SUMMARY

- Rwanda has instituted a comprehensive and modern legal framework for public finance management through the adoption of the 2003 constitution and the 2006 Organic Budget Law.
- The main institutions responsible for the budget are Parliament, Cabinet, the Ministry of Finance and Economic Planning and the Office of the Auditor General.
- Institutional reorganisations have sought to strengthen the quality of external oversight and procurement, as well as the quality of budget preparation.

CONSTITUTION

The Rwandan Constitution was approved in a national referendum and adopted in Parliament on June 4, 2003. It defines the principles and overall legal framework for the management of public finances in the country.

Article 79 of the Constitution stipulates the roles and responsibilities in respect of submission of the draft Finance Law by the Cabinet, the adoption of the Finance Law by Parliament, and the submission of a budget execution report to the Auditor General. The budget must be presented along with the report on the implementation of the previous budget, certified by the Auditor General.

The Constitution (Article 91) also limits the legislature’s ability to modify the Finance Act by stipulating that bills and statutory amendments, which have the potential to
reduce Government revenue or increase state expenditure, must indicate proposals for raising the required revenue or making savings equivalent to the anticipated expenditure. Article 128 makes provisions for Parliament to obtain information and exercise oversight of activities of the government.

Article 183 defines the role of the Office of the Auditor General of State Finances, its independence and financial and administrative autonomy.

ORGANIC BUDGET LAW AND REGULATORY FRAMEWORK

The Organic Budget Law (OBL) on State Finances and Property (Republic of Rwanda, 2006, henceforth OBL) was published on 12 September, 2006 in the Official Gazette, under the reference n°37/2006. It was updated in 2008 given the transition to the East African Community (EAC) fiscal year (Organic Law no. 65/2008 of 11/09/2008).

The OBL aims at establishing principles and the basis of planning, budgeting and monitoring of state resources and the sound management of the State Budget, as well as setting the principles that govern state property and other financial resources. It covers both central government and decentralised entities. It also sets out the basis for allocating state resources to state functions and reporting any adjustments.

In addition to setting clear deadlines for the national budget preparation cycle, clarifying responsibilities and identifying the minimum content of the budget documentation submitted to Parliament, the law provides for a major change in Rwanda’s budget framework. Responsibilities for controlling the execution of the budget are decentralised from MINECOFIN to budget agencies. This provides more flexibility to budget agencies and accelerates the process for budget execution. It implies a whole new set of responsibilities for budget agencies and their Chief Budget Managers that need to be carefully accompanied and supported by MINECOFIN and the National Budget Unit (see box below for more details on this).

Financial Regulations (ministerial Order n° 002/07 of 09/02/2007 relating to financial regulations, published in the Official Gazette n°4 of 15/02/2007) complementing articles 13, 28, 51, and 66 of the OBL require the Minister of Finance to issue instructions regarding: relations with banks; the budget calendar; categories of expenditure and reallocations within agencies’ appropriations; and accounting standards. Of particular relevance to the budget process the Financial Regulations clarify responsibilities, set milestones in the budget cycle and provide detail guidance on budget execution.

BOX 1: CHANGES INSTITUTED THROUGH THE OBL

The Law on State Finance and Property adopted in 2006, together with the Financial Regulations that complement it, calls for radical change in the management of public finances and in the internal control system. In particular, it sees a major decentralisation of PFM, both from central Government to local administrations and from MINECOFIN to line Ministries and other budget agencies.

Budget execution and the power to execute ‘virements’ has been decentralised to the Chief Budget Manager in each budget agency. Each budget agency (line ministry, province, semi-autonomous institution) will be responsible for its own budget execution and accounting, providing real time information to the Ministry of Finance through the Budget Master integrated financial management system.

The new Law on Public Procurement (Republic of Rwanda, 2007), signed in 2007, decentralized public procurement from government institutions and established the Rwanda Public Procurement Authority (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.

