts were effectively uncollectable as the various government bodies did not have within their budgets the amounts necessary to clear these amounts and RRA was not able to write off the arrears.

On two separate occasions, in 2007 and 2010, RRA wrote to MINECOFIN requesting either that the amounts be written off or that the budgets of the relevant agencies be withheld and the payments made to RRA. On both occasions, RRA received no response. Article 62 of Law 25/2005 of December 2005 on tax procedures has a provision that allows for arrears to be written off, but it requires Cabinet approval.

Subsequently, RRA recalculated all of the arrears owed by the various agencies and errors were corrected and many of the agencies have been able to effectively clear the arrears. This has resulted in a very substantial increase in the overall arrears collection rate from the 2007

PEFA, but even so, the impact of the old arrears is such that the overall collection rates in the last two FYs did not exceed 60%, meaning that the dimension was scored D. To increase this score will require the very old arrears to either be written off or to expire as being older than ten years. When either of these events occurs, the dimension score will change substantially as the collection rate in respect of recent arrears is substantial.

(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 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. That said, as not all funds are transferred on a daily basis, the score of this dimension is 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 a reconciliation against declaration.

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

With regards 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. 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 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 and within one month of the end of the 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.

Table 15: Arrears & Collections FYs 2007, 2008, 2009, 2009/2010

			2007	2008		2009			2009/2010	Totals
SMTO Total Arrears			7,056,233,983	10,428,810,306		5,279,441,457			12,105,350,727	34,869,836,473
YEAR	**SMTO Total Arrears**	**SMTO Total Arrears less than 1 year old**	**SMTO Arrears Collections** 4,389,691,805	**LTO Total Arrears** 6,765,101,478	**LTO Total Arrears less than 1 year old**	**LTO Arrears Collections** 8,975,256,260	**Total Arrears**	**Total Arrears less than 1 year old**	**Total Arrears Collections**15,492,624,049	
2007	7,056,233,983	4,389,691,805 **SMTO Arrears Collections**	3,160,798,389	33,575,039,097 6,677,383,432	4,316,605,548	7,592,685,907 2,585,753,094	**40,631,273,080**	8,706,297,353	**10,753,484,296** 3,266,482,785	
LTO Total Arrears			33,575,039,097	18,674,226,063		7,121,467,271			12,940,155,411	72,310,887,842
LTO Total Arrears less than 1 year old			4,316,605,548	12,090,620,408		8,975,256,260			9,624,956,053	35,007,438,269
LTO Arrears Collections			7,592,685,907	19,422,520,433		4,025,587,433			7,320,683,376	38,361,477,149
Total Arrears			40,631,273,080	29,103,036,369		12,400,908,728			25,045,506,138	107,180,724,315
Total Arrears less than 1 year old			8,706,297,353	18,855,721,886		17,950,512,520			25,117,580,102	70,630,111,861
2008	10,428,810,306	6,765,101,478 **Total Arrears Collections**	6,677,383,432 10,753,484,296	18,674,226,063 26,099,903,865	12,090,620,408	19,422,520,433 6,611,340,527	**29,103,036,369**	18,855,721,886	**26,099,903,865** 10,587,166,161	
SMTO Total Arrears Collection Rate %			44.79	64.03		48.98			26.98	
LTO Total Arrears Collection Rate %			22.61	104.01		56.53			56.57	

Source: RRA Annual Reports.

PI-16 Predictability in the Availability of funds for Commitment of Expenditures

Dimensions to be assessed (Scoring Method M1):

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

B Cash flow forecast is prepared for the fiscal year and updated quarterly, on the basis of actual cash inflows and outflows.

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

B MDAs are provided reliable information on commitment ceilings at least quarterly.

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

A Adjustments to budget allocations occur once annually in the same manner as the budget approval process.

Overall Score: B+

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

The forecasting and monitoring of cash flows is a matter that commences in the annual budget process and continues throughout the FY once the annual budget law is passed. The annual cash plan links forecast of cash availability to MDA anticipated cash-flow requirements and is constantly reviewed and monitored.

As part of the annual budget preparation process, MINECOFIN indicates indicative budget ceilings to budget entities for the next FY. Ceilings normally remain substantially unchanged until the budget is finalized and appropriations made, but changes in the indicative budget ceilings are normally communicated immediately to budget entities. Budget entities use the indicative budget ceilings to prepare an initial cash plan for the following FY.

The Treasury Department of MINECOFIN writes to all budget entities shortly after the annual budget law has been passed advising of the actual allocations and requiring submission of proposed cash plans for the FY. All cash plans are aggregated for the FY, by month and major economic item and then presented to the Treasury Management Committee for approval. Letters are then sent to budget entities informing them of monthly cash limits. This is entered into the SmartGov system and each budget entity is able only to expend within its approved monthly limit. Any changes that are required to the limits in terms of monthly allocations are considered by Treasury on request from the budget entity and are approved/declined dependent on cash availability and the reasons provided for the sought after changes. The cash plan is therefore under constant review and consideration.

Prior to the commencement of the following quarter, budget entities are required to submit their cash plans for the following quarter. These requirements are again aggregated, considered by Treasury and the budget entities advised of their cash limits for the following quarter before the commencement of that quarter. The limits are also entered into the SmartGov system that acts as the monitoring limit on actual expenditures.

The annual budget is reviewed once annually, based on any changes to cash receipts and this review is communicated immediately to budget entities. The reliability and horizon of periodic in-year information to budget entities on ceilings for expenditure commitment is consistent and reliable.

As the cash flow forecast is prepared for the fiscal year and updated quarterly, on the basis of actual cash inflows and outflows, the appropriate score for this dimension is B.

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

Monthly commitment ceilings for budget entities are updated on a quarterly basis and this information is communicated to them before the start of the next quarter.

Within-quarter revisions to commitment limits of budget entities did not occur in FYs 2008, 2009 or 2009/2010. This was confirmed with MINISANTE and MINEDUC.

Since MDAs are provided reliable information on commitment ceilings at least quarterly, the appropriate score for this dimension is B.

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

In-year adjustments to the budget are restricted to one budget revision, which requires Parliamentary approval. This occurs annually and follows the process for the preparation of the annual budget. The appropriate score for this dimension is A.

PI-17 Recording and Management of Cash Balances, Debt and Guarantees

Dimensions to be assessed (Scoring method M2):

(i) Quality of debt data recording and reporting.

C Debt data recording is undertaken, but the quality of the data is fair and reconciled annually.

(ii) Extent of consolidation of the government's cash balances.

B Most government cash balances are consolidated on at least a weekly basis, but government-controlled donor accounts are outside of this arrangement.

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

A All loan and guarantee contracting is subject to clear criteria and annual fiscal limits and may only be approved by Parliament.

Overall score: B

(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 medium term debt strategy was developed by MINECOFIN in

June 2008 (see PI-12 (ii)).No other debt strategy was provided to the Assessment Team. There is no evidence that the strategy developed in June 2008 was approved by the Minister of Finance.

The Assessment Team was provided with for the FY 2007, 2008, 2009 and 2009/2010 the domestic and external debt and guarantee records extracted off the MINECOFIN database. The records are complete. The quality of the data is questionable as the guarantee records for FY 2008 and 2009 showed exactly the same total amounts outstanding against all guarantees, even though payments had been made by beneficiaries within those FYs. The data is updated and reconciled annually. Comprehensive management and statistical reports that cover debt service, stock and operations are not produced, with only intermittent and ad hoc reports produced as required from time to time. The appropriate score is C.

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

Treasury operates a Single Treasury Account (STA) and all entities and autonomous agencies now operate with sub-accounts to the main STA. 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 operates as a zero balance account. Any payments into those accounts are cleared to the STA daily. Commitment ceilings are modified daily according to expenditure and revenue flows through the accounts for application at the start of the next day. All cash balances, therefore, are calculated daily and consolidated.

With respect to the government controlled donor accounts, from 2007 onwards, the GoR undertook the procedure of moving all of these accounts into the Central Bank. The accounts are however not yet included in the STA, although the GoR is working with the IMF to include them. The balances are reviewed on a quarterly basis. These accounts were not considered by the 2007 PEFA.

Overall, most cash balances are calculated and consolidated at least weekly, but some extra-budgetary funds, such as the donor accounts, remain outside the arrangement. The appropriate score is B.

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

Article 54 of the OBL provides that the Minister of Finance is the sole authority: (i) based on Cabinet decisions, to borrow or to permit borrowing for financing the central Government budget deficit, or to raise loans for other public bodies; and (ii) to give or approve securities for borrowing by public enterprises.

All loans and guarantees 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.

The Debt management Strategy of 2008 sets out the criteria for all borrowings and guarantees. Annual fiscal limits for all borrowings and guarantees are set by Cabinet and appear in the BFP. 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.

The OBL provides 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 favor of third parties.

The Parliament does exercise the sole authority to borrow and issue guarantees. Clear limits for all loans and guarantees, consistent with the provisions in the OBL, were established for the last complete FY. Transparent criteria and fiscal targets have been established. The appropriate score is A.

PI-18 Effectiveness of Payroll Controls

Dimensions to be assessed (Scoring method M1):

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

A All personnel records and payroll data is reconciled on all payrolls on a monthly basis.

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

A Retroactive payments are very limited.

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

A Internal controls over changes to personnel records and payroll data is strong in all payrolls and the audit trails are equally strong.

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

B A payroll audit covering all central government entities was conducted to cover FYs 2007 and 2008.

Overall score: B+

(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), one by the Ministry of Defense (the payroll for defense related personnel) and one by the Ministry of Internal Security (the police). The payroll for teachers was partly decentralized on 1 July 2008.

MIFOTRA uses the IPPS. Records for each individual include name, date of employment, sex, date of birth, identity card number, bank details, salary and allowances. The gross pay and allowances for individuals depends on personal circumstances (years of service, qualifications, etc.). A census is being carried out to capture all details, including parent's names etc, which will be finalized in August 2010 and then included into the system.

Personnel information relating to teachers for each district is maintained within the respective district although the personnel records are with MIFOTRA. MINEDUC annually plans the number of teachers to be recruited for a districts and the district then recruits them. The personnel records are transferred to MIFOTRA where the details are cross- checked and then put them in the system. Districts now enter all changes into the system before the start of each month and the data entered is supervised by MIFOTRA.

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 strong as all changes can be tracked based on the system identification of the user making the changes. Physical security is also strong in that access is controlled and limited to officers carrying system identification.

Personnel information for the central government is held in the respective institution where the individual is employed and MIFOTRA is the sole agency able to issue letters of appointment. All personnel information is computerized at MIFOTRA. Information changes must occur before a specified date in a month or the pay for that month will be delayed until the following month. There were no identified examples of late data entry or late payment.

The IPPS, is a key aspect of the government's attempt to strengthen resource management. This project is now nearing maturity and is expected to deliver on its promises in the very near future. The development of an integrated payroll and human resource management system is extremely important in strengthening the government's ability to manage resources within the public sector. It provides a framework for interaction between MINECOFIN and MIFOTRA. There are gaps with regards to the need to document system functionalities and instructions for use of the system.

Within the Ministry of Defense (MoD), the Records Section is responsible for maintaining personnel records and the Personnel & Salaries Section is responsible for payroll. The army payroll is maintained on a computerized combined personnel and payroll database that was internally developed by the MoD and is known as the Military Integrated Payroll and Personnel Information System (MIPPS). Access to the system is password controlled and is restricted to authorized officers. The Records Section has an organization chart indicating authorized posts, their ranks and associated salaries. It also maintains detailed records for each and every employee on MIPPS. These include service number, full names, current rank, parent's 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, which has then been authorized by senior supervisory officers.. All changes to payroll from one month to the next are checked. Changes must be justified by supporting documents from the relevant unit. All variations in month on month payrolls must be justified.

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. 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. Personnel information and the respective payrolls are directly linked and are checked against prior payrolls. The appropriate score for this dimension is A.

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

Personnel records are effectively decentralized to district governments for teachers and it is the responsibility of the districts to update personnel records as and when appropriate. MIFOTRA staff noted that changes in both the teachers' payroll and the payroll for central government 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 month's payroll. Retroactive payments do not appear to be common and on the available data is less than 2% of total salary payments.

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%. The appropriate score for this dimension is A.

(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 and the audit trail is strong. 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 organizational 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. The payroll audits of the OAG include physical verifications of individuals within the overall risk parameters assigned by the OAG. The appropriate score for this dimension is A.

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

The annual audit coverage of the OAG for MDAs is at 100% of the total value of all expenditures and that includes all payrolls (see PI-26). The OAG also conducted payroll specific audits for FYs 2007 and 2008. In both of these audits, the OAG noted that the majority of issues that had been noted in the prior FY had not been rectified.

The OAG in all audits (i.e. the payroll audits and the standard annual audits that also included payroll in their coverage) identified issues relating to the operations of the payrolls that indicated control system weaknesses. In respect of ghost workers, the OAG did not find that this was a major issue which the Assessment Team believes is because the data requirements for the entering of a new person onto the payroll systems was so extensive that it is extremely difficult to meet all of the requirements unless the entry is genuine.

The Report of the Auditor General of State Finances for the year ending in 2007, identified a weakness in the control environment. It was reported that 22 teachers were paid in the months after their services had been terminated. This was due to the teachers not being deleted from the payroll in a timely manner as required. For instance, some workers were paid for several months after their termination date. Moreover, in a letter dated November of 2009, the Prime Minister was summoned to Parliament to discuss some queries raised from the Auditor General's report. One of the findings pertained to the existence of ghost workers, which must be read not as to the existence of non-existent workers, but workers who received payments to which they were not entitled.

In the FY 2007 and 2008 Payroll Audits, the OAG noted management issues relating to access controls, physical access and conditions in the payroll server room, data back-up, delays in data entry resulting in payments being made in cases of non-entitlement, lack of personnel details such as RSSF contribution numbers and incorrect deduction calculations. This list is not exhaustive, but indicative. It should also be noted that since the time of these audit reports the IPPS has been put in place and implemented. The OAG has yet to audit FY 2009.

There is extensive auditing of the payroll systems by the OAG and the efforts of the OAG represent a robust and effective audit on behalf of that office. However, for an audit system to be strong, the recommendations made in the audits needs to be followed up and necessary changes or reforms considered and implemented. This has not occurred uniformly in respect of the payroll audits and therefore they cannot be considered strong. As the payroll audits did occur within the last three years, the appropriate score for this dimension is B.

In the 2007 payroll audit, the OAG noted that the recommendations for a FY 2006 payroll audit had not been implemented. The 2007 PEFA seems to have underscored this dimension because it said that there were no payroll audits when the OAG specifically refers to one. The 2007 PEFA scored this as dimension as D, making the overall score D+. The 2007 PEFA' D' should have been 'B', meaning an overall C+. The evidence supports a change from D+ to B+, mainly because of the IPPS implementation, but in fact real progress is less than what appears from a simple reading of the scores in the summary Table (Table 1).

PI-19 Competition, Value of Money and Controls in Procurement

Dimensions to be assessed (Scoring method M2):

(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);

A 86.6% of all contracts above the threshold were awarded by open competition.

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

A All contracts using less competitive procurement methods were approved by the RPPA Board.

(iii) Existence and operation of a procurement complaints mechanism.

A A complaints mechanism operates and all complaints and their resolutions are published on the RPPA website.

Overall score: A

(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 Rwanda Public Procurement Authority (RPPA) was established on February 20, 2008 by the law N° 63/2007 of 30/12/2007, to replace the National Tender Board. The main functions of the RPPA are:

1. To ensure organization, analysis and supervision in public procurement matters;
2. To advise the government and other public procurement organs on the policies, strategies and organization of public procurement;
3. To monitor activities of public contract award and execution. In this regard procuring entities shall be obliged to provide any information and documentation requested by the RPPA;
4. To develop human resources and professionalism in public procurement;
5. To develop teaching materials, organize training programs, set required qualifications for public procurement professionals;
6. To collect and disseminate procurement information on public procurement;
7. To prepare standard tender documents, bid evaluation formats, and other standard documents for use by procuring entities;
8. To suspend or approve the suspension and debarment bidders in public procurement;
9. To provide technical support where possible, to public procuring entities;
10. Organizing public awareness campaigns on matters related to public procurement; and
11. Establish relations and cooperate with other regional and international agencies of the same responsibilities.

The RPPA maintains an extensive website where most reports and the like are published. N° 12/2007 of 29/03/2007 Law on Public Procurement controls the methods of public procurement. Table 16 presents information on the methods of public procurement used during 2008 and 2009 and describes the extent to which contracts above the threshold for NTB involvement were awarded on the basis of open competition. (This was confirmed through inquiry at MINISANTE and MINEDUC).

Table 16:Procurement Procedures, FYs 2008, 2009 & 2009/2010

	FY 2008		**FY 2009**		**FY 2009/2010**	
Procurement Procedure	**No. of contracts**	**%**	**No. of contracts**	**%**	**No. of contracts**	**%**
International Open Tendering	125	43.7	28	17.8	81	29.5
International Restricted Tendering	9	3.1	5	3.18	16	5.8
National Open Tendering	203	52.6	103	65.6	144	52.3
National Restricted Tendering	9	2.3	2	1.3	13	4.7
Sole Source	37	09.6	21	13.4	20	7.3
Add. Contract	2	0.5	0	0	1	0.4

	FY 2008		FY 2009		FY 2009/2010	
Procurement Procedure	**No. of contracts**	**%**	**No. of contracts**	**%**	**No. of contracts**	**%**
Shopping	1	0.25	0	0	0	0
Total	**386**	**100**	**157**	**100**	**275**	**100**

Source: RPPA Annual Report 2009/2010.

The PEFA scoring guidelines require this dimension to be scored on the basis of data from the last complete financial year, which is FY 2009/2010, based on the number of contracts awarded rather than the total value of those contracts. On the available data, in FY 2009/2010, 92.7% of contracts above the threshold are awarded on the basis of open competition. The appropriate score is A.

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

Article 52 of N° 12/2007 of 29/03/2007 Law on Public Procurement sets the conditions of use of restricted tendering. A procuring entity may use restricted tendering for a procurement, if either:

- the goods or construction by reason of their highly complex or specialized nature, or otherwise are available only from a limited number of suppliers or contractors; or
- the time and cost required to examine and evaluate a large number of bids would be disproportionate to the value of the goods, construction or services to be procured in accordance with the threshold set in the procurement regulations.

The following procedures in relation to restricted tendering shall be applied:

- the procuring entity shall, instead of advertising the invitation to tender, give the invitation to tender to at least three bidders selected in a fair and non-discriminatory manner from a list of prequalified bidders;
- when bidders based in foreign countries are short listed, only two bidders in the same country should be contacted;
- an invitation to apply for inclusion on the prequalified list shall be advertised, at least annually, in at least one newspaper of the largest nationwide circulation.

Articles 53 and 54 cover the use of the procurement method of request for quotations. The procuring entity may obtain quotations from as many bidders as possible, but not less than three. Each bidder from whom a quotation is requested shall be informed whether any elements other than the charges for the goods or works themselves, or any other element related to transportation and insurance charges, customs duties and taxes, shall be included in the price. The procurement contract shall be awarded to the bidder that gave the lowest-priced quotation meeting the delivery period of the procuring entity.

The procuring entity may engage in procurement by means of a request for quotations for the procurement of readily available goods or works that have standard specifications for which there is an established market and are of a very low cost in accordance with a threshold specified in the procurement regulations. The procuring entity shall not split its tender into separate contracts.

Articles 55 and 56 cover single-source procurement and direct contracting. The procuring entity may procure the goods or works and services by soliciting a price quotation from a single qualified bidder when:

i. the total cost does not exceed the total amount which is determined by an order of the Minister in charge of public procurement;
ii. additional works that cannot be technically separated from initial tender. The value of additional works shall not exceed twenty per cent (20%) of the initial tender value. The additional works shall be subject to additional contract;
iii. there is a case of force majeure. The circumstances giving rise to the urgency should not be neither foreseeable by the procuring entity nor the result of dilatory conduct on
iv. its part. The procurement shall only be in respect of those goods, works or services that are necessary to cater for the emergency;
v. procurement related to items that are available only from a monopolist.

Single source procurement shall not be justified on the grounds that only one bidder has the capacity or the exclusive right to manufacture or deliver goods, works or services if functionally equivalent goods, works or services from other bidders would meet the needs of the procuring entity.

The Assessment Team reviewed the 2009/2010 Annual Report and interviewed RPPA staff members in respect of the justification for the sole source contracts let in 2009/2010, as well as the RPPA records in respect of each of the 20 sole source contracts, all of which were approved by the RPPA Board. The use of less competitive methods was justified in accordance with clear regulatory requirements. In this case the regulatory requirements for the use and justification of less competitive methods were clear, justifications were made and all justifications were approved by the RPPA Board. The appropriate score is A.

