

WP/04/132

IMF Working Paper

Choosing a Budget Management System: The Case of Rwanda

Ian Lienert

IMF Working Paper

Fiscal Affairs Department

Choosing a Budget Management System: The Case of Rwanda

Prepared by Ian Lienert¹

Authorized for distribution by Teresa Ter-Minassian

July 2004

Abstract

This Working Paper should not be reported as representing the views of the IMF.

The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.

Rwanda is making important choices concerning budget processes. A program-oriented budget framework is now used. A new Constitution, adopted in May 2003, has made some important choices concerning the public management system, including the balance of power between the executive and the legislature. Further choices are being made in an organic budget law (under discussion). Compared with the inherited budget management model, the responsibility of spending agencies is likely to be enhanced. Choices have yet to be made on the nationwide government accounting system, the precise role of the Senate in budgeting, and the pace of effective political decentralization.

JEL Classification Numbers: E62, H11, H30, H50, H61, N67, O23, P51

Keywords: Rwanda, budget system, public management, Constitution, budget law, government accounting

Author's E-Mail Address: Ian.Lienert@oecd.org, ilienert@imf.org

¹ The author wishes to thank colleagues in the IMF's Fiscal Affairs Department—particularly Messrs. J. Diamond, D. Last, Y. Moussa—as well as K. Meyers of the IMF's African Department, and the Auditor-General of Rwanda for useful comments on an earlier draft.

Contents		Page
I.	Introduction.....	3
II.	The Inherited Budget Management System—Pre-1994.....	4
A.	Budget Preparation and Approval by Parliament.....	4
B.	The Inherited Budget Execution System.....	6
III.	Changes in Budget Management Since 1994.....	8
A.	Restoration of Basic Budgeting Capacity.....	8
B.	Reforms in Budget Formulation.....	8
C.	Adoption of a Second External Audit Body.....	9
D.	Decision to Decentralize Budget Management to Local Governments.....	9
IV.	The 2003 Constitution.....	10
A.	Parliamentary Powers.....	10
B.	Organic Laws That Affect the Budget Process.....	12
C.	Budget Preparation and Execution.....	13
D.	External Audit.....	14
E.	The Public Service Commission and Office of the Ombudsman.....	15
F.	Decentralized Authorities.....	16
V.	Key Outstanding Issues Affecting Budget Management.....	16
A.	Organic Law Relative to the Annual Budget Process.....	17
B.	The Responsibility of Spending Ministries in Budget Management.....	19
C.	Organic Laws Relating to Internal Organization in Parliament.....	20
D.	The Role of the Senate in Budgeting.....	21
E.	The Government Accounting System.....	22
F.	External Audit Legislation.....	23
G.	Decentralization Issues.....	24
H.	Strengthening Capacity.....	24
VI.	Concluding Remarks.....	25
Boxes		
1.	Principles Underlying the Belgian Budget-Management System.....	4
2.	Belgian Budget Execution System.....	6
3.	The 2003 Constitution—Legislature and Executive.....	11
	References.....	27

I. Introduction

Given the high cost of making collective decisions, government can function properly only if a large proportion of its day-to-day operations take place within a quasi-permanent constitutional structure. Individuals and groups must recognize the importance of constitutional-institutional continuity and the dependence of the democratic process on firm adherence to such continuity.

James M. Buchanan
Nobel Laureate in Economics, 1986

Few countries have the opportunity to choose a budget management system. Often, a piecemeal approach is adopted to deal with specific budgeting problems. The above citation identifies a major reason why countries are often unable to make a strategic choice and replace an “old” budget system with a new one. In many countries, the inherited constitutional-institutional arrangements are a powerful constraint. In some longstanding democracies, constitutional choices were made more than 200 years ago. In contrast, many African countries are in the early stages of democratization. New constitutions have been, or are being, put in place. Rwanda is such a country.

After three decades of a one-party state following independence from Belgium in 1962, the beginnings of a democratic state commenced in the early 1990s. A new constitution was adopted in 1991 to replace that of 1978. The 1991 Constitution authorized opposition political parties. Following the 1994 genocide, deputies of the Transitional National Assembly were appointed in accordance with the Fundamental Law of 1994. To pave the way for the full establishment of democracy, in 2000 a constitutional commission was established by law and given a principal task of drafting a new constitution. This task culminated in May 2003, when a new constitution was adopted.

This paper discusses the choices that have already been made regarding the budget system and the choices that are still open, given the constitutional constraints. Prior to examining key questions, it is necessary to review the inherited budgetary system, as it is likely to continue to influence actual budgeting practices. Even with clear directions from the legislature to introduce changes, the mere adoption of a new legal framework does not ensure that a new budget system will be implemented.

II. The Inherited Budget Management System—Pre-1994

Rwanda inherited a budget management system inspired largely by the colonial power, Belgium. This system was codified in 1979 by Decree-Law No. 23/79.² The inherited budget management system has a number of similarities with the French budget management system (see Bouley et al, 2001, Lienert, 2003). However, there are also some differences, largely emanating from the very high degree of fragmentation of different actors in budget execution and accounting processes. Unlike in France, the Belgian Court of Accounts is not confined to ex post audits. It is also involved in pre-audit, or internal control, functions (see below).

A. Budget Preparation and Approval by Parliament

Box 1. Principles Underlying the Belgian Budget Management System

- Annual basis of budget (no medium term framework)
- Universality (comprehensiveness)— budget and accounts cover all levels of government; revenues and expenditures are recorded on a gross basis
- Unity—there is one common pool for all revenues; revenues are not earmarked for specific expenditures
- Specialization—expenditures are authorized only for specific purposes. This translates into a detailed line-item budget based on inputs.
- Publication—of the budget and its accounts

Source: van de Voorde and Stienlet, 1990.

The 1979 Decree-Law incorporated the first four of these principles, but with a number of exceptions. The budget authorizations were to be annual, covering not only central government, but also territorial units and public entities³. Although a consolidated budget (*budget général*) was specified, the decree-law required it to be composed of four parts:

- the ordinary budget (*budget ordinaire*)
- the development budget (*budget de développement*)

² Confirmed by Law No. 01/82 of January 26, 1982. See *Journal Officiel*, 1982, page 227.

³ Public entities usually include both public enterprises (*établissements publics commerciaux et industriels*) and autonomous central government agencies (*établissements publics à caractère administratif*)

- the budget for public entities (*budget des établissements publics*)
- third-party transactions (*budget pour ordre*)

In reality, a dual budgeting system common in developing countries was implemented: an “ordinary” budget covering current revenues and expenditures, and a “development” budget, covering investment expenditures. The latter included projects financed by domestic resources, and especially, those financed by external bilateral donors or multilateral creditors.