Finally, Government has approved a 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 (MINECOFIN, 2006a)
- Volume 2: Uniform Chart of Accounts (MINECOFIN, 2006b)
- Volume 3: Books of accounts, bookkeeping and accounts (MINECOFIN, 2006c)
- Volume 4: Reporting Requirements (MINECOFIN, 2006d)

Overall, the Government of Rwanda has made efforts to strengthen and modernize the legal framework for PFM. Implementation of the new orientations outlined by this revised legal framework remains constrained by human resources and capacity, in particular outside of the Ministry of Finance. On-going efforts to strengthen capacity include, for example, the creation of the Institute of Certified Public Accountants of Rwanda and the scaling up of training for internationally recognized accounting professional qualification by the ACCA (Association of Chartered Certified Accountants), and the development of detailed procedures manuals.

**INSTITUTIONAL FRAMEWORK**

The OBL (Article 10) clearly defines the role of Parliament at national level and of the district Councils at local level in the budget process. It is mainly the Chamber of Deputies that is responsible for approving the Finance Law, whereas the Senate has more of a consultative role. The Chamber of Deputies is responsible for approving external borrowings by the central government as well as setting limits or ceilings on such borrowings. To complete the accountability cycle the Chamber of Deputies is entitled to receive directly from the Office of the Auditor-General (OAG), audit reports and audited budget execution reports, and financial statements, review, debate and provide oversight function on the executive.

The OBL (Article 11) also specifies the role of the Cabinet in the budget process, in particular the requirement that the Cabinet adopts: (i) the national priorities and broad strategic objectives for the coming three years; (ii) the medium term expenditure framework (MTEF) and expenditure envelopes for the coming three years; (iii) the overall amount of transfers to local governments.

The Ministry of Finance (see Figure 1 for an organogram of the ministry) plays a central role in the budget process. It is both the initiator and the guardian of the process. Its role is defined in Article 12 of the OBL. Within the Ministry of Finance several directorates are in charge of budget preparation. The National Budget Directorate is the central directorate in charge of the overall budget process. It is responsible for overseeing and leading the preparation of the National Budget and MTEF, supporting and reporting on its execution and implementing budget reforms in line with international best practice. It is supported by:

- During budget preparation: the Macro Directorate and the Planning Directorate
- Regarding investments and external financing: the Public Investment Technical Team and the External Resources Mobilization and Monitoring unit (the latter is part of the Macro Directorate)

During budget execution and reporting: the General Accounting Directorate and the Internal Audit Directorate.
Call Circular, validate the draft finance law and budget execution reports, as well as the budget reform roadmap.

With the decentralisation of powers from the Ministry of Finance to budget agencies, the role of Ministers and Secretary Generals in line ministries has become prominent in the budget process. The Financial Regulations specify the responsibilities of Cabinet Ministers (Article 5):

The National Budget Committee was revived in 2007 with the main objective to improve coordination within MINECOFiN on budget-related issues, thereby avoiding duplication and enhancing the quality of the process. Its main responsibilities are to validate the macro-economic framework and draft national MTEF, coordinate the preparation of the Budget Framework Paper and Budget Execution Reports.
Cabinet Ministers are responsible for (a) approval of the government programs and the associated activities and financial budget proposals of the specific ministry; (b) ensuring that the ministry’s budget, as approved by the Parliament, is executed only on the approved government programs and activities for which it was intended; (c) approving the financial reports of the specific ministry before submission to the Minister.

The Office of the Auditor General (OAG), established by law in 1998,² has been shifted by the 2003 Constitution from being under the executive and judiciary to reporting primarily to the Parliament.

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, the Cabinet, the President of the Supreme Court and the Prosecutor General of the Republic; and c) carry out a financial audit of any State institution or with regard to the use of funds provided by the State as may be required by Chamber of Deputies from time to time. Article 79 of the Constitution requires the Government to provide to the OAG the consolidated financial statements on the previous year’s budget at the latest by the end of month 3 following the end of the fiscal year. By the end of month 6, the OAG is required to have sent its report and certification of the financial statements of the previous year to Parliament.

ENDNOTES
1. An example of the Budget Framework Paper is MINECOFIN (2011b). MINECOFIN (2011a) is the cover letter to the Budget Call Circular for the preparation of the budget for FY 2011/12. The accompanying link gives access to the documents that are referred to in the cover letter.
2. Law no. 05/1998.

BIBLIOGRAPHY

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