(iii) Existence and operation of procurement complaints mechanism

Chapter IV of the law establishes the legal framework for an extensive procurement complaints mechanism. If after the notification of award of tender, one of the suppliers or contractors feels that his/her bid was responsive but has not won, the first step he can take is to seek debriefing session with the RPPA Secretariat to explain the grounds for disqualification. If not satisfied, he can seek review in writing to the Chairperson of the Board unless the procurement contract has already entered into force. The complaint must be submitted within 10 days when the supplier or contractor became aware of the circumstances giving rise to the complaint or when he should have became aware of those circumstances.

Independent Review Panels are created at district and national level and Chapter IV establishes the detailed methods of operations and reporting. All reports of the Independent Review Panels are published on the RPPA website. Article 71 of the law provides that the decision of the Independent Review Panel at the national level shall be final unless judicial proceedings are on set, meaning that the activities and decisions of the Independent Review Panel are subject to judicial review. The cases where judicial review in fact occurred in FY 2009/2010 are listed in the FY 2009/2010 Annual Report. The ability to judicially review any and all decisions and processes means that there is external oversight by an external body, namely the judiciary. There are annual reports of the Independent Review Panels that contains data on all reviews and these reports are published on the website and are publicly available.

As a process defined by legislation for submission and timely resolution of procurement process complaints is operative and subject to oversight of an external body --the judiciary-- with data on resolution of complaints accessible to public scrutiny, the score is A.

PI-20 Effectiveness of internal Controls for Non-Salary Expenditure

Dimensions to be assessed Scoring method M1):

(i) Effectiveness of expenditure commitment controls.

A Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations.

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

A The internal control rules are comprehensive, codified, relevant and understood.

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

B The degree of compliance is good, but with minor reported variations.

Overall Score: B+

(i) Effectiveness of expenditure commitment controls

A robust commitment control policy in place in the accounting system within the GoR. The Assessment Team reviewed the expenditure commitment controls in the Ministry of Health and the Ministry of Education. These were chosen because they represented the largest expenditures in respect of social service delivery within the national budget. In both the budget officer and the accountant deal with commitments and maintain the accounting records.

The budget officer maintains the commitment and payment records on SmartGov. The budgets are loaded in to SmartGov by MINECOFIN and the cash limits are entered each quarter. The budget officer records commitments 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 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 authorized 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 OAG 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. The appropriate score is A.

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

The OBL outlines the main internal financial controls which are expanded in the Financial Regulations and the *Manual of Government Policies and Procedures: Financial Management & Accounting*. All financial officials interviewed had ready access to these documents and had been provided with training on the practicalities of these documents. These internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls, which are widely understood. The appropriate score is A.

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

Cashbooks are maintained by the accountants in the budget agencies visited and bank reconciliations were undertaken. 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 OAG, but with respect to minor matters. Compliance with rules is fairly high. That said, simplified/emergency procedures are used occasionally without adequate justification. The appropriate score is B.

PI-21 Effectiveness of Internal Audit

Dimensions to be assessed (Scoring Method M1):

(i) Coverage and quality of the internal audit function

C Though coverage has improved since 2006, the function is still not operational for some of the most important central government entities, does not fully meet internationally recognized professional standards --especially regarding professional audit qualifications for staff-- and in any case undertakes systems review for less than 50% of staff time.

(ii) Frequency and distribution of reports

C Reports are issued quarterly and yearly, and the internal audit function also issues a consolidated annual report. That said, reports are not systematically distributed to the OAG, though they are to the audited entity and MINECOFIN.

(iii) Extent of management response to internal audit findings

C A fair degree of action taken by many managers on major issues but often with delay.

Overall Score: C

(i) Coverage and quality of the internal audit function

The Internal Audit Unit at the MINECOFIN is officially referred to as the “Government Principal Internal Audit Unit (GPIAU)”. It is composed of nine staff of which three, including its head, the Government Chief Internal Auditor, are members of the Association of Chartered Certified Accountants (ACCA). That said, out of the nine, already less than the 13 direct staff and four temporary staff that composed the unit in 2006, only three are auditing CG (a fourth post for a

CG auditor, which would also increase the unit's direct staff to 10, was vacant at the time of the Assessment). Another auditor audits MINECOFIN, another the President's Office, and the remaining three, besides the Chief Internal Auditor, audit SN governments. The function also comprises internal auditors detached in line ministries and in the districts. More specifically, there are two internal auditors per district, compared to one per district in 2006; and there is at least one internal auditor in each CG entity, ministries aside, and in Government semi-autonomous entities and GBEs (some of which, like the RRA and National Bank of Rwanda respectively, have up to 12 internal auditors). By contrast, for ministries, only seven have an internal auditor each. The staffing of the internal audit function has thus improved compared to 2006 at the SN level, but has deteriorated within MINECOFIN. Moreover, staff is not distributed evenly between levels of Government, or, within CG, not always proportionally to a budgetary unit's expenditure size.

Internal auditors in line ministries report to the respective ministry, and the same applies to other individual spending units, public bodies and districts. Furthermore, whereas independence from the audited entity is safeguarded for the nine (or potentially 10) GPIAU staff,[32] as its staff is recruited through an external Public Service Commission, the job post of decentralized staff depends directly from the Chief Budget Manager, which is both the audited entity and does not possess any specific competences in audit matters to decide appropriately for staff's initial recruitment and job performance. On the positive side, all internal auditors, including those outside the GPIAU, have to apply the Internal Audit Manual and Charter, which have been issued and adopted since the PEFA 2007. Nonetheless, the Chief Government Internal Auditor reported to the Assessment Team that the internal audit function still does not meet the International Standards for the Professional Practice of Internal Auditing (ISPPIA). His assessment is that at least the GPIAU will meet the standards for the audit of FY 2010/2011.

Since the PEFA 2007, the internal audit function has also become increasingly closer to a modern internal audit function, transitioning from a more investigative and transactions-based function, to one performing ex-post control, systems-based audit and trained in modern audit techniques (risk-based annual audit plan and audit, and reliance on audit specific computerized systems such as IDEA). In 2006 there was no internal audit function proper, but an *Inspection Générale des Finances*, that was transformed in an internal audit department in January 2006. That said, for the audit undertaken during FY 2009/10, and still at the time of the Assessment, GPIAU staff was performing system-based audit for only 38% of staff time, and the percentage was lower for decentralized staff. Though this is an improvement from the situation witnessed by the 2007 PEFA Assessment Team (mostly, if not only, transaction testing for decentralized staff, and system testing at less than 20% for GPIAU staff), it still does not meet the threshold of 50% of staff time focused on systemic issues that a B score requires. The dimension is rated C.

(ii) Frequency and distribution of reports

Reports are issued annually and quarterly. That said, there is no obligation for regular reporting in the legal framework, which is in this respect not as developed than as for other areas. A draft has

[32] The PEFA Assessment Team is aware that full independence is not a requirement for the internal audit function, as it is for the external audit one, as the internal audit function reports to the Minister of Finance. That being said, it should have independence with respect to all other audit entities or individuals.

thus been put forward by the GPIAU for consideration of the Minister of Finance that would address this shortcoming.

In any case, in practice, Internal Audit has been issuing quarterly reports since November 2008, and consolidated yearly reports since 2007. The Internal Audit Team also issues individual audit reports during the year , on individual MDAs, as well as on internal control issues. (For instance, during the audit of the 2009 FY, as reported in the latest available consolidated annual audit report, which is on FY 2009, 20 individual reports were issued, mostly on MDAs; one on systemic issues related to internal controls – *Issues in Expenditure Control*--, and two on funds in the Education sector, also at the district level.)

The reports are distributed to the audited entity, to the ministry of finance, but not to the OAG. Though the OAG does have access to the reports, and can request them and receive them, there is no systematic distribution in place as is the case for the audited entity and MINECOFIN. The PEFA 2007 over-scored this dimension as it reports that the internal audit reports are distributed to the SAI, probably on the basis that they had or could receive them (unless a systematic distribution was in place at the time, which the Assessment Team did not find evidence of). The B score requires that a system is in place for which distribution to the OAG is automatic and guaranteed. The appropriate score for this dimension is thus C, despite the regular issuance of internal audit reports, as well as consolidated ones.

(iii) Extent of management response to internal audit findings

The Assessment Team received evidence from the GPIAU of an internal system for monitoring the implementation of past audit recommendations, both by the OAG, and by the GPIAU. The evidence is an internal "Review of the Responses of Management to Audit Recommendations and Monitoring Their Implementation". The review is regularly updated by the GPIAU staff as well as decentralized auditors which follow-up on implementation of audit recommendations during the current audit. The version received by the Team was the most recent at the time of the Assessment- issued in late May 2010. It shows that internal audit staff is monitoring both recommendations stemming from all the quarterly and annual reports last issued (FY 2009), and past recommendations for key areas such as procurement dating back to audit reports released since FY 2007. The evidence reported shows that, overall, a fair degree of action taken by many managers on major issues but often with delay. The majority of recommendations from the previous year audit reports were in fact not yet implemented, whereas recommendations from previous years in key areas such as procurement were for the large part implemented.

Recently, via the approval of the Ministerial Order No 004/09/MIN of 01/10/2009, steps have been taken to improve the implementation of audit recommendations through the establishment of Audit Committees, for CG, SN governments, as well as GBEs. At the time of the Assessment, Audit Committees were only operational for GBEs, and for 13 of them, and not yet for central or local government entities.

4.5 Accounting, Recording and Reporting

		Score November 2007	Score November 2010	Analysis of Change
PI-22	Timeliness and regularity of accounts reconciliation	B+ (i)B (ii)A	B+ (i)B (ii)A	Unchanged.
PI-23	Availability of information on resources received by service delivery units	D	D	Unchanged. The service delivery unit information is not gathered and made available to parent ministries. This is already the subject of action by the GoR but for the period under consideration, there had been no change.
PI-24	Quality and timeliness of in-year budget reports	D+ (i)C (ii)D (iii)A	D+ (i)C (ii)D (iii)C	Overall rating unchanged. Dimension (i) remains C as expenditure is captured only at the payment stage. No change in dimension (ii) as both the 2007 PEFA and the current one found in-year reporting to be irregular, if not absent, over the period examined. The rating for dimension (iii) has decreased from an A to a C as the Team found evidence of material concerns reported by the OAG about the accuracy of information. These were not found by the previous assessment, although no mention is made of supported evidence, from OAG or other sources, of their data accuracy.
PI-25	Quality and timeliness of annual financial statements	C+ (i)C (ii)A (iii)B	D+ (i)D (ii)A (iii)C	Progress, though the overall score and the scores for two dimensions show a deterioration. Real progress for dimension (i), as in 2006 the GoR lacked the capacity to issue consolidated financial statements (the 2006 statements were issued

		Score November 2007	Score November 2010	Analysis of Change
				with the support of PwC, and none were issued in the years before). By contrast, since 2007, MINECOFIN has issued consolidated financial statements annually, although a D is attributed to this dimension given the size of material misstatements in the accounts has caused the OAG to disclaim an opinion. No change in the score for dimension (ii), as both in 2006 and in 2009, the consolidated annual accounts were submitted to the OAG within 6 months, the timeframe required by the PEFA Framework for an A under this dimension. That said, the consolidated accounts are now submitted earlier than in 2006 (when they were submitted just over 5 months), as they were submitted in 2009 within three months of the FY-end, as required by the national legal framework. Moreover, the 2007 PEFA does not assess whether the accounts of individual budget agencies were submitted on time. Dimension (iii) was over scored in 2007, as the dimension is required to be assessed over 3 years and no CFS were produced for FYs 2004 and 2005.

PI-22 Timeliness and Regularity of Accounts Reconciliation

Dimensions to be assessed (Scoring method M2):

(i) Regularity of bank reconciliations.

B Bank reconciliation for all Treasury managed bank accounts takes place monthly, usually within 4 weeks from the end of the month.

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

A Suspense accounts are not used and all advances (mainly travel) are cleared promptly.

Overall Score: B+

(i) Regularity of bank reconciliations

As aforementioned, the GoR operates a zero balance accounting system with a 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 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 summarized on a monthly basis and a monthly reconciliation statement is prepared.

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. Bank reconciliation for all Treasury managed bank accounts takes place monthly, usually within 4 weeks from the end of the month. A score of B is appropriate.

(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. The appropriate score is A.

PI-23 Availability of information on Resources Received by service-delivery Units

Dimension to be assessed (Scoring method M1):

Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by 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.

D There was no evidence of the collection and processing of the relevant information.

The method of transfer of funds to primary schools and primary health clinics is clear. The Assessment Team considered the internal and unpublished report of MINECOFIN dated April 2010: *Assessment of PFM Capacity in Districts, Key Issues, Challenges, Proposed Solutions & Timeline, Report from Field Study*. With respect to the financial management of primary schools and primary health clinics, the report determined that there was no evidence of routine data collection and/or accounting systems providing information on other types of resources received by primary schools or primary health care units and no evidence that such information is compiled into annual reports. This report was undertaken by a team consisting of officials from MINECOFIN. MINISANTE and MINEDUC.

The capacity to engage in the nationally mandated planning, budgeting, MTEF, budgeting execution and reporting processes is a major issue, as the connective linkages between district prioritization of locally indentified priorities and the purpose and focus of earmarked transfers does not exist in many sectors. The processes have been more than adequately spelt out in the various guidelines that have been issued from time to time, but the report found that there has been insufficient attention paid to the actual implementation of those processes.

Information is available on most central transfers received by primary schools and primary health clinics but none is available with respect to other resources. No evidence was available of special surveys conducted within the last three years demonstrating the level of resources received in cash and in kind by either primary schools or primary health clinics. The appropriate score is D.

PI-24 Quality and Timeliness of in-year budget reports

Dimensions to be assessed (Scoring method M1):

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

C Classification of data allows comparison with the original budget, but expenditure is covered only at the payment stage as there is no commitment control.

(ii) Timeliness of the issue of reports

D Reports covering general government as a whole have not been issued monthly or quarterly since mid-2008.

(iii) Quality of information

C There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine the usefulness of the reports.
Overall Score: D+

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

In-year execution reporting has taken the (limited) form of quarterly reporting. The quarterly reports cover general government as a whole, and are broken down by the three classifications: programmatic; economic; and functional. Expenditures on external disbursements are also included in these reports.

The classification of data in the report does allow a comparison to the original budget in detail. This includes a comparison between estimates and actual under the following areas: overall revenue performance; realization of external inflows; performance of major (recurrent) economic items of expenditure; public debt; and arrears. For example, in the FY 2008 second quarter report, the budget execution by ministry and program provides a detailed analysis for the Government to monitor the budget implementation and utilization of the funds released for both current and future planning. In addition, the reports provide a narrative on the spending taking place during that quarter, to highlight what has taken place during that period. Moreover, the quarterly reports cover the expenditure at only the payment stages.

This dimension has been rated as C, since there is no expenditure captured at the commitment stage in the report.

(ii) Timeliness of the issue of reports

In FY 2008, reports were issued on a quarterly basis, but only for the first two quarters. In FY 2009 and FY 2009/2010, no in–year reports have been issued. Therefore, score D has been allocated.

(iii) Quality of information

The Team interviewed MINECOFIN and the ministries, as well as reviewed the in-year and annual budget execution reports, which did not highlight any concerns pertaining to the quality of information. That said, in its Audit of the 2008 Accounts, regarding budget monitoring and expenditure for central administration entities, the OAG reports concerns regarding the accuracy of in-year budget execution reports prepared by MINECOFIN (through SmartGov) on the utilization of funds disbursed to the budget agencies. Nonetheless, these concerns do not fundamentally undermine the usefulness of the reports. As a result, the rate of dimension (iii) is a C.

PI-25 Quality and Timeliness of Annual Financial Statements

Quality and timeliness of annual financial statements (Scoring Method M1):

Completeness of the financial statements.

D Though a consolidated government statement is prepared annually, essential information is missing so that the OAG has disclaimed an opinion on the consolidated government statement.

(ii) Timeliness of submission of financial statements

A CFS and the public accounts were submitted within the statutory 3 months after the end of the FY.

(iii) Accounting standards used

C Statements are presented in a consistent format over time. Accounting standards used are disclosed only in the CFS for 2007 and 2008, and not in those for 2009. In all three years, the requirements of IPSAS and national accounting standards are in any case not met in important respects.

Overall Score: D+

(i) Completeness of the financial statements

CFS are produced annually and cover all MDAs. Nonetheless, the OAG has disclaimed an opinion on the 2009 CFS (as well as on those for 2008 and 2007) given the significance of material misstatements found by its audit of the CFS, and the public accounts.

In 2009, these related to:

1. Differences between the figures in the public accounts and the CFS, arising from differences in the reported figures for the CFS and the accounts of individual budget agencies. Despite the fact that the OAG recognizes an improvement in MINECOFIN's supervision and monitoring of the accounts of individual budget agencies, compared to FYs 2007 and 2008, this fundamental inconsistency already highlighted by the OAG in its reports on the audit of the 2008 and 2007 accounts, still persists. From its meetings with the OAG, the AG's department and the SmartGov/IFMIS coordinator at MINECOFIN, the Team has understood this inconsistency to be mostly due to the fact that individual budget agencies still use the accounting software SagePastel, while the CFS are produced using SmartGov/IFMIS.
2. Failure to appropriately recognize inter-entity transactions;
3. The absence of a Government Fixed Assets Registrar, despite the fact that the data collection activity undertaken by MINECOFIN in order to enable the formulation of an inventory of fixed assets has been ongoing since 2007;
4. The balances shown in the ledger of the STA relating to the receipts arising from the integration of the Privatization Secretariat into the Rwanda Development Board at the end of FY 2008. These are different from the reconciled bank balances reported in the Privatization Secretariat financial statements for FY 2008. As explained further below under dimension

(ii), at FY year-end, the balance of the STA has to be reconciled with that of the government annual accounts, including public bodies/GBEs, as per the OBL's Article 71.

5. Un-reconciled differences in bank accounts and omitted bank accounts for at least 124 accounts;
6. Un-reconciled differences between the opening balances at the start of the FY and the closing balance at its end;
7. Unapproved adjustments made in the book of accounts;
8. Lack of sufficient support documents for VAT refund;
9. Lack of supporting documents for income and in other areas;
10. Failure to recognize public debt as a liability (see dimension (iii));
11. Failure to include payment orders for debt repayments (linked to expenditure commitment and payment procedures);
12. Other unrecorded liabilities;
13. Un-reconciled difference in RRA revenue and omission of bank accounts in the RRA general ledger.

In the year-end closing procedures circular[33], the Accountant General recognizes the most important key weakness in the CFS and public accounts, namely the inconsistency between the accounts of budget agencies and the CFS. The circular also shows (especially if compared to that for the closing of the 2009 accounts[34]), that greater remedial action is being taken to address such weaknesses, as those budget agencies which submit low quality accounts incur severe financial sanctions, which also apply to the failure to report using the Financial Reporting Template provided by the AG.

That said, the issue still remains a weakness, and is not likely to be resolved in the immediate future, as the IFMIS project is far from full implementation and coverage (and making interfaces with other systems, such as IPPS operational). This implies that both Sage Pastel and SmartGov will have to be used to issue GoR annual accounts, which jeopardizes the integrity of accounting data and the consistency of the consolidation effort undertaken by the AG to issue the CFS:

Moreover, the circular also confirms other OAG noted weaknesses in the accounts for FY 2009:

1. the differences between opening and closing balances;
2. cash transfers from budget agencies and direct payment not being fully reconciled with Treasury disbursements (again, this is affected by the coexistence of two automated accounting systems, as Treasury operations are recorded in SmartGov, contrarily to those of MDAs);
3. inter-entity transactions;
4. bank reconciliations;

[33] MINECOFIN, Financial year-ended 30 June 2010 year end closing procedures circular, 07/07/2010, No. 2917/10/10/AG.

[34] MINECOFIN, Circular on year end closing procedures circular for the 6 months period ending 30th June 2009, 14/07/2010, No 4509/09/10/PAU.

5. debtors and creditors (which affects the statements of advances and prepayments, see dimension (iii) below);

The circular also adds other elements of incompleteness in the CFS:

6. regarding petty cash
7. regarding the important issue of donor funding (also see Ds and PI 7 (ii)). Donor funding has not been adequately disclosed in the CFS for FY 2009 (as well as for FYs 2008 and 2007 before that), especially regarding the breakdown between loans and grants;
8. Development budget reporting,
9. Recording of foreign exchange transactions.

(ii) Timeliness of submission of financial statements

According to Article 6 of the revised OBL, i.e. Organic Law no. 65/2008 of 11/09/2008, modifying and complementing Article 71 of the 2006 OBL, the Minister of Finance has to submit the CFS to the OAG three months after the FY-end. [35] By the same Article, MDAs, through the Chief Budget Manager, also have to submit their accounts to the OAG by the same date.

Moreover, according to Article 70 of the OBL, each budget agency/MDA has to submit its accounts to MINECOFIN. In turn, MINECOFIN; following the OBL's Article 71, has to submit the public accounts, including those of individual budget agencies/MDAs (as well as SN governments and GBEs) to the OAG by the same date. Still according to Article 71, the report on the accounts sent by MINECOFIN to the OAG by 3 months after the end of the FY also has to "compare the reporting period end accounts of the Central Government administration organs (MDAs) with the transactions of the Single Treasury Account".[36]

In 2009, the Consolidated financial statements, as well as the public accounts, which covered, 126 budget agencies at the CG level, were submitted to the OAG within 3 months after the end of the FY, as required by the legal framework.[37] As a result, the appropriate score for this dimension is A.