The principle of budgetary unity broke down for certain revenues and expenditures. The decree-law established the central bank (*Banque Nationale du Rwanda*—BNR) as the government’s cashier. However, it did not explicitly state that all revenues must be paid into a single treasury account, out of which all expenditures are made. Thus, the Minister of Finance was permitted to open off-budget accounts. In particular—and typical of francophone countries—the State is authorized to use the obligatory deposits of public bodies and profits of public enterprises for its own cash management purposes. These mechanisms led to a lack of transparency in cash management (Bouley et. al.). Also, a few off-budget funds have been created, with specific expenditures financed by the earmarking of revenues (see IMF (2003)).

Concerning specialization, the decree-law merely required that the budget projections be prepared by budget actors (*les services intéressés*), with budget classification norms being established by the Minister of Finance. In practice, for each ministry, the recurrent budget followed a classification by economic type of expenditure (salaries, goods and services, etc.), whereas the development budget was, until recently, largely a listing of projects, mostly financed by donors. Until the mid-1990s, the budgets were prepared by two separate ministries: the Ministry of Finance for the recurrent budget and the Ministry of Plan for the investment budget.⁴

The principle of publication of the budget and its accounts, which in Belgium was considered essential for a parliamentary democracy, was not embodied in the 1979 decree-law. Although there was a parliament at that time, the country was a one-party State. Finally, although the date for adoption of the budget is not stated in the decree-law, it should be noted that the budget was often adopted very late by parliament.⁵

⁴ The Ministry of Finance and Economic Planning (MINECOFIN) was created in 1997 by the merger of the two ministries. For simplicity, in the remainder of this report, the merged ministry will be referred to as the “Ministry of Finance”.

⁵ For example, in 1990, the annual budget was adopted in November—11 months *after* the beginning of the fiscal year.

B. The Inherited Budget Execution System

The Belgian budget execution system is based on four stages (Box 2).

Box 2. Belgian Budget Execution System		
Stage of Spending	Key Players	Administrative Units
1. Commitment (<i>engagement</i>)	<i>Ordonnateur</i> (authorizing officer), controller of commitments	Controllers are placed in spending ministries, but are appointed by the Minister of Finance
2. Accrual (<i>liquidation</i>)	<i>Ordonnateur</i> , pre-auditors	Spending ministries Court of Accounts
3. Payment order issuance (<i>ordonnancement</i>)	<i>Ordonnateur</i> , pre-auditors, treasury officers	Spending ministries Court of Accounts Ministry of Finance (Treasury)
4. Payment (<i>Paiement</i>)	public accountant	Post Office Checking system, (exceptionally the National Bank)

Source: van de Voorde and Stienlet, 1990

The first stage—commitment, or entering into a contract that will result in spending—requires a priori approval (a first “visa” control) by a financial controller appointed by the Ministry of Finance. This is followed by the *liquidation* (accrual) and *ordonnancement* stages, which are in two parts. First, there is a provisional *liquidation* stage, when the spending department establishes the exact amount of government debt, following receipt of goods/services and an invoice. A provisional payment order is issued by the spending ministry. These are sent to the Court of Accounts for verification and another “visa” control (*liquidation definitive*).⁶ This second internal control allows the Treasury Division (*Administration de la Trésorerie*) of the Ministry of Finance to proceed to a final payment order issuance (*ordonnancement de paiement définitif*). Besides *ordonnancement de paiement*, there is also an *ordonnancement d’imputation*, which allows the Court of Accounts and the Treasury to record in the budget accounts the amount of each transaction.⁷

⁶ Article 180 of the Belgian Constitution assigns the Court of Accounts to verify the accrual stage (*La Cour est chargée de l’examen et de la liquidation des comptes de l’administration générale et de tous comptes*—see http://www.senate.be/doc/const_fr.html#t5).

⁷ The system is further complicated by (1) two types of *ordonnancement d’imputation* that are exempted from the a priori approval of the Court of Accounts: one for ordinary spending to be paid rapidly before all

Given the complexity of the Belgian system, it is unsurprising that the 1979 decree-law adopted in Rwanda was also complex, at least on paper. The various actors in budget execution were adapted to the political arrangement prevailing at that time, as follows. The President of the Republic was assigned the role of the principal general budget authorizing officer (*Ordonnateur Général*), with the Minister of Finance assigned as the delegated general budget authorizing officer (*Ordonnateur Général Délégué*). For the recurrent budget, delegated budget authorizing officers (*Ordonnateurs Délégués*) were other Ministers and other officials, including the Secretary General at the Presidency. For the development budget, the Minister of Plan was the delegated budget authorizing officer.⁸

The administrative responsibilities in the Belgian system are more fragmented than the French system, which itself is complex, being based on the principle of the separation of the *ordonnateur* and *comptable*.⁹ This states that the tasks of people responsible for authorizing expenditures (or preparing tax assessments) (*ordonnateurs*) are incompatible with the tasks of treasury accountants (*comptables publics*) who handle the cash. In Rwanda, not only was the principle of the separation of the *ordonnateur* and *comptable* embodied in the 1979 decree-law, but the functions of those actors in the budget process are also stated to be mutually incompatible with other posts established by the 1979 decree-law, notably the *Ordonnateur-Trésorier*, the General Financial Inspector (*Inspecteur Général des Finances*), Financial Controllers (*Contrôleurs des Finances*) and budget managers in spending ministries (*gestionnaires de crédits*).

According to the 1979 decree-law, the *Ordonnateur-Trésorier*'s major tasks were stated to be centralizing, authorizing and regularizing payment order requests. He was not required to keep accounts of final payments or receipts during the course of the year—only annually. The General Financial Inspector was assigned the tasks of preparing the final nontreasury accounts, the annual report on budget execution, the first visa control on expenditures (assisted by financial controllers). The Court of Accounts (*Cour des Comptes*) was assigned the tasks of preparing an annual report and issuing a certificate of conformity of the accounts of the *ordonnateurs* with those of the *comptables*.

Unlike in Belgium, the Court of Accounts was not assigned to be responsible for the second visa control of *liquidations*. It was envisaged that *gestionnaires* and *sous-*

documents are available and another for spending from revolving funds administered by special accountants for specific expenditure or for petty cash; and (2) *ordonnancement de regularization* for expenditures that do not require any intervention by the Court of Accounts.

⁸ Since the mid-1990s, the annual budget law confirmed or added to these arrangements. For example, for the provincial budgets (included in the central government's budget), provincial governors (*préfets*) were identified as the delegated budget authorizing officers. In the English version of the annual budget, the term *ordonnateur* was mistranslated as "paymaster". Such a term connotes authority over payment of government invoices, whereas the term *ordonnateur* connotes budgetary authority, particularly authority to make commitments (*engagements*) that eventually require payment.

⁹ The principle, which was already coming under attack in France in the 1990s (see Saidj, 1993), may be abandoned when implementing the 2001 Organic Budget Law (see Harcourt, 2001) before 2006.

gestionnaires de credit (budget managers in spending ministries and other agencies) would perform accrual stage tasks, under the responsibility of the *ordonnateurs-délégués* (Ministers, etc.).

