

## **TREASURY MANAGEMENT DEPARTMENT:**

Treasury Management Department facilitates the Ministry of Finance and Economic Planning in achieving the highest international standards in Public Finance Management (PFM) in order to ensure proper accountable use of resources.

The aim of this part is therefore, to act as a user guide to the Government Treasury management in Rwanda and should prove useful to anyone interested in receiving an overview of Treasury Management in MINECOFIN. It also serves as a guide to stakeholders on the various steps, processes and procedures required by Treasury Management Department.

### **KEY FUNCTIONS AND RESPONSIBILITIES OF TREASURY MANAGEMENT DEPARTMENT.**

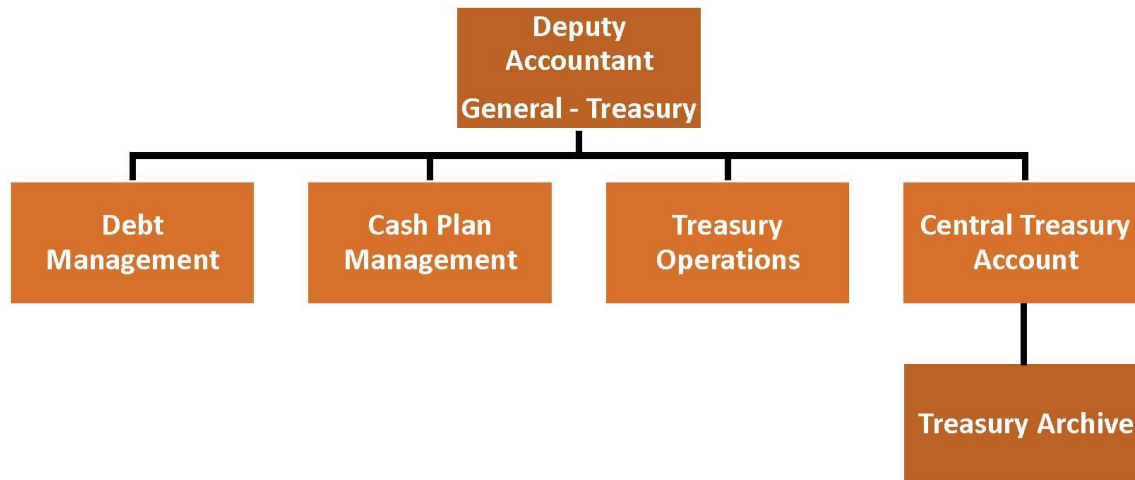
The Treasury function in the Ministry undertakes the following functions and responsibilities in the control of government payments and transfers:

#### **Key Functions:**

- (a) Process all payments and transfers from the consolidated fund bank account and special bank accounts maintained at the National Bank of Rwanda
- (b) Ensure all payments and transfers are within the adopted budget of the public entity, legitimate and adequately supported;
- (c) Ensure all payments and transfers are within the cash limits set by the Treasury Management Committee;
- (d) Process payments and transfers by direct payments, and any other means in the most efficient manner to bonafide payees without loss to the Government;
- (e) Keep timely, comprehensive and accurate records of outstanding public debt including information about principal and interest, guarantees and lending in an appropriate database;
- (f) Facilitate the recovery of any payments including interest and other costs incurred by Government due to the honouring of outstanding guarantees;
- (g) Prepare forecasts on Government debt servicing and disbursements as part of the yearly budget preparation;

- (h) Manage Treasury Single Account, its sub-accounts, special bank accounts and any other government accounts in the most efficient manner;
- (i) Prepare monthly bank reconciliations and take remedial action on outstanding items;
- (j) The Treasury Management prepares monthly, quarterly and annual Treasury Reports containing all transactions through the consolidated fund account and special bank accounts with the National Bank of Rwanda indicating all revenues, all payments and transfers, opening and closing balances and transfers any balances, excluding balances of decentralised entities and extra-budgetary entities, to the accounts of the consolidated fund.
- (k) Archive all transaction documents in accordance with government policies and regulations.