(iii) Accounting standards used

The CFS for 2009, 2008 and 2007 are prepared following the modified cash basis of accounting. The accounts for FY 2009 state that the modified cash basis is followed explicitly the Notes to the CFS, under "Basis of Preparation, Statement of compliance". [38] The 2009 statements do not however explicitly adhere to IPSAS; or specify that they are prepared according to the modified cash basis of accounting as defined by the International Accounting Standards Board (IASB), or do they refer to national accounting standards. Reference the national legal framework is not

[35] Since the transition to the EAC FY calendar, so for FY 2009, the deadline for submission of the CFS, and the annual financial statements including the accounts for all MDAs, to the OAG, is September 30th.

[36] See Article 71, of Organic Law 37/2006 of 12/09/2006 on State Finances and Property.

[37] They were also submitted within 3 months in FY 2007; and in FY 2008 within four months, which is not in respect of the country's legal framework, but still well within the .range (6 months after FY-end) to score A on this dimension.

[38] See section 1.4.2 and 1.4.2.1, page 6, Republic of Rwanda, MINECOFIN, *Government of Rwanda Consolidated Financial Statements For the Six Month Financial Year Ended 30 June 2009.*

made with regards to the standards of accounting, but to the requirement to produce consolidated accounts, and its time frame, under the 2006 OBL's article 70 and 71, as mentioned in dimension (ii). The reference to standards of accounting, both national and international, in the 2009 statements is thus left implicit.

By contrast, in the accounts for 2008 and 2007,[39] not only the adherence to the modified cash method is specified, but also a clear reference is made to the IPSAS standards and the Ministerial Order No 002/07, of February 9 2007, on the Financial Regulations. This Order, under Chapter XI, Article 31, establishes that the national standards for accounting and reporting are to conform to the modified cash basis of accounting for government and to accruals for PEs. It also specifies that the national standards "will adhere, to the extent possible, to the International Public Sector Accounting Standards (IPSAS) developed by the International Federation of Accountants [and that] any deviations from these standards will be clearly identified and an explanation supplied as to why the deviation is necessary".[40] In Article 2, the same Ministerial Order also defines in what form the modified cash basis is adopted in Rwanda (which items are to be reported in cash, and which under accruals), and this is also explained in the Notes to the Financial Statements of the CFS for 2009 under the "Basis of Preparation, Statement of compliance" section. [41]

The modified cash basis of accounting is in fact an hybrid of cash and accruals. In the case of the Rwandan CFS, most items are in cash (see for instance, the fact fixed assets, as described in dimension (i), rather than following IPSAS 17, are foreseen to be recorded as an inventory and disclosed in a memorandum account). There is in fact no depreciation in the current system, so that investment expenditure is recorded in full in the year in which it is paid. For the CFS 2007, 2008 and 2009, the items in accruals are payables and receivables.

That said, there are omissions in the disclosure of these items in all of the three years, which also implies that the statement of expenditure and income in the accounts is incorrect. Moreover, the

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[39] Under the section "Responsibilities under Organic Law No 37/2006".

[40] Ministerial Order No 002/07, of February 9 2007, on the Financial Regulations, Chapter XI, *Accounting and Reporting*, Article 31: *Uniform Government Accounting Standards.*

[41] Both the Ministerial Order and the Notes to the CFS specify that, in the context of the GoR, the modified cash basis of accounting "means financial transactions which are recognized in the books of account as follows:

- Generally, transactions are recognized only at the time the associated cash flows take place;
- The expenditure on acquisition of fixed assets is not capitalized–thus fixed assets are written–off on acquisition and the wear & tear (depreciation) of those assets is not recorded in the books of account;
- Prepaid expenditure/advances is written-off during the period of disbursement;

The recognized "modification"[namely, the items that are to be reported in accruals] is as follows:

- Invoices for goods and services which are outstanding on the date of the closure of the fiscal year are recognized as liabilities for that specific fiscal year;
- Loans and advances are recognized as assets/liabilities at the time of disbursement and related interest is recognized only when disbursed. Interest payable on public debt is accrued.
- Book balances denominated in foreign currencies are converted into the Rwanda Francs at rates of exchange ruling on that date issued by the National bank of Rwanda.
- The associated exchange losses are recorded as recurrent expenditure while the exchange gains are recorded as recurrent revenue."

requirements with respect to the modified cash basis of accounting as foreseen by the national standards, as well as IPSAS, are not met in other important respects:

1. As reported by the OAG in its Audit of the 2009 CFS and under dimension (i) above, the Statements fail to report public debt as a liability;
2. Omissions in the debtors and creditors accounts, also reported above, which in turn affect the reliability of the statements for advances and prepayments;
3. Given the abovementioned lack of a Fixed Assets Registrar, even the IPSAS cash-basis requirement to disclose an inventory of fixed assets as a memorandum account, with investments recorded at historical cost, cannot and has not been met in all three years;
4. Though contingent liabilities are reported under section 7.4 of the 2009 accounts, section 8 of the 2008 accounts and of the 2007 accounts (entitled in all three years, *Contingent Liabilities and Government Guarantees)*, they: [42]
    a. do not form the topic of a Note to the CFS;
    b. they are not included in the CFS at all;
    c. what is reported under *Contingent Liabilities and Government Guarantees* are in fact only government guarantees for PE debt (and most likely, only explicit guarantees). No other class of contingent liability is reported, nor do the accounts indicate that all other possible sources have been investigated to insure that none other exists, and loans to PEs alone have been identified.

Finally, in contrast to what is required by the national legal framework for accounting standards and reporting, the failure to comply with IPSAS is left unexplained in these instances.

[42] International Accounting Standards Board (IASB), *Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting* (Updated 2006 and 2007).

4.6 External Scrutiny and Audit

		Score November 2007	Score November 2010	Analysis of Change
PI-26	Scope, nature and follow-up of external audit	D+ (i)D (ii)C (iii)A	B+ (i)A (ii)B (iii)B	Real improvement in all dimensions, though not apparent for dimension (iii) due to the over-scoring of dimension (iii) by the 2007 PEFA. (i) Audit coverage of CG expenditure has improved from less than 50% at the end of the period examined by the PEFA 2007, to 100%. (ii) In the period examined by the 2007 PEFA, OAG reports were being submitted to Parliament over 8 months after the reception of the CFS; now they are submitted in less than 8 months. (iii) Though the 2007 PEFA rates dimension (iii) an A, the findings reported are not all positive. (The 2007 PEFA underlines, for instance, the lack of a summary of outstanding recommendations to streamline follow-up in the OAG reports, which has now been introduced). Moreover, in the report, it provides the text that the PEFA PFM Framework assigns to score “C” for this dimension, though it then scores it “A”.
PI-27	Legislative scrutiny of the annual budget law	C+ (i)B (ii)B (iii)A (iv)C	C+ (i)B (ii)A (iii)A (iv) C	No overall change. Improvement in dimension (ii), because more information on the legal framework was sought and provided compared to the previous PEFA Assessment.
PI-28	Legislative scrutiny of external audit reports	D+ (i)C (ii)D (iii)B	B (i)B (ii)B (iii)B	The scrutiny of audit reports has improved from a completion date of 12 months to within 6 months under dimension (i). Under dimension (ii), the Team reviewed both letters and reports issued by parliament pertaining to in-depth

				hearings on key findings taking place with officers from audited entities. These documents validated the level scrutiny undertaken by Parliament. As a result, the weaknesses highlighted by the 2007 PEFA that in-depth hearings were not being carried out is no longer applicable. Therefore, the score has risen from a D to a B.

PI-26 Scope, Nature and Follow-up of External Audit

Dimensions to be assessed (Scoring Method M1):

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

A All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.

(ii) Timeliness of submission of audit reports to legislature

B Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office.

(iii) Evidence of follow-up on audit recommendations

B A formal response is made in a timely manner, but there is little evidence of systematic follow-up.

Overall Score: B+

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

The OAG carries out financial audits of CG annually, covering all MDAs. It also audits all the SN governments and the Government CFS, which cover revenue and expenditure, as well as assets and liabilities. Financial audit methodologies conform to international standards: they are based on systematic risk assessments, an annual audit plan and sound audit sampling techniques with the assistance of audit-specific computerized system such as IDEA.[43] The audit is focused on systemic issues. In addition, an Audit Manual has been developed and adopted in 2007, it is reviewed by AFROSAI-E every year, and AFROSAI complements this review with a peer review.

The OAG issues an audit report annually that is in fact composed of four volumes: Volume I, containing a *Summary of Findings of the Annual Financial Audit of CG* undertaken by OAG through the sampling techniques explained above, which also includes summarized findings of

[43] Refer to among others, Auditor General of State Finances of Rwanda, *Audit Work Plan revised*, August 5 2009.

any performance or special audit undertaken during the year; Volume II, presenting the findings of the OAG *Audit of and Opinion on the Government CFS*; Volume III, the findings of the OAG audit of SN governments; Volume IV, the summary of the findings of the OAG's audit of Ministries, other Central Administration entities, GoR and donor projects and GBEs.

The audit that the OAG performs directly of GBEs, as seen in PI-9 (i), is limited, as the OAG only audits a small percentage of GBEs (5% in terms of size in 2009), and outsources the audit of another 6% in terms of size to pre-approved external auditors. This does not penalize the rating of PI-26 as the PEFA Framework considers that though the OAG needs to audit AGAs, it may use other audit entities for their audit.[44] That being said, the fact that only 11% of current GBEs, in terms of size of the estimated sector, are being audited by the OAG or by an auditor pre-approved by the OAG is at the source of the fact that the OAG receives only a small fraction (11% in terms of the GBE sector size) of the audited accounts of GBEs as the others do not submit their reports to the OAG, which is also causing fragmentation in the GoR's visibility and appraisal of the sector as examined in PI- 9 (i). This also defies the OBL, which, in Article 71, specifies that "budget Agencies, local administrative entities *and other public bodies* shall submit their reports on the financial statements in the following year to the Auditor General of State finances not later than March 31 of the following year."

In any case, the limitations in audit scope regarding the OAG's financial audit attributed by the 2007 PEFA no longer apply.[45] Moreover, alongside the regular annual financial audit, the OAG has undertaken performance audits and is currently expanding the scope of its performance audit work. In August 2010, it had issued three performance audit reports since 2006: *Effectiveness of Maternal care delivery in Rwanda*, issued in November 2007; *Performance Audit Report on the Integration of Retrenched Civil servants in the private sector by Reconversion program under MIFOTRA*, issued in September 2009; *In Depth Audit Review of Cassava Intensification Programme for the Agricultural Seasons 2008A and 2009A*, also issued in 2009. At the time of the Assessment second mission in August 2010, five performance audits were ongoing, compared to only three undertaken since 2006, which shows that the OAG is increasing its activities in this area. These were: *Management of agricultural inputs utilized within Crop Intensification Programme by RADA*, subsequently issued in September 2010; *Performance Audit of Rehabilitation of Parliament Offices*, subsequently issued in October 2010; *Management of disaster Aid occurred in Western Province for the period 2007-2008*, expected issue date December 2010; *Performance audit of FARG*, expected issue date March 2011; *Performance audit of Health Insurance Scheme*, expected issue date March 2011.

[44] "…autonomous agencies. The latter may not always be audited by the Supreme Audit Institution (SAI), as the use of other audit institutions may be foreseen." Public Expenditure and Financial Accountability (PEFA): *Public Financial Management Performance Measurement Framework*, PEFA Secretariat, June 2005, page 46.

[45] It should be noted that the coverage reported by the OAG at the beginning of its own Audit reports (see Volume I), information on which the 2007 PEFA based its scoring of coverage in 2007 for 2006, includes components that are outside the scope of CG expenditure not just for item C *(Districts*), but also for other items (such as *B. Government Projects and Programs*), and cannot therefore be directly applied for the scoring of dimension (i), as done by the 2007 PEFA.

The OAG has been a member of INTOSAI, as well as AFROSAI, for the past five years. In 2006, the OAG also issued an internal *Code of Ethics* that became operational in 2007, when it was undersigned by staff, and is based on the INTOSAI guidelines and professional ethics. Article 183 of the Constitution provides the mandate to the OAG to audit the Auditor General of State Finances, and defines its independence.[46]Article 184 states that they report to Parliament, outside the Executive. Recently, on July 28 2010, the OAG submitted a Draft of the Law N°…*Establishing the Public Audit Act*, to the Prime Minister, for Parliament, that would further enhance independence, by providing greater financial autonomy.

The 2007 PEFA had also underlined weak staff capacity due to low number of staff (65 in 2006), of which only 2 were ACCA trained. Number of staff is now at 92, though still only a few have received ACCA accreditation.

(ii) Timeliness of submission of audit reports to legislature

For the past two completed audit reports (on the FY 2009 minibudget and on FY 2008), the OAG submitted the Audit Report to Parliament 7.5 months after receiving the government consolidated financial statements on the same FYs.[47] Dimension (ii) is rated B accordingly.

(iii) Evidence of follow-up on audit recommendations

A summary of outstanding recommendations is included in both Volume I and Volume II of the OAG report. In Volume I, since the OAG Audit report on FY 2009, it is placed in section 2.1. under the heading *Non Compliance with Article 74 of the OBL.*[48]As reported in Volume II, the summary of outstanding recommendations made by the OAG also lists the audit finding that was at the source of the recommendation, the recommendation, the corresponding Management Response, and the implications of the recommendation. An internal list and database of outstanding recommendations is now also in the OAG, and also lists whether the executive has implemented the recommendation or not, and if not, the actions to be taken by either the Executive to implement the recommendations, or by the OAG to directly follow-up on implementation during the financial audit in course. All these initiatives show that on its side, the OAG is talking appropriate action to ensure the follow-up of its outstanding recommendations. As to the internal list just mentioned, it also shows the degree of action taken by the Executive to implement recommendations. This, together with the evidence reported under PI-28 (iii), leads the Assessment Team to conclude that a formal response is made by the Executive in a timely manner and that the Executive is implementing some OAG recommendations. That said, the implementation is not systematic. Dimension (iii) is rated B accordingly.

[46] "The Auditor General of State Finances is an independent national institution responsible for the audit of state finances and patrimony." See Article 183 of the 2003 Constitution (and 2005 and 2010 revisions).

[47] More specifically, the Audit Report on the 2008 Accounts was submitted on December 14, 2009 and the Audit Report on the 2009 Accounts on May 19, 2010. For the dates of submission of the CFS and public accounts to the OAG see PI-25.

[48] According to Article 74 of the OBL, in fact, "each Chief Budget Manager and Director of Public Bodies are responsible for the implementation of instructions of the Auditor General (…) aimed at improving the effective management of finance of their entities."

PI-27 Legislative Scrutiny of the Annual Budget Law

Dimensions to be assessed (Scoring by method M1):

(i) Scope of the legislature's scrutiny

B The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue.

(ii) Extent to which the legislature's procedures are well established and respected

A The legislature's procedures for budget review are firmly established and respected. They include internal organization procedures.

(iii) Adequacy of time for the Legislature to provide a response to budget

A The legislature has at least two months to review the budget proposals.

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

C Clear rules exist and they allow the expansion of total expenditure through supplementary budgets, without set limits.

Overall score: C+

(i) Scope of the legislature's scrutiny

The Budget Committee is comprised of seven members. The Chairperson has more than 10 years. The table below provides a listing of each member and time served on the committee.

Table 17: Members of the Parliamentary Budget Committee

Hon Mukayuhi Constance Rwaka (Chairperson): Since 2000
Hon Mukama Abbas (Vice Chairperson): Since 2001
Hon Ingabire Marie Claire (Member): Since 2003
Hon Kalima Evode (Member): Since 2005
Hon Mukanoheli Saidat (Member): Since 2005
Hon Bwiza Sekamana Connie (Member): Since 2007

Source: Parliament: Budget Committee Chairperson.

The legislature review covers fiscal policies for the coming year as well as detailed estimates of expenditure and revenue. Article 79 of the 2003 Constitution requires Cabinet to present the Finance Law to the Chamber of Deputies before commencement of the budget session, to examine the proposed budget for the next financial year on the basis of the BER.

Article 38 of the OBL defines the procedures of the Chamber of Deputies and establishes 11 standing committees, including the Committee on Budget and National Patrimony. The responsibilities of this Committee include: 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 finances are used.

The Committee will normally examine in detail the budget proposals as adopted by the plenary session of Parliament. This was carried out over the past three years covering: FY 2008, FY 2009, and FY 2009/20010. Therefore this dimension has been rated an A. The previous PEFA rated this dimension a B because of the absence of the BFP in 2006.

Article 6 and Article 7 of the OBL establish that all revenues, including debts and loans and all expenditures of the State, shall be included in the Central Government and the local administrative entities budgets. It also refers to those funds classified as extra budgetary, to include donor funds. Parliament has stated that the ministries are aware that a penalty could be applied for failure to report these funds in their budget submission. It was reported to the Team that this practice has been significantly mitigated. However, there is a considerable amount of donor funds that are not being captured and are considered "off- budget." The Budget Committee expressed its concern about not being able to review these funds and that the issue should be addressed through the Auditor General. Moreover, PI-7 and D-2 also recognize the reporting issue and they make reference to the efforts being undertaken by the Government and donors to ensure all funds will be accounted for by the government.

(ii) Extent to which the legislature's procedures are well established and respected

The Legislature's procedures for budget review are firmly established and respected. The overall arrangements for the Parliament's consideration of the draft budget are set out in the Constitution and OBL. The responsibilities of the Committee on National Budget and Patrimony are specified in Organic Law 06/2006 of 15/02/2006, which establishes "Internal Rules of the Chamber of Deputies in the Parliament." In addition, Organic Law 03/2005 of 25/02/2005 pertains to "Determining The Methods The Parliament Uses To Obtain Information And Exercises Oversight of Government Action." Meetings with Parliament and MINECOFIN suggested that these procedures are also respected, and the evidence provided showed that they are supported by policy and procedure manuals.

(iii) Adequacy of time for the Legislature to provide a response to budget proposals

Article 68 of the OBL ensures that the Parliament has sufficient time to consider the draft budget. The legislation has provision for over two months to review the budget proposal: on April 5, the Cabinet receives the BFP and the draft budget. During April and May, Parliament calls the ministers to discuss and review the BFP and draft budget. By the end of May, Parliament finishes the consultations and submits recommendations on the budget to the Executive. Those recommendations help to finalize the Finance Law. By the 5^{th} of June, Parliament receives the draft Finance Law for review and approval. This has been well documented, thus the process has been followed. Therefore no change in the scoring for this dimension.

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

Expansion of total expenditure has to be requested through a Supplementary Budget that follows the same process as the Finance Law. The legal framework does not however set a limit for the supplementary budget in terms of the total expenditure approved by the Finance Law.

Rules for supplementary budgets are clearly defined in Articles 45 and 68 of the OBL. Article 68 of the OBL makes a provision that the Government submits to the Chamber of Deputies a six month report on the execution of the budget in the Government institutions and reserves a copy to the Auditor General of State Finances. Article 45 of the OBL states that on the six-month review report of the budget execution, the Minister or the Executive Committee Chairperson of the local administrative entity may submit a revised draft budget, proposals for policy revision of revenue and expenditure and the related estimates to the Chamber of Deputies or to the local Council of such an entity.

The rules for expenditure reallocation within the total expenditure envelope approved with the Finance Law are also clearly defined, by Articles 31 and 51 of the OBL. Article 31 defines the rules for "urgent and unexpected expenditure". It implies that at the start of the new fiscal year, the budget approved by Parliament through the Finance Law already allows for MINECOFIN to spend for impromptu items for up to two percent (2%) of its recurrent budget.

Article 51 of the OBL defines the rules for budgetary re-allocations. It allows:

1. MINECOFIN to grant reallocations between programs for up to 20% of the budget line, subject to Cabinet approval;
2. For reallocations between programs in excess of 20%, budget agencies need to send a request to MINECOFIN;
3. For reallocations between expenditure categories, wages and salaries excluded, Cabinet approval is required;
4. Between MDAs and for expenditure reallocations that involve wages and salaries, the Parliamentary approval is required.

Specifically, there are rules for in-year amendments but there is no rule that sets a limit for supplementary budgets in terms of total expenditure that can be spent without ex-ante approval by the legislature. In this regard, no funds should be spent without prior approval by Parliament – if there is an emergency or unforeseen event, then article 31 should apply but no funds should be spent without approval by Parliament. However, it was also mentioned to the Team through interviews within MINECOFIN that there is a disconnect in the law by having article 31 (provision for unforeseen expenditures that should not exceed 2% of the total recurrent expenditures) and at the same time having rules that sets the limit for supplementary budgets in terms of total expenditure that can be spent without ex-ante approval by the legislature. It does not seem apparent that both could be implemented simultaneously.