Several of the envisaged administrative arrangements were not implemented, in part because of the complexity and lack of clarity in the decree-law. The General Financial Inspector never performed the envisaged accounting functions. Nor did the *Ordonnateur-Trésorier*. A nationwide treasury accountant system, which was implicit in the decree-law, was never set up. All payments—at least those in Kigali—took place at the BNR. As a consequence, the best place to find the records of actual tax collections and cash expenditures was at the central bank¹⁰. Detailed accounts, consistent with the budget's classification of revenues and expenditures, were not available. This situation has prevailed to the present day.

In summary, the still-valid legal basis for budgeting and accounting—the 1979 decree-law—is completely out of touch with the realities of modern budgeting.

III. Changes in Budget Management Since 1994

A. Restoration of Basic Budgeting Capacity

Immediately following the genocide of 1994, capacity to prepare and implement an annual budget was seriously eroded—there were serious shortages of qualified personnel. Higher-ranking officials of the previous regime were replaced by officials of the new government, with several of them coming from neighboring countries of an Anglophone tradition, especially Uganda and Tanzania. This necessitated adaptation to a new situation where some officials were working principally in English and others were working in French. A similar situation prevailed at the Parliament of the transitional government.

Under the difficult conditions, it is not surprising that the annual budgets for 1995-96 were not adopted before the beginning of the fiscal year. However, by the late 1990s the budget was not only prepared on time, but the information contained in it was, in general, at least at an average standard for comparable low-income countries.¹¹

B. Reforms in Budget Formulation

As from the late 1990s, major efforts were made to improve budget preparation. With the assistance of external donors, a new budget classification system was introduced in 2000.

¹⁰This is also true for other countries formerly ruled by Belgium, notably Burundi and the Democratic Republic of Congo.

¹¹ It is to Rwanda's credit that it was relatively well placed amongst the 24 heavily indebted countries surveyed in 2001. See Figure 1 of IMF (2002).

All government ministries and other “Votes” were required to formulate their budgets in terms of programs and subprograms, an approach that allows a focus on the objectives and, eventually, on program results. Also, the annual budget was formulated in the context of a medium-term budget framework, which allowed the identification of the reorientation of expenditures towards those of the highest priority (in Rwanda’s case, these are mainly outlays on education, health, agriculture and defense). Finally, there was also a movement towards integrating the development budget with the recurrent budget. As a first step in this process, the budget has been presented as one unified document. However, development budget expenditures are not yet fully integrated with the programmatic approach of the recurrent budget.

C. Adoption of a Second External Audit Body

The 1991 Constitution referred to the Court of Accounts as the external audit agency. In 1998, to enhance accountability, it was decided to establish an Office of the Auditor General (OAG). It was initially believed that the role of the OAG (based on the model of the United Kingdom), which encompasses audits of efficiency and effectiveness in addition to financial audits, was sufficiently distinct from the Court of Accounts’ emphasis on judging the consolidated financial accounts (as in the Belgian model). Also, by 1998, considerable technical assistance in budget management was being provided by the United Kingdom and other donors sympathetic to the “anglosaxon” approach to budget management. This was particularly the case for external audit, where various donors provided considerable technical assistance to the OAG. Rwanda’s pre-genocide continental European bilateral donors did not attempt to strengthen the Court of Accounts. In practice, neither external audit body was able to function properly, due to the unavailability of consolidated annual accounts of government (see below).

D. Decision to Decentralize Budget Management to Local Governments

Although Rwanda is a small country, it has a long tradition of administrative decentralization. Long before 1994, the country was divided into 12 provinces (*prefectures*—inclusive of the city of Kigali) with layers of subdivisions below this, right down to small “cells”. In each cell, citizens were required to perform unremunerated Saturday morning work beneficial to the community.

Believing that some government services may be delivered more effectively to citizens if decisions are made at lower levels of government, in 2000 the government supplemented administrative decentralization with political decentralization. To this end, four decentralization laws, relating to provinces, districts, the city of Kigali, and urban authorities, were adopted.¹² These aim to transfer progressively certain revenue and expenditure competencies to the 106 districts, which are to become the focal point of political decentralization.

¹² Law No. 43/2000 Establishing the Organization and Functioning of Provinces; Law No. 4/2001 Establishing the Organization and Functioning of Districts; Law No 5/2001 Establishing the Organization and Functioning of Urban Authorities; and Law No 7/2001 Establishing the Organization and Administration of the City of Kigali.

IV. The 2003 Constitution

In order to put in place democratic institutions, strengthen national unity and reconciliation, and build a State governed by the rule of law, in the late 1990s, the transitional government and parliament established a Constitutional Commission. The Commission's principal aim was to draft a new constitution that would guarantee basic human rights and lay out basic governance structures. The Commission gathered ideas from throughout the nation and abroad. On May 26, 2003, the new Constitution was approved in a national referendum, and adopted in Parliament on June 4, 2003 (see http://www.cjcr.gov.rw/eng/constitution_eng.doc)

A. Parliamentary Powers

The Constitution recognizes a multi-party system of government with three branches: the legislature, the executive, and the judiciary, which "are separate and independent from one another but are all complementary" (Box 3).

Parliamentary Powers and Constraints for Budgeting

A key annual legislative act for the Chamber of Deputies is to adopt the annual finance law (hereafter, the annual appropriations bill or "budget"). Article 79 states that "the Chamber of Deputies shall receive the finance bill before the commencement of the budget session". The budget must be presented before the beginning of the third parliamentary session, which is mandated to be October 5 (Article 71). Thus an important choice, consistent with allowing adequate time at Parliament for budget discussions, has been made.

A second important choice has been to restrict Parliament from increasing the fiscal deficit proposed by the executive branch. *Bills and statutory amendments which have the potential to reduce government revenue or increase State expenditure must indicate proposals for raising revenues or making savings equivalent to the anticipated expenditure* (Article 91). Such a provision contributes to fiscal discipline.

The Constitution does not impose any quantitative "fiscal rules", such as limiting public sector debt to a specific amount or requiring a zero-deficit budget, on average, over the economic cycle. Such rules may prevent flexibility in fiscal management and they may be circumvented (possibly using "creative accounting") or require a strong independent oversight body to ensure their respect (Kopits, 1996).

Box 3. The 2003 Constitution—Legislature and Executive

A. The Legislature

- A bi-cameral Parliament, with an elected chamber of deputies (80 members) and a Senate (26 members), elected or appointed
- Parliament has sole prerogative to enact laws.
- Each chamber has its own budget and enjoys financial and administrative autonomy.
- The Chamber of deputies can initiate a vote of no confidence in the government.