## STRUCTURE OF TREASURY MANAGEMENT DEPARTMENT



The above structure highlights the main activities that are carried out under the Treasury Management Department on a daily basis. The purpose of this part is to give insight on the steps or activities involved across the entire business process workflow. The Treasury Management Unit is therefore, structured into the following Sections which are largely aligned to the core functions of the Unit:

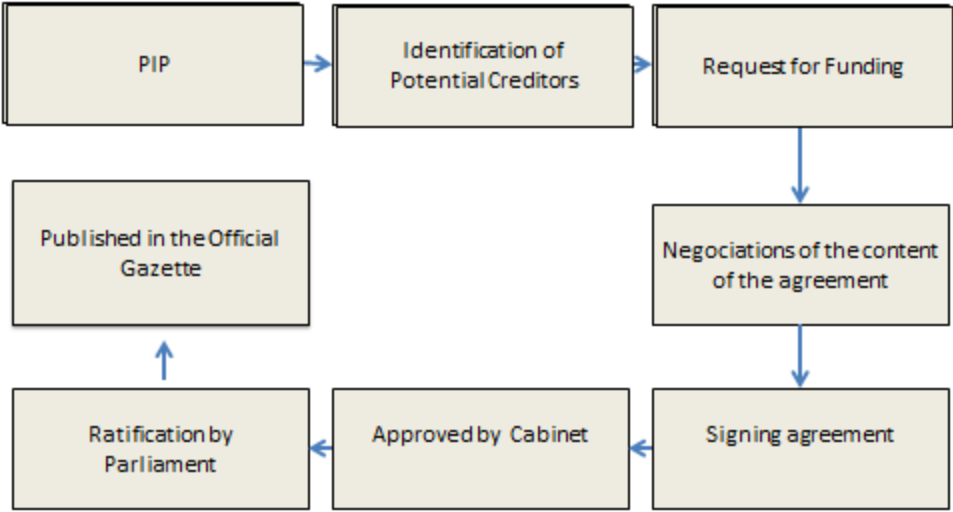
### 1) PUBLIC DEBT MANAGEMENT SECTION:

The objectives of public debt management are to ensure that the government's financing needs and settling of obligations meet the medium term objective of low borrowing costs, prudent risk exposure and promotes an active domestic debt market.

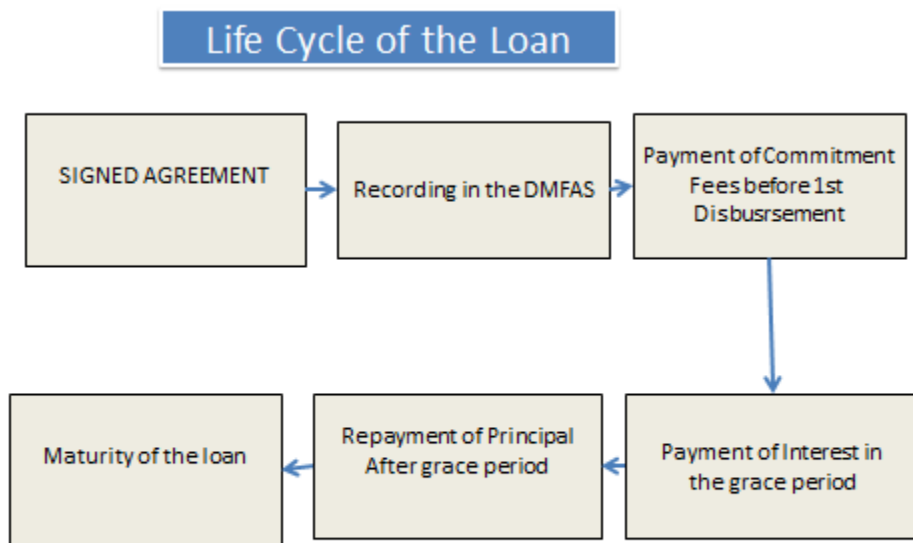
Public debt is composed of both external and domestic debt.

**External debt:** This is made up of three categories of creditors; Bilateral, Multilaterals and commercials

## Life Cycle of the Loan



## AFTER THE AGREEMENT HAS BEEN SIGNED



### ***DOMESTIC DEBT***

Domestic debt is comprised of treasury bills, treasury bonds, Government bonds, corporate loans.

For the short and medium term instruments (T-bills and T-Bonds) which are domestically traded, the issuance is done at the central bank's level on a weekly basis in line with MINECOFIN recommendations; after the market auctions, statistics are sent to MINECOFIN for recording, payment and reporting.

Domestic debt is made of T-Bills, T-Bonds, Government bonds and Corporate Loan.

**T-Bills:** These are short term Government securities having 4, 13, 26 and 52 weeks maturity period. These are issued by the National Bank of Rwanda (NBR) on behalf of the National Treasury and can be issued to individuals, banks and other institutions.