All these processes demonstrate that the Parliament is taking appropriate action to ensure the rules for in-year amendments to the budget without ex-ante approval are being respected. Therefore, it leads the Team to conclude that a formal process is being completed supported by evidence. That said, there are no clear set limits. Dimension (iv) is rated C accordingly.

PI-28 Legislative Scrutiny of External Audit Reports

Dimensions to be assessed (Scoring by method M1):

(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).

B Scrutiny of the audit reports is usually completed by the legislature within six months from receipt of the reports.

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

B In-depth hearings on key findings do take place with responsible officers on a routine basis, but may cover only some of the entities, which received a qualified or adverse audit opinion.

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

B Actions are recommended to the Executive, some of which are implemented, according to supporting evidence gathered through interviews and reports.

Overall Score: B

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

The Budget Committee is comprised of seven members. Several members have more than 8 years of experience on the committee. The Chairperson has more than 10 years.

The Table below provides the status of the Budget Committee scrutiny of the Auditor General's report and debate by Parliament.

Table 18: Budget Committee's Scrutiny of Auditor General's Report

	2006	2007	2008
OAG Report Issued	Not available	30/01/2009	16/12/2009
Report Presented to Parliament	4/3/2008	23/3/2009	18/2/2010
Report analyzed, and recommendations adopted	6/8/2008	16/09/2009	25/5/2010

Source: Parliament: Budget Committee Official Records.

Article 61 of Amendment 4 of 17/06/2010 of the Constitution provides an update to Article 184 of the 2003 Constitution on the report of the Auditor General of State Finances. This Article states that Parliament examines the Auditor General's annual report on budget execution in the context of its consideration of the law confirming the execution of the budget for the year in question. As shown in the Table above, for the past three years, the review process has been completed within six months after the report has been presented to Parliament. This is an improvement from the period examined by previous PEFA, under which the scrutiny of audit reports was being completed within twelve (12) months. Moreover, it also meets the standard under Article 61 of Amendment 4 of 17/06/2010 of the Constitution that states "the Parliament, after receiving the report of the Auditor General referred to in this Article shall examine it and take appropriate decisions within six (6) months."

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

In-depth hearings take place with the bodies concerned by the audit reports. As evidence, the Team received three letters where Parliament was requesting to summon the entities concerned by the audit findings to a hearing, and informed them that the hearing would cover procurement, taxes, and payroll issues. Those concerned bodies will also inform the Budget Committee how the recommendations that, after going through Parliament, have now become a legal obligation for the concerned entity, will be implemented. After every hearing, a report that summarizes the decisions taken on the implementation of recommendations is issued within two months. As a result, the weaknesses highlighted by the 2007 PEFA that in-depth hearings were not being carried out is no longer applicable.

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

The 2003 Constitution states under Article 184 that: *the institutions and public officials to which a copy of the annual report 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.* The Budget Committee of the Chamber of Deputies prepares a report of its scrutiny of the Auditor General's annual report and makes a presentation of this to the plenary session of the Chamber. This report includes a series of recommendations, which are then passed to the executive for action. In addition, the Chamber of Deputies provides oversight to ensure that recommendations are being implemented. Typically, field visits are conducted by a member of the Chamber of Deputies every 3-4 months. As supporting evidence, the Team reviewed an extensive field report by a member of the Budget Committee, which was conducted in December of 2009. The report provided and update on the status of open audit recommendations. In addition, the Team, through interviews and the review of Audited Financial statements for FY 2007, FY 2008, and FY 2009, discovered that some recommendations were implemented, in accordance with aforementioned Constitution and Article 61 under the 2010 amended Constitution.

4.7 Donor Practices

		Score November 2007	Score November 2010	Analysis of Change
D-1	Predictability of Direct Budget Support	B+ (i)B (ii)A	A (i)A (ii)A	The overall score for this indicator has improved slightly from a B+ to an A as the predictability of Direct Budget Support has improved through improved forecasting and disbursements of funds. This can be attributed to the increased strategic planning between the Government and Donors.
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D (i)D (ii)D	D+ (i)C (ii)D	This indicator has slightly improved under dimension (ii) as there has been more coordination in the planning and execution process which includes working more effectively with ministerial agencies and MINECOFIN.
D-3	Proportion of aid that is managed by use of national procedures	D	D	Unchanged

D-1 Predictability of Direct Budget Support

Dimensions to be assessed (Scoring Method MI):

(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).

A In no more than one out of the last three years has direct budget support fallen short of the forecasted amount by more than 5%.

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

A Quarterly disbursement estimates have been agreed upon with donors before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in two of the last three years.

Overall Score: A

Table 19 shows the levels of direct budget support (both general and sector budget support). The deviation of actual disbursement from projections is attributed to a lag in disbursements and some commitments not being met.

Table 19: Budget Support for the period 2008, 2009, 2009/2010

Fiscal Year	2008	2009	2009/2010
Forecast	330.40	163.13	391.69
Actual	361.27	155.85	384.98
% disbursed	109%	96%	98%

Source: MINECOFIN External Financial Unit.

D-2 Financial Information Provided by Donors for Budgeting and Reporting on Project and Program Aid

Dimensions to be assessed (Scoring Method M1):

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

C At least half the donors (including the five largest) provide complete budget estimates for disbursement of project aid for the coming fiscal year at least 3 months before its start. Estimates may use donor classification and not be consistent with the government's budget classification

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

D Donors do not provide frequent 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. The information is not necessarily classified consistently with the GoR

Overall Score: D+

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

The 2006 *Rwanda Aid Policy* acts as the guiding document for government work on aid management and makes specific reference to the EDPRS, requiring that all aid be aligned with the established priorities. Specifically, it states government's preference for aid that is granted in the modality of general support budget support first, then sector budget support, and lastly project aid that recorded on-budget. The real concern lies with off-budget project aid, which is still a significant part of donor activity in Rwanda. For example, the estimates directly to the GoR regarding budget loans and grants are fully reported in the budget and the accounts. Estimates for amounts paid directly to implementing agencies – loans and grants – are reported in the accounts but not the budget. Moreover, there are other off-budget funds that are not being fully captured by the government. At least half of the donors (including the five largest) provide complete budget estimates for disbursement of project aid at stages consistent with the government's. However, these estimates use donor classification which is not consistent with the government's budget classification.

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

Cooperating partners generally do not provide quarterly reports on disbursements within the two months of the end-of the quarter. Line ministries manage the implementation of the Cooperating Partner funded programs and projects in most cases. However, these do not often represent total expenditure towards a given project or program. Some expenditures are carried out directly by the development partner. Moreover, the projects do not provide a financial quarterly report which includes a specific breakdown consistent with the budget classification of Rwanda. MINECOFIN is responsible for the coordination of external aid management. The mandate is undertaken by several departments. Firstly, the External Finance Unit (EFU), which is the government's entry point for the oversight and management of external aid to Rwanda. It operates a Development AID Database (DAD) – stand-alone database, a web-based tool that has improved information sharing between the government and donors with respect to aid flows, commitments and disbursements. Secondly, the Central Public Investments and External Finance Bureau (CEPEX), an autonomous agency, is responsible for offering technical support services to government in projection preparation. CEPEX produces a "Projects' Performance Report" on a quarterly and annual basis. This report includes an Annex that tries to capture all development projects by Ministry as reflected in the Law determining the State Finances for the fiscal year, a list of these development projects that are implemented off-budget, and a summary of the progress on project implementation by source of financing. Nonetheless, through interviews with CEPEX and the EFU, as well as reviewing the generated reports for fiscal year 2009, it is apparent that quarterly reporting is not taking place for at least 50% of externally financed projects in the budget within two months of end of quarter. As of now, CEPEX and EFU have not merged the two databases due to an ongoing Integrated Financial Management Information Systems (IFMIS) survey that may end up merging all financial related information into one set of databases. In addition, the reports produced by the Accountant General and CEPEX are not linked. Through our interviews with EFU, CEPEX and Donors, we were able to ascertain that improvements are being made to provide complete and timely reporting on both ends. In addition, donor harmonization and coordination within the framework of the EDPRS is improving. For example, a Comprehensive

Performance Assessment Framework is in practice, which is complemented by a Donor Performance Assessment Framework annually.

D-3 Proportion of Aid that is Managed by Use of National Procedures

Dimension to be assessed (Scoring Method M1):

Overall proportion of aid funds to central government that are managed through government procedures.

D Less than 50% of aid funds to central government are managed through national government procedures

Table 20 has been derived from a similar table presented in the OECD 2008 Survey for Monitoring the Paris Declaration. It illustrates that ODA provided to the Government sector from each of the major donors during 2007 (the latest for which such complete data is available). The following chart highlights that less than 50% of aid funds to central government are managed through national procedures. In Rwanda, significant use of country PFM and procurement systems remains largely restricted to those donors delivering assistance in the form of general and sector budget support. Several donors continue to cite headquarters regulations or domestic legislative constraints as the main reason that they do not or cannot use national systems.

Table 20: Aid Disbursed by Government Sector

Aid Disbursed for Gov Sector (USD m)	Budget Execution (USD m)	Financial Reporting (USD m)	Auditing (USD m)	Procurement Systems (USD m)	Proportion Using National Procedures (%)
695	287	286	304	298	43%

Source: MINECOFIN, External Finance Unit, Rwanda and OECD DAC, *2008 Survey for Monitoring the Paris Declaration.*

5.0 SN: Assessment of PFM Systems, Processes and Institutions

Table 21: Sub-National (SN) Indicators

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
A	**PFM-OUT-TURNS: Credibility of the budget**				
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	B	D	D
PI-2	Composition of expenditure out-turn compared to original approved budget	B	B	A	B
HLG-1	Predictability of transfers from higher levels of Government	B+	B+	B+	A
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget.	B	B	B	A
(ii)	Annual variance between actual and estimated transfers of earmarked grants.	A	A	A	A
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year)	A	A	A	A
B	**Key Cross-Cutting Issues: Comprehensiveness and Transparency**				
PI-8	Transparency of inter-governmental fiscal relations (Not applicable (N/A))[49]	N/A	N/A	N/A	N/A
(i)	Transparency & objectivity in the horizontal allocation among lower level SN governments	N/A	N/A	N/A	N/A
(ii)	Timeliness of reliable information to lower SN governments and their allocations	N/A	N/A	N/A	N/A
(iii)	Extent to which financial information is collected & reported by higher SN governments according to sectoral categories	N/A	N/A	N/A	N/A
PI-10	Public access to key fiscal information	A	A	A	A
C	**Budget Cycle**				
C (i)	**Policy-Based Budgeting**				
PI-11	Orderliness and participation in the annual budget process	D+	D+	D+	D+
(i)	Existence of and adherence to a fixed budget calendar;	A	A	A	A
(ii)	Guidance on the preparation of budget submission; and	D	D	D	D
(iii)	Timely budget approval by the legislature (last 3 Years).	A	A	A	A
C (ii)	**Predictability and Control in Budget Execution**				
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	B+	B+	B+
(i)	Extent to which cash flows are forecast and monitored	B	B	B	B
(ii)	Reliability and Horizon of periodic in-year information to MDAs on ceilings for expenditure commitments	B	B	B	B
(iii)	Frequency & transparency of adjustments to budget allocations	A	A	A	A
PI-18	Effectiveness of payroll controls	B+	B+	B+	B+
(i)	Degree of integration and reconciliation between personnel records and payroll data;	A	A	A	A

[49] N/A is a common abbreviation for *not applicable* or *not available*, used to indicate when information is not provided, either because it does not apply to a particular case in question or because it is not available. Here is it used in the sense of *not applicable*.

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
(ii)	Timeliness of changes to personnel records and the payroll;	A	A	A	A
(iii)	Internal controls of changes to personnel records and the payroll; and	A	A	A	A
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers.	B	B	B	B
PI-20	Effectiveness of internal controls for non-salary expenditure	B+	B+	B+	B+
(i)	Effectiveness of expenditure commitment controls;	A	A	A	A
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	A	A	A	A
(iii)	Degree of compliance with rules for processing and recording transactions.	B	B	B	B
C (iii)	**Accounting, Recording and Reporting**				
PI-22	Timeliness and regularity of accounts reconciliation	B+	B+	B+	B+
(i)	Regularity of bank reconciliations; and	B	B	B	B
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances.	A	A	A	A
PI-24	Quality and timeliness of in-year budget reports	B+	B+	B+	B+
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	A	A	A	A
(ii)	Timeliness of the issue of reports	A	A	A	A
(iii)	Quality of information	B	B	B	B
C (iv)	**External Scrutiny and Audit**				
PI-26	Scope, nature and follow-up of external audit	B+	B+	B+	B+
(i)	Scope / nature of audit performed (incl. adherence to auditing standards)	A	A	A	A
(ii)	Timeliness of submission of audit reports to the legislature	B	B	B	B
(iii)	Evidence of follow-up on audit recommendations	B	B	B	B

5.1 Budget Credibility

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
PI-1	Aggregate expenditure out-turn compared to original approved budget	D	B	D	D
PI-2	Composition of expenditure out-turn compared to original approved budget	B	B	A	B
HLG-1	Predictability of Transfers from higher Levels of Government	B+	B+	B+	A
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget.	B	B	B	A
(ii)	Annual variance between actual and estimated transfers of earmarked grants.	B	B	B	A
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year).	A	A	A	A

SN PI-1 Aggregate Expenditure out-turn Compared to Original Approved Budget

Dimension to be assessed Scoring method M1:

The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e. excluding debt service charges and externally financed project expenditure)

B. Rulindo District. In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditure.

D. The remaining three districts. In two or all three years did the actual expenditure deviate from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure.

PI-1 compares actual expenditure, in total, with the original budget approved by the Sub-National government. It is a measure of how the four districts can make a budget and stick to it in practice, at an aggregate level. It measures the extent to which the variance in primary expenditure composition exceeds the overall deviation in primary expenditure during the last years. The computation excludes debts acquired by the sub-nationals and donor-funded projects since the districts will have little control over them. The results matrix for both PI-1 and PI-2 are shown in Table 22 below. Complete tables for the calculations are shown in Annex 3.

The degree of variation between aggregate figures on budgeted and actual expenditure was thus generally much higher for the three years examined at the SN level (and thus a poorer result) than for CG. At the CG level, the score for this indicator was A.

Table 22: PI -1 and PI-2 Results Matrix

	PI-1		PI-2
District | Year	Total Expenditure Deviation	Total Composition Variance	Variance in Excess of Total Deviation
Kicukiro District			

2007	39.1%	39.5%	0.5%
2008	31.9%	68.9%	36.9%
2009	46.5%	48.7%	2.2%
Rulindo District			
2007	9.1%	9.1%	0%
2008	3.3%	37.2%	33.9%
2009	40.0%	41.1%	1.1%
Bugesera District			
2007	18.6%	18.6%	0.1%
2008	35.1%	38.1%	3.0%
2009	40.5%	43.2%	2.7%
Nyamagabe District			
2007	2.2%	2.2%	0%
2008	60.2%	60.3%	0.1%
2009	58.1%	63.4%	5.3%

Source: District Budgets FYs 2007, 2008 and 2009.

SN PI-2 Composition of Expenditure out-turn Compared to Original Approved Budget

Dimension to be assessed (scoring method M1):

Extent to which variance in primary expenditure composition exceeded overall deviation in primary expenditure (as defined in PI-1) during the last three years.

A. Bugesera District. In Bugesera District, the variance in expenditure composition exceeded overall deviation in primary expenditure by no more than 5% in the last three FYs.

B. The Remaining three Districts. In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditure. The relevant score for Kicukiro, Rulindo and Nyamagabe is a B.

Administrative Units are based on the approved Organizational Structure of Districts and are also treated as cost centers intended to manage the programs. The districts of Bugesera and Nyamagabe had 10 spending units in 2007 and 8 spending units in 2008 and 2009 respectively. For the districts of Kicukiro and Rulindo, there has not been any change in the spending units for the years under consideration.

Where the executed expenditure composition varies significantly from the original budgeted expenditure, the budget will not be a useful statement of policy intent. This indicator requires an assessment of expenditure out-turns compared with the approved expenditure at a sub-aggregate level. PI-2 is a tighter measure of budget discipline and measures how well the SN government can make and stick to budgets at the sub-aggregate level. As at the CG, the indicator considers the variation between the budgeted and actual distribution of expenditure and also measures whether the budget is a credible statement of policy intent as to the distribution of expenditure. Across the four districts, this variation exceeded 10% only in 2008 (Kicukiro 36.91% and Rulindo 33.88%).

Given that PI-2 is a stricter measure, positive sub-national results are surprising. The presence of earmarked grants did not impact the composition of expenditure as the central transfers of earmarked grants were timely (See HLG-1). The reasons for a better result include the following: they are a signal of realistic forecast in districts for expenditure allocations across the functional heads; adherence to virement rules in the OBL and financial regulations; districts benefiting from the timely disbursement of earmarked and block transfers to the districts, which forms a substantial portion of the entire sub-national budget (see PI-8 Central Government Score of A).

Variance was computed in line with the draft Sub-national PEFA Guidelines and excluded debt service (none) and donor-funded project expenditure. It is calculated as the weighted average deviation between actual and originally budgeted expenditure taken as a percent of budgeted expenditure on the basis of administrative classification and using the absolute value of deviation. The approved budget and levels of expenditure detailed by the largest budget units[50], for the three years in question, are presented in Annex 3.

At the CG level, the PEFA 2010 score for this indicator was D. This score is different from the SN as the practice at the districts was to limit reallocations.

[50] For the four SN districts considered, the largest spending units were less than 20, so that the calculations for PI-2 at the SN level do not include any sum of rest, as there are no residual spending units over the 20 largest to be considered as an aggregate, as is the case for PI-2 calculations for CG, where spending units (MDAs) are over 20. This is consistent with the PEFA Framework, given that the 20 largest budget heads for which detailed figures on budget and outturn need to be considered in the PI-2 calculations and presented in an annex, is a maximum number, not a requirement.

HLG-1 Predictability of Transfers from higher Levels of Government

Dimensions to be assessed (Scoring method M1):

(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget.

Nyamagabe District Score A: In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 5%. All the remaining 3 Districts Score B: In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 10%.

(ii) Annual variance between actual and estimated transfers of earmarked grants.

Nyamagabe District Score A: Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 5 percentage points in any of the last three years. Remaining 3 Districts Score B: Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 5 percentage points in no more than one of the last three years.

(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year).

All Districts Score A. Releases are made quarterly and within general planning expectations. No releases were delayed until the following quarter.

Overall District Score: Nyamagabe A. Remaining Districts of Kicukiro, Rulindo and Bugesera Score B+

(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget.

Although this indicator does not measure the capacity to plan, adequately forecast resources and execute the budget as planned at the level of the SN (both at the level of the district and at the level of the spending unit), like PI-1 and PI-2 do respectively, it measurers the credibility of budgeted resources for districts at the CG level. So it belongs to budget credibility, though it applies mostly (besides the aspect of shared revenues) to the budget formulated and approved at CG level, and assesses forecasting capacity of CG institutions that influence the budget estimates for transfers to SN governments. It has an *impact* on budget credibility of SN governments, and thus PI- and PI-2, as reduced predictability in the level of transfers and earmarked grants from HLG can jeopardize districts' ability, and that of spending units at the district level, to implement/execute the budget as planned.

In fact, transfers from higher level of government (HLG) or central government constitute important sources of revenue for SN government in Rwanda. Poor predictability of inflows of these transfers affects the SN government's fiscal management and ability to deliver services. Shortfalls in the total amount of transfers from higher level of government and the delays in the in-year distribution of the in-flows can have serious implications for the SN government's ability to implement its budget as planned. Shortfalls in earmarked grants (such as sector or project grants) can have an additional effect on particular sectors. For the purposes of this indicator, transfers from higher level of government include all revenues transferred from higher level government either in the form of block or earmarked grants as well as shared revenues which are not collected and retained by the SN government. They do not however include *donor* project or program funding which is pooled at central government level and channeled to the SN government through a line ministry (as such funding is covered in indicator D-2 of an assessment of higher level of government).

On this indicator, Nyamagabe is scored A as the HLG transfers have not fallen short of the estimate by more than 5% in the last 3 years considered (2007, 2008 and 2009). All the remaining districts of Kicukiro, Rulindo and Bugesera score B as the annual deviation did not exceed 10% in no more than one out of the last three years. The annual deviation is higher in all districts except Nyamagabe for the FY 2007 in comparison with other years reflecting significant shortfalls in the "Education, Youth, and Culture" functional unit. This suggests some difficulties in the fiscal planning undertaken in 2006 (prior year). This was noted in the 2007 PEFA assessment indicting a inadequate planning processes and budgetary documentation that affected the FY 2006. The improvement in the FYs 2008 and 2009 indicates that the issues raised in the 2007 PEFA assessment have substantively been addressed by central government.