B. The Executive

- President of the Republic:
 - elected by universal suffrage for a 7 year period
 - promulgates laws or may veto them
 - makes appointments of the Prime Minister, other Ministers and very senior public servants
 - can dissolve parliament, after consultation with all three branches of government
- Cabinet:
 - members appointed by the President of the Republic, selected from political organizations on the basis of their seats in the Chamber of Deputies
 - deliberates on bills and draft decree-laws
 - implements national policy agreed by the President of the Republic
 - accountable to the President of the Republic and Parliament
- Prime Minister:
 - presides over Cabinet meetings, unless attended by the President of the Republic
 - makes appointments of some senior public servants, including Secretary-Generals of Ministries

Official languages : Kinyarwanda, French, and English

Role of Senate in Budget Process is Unclear

Whereas it is clear from the Constitution that the Chamber of Deputies must adopt the budget, the role of the Senate in examining, and/or approving, the annual budget is less clear. Article 79 states that “*Before the final adoption of the budget, the President of the Chamber of Deputies seeks the opinion of the Senate on the finance bill*”. The Constitution does not, however, lay out provisions for resolving any possible conflicts between the two chambers over the draft budget. What would happen, for example, if the

Senate had an opinion concerning the composition of spending in the draft annual budget that differed widely from that of the Chamber of Deputies?

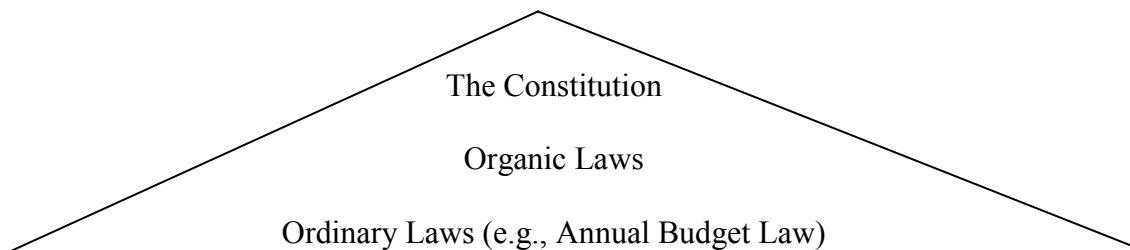
Further uncertainty regarding the role of the Senate arises with respect to its stated competencies. In legislative matters, the Senate is competent to vote on organic laws and laws relating to defence and security (Article 88). What happens if the Senate disagrees with the Chamber of Deputies over certain clauses of draft organic laws? Similarly, since the annual budget (*loi de finances*) provides the legal basis for annual spending on defence and security, and the Senate is competent to vote on defence and security, will the Senate be systematically asked to approve the annual budget estimates in these two areas? If yes, will separate draft appropriation bills be presented to parliament: one which only requires approval of the Chamber of Deputies and a second appropriations bill (that for defence and security) that requires the approval of both houses of parliament? Since the Senate is also competent to vote on laws relating to elections, similar questions arise with respect to the Senate's role in approving the draft annual budget estimate's pertaining to the National Electoral Commission, which is established in the Constitution.

An essential task of the Senate is to approve the appointments of certain senior officials, including the Auditor General. Is this an exclusive authority or will the Chamber of Deputies have any influence in the decision? More importantly, how will the Senate's authority be coordinated with Cabinet orders, signed by the President of the Republic, regarding the appointment of senior public servants, including heads of special institutions established in the Constitution, such as the Office of the Auditor General?

Finally, concerning the *termination* of the services of certain senior public servants, the Constitution empowers the President of the Republic to sign Cabinet orders terminating such services. The Constitution is silent as to whether either chamber of Parliament would be involved in the cessation of functions of senior public servants such as the Auditor General.

B. Organic Laws That Affect the Budget Process

The Constitution incorporates a three-tier legislative framework:



Whereas ordinary laws are to be adopted by simple majority, organic laws require a majority of three fifths of the members present in each Chamber. Since organic laws are more difficult to amend, it is appropriate that only general principles are provided in

organic laws. In particular, organic laws should not contain detailed provisions that thwart flexibility for budget management.

The Constitution mentions three organic laws that are relevant to the budget process, notably those relating to:

- the annual budget law that determines State revenues and expenditures
- the powers of the bureau of the Chamber of Deputies
- the powers of the bureau of the Senate

Whereas the first organic law should cover the procedures for each stage of the budget process, especially those where the executive is involved, the latter two organic laws relate exclusively to the generic and budgetary procedures of the legislature. At the time of writing, none of these organic laws had been adopted.

C. Budget Preparation and Execution

Appropriately, the Constitution does not provide details on budget preparation. Concerning timing, the Constitution does not specify that the Chamber of Deputies must adopt the budget before the beginning of the fiscal year. However, *“in the event that the finance bill is not voted and promulgated before the commencement of a financial year, the Prime Minister authorizes by an order a monthly expenditure on a provisional basis of an amount equal to one twelfth of the budget of the preceding year”* (Article 80). A choice has been made to prevent a government shutdown should the budget not be adopted in a timely manner.

Regarding budget execution for the previous year, the Constitution requires Cabinet to submit, before June 30th of the following year, to the Chamber of Deputies a finance bill with a report on implementation of the budget, certified by the Auditor General. To achieve this deadline, *“Cabinet shall submit a report on the implementation of the budget to the Auditor General not later than March 31st of the following financial year”*. The French version of the Constitution specifies that this finance bill is a law concerning accounts: *une loi des comptes*. Budget execution laws (*“loi de règlement définitif”*) are typical in countries of francophone inheritance.¹³ In such countries, a Court of Accounts has the traditional function of performing a compliance, or financial, audit—certifying that accounting statements on budget outcomes are authentic.¹⁴ Such laws approve any

¹³ For Belgium, for example, see van de Voorde and Stienlet (1990). In 1989, the law in Belgium was changed to require the Court of Accounts to provide to Parliament a preliminary report on budget execution, soon after the closure of the fiscal year, and before the formal presentation of the *projet de loi de comptes* to Parliament. For France, see for example, Drain (1995) and Cieutet (2001) for the Court’s roles.

¹⁴ Budget execution laws are unknown in anglophone countries. Budget execution is reported to Parliament, but a law certifying the legality of the budget outcome is not required.

after-the-event divergences from initial (or revised) budget appropriations and formally discharge Ministers of their budget execution responsibilities.

The Constitution does not specify any requirements for *current* year reporting of budget execution. The only constitutionally-mandated reporting of the budget is ex post, concerning the *previous* year.

D. External Audit

The Constitution specifies that the OAG is an independent national institution responsible for the audit of State finances. The independence of the OAG is guaranteed as follows: “*no person shall be permitted to interfere in the functioning of the Office or to give instructions to its personnel.*” By not mentioning the Court of Accounts the 2003 Constitution *de facto* abolishes the Court of Accounts,¹⁵ which had been operating as a chamber under the Supreme Court—the judicial branch of government.