**T-BONDS:** These are medium term Government securities issued by the National Bank of Rwanda (BNR) on behalf of the Treasury for the capital market development purpose.

**GOVERNMENT BONDS:** This category comprises the old development bonds which were not restructured, bonds issued at the time of acquiring government buildings and some other liabilities from debt guarantee. All these categories of Government Bonds were not restructured (rationalized) and are still under the negotiation process to be repaid.

**CORPORATE LOANS:** This category of debt includes the old treasury development bonds issued before 1994 and purchased by commercial banks. These loans were restructured into new bonds and have been repaid since 1998 for the commercial banks, and 1999 for other creditors respectively. These were restructured (rationalized) into new Bonds after 1994 and are being paid up to date.

## **2) CASH PLAN MANAGEMENT SECTION:**

The Cash Management Section is one of the units in the Treasury Management Department. The Section ensures efficient management of Government Resources by performing the following functions.

- (a) Preparing an annual consolidated cash flow plan following passage of the annual budget based on inputs provided by public entities containing projected cash inflows and cash outflows on a monthly or quarterly basis that includes contingency measures;
- (b) Consolidate the revenue and expenditure of public entities in order to provide a reliable and forward-looking information that forms the basis for decision making processes;

- (c) Prepare, on a Quarterly basis, a consolidated monthly cash flow plan based on inputs from spending entities;
- (d) Maintain liaison with the National Bank of Rwanda and advise the Secretary to the Treasury on adequacy of balance in the Consolidated Fund bank account, sub accounts and special accounts.
- (e) Produce regular report to the Treasury Management Committee showing actual outturn compared to the planned cash flows, showing variances and remedial measures in case of negative variances;
- (f) Monitor bank balances and major cash movements in the Consolidated Fund Accounts to ensure that they are managed in an efficient manner; and

monitor receipts, payments and the daily cash position.

The Section also ensures that submitted cash flow plans from Budget agencies are authentic and realistic. The whole process of preparing cashflow plans is done through the following steps:

- Letters requesting expenditure plans for the fiscal year are sent to Budget Agencies and this is normally done at the last month of every Quarter of each fiscal year.
- Preparation & submission of cash flow plans by Entities through the SMARTIFMISSystem;
- Request for Cash inflows from RRA and EFU (Domestic and External Revenues respectively);
- Analysis of the expenditure plans submitted by the Budget Agencies;
- Consolidation of National cash flow plans (for both inflows and outflows);

- Approval of consolidated cash flow plans by Treasury Management Committee and Notification of the approved expenditure plans to Budget Agencies;
- System (SMARTIFMIS) approval of the approved expenditures by Cash Plan Management Section.

### **TREASURY SINGLE ACCOUNT (TSA) IMPLEMENTATION UNDER CASH MANAGEMENT SECTION:**

The role of TSA consists to concentrate all Government funds on one account for its proper management. In other words, it is an instrument put in place in order to control Government finance resources and expenditures. It ensures complete, real time information on government cash resources and improves operational and appropriations control.

#### **Implementation of zero balance drawing system which started in 2005:**

- ▶ All ministries and budget agencies' accounts are held in the National Bank of Rwanda,
- ▶ The above accounts held as sub accounts of the Main Treasury Single Account (TSA).
- ▶ At the end of each fiscal year, balances on the above accounts are transferred to the TSA as a legal requirement (Year end procedures according to the Organic Law)

This implies that all Ministries and Budget Agencies are expected to begin a new fiscal year with zero cash balance on their accounts.

#### **The Detailed process:**

- A monthly cash transfer is done to ministries & budget agencies' bank accounts.
- The amount to transfer is based on cash flow plan approved by Treasury management committee (TMC):



- Ministries and budget agencies are allowed to issue checks, other payments up to the cash balance on their accounts.
- At the end of each business day the balance will be reduced by the value of debit transactions (out flows)
- At the end of each working day, the available balances are transferred to the STA to be returned to the budget users' accounts in the following day.

**Procedures for opening a bank account:**

- Write to the Ministry of Finance and Economic Planning an official request to open a Bank account.
- Attach to the request letter, the loan agreement between the Republic of Rwanda and the donor for which the new bank account is required; the loan/grant's negotiation procedures must comply with the Government aid policy.
- Attach to the request letter, the law or cabinet decision establishing the institution if it is new;
- Examine the need to open a new bank account,
- Check whether the entity already holds an account whose operations are related to the one to be opened.
- Complete the required form from National Bank of Rwanda for opening a bank account.