Table 23: Budgeted versus actual HLG transfers, FYs 2007, 2008, 2009

(Refer to Annex 4 for detailed calculations)

Year	Annual Deviation	Total Composition Variance	Variance in Excess of Total Deviation
KICUKIRO			
2007	19.7%	20.4%	0.6%
2008	5.2%	5.3%	0.1%
2009	4.1%	4.1%	0%
RULINDO			
2007	36.4%	36.4%	0%
2008	0.3%	0.3%	0.6%
2009	9.0%	9.5%	0.6%
BUGESERA			
2007	16.4%	16.4%	0.0%
2008	0.8%	3.1%	2.3%
2009	3.7%	3.7%	0.0%
NYAMAGABE			
2007	1.6%	4.8%	3.2%
2008	3.9%	4.3%	0.4%
2009	3.7%	3.7%	0.0%

(ii) Annual variance between actual and estimated transfers of earmarked grants

The scores for this dimension are exactly the same as the scores for dimension (i) as in Rwanda, all transfers to sub-national governments are made in programs and sub-programs and hence earmarking occurs at that level, meaning that all programs are earmarked for the specific programmatic purpose. There are no non-sector conditional grants within the Rwandan budgetary lexicon. The Local Authorities Budget Support Fund, commonly referred to a Block Grant, is itself earmarked to meet the wage bill first and then general operational costs. It must be considered as an earmarked grant.

(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year)

In all of the three FYs under consideration, releases were made to sub-national governments within the quarter in respect of which the funds were meant to be released and in no case were releases withheld past the quarter within which they were intended to be released. While there is no agreed timetable per se, all sub-national governments filed quarterly cash plans and funds were released accordingly. With effect from the FY 2009/2010 (year outside of the three years under consideration), all commitments are now planned within the SmartGov system and releases are all controlled in line with agreed cash plan that has been incorporated within that system. All sub-national governments score A for this dimension.

5.2 Comprehensiveness and Transparency

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
PI-8	Transparency of Inter-Governmental Fiscal Relations	N/A	N/A	N/A	N/A
PI-10	Public Access to Key Fiscal Information	A	A	A	A

SN PI-8 Transparency of Inter-Governmental Fiscal Relations

Dimensions to be assessed (Scoring method M2):

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

(ii) Timeliness of reliable information to lower level SN governments on their allocations from higher level SN governments for the coming year;

(iii) Extent to which financial information (at least on revenue and expenditure) is collected and reported by SN government according to sectoral categories.

Overall Score: N/A.

This indicator is not relevant to the Rwandan legal and institutional framework as there is no sub-national level of government below the level of district in Rwanda. This indicator is meant to assess the transparency of inter-government relations between higher-level sub-national and lower level sub-national. The draft Sub-national PEFA Guidelines define a level of government as one that has either an elected council or representative body; can be sued in its own name; and has its own budget. Based on these dimensions, our findings in the context of Rwanda revealed that the next level to the district, UMURENGE (Sectors) is not a lower level SN government under a district as it does not possess or approve or administer its own budget, but rather operates with the context of the approved district budget.

Consequently, this indicator is not applicable to Rwanda in the current legal and institutional framework.

SN PI-10 Public Access to Key Fiscal Information

Dimension to be assessed (Scoring method M1):

Number of the below listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met).

A. All the four districts makes available to the public 6-7 of the 7 listed types of information. The

relevant score for all districts is A.

Table 24: The Seven Key Public Information Elements

	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	**1**	**2**	**3**	**4**
1	Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature	Yes	Yes	Yes	Yes
2	In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	Yes	Yes	Yes	Yes
3	Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	Yes	Yes	Yes	Yes
4	External audit reports: All reports on government consolidated operations are made available to the public through appropriate means within six months of completed audit.	Yes	Yes	Yes	Yes
5	Contract awards: Award of all contracts with value above RFW 300 million (appropriate lower amount at local government level) are published at least quarterly through appropriate means.	Yes	Yes	Yes	Yes
6	Resources available to primary service units: Information is publicized through appropriate means at least annually, or available upon request, for primary service units for which that level of government is specifically responsible (e.g. elementary schools or primary health clinics).	No	No	No	No
7	Fees and charges for major services are posted at the service delivery site and in other appropriate locations/media.	Yes	Yes	Yes	Yes

Source: Kicukiro, Rulindo, Bugesera & Nyamagabe District records.

Article 36 of Law No. 08/2006 of 24/02/2006 requires that district council meetings are public meetings, especially when the seven document elements are on the agenda. Any member of the public can request and receive any of the listed documents. The majority of these reports are produced in the local language (Kinyarwanda), which is understood by most Rwandans. Some of these documents are by nature provided to the public in hard or soft copy on request; some on notice boards; and others included in the national gazette. Although, fewer citizens access the Internet at the SN level there is scope to improve district websites as a key contact point for the public to access information.

The annual budget documentation of SN governments in Rwanda is quite limited and largely mirrors central government. It is important to understand this in the context of the Rwandan national planning, budgeting, budget execution and reporting process. By far the majority of all sub-national government funding consists of central government transfers. As such, it comes in programs and sub-programs that are dictated by the content of the national budget and the MTEF. The SN governments do engage in sectoral reviews and create Strategic Issues Papers during the budget process to assist and guide central government with respect to resource allocations. Nonetheless, the only real document is in fact the budget itself. It should be expected however, that as decentralization deepens in Rwanda and SN governments are given greater responsibility for resource allocation, the depth of relevant and required budgetary documentation should increase. A complete set of documents can therefore be obtained by the public through appropriate means, in this case by request, when it is submitted to the legislature.

In-year budget execution reports are routinely made available to the public through appropriate means within one month of their completion. All the four SN governments completed in-year budget execution reports that were submitted to both District Council and MINECOFIN. All of the budget execution reports are readily made available to the public upon request. These are by nature large documents and are not routinely posted on district notice boards, although summaries are posted.

Year-end financial statements are made available to the public through appropriate means within six months of the completed audit. All districts in Rwanda are audited annually by the Office of the Auditor General. Within six months of the OAG audit becoming available, the reports, which contain the year-end financial statements, are tabled and discussed by each Council. They also become the subject of management consideration and follow-up. Once presented to the Council, the reports are public and are available upon request.

The district procurement threshold is RWF 300 million. After the threshold is exceeded, the procurement is undertaken by the Rwanda Public Procurement Authority (RPPA). All public procurements are posted on all district notice boards as a matter of record. All high value procurements over RFW 300 million are awarded by RPPA and are published automatically on the RPPA website. All procurements below that figure are awarded by the SN government and all awards, irrespective of value, are posted on the SN government bulletin boards. Additionally, all the four districts hold a “Public Accountability Day – PAD” within the month following each quarter, in which the public has unlimited access to the seven document elements and more. The day is officially announced over the media and the public is given full access. In addition, explanations/responses are provided to the public on what takes place at the district. All quarterly and annual reports (budget, revenue, expenditure, etc) are all displayed and provided upon request as well as important information displayed on the district and sector notice boards.

District Council decisions are communicated to all levels and as indicated above, the passage of the annual budgets is held in an open session of the District Council Meeting.

Fees and charges for major services are decided in public council meetings and are posted at the service delivery site, in the media, and in other appropriate locations. This is also a requirement of the Presidential Order that established the list of fees charged by districts.

The resources available to primary service units, schools and primary health clinics are not easily publicized or available as the exact details are not always known by the district, even though the district is primarily responsible. The central transfers are known, but details of school fees charged and expended and the totality of all transfers to primary health care units are not necessarily known, given divergent funding sources. MINECOFIN undertook a study in April 2010 entitled *ASSESSMENT OF PFM Capacity in Districts, KEY ISSUES; CHALLENGES; PROPOSED SOLUTIONS & TIMELINE, Report from Field Study*, that specifically examined the reporting and information flows from primary schools and primary health care units to the District and then to central government. It found that there was little information available in respect of the relevant resources and made a series of recommendations for reform and improvement.

Both CG and SN government scored similarly on this indicator.

5.3 Budget Cycle

C (i) SN Policy-Based Budgeting

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
PI-11	Orderliness and participation in the annual budget process	D+	D+	D+	D+

SN PI-11 Orderliness and Participation in the Annual Budget Process

Dimensions to be Assessed (Scoring method M2):

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

A A clear, well established and respected in practice budget calendar exists, is adhered to, is distributed to MDAs with the Budget Call Circular, and allows MDAs over 8 weeks to complete their submissions.

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

D Budget Call Circulars are not issued by district level sub-national governments.

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

A In the last three calendar years all the SN governments approved their budgets before the start of the new fiscal year.

Overall Score: D+

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

The districts receive a fixed budget calendar from MINECOFIN that provides them with guidance and timing of activities in order to complete the annual budget. They receive the Budget Call Circular (BCC) from MINECOFIN with the budget calendar and budget ceilings. All the four districts mentioned that the calendar guides their budgetary process, especially the working sessions with key stakeholders to determine priorities and allocations. Districts indicated that they receive the Budget Call Circular (BCC) at least 3 months prior to the time necessary to submit and approve budgets, which they considered appropriate time to prepare and submit their budgets. This dimension is therefore scored A.

(ii) Guidance on the preparation of budget submissions

This dimension has some application issues at the sub-national level in Rwanda. As was noted in dimension (i), the BCC issued by MINECOFIN guides the entire budget process at a SN level, so that there is no BCC issued by districts to the lower spending units at the SN level. On the basis of the SN guidelines, this warrants a D score. Nonetheless, the following context is important. Once districts receive the BCC from CG with indicative ceilings, they start a consultative process that draws in the sectors in the preparation of the annual budget and MTEF. They solicit and obtain input to determine key priorities with aligned resources for the district. The process is therefore guided entirely by the BCC issued by MINECOFIN.

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

After the technical staffs finalize the budget preparation process, the district Executive Committee, made up of elected officials (mayor and vice mayors), presents the budget to the District Council for scrutiny and approval. The district council seeks explanations on key allocations and priorities of the districts. According to District Council minutes for all districts, the four districts have, for the last 3 years, approved the budget before the start of the new fiscal year.

C (ii) Predictability and Control in Budget Execution

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	B+	B+	B+
(i)	Extent to which cash flows are forecast and monitored	B	B	B	B
(ii)	Reliability and Horizon of periodic in-year information to MDAs on ceilings for expenditure commitments	B	B	B	B
(iii)	Frequency & transparency of adjustments to budget allocations	A	A	A	A
PI-18	Effectiveness of payroll controls	B+	B+	B+	B+
(i)	Degree of integration and reconciliation between personnel records and payroll data;	A	A	A	A
(ii)	Timeliness of changes to personnel records and the payroll;	A	A	A	A
(iii)	Internal controls of changes to personnel records and the payroll; and	A	A	A	A
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers.	B	B	B	B
PI-20	Effectiveness of internal controls for non-salary expenditure	B+	B+	B+	B+
(i)	Effectiveness of expenditure commitment controls;	A	A	A	A
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	A	A	A	A
(iii)	Degree of compliance with rules for processing and recording transactions.	B	B	B	B

SN PI-16 Predictability In The Availability Of Funds For Commitment Of Expenditures

Dimensions to be assessed (Scoring method M1):

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

B. Cash flow forecast is prepared for the fiscal year and updated quarterly, on the basis of actual cash inflows and outflows.

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

B. Districts are provided reliable information on commitment ceilings at least quarterly in advance.

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

A. Adjustments to budget allocations occur only once annually in a transparent manner.

Overall score B+

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

In all the four districts above, local revenue and donor funds are a minor part of the actual revenues of the districts and the majority of the funds are central transfers. Cash flow for central transfers is forecast as part of the budgetary and execution process. Annual cash flow forecasts are prepared at the start of the fiscal year and submitted with the budget and procurement plans to MINECOFIN. Cash flows are revised as needed, but in practice, they are revised quarterly on the basis of advice from MINECOFIN as to cash availability for the following quarter.

The forecasting and monitoring of cash flows commences in the annual budget process and continues throughout the FY once the annual budget law is passed. The annual cash plan links forecasts of cash availability to unit anticipated cash-flow requirements and is constantly reviewed and monitored. As part of the annual budget preparation process, MINECOFIN communicates indicative budget ceilings to budget entities (including districts) for the next FY. Ceilings normally remain substantially unchanged until the budget is finalized and appropriations made. However, changes in the indicative budget ceilings are normally communicated immediately to budget entities. These budget entities use the indicative budget ceilings to prepare an initial cash plan for the following FY.

The Treasury Department of MINECOFIN writes to all budget entities shortly after the passage of the annual budget law advising of the actual allocations and requiring submission of proposed cash plans for the FY. All cash plans are aggregated by month and major economic item and presented to the Treasury Management Committee (TCM) for approval. Letters are then sent to budget entities (including districts) informing them of monthly cash limits. This is entered into the SmartGov system and each budget entity is able to spend only within its approved monthly limit. Any changes that are required to the limits in terms of monthly allocations are considered by Treasury on request from the budget entity and are approved or declined dependent on cash availability and the reasons provided for the requested changes. The cash plan is therefore under constant review and consideration. Prior to the commencement of the following quarter, budget entities are required to submit their cash plans for the following quarter and the process begins again. As the cash flow forecast is prepared for the fiscal year and updated quarterly, on the basis of actual cash inflows and outflows the appropriate score for this dimension is B.

This score does however disregard the reality that there is no effective cash planning and review in respect of donor funds and own source revenue. As has been noted earlier, the reason for the lack of credibility with respect to the budget is that own source revenue and donor funds are over-budgeted. However, in tacit recognition of that, there is no cash planning in any of the four districts in respect of funds that were never expected to be received.

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

In all four districts, information on actual resources available for commitments is reliable. Districts are able to plan and commit expenditure in accordance with budget appropriations. Districts receive reliable in-year ceilings for expenditure commitments on a quarterly basis via SmartGov as well as other communications from the Treasury under MINECOFIN. There was no reported use of “non-transparent cash control mechanisms” by MINECOFIN during periods of cash flow constraints. Also, for the fiscal period under review, there was no reported evidence that any funds made available to these districts were ever reduced during the same period.

The annual budget is reviewed once annually, based on any changes to cash receipts and this review communicated immediately to budget entities. The reliability and horizon of periodic in-year information to budget entities on ceilings for expenditure commitment is consistent and reliable. Monthly commitment ceilings are updated on a quarterly basis and this information is communicated to them before the start of the next quarter so the appropriate score is B.

Nonetheless, even if there is reliable information at the ceilings for expenditure commitments related to central transfers, there is no system in place to deal with budgeted funds for local revenue and donor funds. Although these funds are minimal in terms of receipts, they still represent substantial amounts in the budgets. Since the dimension only deals with actual resources available and the only actual resources available are central transfers, the score is higher than might otherwise have been thought appropriate. It is therefore important that the PEFA Framework gives some consideration to this finding in order to make it more applicable to the SN governments in Rwanda.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

At SN (District) level, adjustments to the budget allocations are done within the framework of Article 45 of the Organic Law No. 37/2006 of 12/09/2006 on State Finances and Property. Budget reviews are done annually (once) and reflect the extent of execution and priorities. The rules for reallocations are generally respected. In the four districts reviewed, limited budget reallocations were reported or none at all. This is perhaps a reflection of the fact the district councils have only begun approving annual district budgets with detailed information on specific budget lines, a practice that started with the 2010/2011 budget. The dimension score is A.

This dimension does not address the issue of budgeted local revenue and donor funds within SN Government budgets. The adjustments that occur relate only to central transfers and over-budgeted funds in terms of local revenue and donor funds are not holistically addressed at the time of the adjustments. Therefore, while the adjustments only occur once annually, the quality of the adjustments remains a separate matter. The adjustments are accurate and relevant for central transfers, but not in respect of local revenue and donor funds.

SN PI-18 Effectiveness Of Payroll Controls

Dimensions to be assessed (Scoring method M1):

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

A. The only relevant payroll at district level is the teacher's payroll. The personnel database and payroll data are linked under the IPPS (all personnel records and payroll data) on a monthly basis.

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

A. Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare and on the basis of reliable data, less than 3% of total salary payments.

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

A. Internal controls over changes to personnel records and payroll data is strong and the audit trails are equally strong. The IPPS has good physical and logical controls while changes at Districts follow a clear approval chain.

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

B. All payrolls are annually audited by OAG with 100% coverage of all districts, but the implementation of recommendations is not systematic.

Overall score B+

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

This entire indicator must mirror the results of the central government PEFA assessment because the only payroll that is within even partial control of SN Government is the teacher's payroll, which was partially decentralized on 1 July 2008. The responsibility for managing this teachers' payroll falls to MIFOTRA (Central Government) and the districts (SN Government). MIFOTRA uses the Integrated Personnel and Payroll Information System (IPPS) that holds records for each individual teacher. Each record includes the name, date of employment, sex, date of birth, identity card number, bank details, salary and allowances. The gross pay and allowances for individuals depends on personal circumstances (years of service, qualifications, etc.).

Personnel information relating to teachers for each district is maintained within the respective district although the personnel records are with MIFOTRA. MINEDUC annually plans the number of teachers to be recruited for districts through a consultation process that involves districts. This process then leads to the issuance of a national report on "Placement of Teachers – Placement" at the beginning of the year detailing where teachers will teach, numbers to be recruited by districts, which transfers have been made, what teachers will teach and more – for all districts. The resultant changes in personnel records are transferred to MIFOTRA to be crosschecked and final input into the IPPS. Throughout the year, any changes that affect the payroll are first authorized by the district before input into the system by a district officer in charge of teachers supervised by MIFOTRA. Currently, this officer has to physically travel to MIFOTRA in Kigali to have access to the IPPS, although MIFOTRA has signaled its intention to rollout access at district level this year. Information changes must occur before a specified date in a month or the relevant portion of pay for that month will be delayed until the following month. There were no identified examples of late data entry or late payment. There is a strong audit trail in the IPPS database as all changes can be tracked based on the system identification of the user making the changes. Physical security is also strong in that access is controlled and limited to officers carrying system identification.

Although district records lack computerization (IPPS online link), at the point of payroll action, the records at MIFOTRA are reconciled with district records. Changes to personnel and payroll records at districts are authorized and reflect a strong audit trail. The appropriate score for this dimension across the four districts is A.

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

All personnel records for teachers are held at the district and they are updated as and when appropriate, in consultation with school head teachers and supported by a clear process with supporting evidence. Payroll changes are processed for recruitment, promotion, transfer, and deletion. In Nyamagabe district the district officer in charge of teachers formally meets head teachers monthly to reconcile changes in the personnel information as a trigger to payroll changes. In all the four districts, it was evident those changes in the payroll were generally made in time and that retroactive payments did not appear to be common. The appropriate score for this dimension across the four districts is A.

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

Information from all districts indicates that authority to change the payroll is both restricted, clear and leaves a strong audit trail. Changes at district level are evidence-based with the district executive approving all changes (without exception) before input into the IPPS by the district officer under MIFOTRA supervision. Both processes leave a complete audit trail where changes to payroll are supported by changes to the personnel data. The appropriate score for this dimension across the four districts is A.

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

The annual audit coverage of the OAG for districts is at 100% of the total value of all expenditures and that includes all payrolls. The OAG also conducted payroll specific audits for FYs 2007 and 2008. In both of these audits, the OAG noted that the majority of issues that had been noted in the prior FY had not been rectified.

The OAG in all audits (i.e. the payroll audits and the standard annual audits that also included payroll in their coverage) identified issues relating to the operations of the payrolls that indicated control system weaknesses. In respect of ghost workers, the OAG did not find that this was a major issue, which the Assessment Team believes because the data requirements for the entering of a new person onto the payroll systems was so extensive that it is extremely difficult to meet all of the requirements unless the entry is genuine.

In the FY 2007 and 2008 Payroll Audits, the OAG noted management issues relating to access controls, physical access and conditions in the payroll server room, data back-up, delays in data entry resulting in payments being made in cases of non-entitlement, lack of personnel details such as RSSF contribution numbers and incorrect deduction calculations. This list is not exhaustive, but indicative. It should also be noted that since the time of these audit reports the IPPS has been put in place and implemented. The OAG has yet to audit FY 2009.

There is extensive auditing of the payroll systems by the OAG and the efforts of the OAG represent a robust and effective audit on behalf of that office. However, for an audit system to be strong the recommendations made in the audits need to be followed up and necessary changes or reforms considered and implemented. This has not occurred uniformly in respect of the payroll audits and therefore they cannot be considered strong. As the payroll audits did occur within the last three years, the appropriate score for this dimension is B.

SN PI-20 Effectiveness Of Internal Controls For Non-Salary Expenditure

Dimensions to be assessed (Scoring method M1):

(i) Effectiveness of expenditure commitment controls.

A. Comprehensive expenditure commitment controls are in place at the district level and effectively limit commitments to actual cash availability and approved budget allocations.

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

A. Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls, which are widely understood.

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

B. Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification.

Overall score B+

(i) Effectiveness of expenditure commitment controls

The same expenditure commitment controls applicable at CG prevail and are complied with at the Sub-National (District Level). District expenditure obligations remain within projected cash availability (no evidence for payment arrears) and are controlled within the SmartGov system. This is applicable across the four districts.

In all the four districts, the budget officer and the accountant manage commitments and maintain the accounting records. The budget officer maintains the commitment and payment records in the SmartGov. Budgets are input into the SmartGov by MINECOFIN and cash limits are entered each quarter. A quarterly report is provided to the Director of Administration and Finance (DAF) on the commitments and the balance available on each budget line. Also, such reports can be provided from SmartGov at any time.