The Constitution confers wide-ranging responsibilities on the OAG, including to:

- audit whether revenues and expenditures of the State, as well as local governments, public enterprises and parastatal organizations, were in accordance with the laws and regulations in force.
- verify whether expenditures were in conformity with sound management and whether they were legal and necessary.
- carry out all audits of accounts, management, portfolio and strategies which were applied in institutions mentioned above.

Each year, the Auditor-General is required to submit to each Chamber of Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year (i.e., in early October), a complete report on the implementation of the State budget of the previous year. This report must indicate the manner in which the budget was utilized, expenses¹⁶ which were contrary to the law and whether there was misappropriation of public funds. A copy of the report shall be submitted to the President of the Republic, Cabinet, the President of the Supreme Court and the Prosecutor General of the Republic. This report appears to be fuller report than that required by Article 79 on the draft law on the annual accounts, required by June 30th.

The independence and submission of an annual report to Parliament are two requirements of the “Lima guidelines” of the International Organization of Supreme Audit Institutions

¹⁵ At the time of writing, a law modifying the chambers of the Supreme court had not been adopted (*de jure* abolition of the Court of Accounts).

¹⁶ The word “expense”, which is an accrual accounting term distinct from “expenditure”, is used in the Constitution. See glossary of accounting terms, issued by the International Federation of Accountants <http://www.ifac.org/Members/Downloads/2003-PSC-Glossary1-18.pdf>.

(INTOSAI)—see www.intosai.org. These guidelines also recommend that the publication of the annual report and the procedures for removal of the Auditor-General from office be embodied in the Constitution. The Constitution does not state explicitly that the OAG's annual report needs to be published. Mere transmittal of the Auditor General's report to Parliament does not necessarily ensure that the public has access to it.

The Constitution does not contain provisions for parliamentary involvement in a possible removal of the Auditor-General, which could constitutionally be made by the President of the Republic alone. The reasons for possible dismissal are not specified in the Constitution. In this context, it is typical for an Auditor General to be removed from office only for neglect of duty, misconduct, disability or bankruptcy. This would typically be a joint decision of the Executive and Parliament.

E. The Public Service Commission and Office of the Ombudsman

The Constitution establishes a number of special commissions and organs impacting on public sector management and accountability. Such bodies are to be established by law, which will elaborate on their roles and responsibilities, their financial and operational independence, and their relationships with executive and parliamentary bodies. The subsection considers two of these bodies of importance to budget management.

The Public Service Commission

The Public Service Commission (PSC) is to have far-reaching responsibilities, with implications for the State budget. Amongst its responsibilities specified in the Constitution are:

- *the recruitment and appointment of public servants in central government and other public institutions.*
- *the submission of names of candidates to the institutions concerned for employment, appointment and promotion of candidates who fulfill all the required conditions and have the most suitable qualifications for the job for which they have applied, taking into account the record of their conduct.*

It is also stated that “*the management and personnel of the Commission are prohibited from seeking or accepting instructions from private persons or public officials from outside the Commission*” and that “*the Public Service Commission submits each year its program and activity report to the Parliament and Cabinet*”.

By the above, important choices have been made, including: (1) the establishment of an independent Commission for public sector human resource management; (2) the centralization of recruitment of public servants. The implementation of these choices raises questions. How independent will the PSC be in making decisions? What happens, for example, if Secretary Generals of ministries and managers of other public bodies are in disagreement on the skill requirements of staff to be recruited to, and promoted within, his/her ministry or agency? Also, the detailed estimates for recruiting new personnel and

promoting existing staff will be made by ministries as part of the annual budget process. Will the PSC be involved in establishing guidelines for the government's total salary bill and corresponding numbers of staff? Or will its role be merely confined to ensuring that recruitment and promotion is objective, impartial, transparent and fair to all?

Office of the Ombudsman

An Ombudsman is established under the Constitution. The Office's responsibilities include preventing and fighting corruption in public administration, and investigating complaints from individuals and associations against acts of public officials. The Constitution therefore establishes a body that will allow citizens to lodge complaints against excesses by public institutions. If effective, the Ombudsman could be a force for reducing corruption and injustices emanating from the public sector.

F. Decentralized Authorities

The Constitution contains provisions relating to decentralized bodies, notably:

- *public administration shall be decentralized in accordance with the provisions of the law.*
- *decentralized organs shall fall under the Ministry having local government in its functions.* This is currently the Ministry of Social Affairs and Local Government (MINALOC).
- *a National Dialogue Council is established, bringing together the President of the Republic and five representatives of each district, municipality and town council.* Members of Cabinet, Parliament, governors of provinces and the mayor of the city of Kigali may attend meetings of the Council.

Laws establishing provinces, districts, urban authorities, and the city of Kigali were adopted in 2000 and 2001. It is unlikely that these laws will need many, if any, changes because of these general provisions of the new Constitution. The 11 provinces are arms of central government, administered by provincial governors are to be appointed by the President of the Republic. Provinces are part of the central government's budget, whereas districts and cities have budgetary autonomy.

V. Key Outstanding Issues Affecting Budget Management

The framework provided by the Constitution now needs to be completed by additional legal provisions affecting the budget process, notably high-level organic laws, ordinary laws, and executive orders, decrees, regulations and instructions. These will cover the various budgeting processes, institutions and organizations involved in:

- budget preparation and execution—responsibilities mainly of the Executive.
- adoption by law of the annual budget—this is Parliament's responsibility.

- audit of the annual budget—the principal task of the Auditor General.

The remainder of this paper examines eight key issues to be addressed.

A. Organic Law Relative to the Annual Budget Process

As a guiding principle, organic laws should contain general principles that can stand the test of time. Any details to accompany organic laws can be provided either by ordinary laws or by internal regulations of the legislature or the executive. The most important issues affecting generic budget processes to be included in the OBL required by the Constitution are:

The Preparation of the Annual Budget by the Executive

This section of the OBL would focus on general principles of unity, comprehensiveness, and specificity (classification of revenues, expenditures, assets and liabilities; the appropriations structure). It would also define deficits/surpluses; require a medium-term macro-fiscal framework; specify the main documents to be presented to Parliament; and make provision for supplementary budgets. Details of the budget calendar could be provided in the Ministry of Finance's (MOF's) annual budget circular.

The Adoption of the Annual Budget by Parliament

The Constitution already provides a calendar for submission of the annual budget to Parliament. Once received, Parliament, by its own internal procedures—codified in an organic budget law (OBL) (see subsection C below)—would, ideally, adopt the budget before the start of the new fiscal year. In the interest of keeping the OBL as simple as possible, there is no need to elaborate on the parliamentary approval process in the OBL, apart from specifying general procedures for coordination with local governments' budgets and the need for publication of the adopted budget and all accompanying documents.