**Note.**The closure of unused bank account requires authorization from the Ministry of Finance and Economic Planning

## **Treasury End of year procedures**

- ▶ **Art. 69 of Organic Law defines end of year procedures on revenue and Expenditures**
  - ▶ 15<sup>th</sup> May of each fiscal year, end Commitments.

- ▶ All Commitments (OPs) to reach Treasury by 15<sup>th</sup> June
- ▶ 30<sup>th</sup> June is the final day of payment in each fiscal year.
  
- ▶ **Transferring account balances to GoR Treasury A/C**
  - ▶ On every 30<sup>th</sup> June, balances on all accounts are swept into a special account
  - ▶ Ministries, Agencies and Districts (MDAs) are allowed to declare all checks in transit and Donor funds on this A/c
  - ▶ Refunds are made to cater for such requests.
  - ▶ On every 30<sup>th</sup> July, the remaining balance is transferred to GoR Treasury A/c; no more claims can be honored.
  - ▶ Embassies are required to make transfers to National Treasury after receiving their first quarter transfers. They are also expected to provide their respective bank statement as at 30<sup>th</sup> June.

#### **4) TREASURY OPERATIONS SECTION:**

The Treasury Operations Office has a responsibility of receiving individual Payment Orders (OPs) from all Government Budget Agencies. Once these Payment Orders are submitted to the Treasury Management office, they are reviewed and verified to check whether these payment orders have all the supporting documents and then signed by DAG-Treasury Management to be transferred to the Central Bank for payment.

The Treasury Operations Office also provides advice to Budget agencies regarding any corrections to be made on the unsupported Payment Orders submitted to MINECOFIN for payment.

The following, are processes and procedures which are used in Treasury Operations on a daily basis.

- 1) Receive and register all OPs from Budget Agencies submitted to Treasury Department's Front Desk;
- 2) The OPs are then analysed to determine whether they have all required documentation for payment. Those that don't have all the necessary documentation are returned to the concerned budget agency for correction.
- 3) The OPs having all supporting documents are then transmitted to the Deputy Accountant General in charge of Treasury for approval and signature.
- 4) These are then transmitted to the National Bank of Rwanda for payment to be effected.

The following is, a check list which is used by Treasury Operations Section in order to execute any payment.

1) Payment Order (3)	<input type="checkbox"/>	2) Purchase Order (2)	<input type="checkbox"/>	3) Note to the Director of the Treasury(4)	<input type="checkbox"/>
<b>Goods &amp; Services</b>		<b>Salaries</b>		<b>Running cost</b>	
Original Invoices (4)	<input type="checkbox"/>	Payroll list	<input type="checkbox"/>	To verify 1) 2) 3)	<input type="checkbox"/>
Signed Contract	<input type="checkbox"/>	Payroll list per Bank	<input type="checkbox"/>	<b>Transfers</b>	
Tender Notifications	<input type="checkbox"/>	Payroll List (copy of the last month)	<input type="checkbox"/>	To verify 1) 2) 3)	<input type="checkbox"/>
Evaluation Report & Tender Minutes	<input type="checkbox"/>	Contract for the due service	<input type="checkbox"/>	<b>Subsistence allowances</b>	
Bank guarantee (copy)	<input type="checkbox"/>			To verify 1) 2) 3)	<input type="checkbox"/>
Delivery Note (Original)	<input type="checkbox"/>			+ Original Travel Clearance	<input type="checkbox"/>
Progress report of the works	<input type="checkbox"/>				

**Note: Other elements to take into considerations**

- Method used Vs Amount .Requisition notes(Contract framework)
- Contract Vs invoices and delivery notes
- Payment progress report
- Original delivery notes approved
- Invitation to bid or copy of Newspaper

## **5) CENTRAL TREASURY ACCOUNTING SECTION:**

The Central Treasury Accounting Section is in charge of accounting and reporting.

It prepares monthly bank reconciliations and takes remedial action on outstanding items.

It also prepares quarterly and annual Treasury Financial Reports containing all transactions through the consolidated fund account and special bank accounts with the National Bank of Rwanda indicating all revenues, payments and transfers, opening and closing balances by the fifteenth (15<sup>th</sup>) day of the following month.

The Treasury Financial Reports are then used by Public Account Unit to consolidate the Government financial statements.