The accountant is responsible for maintaining the accounting records on and for making authorized payments appropriately approved through the DAF and the District Executive Secretary, who is the Chief Budget Manager. All the four districts have an Internal Audit Function in addition to the external audit by the OAG. Both the Internal Audit and the OAG review and report on budget compliance in the districts. As a result, expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations. The appropriate score for this dimension is A.

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

Internal controls are in place at the Sub-National similar to that at Central Government and generally understood. They are outlined in the Organic Budget Law on State Finances and Property (OBL), and expanded in the Financial Regulations and the Manual of Government Policies and Procedures: Financial Management & Accounting (volumes 1-4). All relevant district officials have ready access to these documents and had been provided with relevant training.

These internal control rules and procedures are considered relevant, and incorporate a comprehensive and generally cost effective set of controls, which are widely understood. The appropriate score for this dimension is A.

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

There is a strong compliance culture at districts driven and influenced by CG. The use of the SmartGov further influences compliance at the SN level. Unlike the CG where the assessment looked at 3 years, the SN assessment only focused on latest fiscal year (2009). The assessment team noted that whilst the OAG and Internal Audit reports had reported minor compliance variations, there was marked improvement in implementing audit recommendations. For instance, cashbooks had begun to be maintained by accountants and bank reconciliations undertaken with appropriate reviews and sign-offs.

The audit coverage for SN governments has been at 100% for several years and the audit reports for the last three years have been examined with respect to the four SN governments. In the audit reports, non-compliance with established internal financial controls is reported as widespread, but only in respect of minor matters, which do not give rise to substantive concerns. In each of the SN governments, staff turnover is high and the available pool of experienced SN accounts staff is low. The lack of a critical mass of skills for accountants and related fields is reported nationwide but more pronounced at the Sub-National. Whilst the staff potential capabilities has markedly improved on previous years at the SN level, low staff retention leads to potentially good staff, but inexperienced people are being appointed to positions and often lack intimate and practical familiarity with the four manuals on government financial procedures. That said, it results in some infractions and practical difficulties in compliancy with rules. Each SN government official spoken to is aware of the manuals and most have had some, albeit not in depth, training in respect of their use.

The Assessment Team discovered that emergency procedures were only utilized for real emergencies and mostly, with intervention from CG. On the rare occasions when this occurs, this relates to CG policy directives such as the recently introduced 9-year basic education or exogenous factors such as a collapsed bridge, a national ceremony, incidences of floods or other natural disasters. The weakness in previous years was that when this occurred, little documentation was maintained to provide written adequate justification.

Compliance with rules is therefore fairly high, but simplified/emergency procedures are used occasionally without adequate justification. The appropriate score for this dimension is B.

C (iii) Accounting, Recording and Reporting

Indicator	Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)	1	2	3	4
PI-22	Timeliness and regularity of accounts reconciliation	B+	B+	B+	B+
(i)	Regularity of bank reconciliations; and	B	B	B	B
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances.	A	A	A	A
PI-24	Quality and timeliness of in-year budget reports	B+	B+	B+	B+
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	A	A	A	A
(ii)	Timeliness of the issue of reports	A	A	A	A
(iii)	Quality of information	B	B	B	B

SN PI-22 Timeliness And Regularity Of Accounts Reconciliation

Dimension to be assessed (Scoring method M2):

(i) Regularity of bank reconciliations

B. Bank reconciliation for all district managed bank accounts takes place monthly, usually within 4 weeks from the end of the month.

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

A. 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.

Overall score B+

(i) Regularity of bank reconciliations

Although districts are required under both the OBL (article 70) and the Financial Instructions (article 2.3) to comply with regular bank reconciliations, some issues are consistently raised in the OAG audit reports on all the 4 districts regarding the failure to carry out regular bank reconciliations and the potential risks it carries to the integrity of financial information at district level.

Districts operate multiple bank accounts (more than 10 on average) with few staff (average of 4 staff in finance related functions). Also, as a result of the 2006 local government reform that reduced the number of districts from 106 to 30, a new challenge was created as the new districts have inherited a historical "incorrect opening balances" problem. Many bank accounts had been opened with BANQUE POPULAIRE (BP) to facilitate local revenue collection at the sector level (UMURENGE). Coupled with a historical low skill base at the SN level, notable difficulties have existed to undertake bank reconciliations. In Kicukiro district, the team was informed that a consultancy had been commissioned to help the district address the historical problem of "opening balances".

Following the OAG recommendations, and despite these challenges, districts are now carrying out monthly bank reconciliations on all accounts within four weeks of month end. A monthly bank reconciliation statement is prepared by the accountant, reviewed by the DAF, and finally, appropriately signed off by the Chief Budget Manager, the Executive Secretary. Failure to do so would lead to resources being withheld at central government. No significant unresolved differences were reported, except for the inherited opening balances problem. The appropriate score for this dimension is B.

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

Suspense accounts are not utilized to the extent that officers, who are away on district business where standard daily allowances would normally apply, are instead reimbursed on return with justification for eligible allowances. This is considered a practice and not part of the formal control environment. CG and SN government scored exactly the same as the methods are common to both levels of government. The appropriate score for this dimension is A.

SN PI-24 Quality and Timeliness of in-year Budget Reports

Dimensions to be assessed (Scoring method M1):

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

A. Classification of data allows direct comparison to the original budget. Expenditure is covered at both commitment and payment stages.

(ii) Timeliness of the issue of reports.

A. Reports are prepared and submitted quarterly to district Councils within 4 weeks of end of period.

(iii) Quality of information.

B. There are some concerns about accuracy, but data issues are generally highlighted in the reports and do not compromise overall consistency / usefulness.

Overall score B+

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

In the four SN governments, in-year internal reports are prepared and submitted quarterly by the District Executive Committee to the District Council. These reports include the quarterly budget execution reports, also submitted to central government. These reports mirror the classifications of the SN governments approved budgets, which in turn mirror the CG budget classifications. The classification of data allows direct comparison to the original budget and expenditure is covered at both commitment and payment stages.

(ii) Timeliness of the issue of reports

Article 29 of Law No. 08/2006 of 24/02/2006 determining the organization and functioning of districts prescribes a minimum of four meetings to be held by District Councils. In the four SN governments, the practice was to publish the annual calendar and largely hold these meetings as published or within proximity of dates published. As the district law requires (article 36), District Councils meetings to discuss execution reports are public and these reports available at the "public accountability day", which is part of the formal district calendar of events and held within 4 weeks after the end of a quarter. In-year reports to District Councils and CG are therefore prepared and submitted quarterly within 4 weeks of end of period.

(iii) Quality of information

The Team interviewed MINECOFIN and the ministries, as well as reviewed the in-year and annual budget execution reports, which did not highlight any concerns pertaining to the quality of information. That said, in its Audit of the 2009 minibudget Accounts, the OAG reports concerns regarding the accuracy of information although no supported evidence is provided. The districts submit their budget execution reports quarterly and are considered by the SN legislature. The Team did not find evidence of poor quality except the general concerns expressed by the OAG. This dimension is scored B, compared to C for CG.

C (iv) External Scrutiny and Audit

Indicator	**Districts: Kicukiro (1); Rulindo (2); Bugesera (3); Nyamagabe (4)**	**1**	**2**	**3**	**4**
PI-26	Scope, nature and follow-up of external audit	B+	B+	B+	B+
(i)	Scope / nature of audit performed (incl. adherence to auditing standards)	A	A	A	A
(ii)	Timeliness of submission of audit reports to the legislature	B	B	B	B
(iii)	Evidence of follow-up on audit recommendations	B	B	B	B

SN PI-26 Scope, Nature and Follow-up of External Audit

Dimensions to be assessed (Scoring method M1):

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

A. All SN Governments are annually audited covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.

(ii) Timeliness of submission of audit reports to legislature.

B. Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office.

(iii) Evidence of follow up on audit recommendations.

B. A formal response is made in a timely manner, but there is little evidence of systematic follow up.

Overall score for the four districts: B+

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

The scope and nature of the audit is determined by the OAG in line with mandate provided under article 183 of the Constitution of the Republic of Rwanda of 4 June 2003, law no. 05/98 of 4 June 1998 establishing the OAG, article 74 of the Organic Law no. 37/2006 on State Finances and Property and applicable international standards on auditing. The OAG has also been a member of INTOSAI and AFROSAI since 2004 and issued an internal Code of Ethics that became operational in 2007. The OAG audit coverage has been 100% across Rwanda's 30 districts and all the four districts have been annually audited in the last 3 years. The appropriate score for this dimension is A.

(ii) Timeliness of submission of audit reports to legislature

Article 74 of the Organic Law on State Finances and Property (OBL) puts a timeframe to when the legislature (national parliament) must receive the OAG report. This sets obligations on the district to submit for audit financial statements within 3 months after period end on the one hand, and 6 months for the OAG to conduct the audit of public institution. Districts are audited by the OAG, who in the absence of a legal framework that defines a timeline within which to conduct the audit, can audit anytime, including falling into audit of arrears. This weakness notwithstanding, the OAG coverage has been 100% for the last three years across the 30 districts.

There exists no clear legal framework that defines the timeframe in which the district legislature should receive the OAG reports, except the above general provision in the OBL. While the OBL sets a timeframe for the OAG to submit audit reports to the national parliament, it is silent on the responsibility of the OAG to submit audit reports to the SN within a prescribed timeframe. This raises a potential risk for the SN audits to go in arrears or audit reports to be submitted to the SN legislature late. Nonetheless, in practice, the OAG has for the last fiscal years audited and submitted timely reports to the SN.

For the latest audit report (FY 2009 Minibudget), financial statements were submitted to the OAG on September 30, 2009; the audit report was submitted to the SN governments in April 2010 and to the national parliament on May 19, 2010 – less than 8 months after receiving the government consolidated financial statement and similar to the CG timing. This dimension is therefore rated as B, like for CG.

For the latest audit report (FY 2009 Minibudget), financial statements were submitted to the OAG on 30th September 2009, audit report submitted to the SN governments April 2009 and to the national parliament on 19th May 2010 – less than 8 months after receiving the government consolidated financial statement and similar to the CG timing. This dimension is therefore rated as B, like for CG.

(iii) Evidence of follow up on audit recommendations

This dimension looks at two key areas as evidence of follow-up on audit recommendations. It seeks confirmation that the supreme audit institution (the OAG) reviews and reports on the extent of implementation of the recommendations made in subsequent reports. It also reviews the extent to which the executive implements recommendations made and agreed.

The OAG provides a summary of outstanding recommendations in both Volume I and Volume II of the OAG report. As referenced in the CG section of the report, the OAG Audit Report for FY in Volume I (section 2.1 Non Compliance with Article 74 of the OBL). Also, in Volume II, the OAG includes a matrix that has the finding, its implication, recommendation and a management response. This amounts to a systematic follow up by the OAG on its previous recommendations. It is also the first level of ownership and formal response by the executive (SN) to take remedial action.

At the Sub-National level, the District Executive Committee takes responsibility and reports to the District Council through the district Economic Commission. This is then supposed to lead to appropriate district council resolution for implementation by the Executive. The OAG has signaled in the relevant audit reports that implementation of recommendations is less than satisfactory. This is further exacerbated by limited capacity at the Sub-National to review and act on the recommendations systematically. In practice, CG through the relevant offices such as that of the Accountant General is driving the Public Financial Management reforms necessary to improve the control and scrutiny capabilities at the SN level. Nonetheless, the assessment team noted evidence that there is marked improvement on earlier years in the follow-up of recommendations such as bank reconciliations. To further deal with the weakness of inadequate follow-up on audit recommendations, Audit Committees have been introduced at the SN level. Also, since the external audits for the last 3 fiscal years have been conducted close to each other, perhaps in order to deal with a backlog, some recommendations that require time to implement may give the impression of lack of action by the executive.

6.0 Government Reform Process

6.1 Description of recent and on-going reforms

In June 2008, the GoR adopted the Public Financial Management (PFM) Reform Strategy 2008-2012 to guide the continuous development and improvement of the PFM reform process. The ultimate goal of the Government of Rwanda PFM Reform Strategy [2008-2012] is to ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery. The strategy focuses on building human resource capacity, putting in place modern and effective systems and procedures for effective financial management and reporting, and strengthening the institutional framework in accordance with international best practices for a more efficient and transparent PFM system. It also aims at increasing effective coordination of various reforms, sequencing the reforms to the priorities of the country consistent with both the Economic Development and Poverty Reduction Strategy (EDPRS) and the Vision 2020, and to ensure effective implementation.

The GoR has made substantial progress in the area of PFM reform. Key areas to date have been :

- *Regulatory Framework:* The Organic Budget Law established the legal and regulatory framework for public expenditure management and this framework has been successfully implemented. Public procurement has been reformed and substantially decentralized.
- *Macroeconomic Framework:* A stable macroeconomic framework has been created and the macro-fiscal targets are broadly met.
- *Taxation:* The Rwanda Revenue Authority is functioning efficiently and effectively and domestic revenue collection targets have been met and often exceeded. Strategic attention is now also being focused on sub-national revenue collections in order to enhance the autonomy of those governments in terms of resource allocations to meet locally identified priorities.
- *Audit:* The Office of the Auditor General for State Finances is functioning effectively and the level of overall audit of state activities in increasing year on year.
- *Parliamentary Oversight:* The Budget Committee of the Chamber of Deputies provides overarching budget and budget execution oversight.
- *Technical Capacity:* The Institute of Certified Public Accountants of Rwanda has been created and many government civil servants are working through the study and training processes to enhance their technical qualifications.

The 2010 PEFA has shown a number of areas that have improved and achieved an acceptable level of performance, described in Chapter 3. That said, there are areas of PFM performance that are not showing much improvement and remain weak:

(i) implementation of the MTEF (PI-12),

(ii) internal audit (PI-21),

(iii) accounting and reporting (PI-23, 24, 25). For the accounting and reporting area, one of the main reasons for the low rating of PI-25, regarding the quality of financial statements and adherence to IPSAS, is due to the fact that IFMIS/SmartGov has not been fully introduced and is coexisting with Sage Pastel.

(iv) The submission of audited accounts by GBEs also needs improvement (see PI 9 (i), which is linked to the fact that the OAG only audits 5% of GBEs and only receives 6% of the accounts audited by other external auditors, in defiance with the OBL (see PI-26 (i)).

Most of these areas are being at least partially addressed by the main policy actions recently taken or ongoing[51], which in fact comprise:

(i) Improved multiyear perspective in fiscal planning, expenditure policy and budgeting

- ***Policy Action 1*: Revitalize MTEF and integrate it into the budget process**. The MTEF is fully developed and integrated into the budget process. However further enhancement of the framework and integration process is planned to be undertaken during 2010/2011 in addition to comprehensive sensitization and training.
- ***Policy Action 2*: Improve budget structure and classification to align with the GFS 2001 throughout Government.** This activity is scheduled to be concluded in the second quarter of 2010/2011 under the ongoing PwC capacity building contract. Substantial progress had been achieved by the end of the 2009/2010 FY with the contractual process concluded and data collection and validation in progress.

(ii) Index on quality and timeliness of annual financial statements

- ***Policy Action 1*: Conduct training for short term skills enhancement courses and ACCA Course.** Capacity building for financial and accounting staff is being provided through on-the-job training, annual reinforcement trainings and sponsorship of ACCA professional training for staff with financial management responsibilities. 92 students were enrolled for the June 2010 sitting and achieved an average pass rate of 57%. Currently 265 students are enrolled for the December 2010 sitting. In order to boost the chances of attaining high pass rates, an ACCA specialized training institution was contracted to carry out training within Kigali with effect from March 2010. Additionally two full time ACCA training coordinators were recruited in the Accountant General's office and an ACCA training committee has been set up to handle emerging training program administration, student performance and policy issues.
- ***Policy Action 2*: IFMIS piloted in key CG ministries.** On 1st July 2010, following a short piloting phase between April and June 2010, the core modules of the IFMIS were rolled out to 94 out of 236 budget agencies. Current efforts are focused on providing sufficient end user support, developing key functionalities that enhance the performance and controls embedded in the business processes of the core modules, and developing operational and management reports for end users. The IFMIS will be rolled out to the rest of the budget agencies in two additional phases.

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51 MINECOFIN Public Financial Management (PFM) – *2009/2010 Joint Sector Review Summary Report.*

(iii) Increase Percentage of internal audit reports submitted

- ***Policy Action 1*: Build Capacity for conducting Risk Based Systems Audits.** On-the-job training covering value for money, payroll audits and use of computer aided audit techniques using a training of trainers approach is ongoing within the office of the GCIA.
- ***Policy Action 2*: Develop and adopt proposals for the implementation of audit committees.** This was fully achieved and the legislation (ministerial order) for the implementation of audit committees is in place. Currently, Audit Committees are operational in 13 out of 17 GBEs. Next steps will involve appointment of Audit Committees for 5 Ministries including MINECOFIN by October 2010.

(iv) Percentage of Government expenditure audited by OAG

- ***Policy Action 1:* Strengthen specialized audit (payroll audit)**. This was fully met by the OAG and regular payroll audits have been regularly carried out on an annual basis.
- ***Policy Action 2:* Implement staff retention strategy.** This has not been achieved due to the lack of a staff retention fund within the OAG. However other staff retention measures other than monetary benefits such as on-the-job coaching, ACCA training sponsorship, etc. are being used by the OAG. The Audit Bill that had been withdrawn from Parliament for amendment has now been resubmitted to Cabinet for approval.

(v) Percentage of PEs/AGAs submitting fiscal reports

- ***Policy Action*: Implement and monitor the government portfolio management strategy**. The government portfolio strategy was prepared, approved and is under implementation. A fully fledged Government Portfolio Unit was set up in MINECOFIN and on-the-job training for the Unit's staff was carried out by PwC in March 2010. A fiscal risk review report for GBEs was prepared by the Unit in June 2010.

Some of the challenges to the implementation of such actions and improvements in PFM reform more generally have been identified by the GoR and are being addressed:

(i) **Low levels of PFM capacity at Central Government, Districts, Provinces and facilities such as hospitals, schools and prisons.** This challenge is being addressed by ensuring that adequate human resources are availed to all Government entities, undertaking institutional restructuring and by carrying out continuous capacity building programs.

(ii) **Complexity of automating financial management procedures**. Efforts to address this challenge are currently focused on developing a "Blue Print" for the IFMIS implementation, enhancing the core functionality of SmartGov and designing interfaces with other systems such as IPPS, BNR and RRA systems.

(iii) **Staffing of the PFM Reform Secretariat.** The inauguration of the PFM Basket Fund during the year has significantly increased the number of procurement activities to be undertaken and this challenge will be addressed via the recruitment of a 2nd Procurement Specialist.

6.2 Institutional factors supporting reform planning and implementation

The PFM Reform Steering Committee chaired by the Secretary General/Secretary to the Treasury has the overarching management of the PFM reform process. It is supported by PFM Reform Technical Committee and a PFM Reform Secretariat. The Steering Committee reports to the Minister of Finance and Economic Planning.

The GoR reforms are being lead by the Ministry of Finance and Economic Planning (MINECOFIN) but as public financial management process encompasses the whole range of government activities across all sectors some of the reform processes are managed or implemented by line ministries, Ministry of Local Government (MINALOC), Ministry of Public Service and Labor (MIFOTRA), the districts, the Office of the Auditor General (OAG) and Parliament.

PFM reforms are financed under the PFM Basket Fund in order to preserve its constitutional independence but coordinated by the PFM Reform Steering Committee.

Component objectives, outputs, strategies, activities and action plans have been sequenced, defined and included in the PFM Reform Strategy. Implementation is mainstreamed with government activities and Component Leaders are director level government officials at director level coordinated by Pillar Leaders under the overall supervision of the Secretary General/Secretary to the Treasury. Component Leaders have each constituted a Component Working Group that includes all stakeholders likely to be affected by the reforms. The Component Working Groups report to the PFM Reform Steering Committee via the PFM Reform Technical Committee.

As was noted in the PEFA 2007, it is difficult not to be impressed by both the recent and on-going individual and collective efforts at modernizing Rwanda's PFM system and the achievements to date with the resources available are remarkable.

The GoR has established many of the core structures and requirements of a modern and efficient PFM system in a relatively short time and while there is still room for improvement and stabilizing achievements to date, the changes in the PEFA scores from 2007 to 2010 indicate clearly that the GoR is devoting substantial focus and attention to the development and enhancement of the PFM system in Rwanda.