The Execution of the Budget, Inclusive of Arrangements for Government Borrowing and Debt Management

An OBL does not need to contain detailed procedures for budget execution, including mechanisms for the apportionment of appropriations, expenditure control, arrears prevention, internal audit, collection of revenues and payment of invoices or government personnel. Such procedures can be including in procurement rules,¹⁷ Financial Regulations, and/or Internal Audit guidelines. Once the OBL is adopted, financial

¹⁷ A new procurement law will be considered by Parliament in late 2003.

regulations will need to be finalized and/or finalized. These will also need to incorporate the latest developments in the computerization of budget execution.¹⁸

Concerning public debt, there are two broad choices: either (1) incorporate general principles for borrowing and debt management in the OBL, leaving details to regulations; or (2) in the OBL merely mention that government borrowing and debt management arrangements will be governed by law and then proceed to draft a separate Public Debt Law. Either way, it is important that annual public debt limits are established, consistent with medium-term budget and debt strategy. Quantitative limits on debt, if required, are better established in the annual budget law or an ordinary law, not the OBL.

Government Accounting Arrangements

Parliament should be presented with a draft budget that is clear, especially so that the purposes for which expenditure is to be appropriated are easily identified and consistent with national objectives. The OBL only needs to specify that the executive will, in collaboration with outside bodies such as the OAG and the parliamentary budget committee, establish accounting standards following generally accepted accounting practices, and that these will be promulgated and be used nationwide. Accounting manuals, rather than a separate public accounting law, will be required to implement the standards, once agreed.

Fiscal Reporting—Both In-Year and Annual Accounts—and External Audit

Parliament's main concern is to receive reports on budget implementation, with explanations of why the budget is off-track, should this happen. The OBL can lay out general principles requiring the executive to report to Parliament at periodic intervals. Some more advanced countries, in the context of making improvements in the accountability of the executive to parliament have laid out in law (e.g., Fiscal Responsibility Acts) specific reporting requirements. On the basis of such legislation or actual practices, OECD has issued best practice guidelines for preparing monthly, mid-year, end-year, pre-budget and pre-elections fiscal reports, as well as specific disclosures on government assets, liabilities (especially debt and debt guarantees), tax expenditures.¹⁹

In view of Rwanda's need to establish a functioning accounting system, it is appropriate at this stage to list in the OBL the most essential reports that could feasibly be produced by the Ministry of Finance: monthly, mid-year, and annual accounts—for central and local governments (inclusive of any extrabudgetary funds at all levels of government), to enable periodic reports for the nation as a whole.

¹⁸ The expenditure phases and the expenditure control system: from commitments to payments has been computerized by the so-called SIBET system. This system is being progressively expanded to cover all central government ministries, as well as provincial operations of central government.

¹⁹ See <http://www.oecd.org/dataoecd/33/13/1905258.pdf>

B. The Responsibility of Spending Ministries in Budget Management

It is difficult to isolate generic budget processes from the main actors in these processes. One option would be to include in the OBL a specification of the roles and responsibilities of the key players in the budget preparation and execution. Within the executive, what budgetary powers should be granted to, or delegated to:

- Cabinet as a collective body?
- the Minister of Finance, who is responsible for good financial management in government?
- other ministers—who are concerned with sectoral budgets?
- Secretary Generals (Heads of Ministries), Prefects (Heads of provinces), Council Chairpersons or Mayors (political leaders in districts)—who are authorized to prepare and execute budgets?
- officials in ministries, especially those performing budgetary, accounting, or treasury functions.

The draft organic budget law under consideration is making the choice to establish a strong proposes minister of finance, by providing him/her with considerable powers in the management of the budget preparation, execution, accounting, and fiscal reporting processes. It is important that the Minister has powers to advise the government on the strategy to attain the national objectives, consistent with annual and medium-term budgetary frameworks and policies, all approved by government. In view of the constitutionally-endorsed decentralization of certain government functions to lower levels of government, it is important that the minister of finance is authorized to obtain periodic fiscal reports from districts, so as to ensure that revenues, expenditures and borrowing by districts are consistent with overall fiscal policy and public debt strategies agreed by the central government.

There is a need for responsible management in individual ministries, provinces,²⁰ and districts. The OBL could usefully spell out the responsibilities of senior officers in ministries (provinces, districts) for integrated budget management. It is important that senior officials are fully aware of not only the key elements underlying budget preparation, but also those for budget execution and accounting. Chief budget officers play a key role in preparing the annual reports of budget performance and, in association with Ministers (or their equivalent in lower level governments), in defending budget outcomes before Parliament.

²⁰ Currently, provinces' budgets are shown as a separate Vote (title) in the central government budget. The regional governor (prefect) is largely responsible for provincial budget preparation and execution, in collaboration with the Ministry of Economic Planning and Finance and relevant sector Ministries.

Special arrangements are needed for budget management in constitutionally independent entities such as the two chambers of Parliament, the OAG, the Electoral and other Commissions. Compared with ministries, they should be provided with greater autonomy in the preparation of their budgets.

C. Organic Laws Relating to Internal Organization in Parliament

The Constitution envisages that the organization and procedures of the Chamber of Deputies and of the Senate will have separate organic laws to determine the powers of the Bureau of each chamber; the number, duties, powers and procedures of appointment of standing committees; the organization of departments in each chamber; the code governing the conduct of members; and the different modes of voting internally.

A key question concerns the amount of detail to place in these two organic laws. Should they be confined solely to principles relating to the above and leave details such as agenda-setting, detailed voting procedures, etc. to internal regulations, or should they be all-encompassing laws with considerable detail? A major advantage of the former approach is that parliament can amend internal regulations to accommodate minor procedural changes, without having to amend the high-level organic laws. If, however, a detailed organic law is to be adopted, then the law of August 13, 1998 governing the Organization and Functioning of the Transitional National Assembly could be used as a starting point for drafting the organic law to govern the organization of the Chamber of Deputies.

Whatever approach is taken, the organic law and/or internal regulations for parliament will establish the various parliamentary committees, as well as any subcommittees that report to committees. Depending on the competencies assigned to them, committees play an important role in the budget adoption process. If present practices continue, then amendments to the proposed budget can only originate in committee(s). Currently, the Chamber of Deputies has nine committees,²¹ of which two are particularly relevant to budgeting, notably the Committee on Economy and Trade and the State Budget and Property Committee. The former is responsible for economic issues, including the national development plan. The latter is responsible for “issues related to the State budget; follow-up on the reports and judgments of the Court of Accounts; and any problem pertaining to the management of State property and finance.”

In earlier times, the Ministry of Plan was responsible for the development of the national plan. However, since the late 1990s, the planning process has been progressively replaced by a more global medium-term budget framework that encompasses both current and capital expenditures. In particular, since the adoption of a new budget nomenclature in 2000, for each Ministry and province, the State budget for current expenditure is adopted principally by program and subprogram.

²¹ See <http://www.rwandaparliament.gov.rw/en/legis/rules.html>.

For Parliament, it will therefore be important to establish a committee structure that is competent to examine: (1) the draft budget and propose amendments prior to its adoption in plenary session; and (2) the draft budget execution law (*loi des comptes*), which will be accompanied by the report of the OAG. Eventually, it would be useful to accompany the draft budget execution law with annual reports for each spending ministry and other public bodies with separate budget titles. These would compare the ex ante values for the performance indicators with ex post outcomes.

Parliament could, initially, establish a single budget committee in the chamber of deputies. If necessary, subcommittees could be formed, one specializing in examining the draft budget for the coming year (in collaboration with any sectoral committees of parliament) and a second subcommittee focusing on budget outcomes—both financial and value-for-money.²² Alternatively, two separate committees could be established, although this would have the disadvantage of de-linking budget formulation from past budget outcomes.

Whatever committee structure is set up, it will also be important that the internal regulations of parliament establish rules limiting debate time on the draft budget, the aim being for parliament to adopt the annual budget before the beginning of the fiscal year.

D. The Role of the Senate in Budgeting

Although nearly half of the Senators will be representatives of provinces or the city of Kigali, the Senate does not appear to have any legislative authority in laws affecting districts and cities. Nor does the Constitution provide the Senate with legislative authority for the annual budget. Nonetheless, as discussed above, there is a need to clarify how the Senate's "opinion" on the draft annual budget will be treated, especially if the Senate has a widely different view on the budget than that agreed within the Chamber of Deputies. Will internal rules be established to oblige the Chamber of Deputies to amend the budget to take account of any objections that the Senate may have? Or is the Senate's "opinion" to be non-binding—a mere formality?

Since the Senate is competent to vote on organic laws, procedures are required for this purpose. Principles will be laid out in the organic law relating to the internal organization of the Senate. This organic law needs to specify the powers and timing of amendments by the Senate. The Senate committee(s) responsible for examining draft organic laws will also need to be decided. Since the Senate is competent to vote on defence, security and electoral matters, internal rules need to be established within the Senate specifying its powers with respect to draft annual budget estimates in these areas.

²² This second subcommittee would perform a role equivalent to a "public accounts committee" in some anglophone countries. For a fuller discussion on the role of parliamentary committees in South Africa, Australia, Germany and United Kingdom, see Krafchik and Wehner (1999). See Drain (1995) for a discussion of the organization of the *Commission des finances* in France.

Regarding procedures for resolving possible conflicts with the Chamber of Deputies on draft laws, Article 95 of the Constitution requires the setting up of a joint Commission that endeavors to reach a compromise. The Constitution does not provide a solution (apart from returning the law to its initiator) in the event that the two chambers do not adopt the compromise agreement. One option would be to give the Chamber of Deputies the final authority to adopt the law, since deputies are *elected* representatives of the people. This could be important should there be, for example, a parliamentary impasse on the budget proposal of the Ministry of Defence.

The organic law or detailed internal regulations governing the Senate need to specify its powers and responsibilities in approving appointments of certain senior officials. Rules to prevent unnecessarily long delays by the Senate in approving Cabinet propositions relating to the appointment of senior public servants are in order. It would be unfortunate should the Senate delay the appointment of the Auditor General (for example), as he/she is required to provide the needed direction of this important accountability body.

Finally, the organic law governing the Senate could usefully require Senate approval concerning the *termination* of the services of certain senior public servants. In a democracy, it is preferable not provide exclusive authority to the President of the Republic to unilaterally suspend the Auditor General (as happened in one African country in 2001²³).

E. The Government Accounting System

In 2001, the government finalized a draft Public Accounting Law. However, in view of the decision to adopt a new Constitution, both of the draft OBL and the draft Public Accounting law were withdrawn from Parliament in 2001.

The draft Public Accounting Law incorporated the principle of the incompatibility of the payment authorizing officer (*ordonnateur*) and the public accountant. Many articles of the draft law were devoted to defining the responsibilities of these two distinct players, thereby retaining many of the undesirable provisions of the archaic 1979 decree described earlier in this paper. The role of budget managers (*gestionnaires de credit*) was not well defined. The centralization and fragmentation of power within the MOF and the lack of responsibility of spending ministries in budget management is now under attack in the few countries that use this type of public finance system.²⁴

The draft public accounting law also referred to the Court of Accounts, which is now defunct. It did not require that the accounting system be aligned with the budget classification system. In particular, the classification of revenues and expenditures in the

²³ See <http://www.gambianews.com/gambia%20daily/2001/15-01-01.htm>.

²⁴ For example, the new Organic Budget Law adopted in France in August 2001 increases the responsibility of managers in spending ministries, as they will have to prepare annual reports that include an evaluation of the programs that were adopted in the budget 12 months earlier.

proposed chart of accounts bore no resemblance to the program-based budgetary nomenclature adopted in 2000.

Since 2002, and with donor assistance (USAID-financed), local governments have been developing a chart of accounts that did not correspond to that developed for use by central government.

Thus, there is an urgent need to:

- establish a unique chart of accounts that can be used nationwide. It is important that the accounting systems of central and district governments are harmonized so as to provide a consolidated picture of nationwide fiscal developments.
- harmonize the budgeting and accounting frameworks, so that cash spending can be reported on the same basis as the budget nomenclature, without the use of bridge tables.

Once there is agreement on the nationwide accounting system, it will be important to:

- Use the harmonized budget and accounting framework to generate consolidated reports for general government, i.e., for central government, local governments and all extrabudgetary funds.²⁵
- Draft and disseminate Accounting Manuals and Guides.

F. External Audit Legislation

Under the 2003 Constitution, the Auditor-General will serve primarily the needs of Parliament, rather than the Executive, as in the past. This brings Rwanda into line with desirable international practice. To reflect this important choice, some clauses in the 1998 Act establishing the OAG are planned to be altered. By November 2003, Cabinet had already approved amendments to the law, to include issues omitted from the Constitution (see section IV. C above). These include:

- Elaborating on the reporting requirements of the AG. The AG's report on the draft law on the annual accounts, required by June 30th, will certify annual accounts. The AG's detailed annual report to be provided to Parliament prior to its October session will provide a summary of audits conducted during the past year.
- Stating explicitly that the OAG's annual report will be published.

²⁵ This will require developing regular reporting by districts to central government. Consolidation would include the transactions of the Equalization Fund and the Common Development Fund (which earmark central government revenues for districts' *recurrent* and *development* budgets respectively).

- Specifying that the President of the Republic can terminate the services of the AG, but only on the grounds of physical or mental disability, improper behavior, or incompetence. The Senate must ratify any such suspension from duties.