6.3 Fiscal Decentralization and PFM

Room nonetheless exists for the further refinement of the processes with respect to the effective implementation of decentralization. The GoR is clearly working on this area and most of the issues have been identified in the recently developed *Fiscal Decentralization Strategy* that is scheduled to commence implementation through a project funded by the PFM Reform Basket Fund when the results of this report become available.[52] The main objectives of the project are: (i)

[52] The GoR through MINECOFIN has received funds from the Contributing Development Partners in Support of PFM Reform Basket Fund, and part of the funds proceeds shall be used to recruit a Resident Adviser in fiscal decentralization to strengthen fiscal decentralization mechanisms in Rwanda and assist in the implementation of the fiscal decentralization strategy. Project ID: P066386; *Consulting Services,*

to support the Fiscal Decentralization Unit at MINECOFIN to implement the *National Decentralization Policy* described under chapter 2.4, section (iii), of this report; (ii) the implementation of the Fiscal Decentralization Strategy; (iii) transferring capacity to the Fiscal Decentralization staff for a sustainable planning and budgeting process, fiscal transfer and reporting in Local Government; (iv) assist implementation and oversight of other critical PFM matters within the PFM cycle such as accounting, reporting and oversight at the SN level.

6.4 Shortcomings of the current policy actions and key challenges for PFM

Nonetheless, current and recent reforms efforts do not include:

(i) Measures to improve budget credibility further, in particular the capacity to execute the budget as planned at the level of the MDA (PI-2);

(ii) Measures to reduce the extent of unreported government operations, especially regarding donor-funded projects (PI-7 ii);

(iii) Regarding measures to improve taxation, more attention should be paid to increasing the effectiveness in collection of tax payments at CG level, before focusing mainly on improving sub-national revenue collections;

(iv) Measures to improve the availability of information on resources received by service delivery units (PI-23). No direct measures are being taken in this area that may improve as a consequence of the Fiscal Decentralization project mentioned above, but that should be explicitly stated and ensured.

(v) PI-24, or in-year budget reporting;

(vi) PI-27, external scrutiny of the annual budget law, especially regarding supplementary budgets;

(vii) Moreover, regarding GBEs, current measures are not sufficient. Though the establishment of a GPU has improved information on GBEs, as seen in the PEFA assessment, under PI-9 (i) (and PI-7 (i); and PI-26), there needs to be further improvements in the timely submission of both accounts and especially audited accounts by GBEs including major ones; in the consolidation of information on GBEs at the GoR level; and in ensuring that the current GoR classification of PEs and AGAs meets international standards. This will enable improvements not only in estimating the fiscal risk (and thus on the macroeconomic framework); but also allow improvements in transparency and comprehensiveness (PI-7(i)), as it would enable to appropriate classify the RSSF and include all its expenditure in the budget; as well as allow for the annexing of expenditure and income of other AGAs and PEs as an Annex to the Budget Execution Report in September.

Finally, an explicit donor commitment to improve the quality and level of financial information provided, as well as measures to increase the proportion of aid channeled through national procedures, would be desirable.

Recruitment of A resident Adviser in Fiscal Decentralization to Strengthen Fiscal Decentralization Mechanisms in Rwanda and Assist in the Implementation of the Fiscal Decentralization Strategy.

Annexure

Annex 1 CG: Assessment of Budget Compared to Actual Expenditure

2008						
	MDA	**BUDGET**	**ACTUAL**	**DIFFERENCE**	**ABSOLUTE**	**PERCENT**
1	Ministry of Finance and Economic Planning	93,512,557,022	94,251,115,839	738,558,817	738,558,817	0.8%
2	Ministry of Infrastructure	61,643,910,700	63,570,555,370	1,926,644,670	1,926,644,670	3.1%
3	Ministry of Defense	38,800,000,000	38,235,410,155	(564,589,845)	564,589,845	1.5%
4	Ministry of Education	31,294,464,678	26,297,213,342	(4,997,251,336)	4,997,251,336	16.0%
5	Ministry of Agriculture and Animal Resources	17,934,654,899	19,373,860,027	1,439,205,128	1,439,205,128	8.0%
6	Ministry of Technology and Scientific Research	13,248,298,541	14,344,498,788	1,096,200,247	1,096,200,247	8.3%
7	Ministry of Local Government	13,240,775,654	13,615,386,952	374,611,298	374,611,298	2.8%
8	Educational Scholarship Agency	13,310,061,165	12,967,380,170	(342,680,995)	342,680,995	2.6%
9	Genocide Survivors Funds	12,800,000,002	12,800,000,001	(1)	1	0.0%
10	Ministry of Health	15,413,828,580	12,735,286,843	(2,678,541,737)	2,678,541,737	17.4%
11	Rwanda Revenue Authority	7,818,525,772	10,132,338,515	2,313,812,743	2,313,812,743	29.6%
12	National Police	9,538,674,604	9,387,691,823	(150,982,781)	150,982,781	1.6%
13	Road Maintenance Fund	5,599,781,744	5,599,781,744	0	0	0.0%
14	National Curriculum Development Center	1,380,156,000	5,323,683,059	3,943,527,059	3,943,527,059	285.7%

	2008					
	MDA	BUDGET	ACTUAL	DIFFERENCE	ABSOLUTE	PERCENT
15	Electoral Commission	4,816,285,404	4,792,495,537	(23,789,867)	23,789,867	0.5%
16	Supreme Court	5,197,046,123	4,638,623,160	(558,422,963)	558,422,963	10.7%
17	President's Office	4,379,999,996	4,364,222,755	(15,777,241)	15,777,241	0.4%
18	Ministry of Trade and Industry	4,750,011,849	4,210,355,576	(539,656,273)	539,656,273	11.4%
19	Ministry of Youth, Sports and Culture	4,348,915,452	4,058,886,477	(290,028,975)	290,028,975	6.7%
20	Chamber of Deputies	3,196,108,678	3,221,607,464	25,498,786	25,498,786	0.8%
21	Sum of Rest	81,182,334,105	71,870,170,198	(9,312,163,907)	9,312,163,907	
	Total Expenditure Deviation	443,406,390,968	435,790,563,795	(7,615,827,173)	7,615,827,173	1.7%
	Composition Variance				31,331,944,669	7.1%

	2009					
	MDA	BUDGET	ACTUAL	DIFFERENCE	ABSOLUTE	PERCENT
1	Ministry of Finance and Economic Planning	67,977,729,344	49,863,624,052	(18,114,105,292)	18,114,105,292	26.6%
2	Ministry of Infrastructure	26,840,917,795	28,450,793,069	1,609,875,274	1,609,875,274	6.0%
3	Ministry of Defense	20,568,919,328	26,085,254,323	5,516,334,995	5,516,334,995	26.8%
4	Ministry of Agriculture	11,486,647,724	14,740,283,652	3,253,635,928	3,253,635,928	28.3%

2009						
	MDA	**BUDGET**	**ACTUAL**	**DIFFERENCE**	**ABSOLUTE**	**PERCENT**
5	Rwanda Development Board	11,031,043,177	13,330,065,619	2,299,022,442	2,299,022,442	20.8%
6	Ministry of Health	9,771,482,803	9,456,443,674	(315,039,129)	315,039,129	3.2%
7	Ministry of Education	9,480,762,467	8,000,033,914	(1,480,728,553)	1,480,728,553	15.6%
8	Ministry of Local Government	6,430,259,945	6,066,381,976	(363,877,969)	363,877,969	5.7%
9	Common Development Fund	5,839,603,410	5,686,583,618	(153,019,792)	153,019,792	2.6%
10	Rwanda Revenue Authority	5,195,245,996	5,621,198,168	425,952,172	425,952,172	8.2%
11	National Police	5,032,823,772	5,104,597,992	71,774,220	71,774,220	1.4%
12	Genocide Survivors Fund	7,740,383,452	4,766,451,138	(2,973,932,314)	2,973,932,314	38.4%
13	National University of Rwanda	4,247,785,164	4,761,785,164	514,000,000	514,000,000	12.1%
14	Educational Scholarships Agency	3,485,687,722	3,466,866,230	(18,821,492)	18,821,492	0.5%
15	Ministry of Sports and Culture	3,103,717,698	3,213,988,794	110,271,096	110,271,096	3.6%
16	Road Maintenance Fund	3,350,047,123	2,848,239,293	(501,807,830)	501,807,830	15.0%
17	Ministry of Foreign Affairs	3,283,076,636	2,782,638,129	(500,438,507)	500,438,507	15.2%
18	Supreme Court	2,677,502,742	2,621,534,335	(55,968,407)	55,968,407	2.1%
19	Chamber of Deputies	2,389,693,522	2,135,379,113	(254,314,409)	254,314,409	10.6%
20	Ministry of East African Community	2,683,784,920	2,110,828,800	(572,956,120)	572,956,120	21.3%
21	Sum of Rest	58,653,002,140	48,761,709,559	(9,891,292,581)	9,891,292,581	

2009						
	MDA	**BUDGET**	**ACTUAL**	**DIFFERENCE**	**ABSOLUTE**	**PERCENT**
	Total Expenditure Deviation	271,270,116,880	249,874,680,612	(21,395,436,268)	21,395,436,268	7.9%
	Composition Variance				48,997,168,522	18.1%

2009/2010						
	MDA	**BUDGET**	**ACTUAL**	**DIFFERENCE**	**ABSOLUTE**	**PERCENT**
1	Ministry of Finance and Economic Planning	119,956,033,352	155,391,387,930	35,435,354,578	35,435,354,578	29.5%
2	Ministry of Defense	43,606,024,669	42,699,234,790	(906,789,879)	906,789,879	2.1%
3	Energy and Water Development Board	32,180,453,578	33,974,935,333	1,794,481,755	1,794,481,755	5.6%
4	Rwanda Local Development Support Fund	43,051,399,537	33,859,083,220	(9,192,316,317)	9,192,316,317	21.4%
5	Rwanda Development Board	30,359,332,325	29,711,450,113	(647,882,212)	647,882,212	2.1%
6	Ministry of Health	25,616,059,359	27,368,235,988	1,752,176,629	1,752,176,629	6.8%
7	Ministry of Agriculture	25,440,933,978	20,948,946,062	(4,491,987,916)	4,491,987,916	17.7%
8	Rwanda Education Board	25,624,944,052	20,550,044,679	(5,074,899,373)	5,074,899,373	19.8%
9	Ministry of Education	18,846,462,937	16,380,376,069	(2,466,086,868)	2,466,086,868	13.1%
10	Genocide Survivors Fund	18,039,000,000	15,273,263,748	(2,765,736,252)	2,765,736,252	15.3%
11	Transport Development Board	14,390,136,022	14,144,391,984	(245,744,038)	245,744,038	1.7%
12	National Police	13,401,163,491	13,251,294,502	(149,868,990)	149,868,990	1.1%

2009/2010						
	MDA	BUDGET	ACTUAL	DIFFERENCE	ABSOLUTE	PERCENT
13	Road Maintenance Fund	11,734,734,647	11,268,833,429	(465,901,218)	465,901,218	4.0%
14	Rwanda Revenue Authority	10,005,817,652	10,092,212,068	86,394,416	86,394,416	0.9%
15	National University of Rwanda	8,199,520,088	8,199,510,088	(10,000)	10,000	0.0%
16	Rwanda Correctional Services	8,241,637,276	7,900,917,151	(340,720,125)	340,720,125	4.1%
17	Rwanda Bio-Medical Center	6,491,704,481	6,498,362,824	6,658,343	6,658,343	0.1%
18	Supreme Court	6,427,317,480	6,216,085,558	(211,231,922)	211,231,922	3.3%
19	Electoral Commission	5,147,919,424	5,118,674,262	(29,245,162)	29,245,162	0.6%
20	Workforce Development Agency	5,233,468,291	4,833,760,479	(399,707,812)	399,707,812	7.6%
21	Sum of Rest	131,344,740,150	118,588,336,530	(12,756,403,620)	12,756,403,620	
	Total Expenditure Deviation	603,338,802,789	602,269,336,805	(1,069,465,984)	1,069,465,984	0.2%
	Composition Variance				79,219,597,426	13.1%

Source: Ministry of Finance and Economic Planning, National Budget Unit; Annual Finance Law and Budget Execution Reports for 2008, 2009, 2009/10. The data both for the original approved budget and the outturn for FY 2009/10 are not yet audited.

Annex 2 CG: Aggregate Revenue Out-Turn Compared to Original Approved Budget

	BILLION Rwf		
Fiscal Year	**Budget**	**Actual**	**Difference**
2008			
Tax	275.8	328.7	119%
Non-Tax	22.5	52.3	232%
Total	298.3	381.0	128%
2009			
Tax	178.1	183.5	103%
Non-Tax	17.0	10.1	60%
Total	195.1	193.7	99%
2009/2010			
Tax	369.3	376.5	102%
Non-Tax	15.8	15.0	95%
Total	385.1	391.5	102%

Source: Ministry of Finance and Economic Planning, National Budget Unit; Annual Finance Law and Budget Execution Reports for 2008, 2009, 2009/10. The data both for the original approved budget and the outturn for FY 2009/10 are not yet audited.

Annex 3 SN: Assessment of Budget Compared to Actual Expenditure

Kicukiro District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
FY 2007					
Education, Youth, Sport and Culture	318,303,040	328,909,952	10,606,912	10,606,912	3.33%
Health, Gender, Family Promotion and Child Protection	620,229,197	303,286,671	(316,942,526)	316,942,526	51.10%
Administration and Good Governance	236,400,000	51,731,135	(184,668,865)	184,668,865	78.12%
Infrastructure, Land, Housing and Town Planning	782,454,000	255,336,266	(527,117,734)	527,117,734	67.37%
Planning, Economic Development and Employment Promotion	199,996,000	26,300,130	(173,695,870)	173,695,870	86.85%
Management of internal Resources and Support Services	1,791,633,518	1,531,303,033	(260,330,485)	260,330,485	14.53%
Tax Collection	141,890,000	7,066,800	(134,823,200)	134,823,200	95.02%
Coordination of all services	102,385,000	51,605,008	(50,779,992)	50,779,992	49.60%
Total Expenditure Deviation	**4,193,290,755**	**2,555,538,995**	**(1,637,751,760)**	**1,637,751,760**	**39.06%**
Composition variance	**4,193,290,755**	**2,555,538,995**		**1,658,965,584**	**39.56%**
FY 2008					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sports and Culture	1,061,196,090	1,025,942,270	(35,253,821)	35,253,821	3.32%
Health, Gender, Family Promotion and Child Protection	413,750,425	147,955,080	(265,795,345)	265,795,345	64.24%

Coordination of the District Activities	193,738,514	29,952,700	(163,785,814)	163,785,814	84.54%
Good Governance and Social Affairs	138,930,106	964,880,025	825,949,919	825,949,919	594.51%
Infrastructure, Land, Housing and Town Planning	1,505,512,349	81,206,098	(1,424,306,251)	1,424,306,251	94.61%
Planning, Economic Development and Employment Promotion	308,533,597	100,314,713	(208,218,884)	208,218,884	67.49%
Human Resource Development and Support Services	791,858,868	659,226,871	(132,631,997)	132,631,997	16.75%
Finance and resource mobilization	62,121,554	36,220,460	(25,901,094)	25,901,094	41.69%
Total Expenditure Deviation	**4,475,641,503**	**3,045,698,217**	**(1,429,943,287)**	**1,429,943,287**	**31.95%**
Composition variance	**4,475,641,503**	**3,045,698,217**		**3,081,843,125**	**68.86%**
FY 2009					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sports and Culture	641,737,813	686,591,970	44,854,157	44,854,157	6.99%
Health, gender, family promotion and child protection	252,906,372	192,404,661	(60,501,711)	60,501,711	23.92%
Coordination of District Activities	1,157,901,215	704,062,356	(453,838,859)	453,838,859	39.19%
Good governance and social affairs	174,106,836	148,709,192	(25,397,644)	25,397,644	14.59%

Infrastructure, land, housing and town planning	1,807,320,466	441,334,223	(1,365,986,243)	1,365,986,243	75.58%
Planning, Economic development and employment promotion	49,329,820	9,842,400	(39,487,420)	39,487,420	80.05%
Total Expenditure Deviation	**4,083,302,521**	**2,182,944,802**	**(1,900,357,719)**	**1,900,357,719**	**46.54%**
Composition variance	**4,083,302,521**	**2,182,944,802**		**1,990,066,034**	**48.74%**

Source: Kicukiro District Budgets FYs 2007, 2008 & 2009.

Rulindo District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
2007					
Education, Youth, Sport and Culture	1,391,300,000	1,244,730,860	(146,569,140)	146,569,140	10.53%
Health, Gender, Family Promotion and Child Protection	262,100,000	207,800,000	(54,300,000)	54,300,000	20.72%
Coordination of District Activities	67,200,000	66,800,000	(400,000)	400,000	0.60%
Good Governance and Social Affairs	405,000,000	392,000,000	(13,000,000)	13,000,000	3.21%
Infrastructure, Land, Housing and Town Planning	200,450,000	197,232,505	(3,217,495)	3,217,495	1.61%
Planning, Economic Development and Employment Promotion	217,069,606	203,511,000	(13,558,606)	13,558,606	6.25%
Total Expenditure	**2,543,119,606**	**2,312,074,365**	**(231,045,241)**	**231,045,241**	**9.09%**

Rulindo District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Deviation					
Composition Variance	**2,543,119,606**	**2,312,074,365**		**231,045,241**	**9.09%**
2008					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	1,471,194,918	1,649,078,602	177,883,684	177,883,684	12.09%
Health, Gender, Family Promotion and Child Protection	818,789,527	403,099,930	(415,689,597)	415,689,597	50.77%
Coordination of District Activities	502,458,223	617,346,610	114,888,387	114,888,387	22.87%
Good Governance and Social Affairs	424,503,487	193,764,660	(230,738,827)	230,738,827	54.35%
Infrastructure, Land, Housing and Town Planning	212,196,000	780,984,464	568,788,464	568,788,464	268.05%
Planning, Economic Development and Employment Promotion	825,760,512	751,455,695	(74,304,817)	74,304,817	9.00%
Total Expenditure Deviation	**4,254,902,667**	**4,395,729,961**	**140,827,294**	**140,827,294**	**3.31%**
Composition Variance	**4,254,902,667**	**4,395,729,961**		**1,582,293,776**	**37.19%**
2009					

Rulindo District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percentage**
Education, Youth, Sport and Culture	1,619,588,762	866,721,390	(752,867,372)	752,867,372	46.49%
Health, Gender, Family Promotion and Child Promotion	472,573,146	246,016,725	(226,556,421)	226,556,421	47.94%
Coordination of District Activities	375,063,749	393,387,831	18,324,082	18,324,082	4.89%
Good Governance and Social Affairs	39,730,491	30,961,230	(8,769,261)	8,769,261	22.07%
Infrastructure, Land, Housing and Town Planning	557,877,398	234,656,939	(323,220,459)	323,220,459	57.94%
Planning, Economic Development and Employment Promotion	357,813,918	280,500,061	(77,313,857)	77,313,857	21.61%
Total Expenditure Deviation	**3,422,647,464**	**2,052,244,176**	**(1,370,403,288)**	**1,370,403,288**	**40.04%**
Composition Variance	**3,422,647,464**	**2,052,244,176**		**1,407,051,452**	**41.11%**

Source: Rulindo District Budgets FYs 2007, 2008 & 2009.

Bugesera District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
2007					
Education, Youth, Sport and Culture	900,349,604	839,668,631	(60,680,973)	60,680,973	6.74%

Bugesera District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Health, Gender, Family Promotion and Support Services	209,829,280	99,335,968	(110,493,312)	110,493,312	52.66%
Management of internal Resources	454,998,787	365,339,330	(89,659,457)	89,659,457	19.71%
Good Governance	344,920,192	275,072,713	(69,847,479)	69,847,479	20.25%
Infrastructure, Land, Housing and Town Planning	20,428,400	3,347,196	(17,081,204)	17,081,204	83.61%
Planning, Economic Development and Employment Promotion	27,649,436	19,630,286	(8,019,150)	8,019,150	29.00%
Finance	9,600,000	1,505,139	(8,094,861)	8,094,861	84.32%
District Council	2,840,000	3,605,800	765,800	765,800	26.96%
Mayor’s Office	20,600,000	12,696,702	(7,903,298)	7,903,298	38.37%
Executive Secretary	9,660,000	9,388,420	(271,580)	271,580	2.81%
Total Expenditure Deviation	**2,000,875,699**	**1,629,590,185**	**(371,285,514)**	**371,285,514**	**18.56%**
Composition Variance	**2,000,875,699**	**1,629,590,185**		**372,817,114**	**18.63%**
2008					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	1,968,877,970	1,726,914,221	(241,963,749)	241,963,749	12.29%
Health, Gender, Family Promotion and Support Services	1,127,292,318	514,289,442	(613,002,876)	613,002,876	54.38%

Bugesera District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Coordination of District Activities	76,885,400	114,552,297	37,666,897	37,666,897	48.99%
Good Governance and Social Affairs	780,614,777	554,028,024	(226,586,753)	226,586,753	29.03%
Infrastructure, Land, Housing and Town Planning	618,278,840	260,717,295	(357,561,545)	357,561,545	57.83%
Planning, Economic Development and Employment Promotion	780,614,777	84,603,480	(696,011,297)	696,011,297	89.16%
Human Resource Development and Support Services	492,006,410	541,421,638	49,415,228	49,415,228	10.04%
Finance and Resource mobilization	58,141,000	32,093,481	(26,047,519)	26,047,519	44.80%
Total Expenditure Deviation	**5,902,711,492**	**3,828,619,878**	**(2,074,091,614)**	**2,074,091,614**	**35.14%**
Composition Variance	**5,902,711,492**	**3,828,619,878**		**2,248,255,864**	**38.09%**
2009					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	1,079,028,918	821,157,654	(257,871,264)	257,871,264	23.90%
Health, Gender, Family Promotion and Support Services	1,109,905,384	443,778,796	(666,126,588)	666,126,588	60.02%
Coordination of District Activities	365,548,089	409,650,996	44,102,907	44,102,907	12.06%
Good Governance and Social Affairs	270,264,038	184,212,536	(86,051,502)	86,051,502	31.84%

Bugesera District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Infrastructure, Land, Housing and Town Planning	450,707,655	93,442,572	(357,265,083)	357,265,083	79.27%
Planning, Economic Development and Employment Promotion	14,711,548	5,333,956	(9,377,592)	9,377,592	63.74%
Total Expenditure Deviation	**3,290,165,632**	**1,957,576,510**	**(1,332,589,122)**	**1,332,589,122**	**40.50%**
Composition Variance	**3,290,165,632**	**1,957,576,510**		**1,420,794,936**	**43.18%**

Source: Bugesera District Budgets FYs 2007, 2008 & 2009.