G. Decentralization Issues

The choice to make lower levels of government responsible for certain expenditures raises important questions on how nationwide fiscal management will function in the future. Since the capacity to raise tax or nontax revenue at local government level is limited, districts and cities will be largely dependent on central government transfers or foreign grants. Already, at least one bilateral donor is providing substantial grants directly to local governments. Limited revenue-raising capacity in districts raises a number of issues, including the need to:

- design an appropriation mechanism for intergovernmental transfers.
- monitor, at central government level, the inflows and outflows of local government finances, inclusive of any grants provided by donors (bilateral governments or NGOs), so that national objectives for economic development, as espoused in the Poverty Reduction Strategy Paper are achieved.
- Ensure local government indebtedness does not rise to proportions that risk derailing central government fiscal objectives.

On the second point, the Constitution (French version) specifies that the decentralized *powers* granted to local governments are placed under the authority of the MINALOC. Since one of the powers of local governments is the preparation, adoption and execution of their own budgets, the question arises as to the whether the Ministry of Finance, as guardian of the nation's public finance system, is to play an oversight role. The Constitution does not establish arrangements for coordination in macro-fiscal management of these two central government ministries. It is unclear, at this stage, what will be the authority of the National Dialogue Council in ensuring effective coordination; this council includes both the Minister of Finance and the Minister of Local Government.

Further choices are therefore needed on the oversight roles of the two ministries, notably with respect to monitoring and overseeing budget and financial management at district level and for coordination mechanisms between central and district governments. It is important to harmonize budget preparation systems (i.e., similar budget classification systems; same time frameworks, medium-term perspective) and the accounting frameworks. Such harmonization facilitates the work of the Auditor General, who is mandated under the Constitution to audit government accounts at central and district levels.

H. Strengthening Capacity

To implement successfully any reform program, choices are required on the extent of training for staff and the acquisition of material resources. Training and institutional

capacity strengthening has taken place, or is taking place, in some areas (e.g., external audit, local government accounting). However, the needs are great, both within the executive branch and in Parliament. The need for skilled personnel to reestablish a functioning central government accounting system, capable of producing in-year and annual accounts of budget execution, is particularly pressing.

Several donors are willing to provide technical assistance. The government therefore will have to make prudent choices to ensure that knowledge skills are effectively passed on and become embedded by those likely to operate the budget management system in coming years. Also, to retain skilled staff, once trained, it may also be important to choose appropriate civil service remuneration policies.

VI. Concluding Remarks

With the adoption of the new Constitution, a number of choices has been concerning the future budgetary system and the players involved in implementing it. These include:

- a two-chamber parliament, with both houses competent to approve organic laws, including one that will adopt the annual budget law and the *loi des comptes*.
- an elected Chamber of Deputies that, inter alia, adopts the annual budget. Although parliament can amend the draft budget, its power is restricted to changing the composition of proposed expenditures: it may not lower taxes or raise total expenditures.
- decentralized budget management: districts and cities have administrative and financial autonomy. They are responsible for government functions in areas determined by law.
- an elected president, who, inter alia, appoints all ministers and regional governors. A Prime Minister, who, inter alia, appoints Secretaries General (heads) of spending ministries.
- the Cabinet of Ministers, which deliberates on draft laws and submits the annual budget to Parliament three months before the fiscal year begins.
- the Office of the Auditor General with wider powers than the Court of Accounts, the supreme audit institution embodied in the previous (1991) constitution.
- the independent Public Service Commission which is responsible for ensuring fairness in the recruitment and appointment of public servants in central government.
- the Ombudsman, who receives complaints against acts of public officials or organs and may perform an important anti-corruption role.

Further choices are now needed, especially concerning new laws and regulations. The laws affecting budget processes are (1) an organic budget law relating to the annual budget law, (2) organic laws relating to the internal organization of the two chambers of Parliament, and (3) revisions to the 1998 Act Establishing the Auditor General.

The Constitution specifies that presidential and parliamentary elections must be held no later than six months after the constitutional referendum. Thus, following the legislative elections and the appointment of the 26 Senators, the aforementioned laws are planned to be placed on the legislative agenda. A draft OBL already exists and revisions to the external audit have been approved by Cabinet. It is important that a new legal framework for budget preparation and execution, including clarifying the roles of those managing the budget process, is put in place quickly. The new OBL will need to be accompanied by financial regulations and a clear accounting framework, to be used nationwide. Explanatory guides to budget preparation, execution, and accounting—for use in both central and local government—are highly desirable.

A choice has been made to establish two watchdog bodies, notably the Auditor General's Office (OAG) and an Ombudsman. To function effectively, the OAG needs timely annual accounts and annual reports of spending ministries, provinces, and independent organizations established in the Constitution. The government now has to choose the extent of training in all areas of financial management—in central ministries in Kigali, in provincial governors' offices, and in the 106 districts.

The Constitution is far-reaching and ambitious. It establishes a strong executive branch. Further choices are required to ensure successful implementation of its provisions, including finalizing new laws, introducing administrative regulations, and training staff to carry out the required tasks. Provided political leaders, civil servants, citizens, and the donor community remain united in striving for transparency²⁶ and discipline in public financial management, the obstacles are not insurmountable.

²⁶ In July 2003, the government authorized the publication of a report on fiscal transparency. See <http://www.imf.org/external/pubs/ft/scr/2003/cr03223.pdf>.

References

- Bouley, D. J. Fournel, and L. Leruth, 2002, "How Do Treasury Systems Operate in Sub-Saharan Africa," IMF Working Paper 02/58 (Washington: International Monetary Fund).
- Cieutut, Bernard, 2001, "La Cour des comptes et la réforme," *Revue française de finances publiques*, No. 76, November.
- Drain, Michel, 1995, "Le cas particulier du contrôle de l'exécution de la loi de finances," *La documentation française*, No. 5012-13, Paris.
- Harcourt, Claude, 2001, "La réforme de l'ordonnance organique vue par un ordonnateur," *Revue française de finances publiques* No. 76, November.
- IMF, 2002, "Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC)," available on IMF website at <http://www.imf.org/external/np/hipc/2002/track/032202.pdf>, March.
- , 2003, Reports on Standards and Codes, Fiscal Transparency module, <http://www.imf.org/external/np/rosc/rosc.asp>.
- Kopits, George and Steve Symansky, 1998 "Fiscal Policy Rules," IMF Occasional Paper No. 162, Washington, International Monetary Fund.
- Krafchik, Warren and Joachim Wehner, 1999, "The Role of Parliament in the Budget Process," paper prepared for the Institute for Democracy in South Africa, available on <http://www.internationalbudget.org/resources/library/parliament.pdf>.
- Lienert, Ian, 2003, "A Comparison Between Two Public Expenditure Management Systems in Africa," IMF Working Paper 03/02, Washington, International Monetary Fund.
- Saidj, Luc, 1993, "Reflexions sur le principe de séparation des ordonnateurs et des comptables," *Revue Française de Finances Publiques*, No. 41:64–72, Paris, France.
- van de Voorde, A., and G. Stienlet, 1990, "Le Budget de l'Etat dans la Belgique Federale," Centre d'Etudes Economiques et Sociales, Brussels, Belgium.