Nyamagabe District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
2007					
Education, Youth, Sport and Culture	1,539,065,830	1,539,032,830	(33,000)	33,000	0.00%
Health, Gender, Family Promotion and Child Protection	353,070,646	353,035,646	(35,000)	35,000	0.01%
Coordination of Development partners	2,422,500	2,422,500	-	-	0.00%
Administration and Good Governance	701,569,494	637,620,934	(63,948,560)	63,948,560	9.12%
Infrastructure, Land, Housing and Town Planning	48,308,290	48,308,290	-	-	0.00%
Planning, Economic Development and Employment Promotion	56,652,608	56,652,608			

Nyamagabe District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Planning, Preparation, Monitoring and Evaluation of the budget	15,679,125	15,679,125	-	-	0.00%
Tax Collection	38,964,104	38,964,104			
Human Resource and Administration	75,580,177	75,580,177	-	-	0.00%
Mayor Office	93,386,028	93,386,028	-	-	0.00%
Total Expenditure Deviation	**2,924,698,802**	**2,860,682,242**	**(64,016,560)**	**64,016,560**	**2.19%**
Composition Variance	**2,924,698,802**	**2,860,682,242**		**64,016,560**	**2.19%**
2008					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	4,878,039,636	3,265,166,851	(1,612,872,785)	1,612,872,785	33.06%
Health, Gender, Family Promotion and Child Protection	**1,494,070,005**	**681,974,533**	**(812,095,472)**	**812,095,472**	**54.35%**
Coordination of District Activities	135,031,000	143,316,985	8,285,985	8,285,985	6.14%
Good Governance and Social Affairs	1,832,378,350	1,731,688,759	(100,689,591)	100,689,591	5.50%
Infrastructure, Land, Housing and Town Planning	5,413,210,306	404,882,185	(5,008,328,121)	5,008,328,121	92.52%
Planning, Economic Development and Employment Promotion	1,474,183,301	354,477,421	(1,119,705,880)	1,119,705,880	75.95%
Human Resource	4,303,483,048	1,231,771,735	(3,071,711,313)	3,071,711,313	71.38%

Nyamagabe District					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Development and Support Services					
Finance and Resource mobilization	137,115,300	11,520,204	(125,595,096)	125,595,096	91.60%
Total Expenditure Deviation	**19,667,510,946**	**7,824,798,673**	**(11,842,712,273)**	**11,842,712,273**	**60.21%**
Composition Variance	**19,667,510,946**	**7,824,798,673**		**11,859,284,243**	**60.30%**
2009					
Functional Head	**Budget**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	2,234,589,738	894,512,792	(1,340,076,946)	1,340,076,946	59.97%
Health, Gender, Family Promotion and Support Services	770,129,668	258,554,169	(511,575,499)	511,575,499	66.43%
Coordination of District Activities	882,117,196	317,746,540	(564,370,656)	564,370,656	63.98%
Good Governance and Social Affairs	72,676,280	208,233,991	135,557,711	135,557,711	186.52%
Infrastructure, Land, Housing and Town Planning	707,593,002	344,160,502	(363,432,500)	363,432,500	51.36%
Planning, Economic Development and Employment Promotion	432,973,782	112,972,816	(320,000,966)	320,000,966	73.91%
Total Expenditure Deviation	**5,100,079,666**	**2,136,180,810**	**(2,963,898,856)**	**2,963,898,856**	**58.11%**
Composition Variance	**5,100,079,666**	**2,136,180,810**		**3,235,014,278**	**63.43%**

Source: Nyamagabe District Budgets FYs 2007, 2008 & 2009.

Annex 4 HLG-1: Budgeted Versus Actual HLG Transfers per Functional Head

KICUKIRO DISTRICT					
FY 2007					
Functional head	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	937,184,149	716,307,016	(220,877,133)	220,877,133	23.57%
Health, Gender, Family Promotion and Child Protection Unit	153,303,531	127,613,264	(25,690,267)	25,690,267	16.76%
Coordination of District Activities Unit	80,249,709	84,217,960	3,968,251	3,968,251	4.94%
Good Governance and Social Affairs Unit	31,467,964	31,467,964	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	22,482,345	22,482,345	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	5,000,000	5,000,000	-	-	0.00%
Total Expenditure Deviation	**1,229,687,698**	**987,088,549**	**(242,599,149)**	**242,599,149**	**19.73%**
Composition Variance	**1,229,687,698**	**987,088,549**		**250,535,651**	**20.37%**
FY 2008					
Functional head	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	959,722,391	892,220,007	67,502,384	67,502,384	7.03%
Health, Gender, Family Promotion and Child Protection Unit	211,750,072	207,800,000	3,950,072	3,950,072	1.87%
Coordination of District Activities Unit	151,253,191	151,253,191	-	-	0.00%
Good Governance and Social Affairs Unit	19,931,877	19,931,877	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	16,107,607	16,107,607	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	7,850,000	8,850,000	(1,000,000)	1,000,000	-12.74%
Total Expenditure Deviation	**1,366,615,138**	**1,296,162,682**	**(70,452,456)**	**70,452,456**	**5.16%**
Composition Variance	**1,366,615,138**	**1,296,162,682**		**72,452,456**	**5.30%**
FY 2009					
Functional head	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	545,788,245	518,535,282	27,252,963	27,252,963	5.00%
Health, Gender, Family Promotion and Child Promotion	115,390,876	110,138,928	5,251,948	5,251,948	4.60%
Coordination of District Activities	-	-	-	-	0.00%
Good Governance and Social Affairs	12,468,884	12,468,884	-	-	0.00%
Infrastructure, Land, Housing and Town Planning	104,828,188	104,828,188	-	-	0.00%
Planning, Economic Development and Employment Promotion	6,936,676	6,936,676	-	-	0.00%
Total Expenditure Deviation	**785,412,869**	**752,907,958**	**(32,504,911)**	**32,504,911**	**4.14%**
Composition Variance	**785,412,869**	**752,907,958**		**32,504,911**	**4.14%**

Source: Kicukiro, Rulindo, Bugesera & Nyamagabe District records.

RULINDO DISTRICT					
FY2007 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,342,047,201	784,920,368	(557,126,833)	557,126,833	41.51%
Coordination of District Activities Unit	169,877,954	106,372,520	(63,505,434)	63,505,434	37.38%
Health, Gender, Family Promotion and Child Protection Unit	140,539,676	139,399,748	(1,139,928)	1,139,928	0.81%
Good Governance and Social Affairs Unit	31,467,964	31,467,964	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	18,148,868	18,148,868	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	5,000,000	5,000,000	-	-	0.00%
Total Expenditure Deviation	**1,707,081,663**	**1,085,309,468**	**(621,772,195)**	**621,772,195**	**36.42%**
Composition Variance	**1,707,081,663**	**1,085,309,468**		**621,772,195**	**36.42%**
FY 2008 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,488,059,438	1,488,979,256	919,818	919,818	0.06%
Coordination of District Activities Unit	450,490,679	450,490,679	-	-	0.00%
Health, Gender, Family Promotion and Child Protection Unit	390,525,727	397,115,161	6,589,434	6,589,434	1.69%
Infrastructure, Land, Housing and Town Planning Unit	173,000,000	173,000,000	-	-	0.00%
Good Governance and Social Affairs Unit	42,564,811	42,564,811	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	16,104,607	16,104,607	-	-	0.00%
Total Expenditure Deviation	**2,560,745,262**	**2,568,254,514**	**7,509,252**	**7,509,252**	**0.29%**
Composition Variance	**2,560,745,262**	**2,568,254,514**		**7,509,252**	**0.29%**
FY 2009					
Functional head	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	934,238,762	790,165,080	(144,073,682)	144,073,682	15.42%
Health, Gender, Family Promotion and Child Promotion	234,009,396	238,442,337	4,432,941	4,432,941	1.89%
Coordination of District Activities	264,135,060	264,135,060	-	-	0.00%
Good Governance and Social Affairs	24,926,984	24,926,984	-	-	0.00%
Infrastructure, Land, Housing and Town Planning	92,305,356	92,305,356	-	-	0.00%
Planning, Economic Development and Employment Promotion	6,935,168	6,935,168	-	-	0.00%
Total Expenditure Deviation	**1,556,550,726**	**1,416,909,985**	**(139,640,741)**	**139,640,741**	**8.97%**
Composition Variance	**1,556,550,726**	**1,416,909,985**		**148,506,623**	**9.54%**

Source: Kicukiro, Rulindo, Bugesera & Nyamagabe District records.

BUGESERA DISTRICT					
FY2007 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,231,741,072	981,290,160	(250,450,912)	250,450,912	20.33%
Good Governance Unit	321,301,104	321,301,104	-	-	0.00%
Health, Gender, Family Promotion and Support Services Unit	133,719,145	125,118,612	(8,600,533)	8,600,533	6.43%
Coordination of District Activities Unit	124,964,318	81,110,668	(43,853,650)	43,853,650	0.00%
Infrastructure, Land, Housing and Town Planning Unit	27,379,636	27,379,636	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	5,000,000	5,000,000	-	-	0.00%
Total Expenditure Deviation	**1,844,105,275**	**1,541,200,180**	**(302,905,095)**	**302,905,095**	**16.43%**
Composition Variance	**1,844,105,275**	**1,541,200,180**		**302,905,095**	**16.43%**
FY2008 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,280,761,714	1,251,503,832	(29,257,882)	29,257,882	2.28%
Coordination of District Activities Unit	408,360,066	408,360,066	-	-	0.00%
Health, Gender, Family Promotion and Support Services Unit	339,464,456	387,764,456	48,300,000	48,300,000	14.23%
Good Governance and Social Affairs Unit	281,513,888	281,513,888	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	163,072,337	163,072,337	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	21,017,502	21,017,502	-	-	0.00%
Total Expenditure Deviation	**2,494,189,963**	**2,513,232,081**	**19,042,118**	**19,042,118**	**0.76%**
Composition Variance	**2,494,189,963**	**2,513,232,081**		**77,557,882**	**3.11%**
FY2009 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	684,378,918	646,271,155	(38,107,763)	38,107,763	5.57%
Health, Gender, Family Promotion and Child Promotion	259,759,664	246,785,376	(12,974,288)	12,974,288	4.99%
Coordination of District Activities	204,584,436	204,584,436	-	-	0.00%
Good Governance and Social Affairs	141,038,516	141,038,516	-	-	0.00%
Infrastructure, Land, Housing and Town Planning	81,916,148	81,916,148	-	-	0.00%
Planning, Economic Development and Employment Promotion	8,711,548	8,711,548	-	-	0.00%
Total Expenditure Deviation	**1,380,389,230**	**1,329,307,179**	**(51,082,051)**	**51,082,051**	**3.70%**
Composition Variance	**1,380,389,230**	**1,329,307,179**		**51,082,051**	**3.70%**

Source: Kicukiro, Rulindo, Bugesera & Nyamagabe District records.

NYAMAGABE DISTRICT					
FY 2007 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,546,488,541	1,586,013,660	39,525,119	39,525,119	2.56%
Administration and Good Governance Unit	353,603,860	353,603,860	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	185,096,868	185,096,868	-	-	0.00%
Coordination of District Activities	187,254,400	148,164,172	(39,090,228)	39,090,228	0.00%
Health, Gender, Family Promotion and Child Protection Unit	151,947,754	190,951,612	39,003,858	39,003,858	0.00%
Planning, Economic Development and Employment Promotion Unit	5,000,000	5,000,000	-	-	0.00%
Total Expenditure Deviation	**2,429,391,423**	**2,468,830,172**	**39,438,749**	**39,438,749**	**1.62%**
Composition Variance	**2,429,391,423**	**2,468,830,172**		**117,619,205**	**4.84%**
FY 2008 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture Unit	1,824,927,271	1,683,238,434	(141,688,837)	141,688,837	7.76%
Health, Gender, Family Promotion and Child Protection Unit	481,070,648	487,815,556	6,744,908	6,744,908	1.40%
Coordination of District Activities Unit	469,014,177	469,014,177	-	-	0.00%
Good Governance and Social Affairs Unit	363,087,902	363,087,902	-	-	0.00%
Infrastructure, Land, Housing and Town Planning Unit	165,459,573	165,459,573	-	-	0.00%
Planning, Economic Development and Employment Promotion Unit	148,807,607	148,807,607	-	-	0.00%
Total Expenditure Deviation	**3,452,367,178**	**3,317,423,249**	**(134,943,929)**	**134,943,929**	**3.91%**
Composition Variance	**3,452,367,178**	**3,317,423,249**		**148,433,745**	**4.30%**
FY 2009 **Functional head**	**Budgeted**	**Actual**	**Difference**	**Absolute**	**Percent**
Education, Youth, Sport and Culture	1,034,335,933	998,628,942	(35,706,991)	35,706,991	3.45%
Health, Gender, Family Promotion and Child Promotion	264,529,080	247,561,560	(16,967,520)	16,967,520	6.41%
Coordination of District Activities	234,429,900	234,429,900	-	-	0.00%
Good Governance and Social Affairs	128,278,436	128,278,436	-	-	0.00%
Infrastructure, Land, Housing and Town Planning	107,965,724	93,240,380	(14,725,344)	14,725,344	0.00%
Planning, Economic Development and Employment Promotion	71,617,828	71,617,828	-	-	0.00%
Total Expenditure Deviation	**1,841,156,901**	**1,773,757,046**	**(67,399,855)**	**67,399,855**	**3.66%**
Composition Variance	**1,841,156,901**	**1,773,757,046**		**67,399,855**	**3.66%**

Source: Kicukiro, Rulindo, Bugesera & Nyamagabe District records.

Annex 5 List of persons Interviewed

Names	Title
Center for Investments and External Finance Bureau (CEPEX)	
Rugeri Nkusi Christian	Legal Specialist
Ntare Bright	Procurement Specialist
Gilbert Mister	Direct of Finance and Admin
Ukize Theoneste	Acting Director General
Ministry of Labour and Public Service (MIFOTRA)	
Mulindwa Sam	PS
Mugabo Anne	DG
Ntagungira Alexis	Director of Service
Manzi Aimable	Programmer and Database Administration
Migabo Roger	IPPS Project Manager
Kanyankore Tito	IPPS in Charge of Teachers and Medical Staff
Uwimana Theresa	Ag Director of Finance and Administration
Ndayizigiye J. De Dieu	IPPS Network Administrator
Kayihunzire Charles	IPPS in Charge of Central Govt Salaries
Ministry of Agriculture and Animal Resources (MINAGRI)	
Ndagijimana Alexis	M & E PSTA
Mboneza Jean	Accountant
Bugingo Eric	ISAR Budget Officer
Semahoro Charles	ISAR Chief Accountant
Nzobe Nathalie	RADA Budget Officer
Gatete Aimable	RADA Planning Officer
Aziza Sifa	RADA Accountant
Uwamahoro Alodie	RADA Chief Accountant
Ntayahayo Jonathan	OCIR-The Accountant
Munyandinda Philibert	OCIR-The Budget Officer
Uwugiraneza Francoise	OCIR-The Planning Officer
Nyarabatesi Alice	RHODA Project Accountant
Nyirigira R. Antoine	ISAR Planning Officer
Alexadra Lowe	Budget and Planning Officer
Bakundutire Christopher	OCIR-The Finance and Budget Officer
Kazura Livingston	OCIR-Cafe Project Officer
Karugema Nathan	OCIR-Cafe Assistant Planning

Ministry of Finance, Planning and Economic Development (MINECOFIN)

Baingana Elias	Director General National Budget
Shyaka Patrick	Accountant General
Munga John	Deputy Account General National Accounts
Twahirwa Manasseh	Govt Chief Internal Auditor
Rurangirwa Jean de Dieu	SmartGov/IFMIS Coordinator
Rugwabiza Leonard	Director General National Planning
Habimana Andre	Director of Planning
Rwakunda Amina	Chief Economist
Fred Quarshie	Senior Economic Advisor
Rwamuganza Caleb	Deputy Accountant General-Treasury
Rusagara Derrick	DAD Manager
Nkusi Ronald	Coordinator: Financial Resources Mobilization
Munyeshyaka Vincent	Coordinator of Government Portfolio in GPU
Uwabera Ntwali Nina	Government Portfolio Expert in GPU
Hakizimana Obald	Macroeconomic Policy Expert in Real Sector
Talemwa Benon	Macroeconomic Policy Expert

Ministry of Education (MINEDUC)

Mukayisa Marie-Claire	Director of Finance and Administration
Gapira J. Pierre	Budget Officer
Niyomana Mico Emmanuel	Director of Planning

Office of the Auditor General

Biraro R. Obadiah	Deputy Auditor General
Kimonyo Théophile	Director of Administration and Finance

Parliamentary Committee on Budget and National Patrimony

Mme Mukayuhi Rwaka Constance	Chairperson

Rwanda Public Procurement Agency (RPPA)

Gatari Emmanuel	Head of Dept Operational Unit
Nzakamwita Christopher	Acting Head of Audit and Monitoring Unit
Kayiranga Rukumbi Bernard	Head of Legal Affairs and Policy
Seminega Augustus	Director of RPPA

Development Partners

Department for International Development (DFID)

Lindsay Wallace	Team Leader, Economic Growth
Joachim Bagaza	Governance Programme Officer

Germany Development Bank (KfW)	
Dr. Stephan Klingebiel	Director KfW
Timo Mahn	Economic Advisor
EU Delegation in Rwanda	
Vincent de Boer	Attaché, Economics and Governance Section
International Monetary Fund (IMF)	Resident Representative
Swedish International Development Agency (SIDA)	
Karl Backeus	Country Economist
United Nations Development Programme (UNDP)	
Shingiro Christian	Head-Democratic Governance Unit
United States Agency for International Development (USAID)	
Denis Weller	Director
Paul Kaiser	Democracy & Governance Advisor
Brian Fink	Acting Program Officer
Diogene Ndazigaruye	Program Specialist
Fina Kayisanabo	Acting Economic Growth Team Leader
Janean Davis	Acting Health Team Leader
Yogesh Rajkotime	Team Leader, Health System
Aster Kebede	A & A Specialist
World Bank (WB)	
Kabayiza Murara Lewis	Task Team Leader
Otieno Ayany	Financial Management Specialist
Isabilye Peter	Operations Officer

SUB-NATIONAL DISTRICTS

Kicukiro District	
Rukebanuka Adalbut	Acting Executive Secretary
Kangwagye Innocent	Internal Auditor
Twizeyimana JMV	Director of Finance and Administratio
Musini Jean de Dieu	Economic Dept Coordinator
Ntibaziyaremye Pascal	Accountant
Mahukuri	Budget Officer
Mukampogazi Consolee	Teachers and Health Staff Mngt
Rulindo District	
Nzamwita Deo	Vice Mayor FED

Munyarukato Jean Baptiste	Executive Secretary
Habimana John	DAF
Kangwagye Justus	Mayor
Muhirwa Felix	Accountant
Bitunguramye Diogiru	Social Affairs Coordinator
Nizeyimana J. M. V	Secretary to the Council
Ayebazibwe Pulicano	Budget Officer

Bugesera District

Kiganda Francois	Budget Officer
Munyanziza Zephanie	Executive Secretary
Rukundo Julius	District FED
Gasasira N.	Internal Auditor
Nyarugabo Ruganirwa	Teachers Salaries
Kanyandekwe Thomas	Secretary to the Council
Nzeyimana Fred	Procurement Officer
Mpambara Benoit	Planning Officer
Kakwerere John	Revenue Officer
Mugisha Delice	Accountant
Mugabo Faustin	DAF

Nyamagabe District

Nshimiyimana Jean Pierre	Executive Secretary
Mutuyimana Catherine	DAF
Mukantambara Anitha	Assistant Accountant
Ngenzi Jean Baptiste	HR and Logistics Officer
Murangira Emmanuel	District FED
Uwamariya Agnes	Secretary to the Council

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