

GOVERNMENT OF RWANDA



MINISTRY OF PUBLIC SERVICE AND LABOUR

**CORPORATE GOVERNANCE
POLICY
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ACRONYMS AND ABBREVIATION

S/N	KEY WORDS	DEFINITION
1	EDPRS	Economic Development and Poverty Reduction Strategy
2	MIFOTRA	Ministry of Public Service and Labour
3	MINECOFIN	Ministry of Finance and Economic Planning
4	MINIJUST	Ministry of Justice
5	NCBS	National Capacity Building Secretariat
6	RGB	Rwanda Governance Board
7	RLRC	Rwanda Law Reform Commission
8	RMI	Rwanda Management Institute
9	SDGs	Sustainable Development Goals

DEFINITION OF KEY WORDS

S/N	KEY WORDS	DEFINITION
1	Corporate Governance	The mechanisms, relations, and processes by which a public agency is controlled and directed
2	Supervising organ	A line Ministry or another state organ to which a public agency is affiliated
3	Governing Body	a supreme organ responsible for taking decisions related to the guiding principles of a public agency and ensuring the implementation of the decisions taken;
4	Executive organ	A public agency's organ responsible for the execution of the daily responsibilities of a public institution.
5	Resourceful person	A person with specific knowledge and skills who may be invited to contribute in discussion in regard to a specific item on the Agenda of the Governing Body without voting powers
6	Intuitu personae	The principle by which an appointment of Governing Body member is personal and cannot be

		delegated
7	Ex-officio membership	Appointment of Governing Body member by virtue of the job position
	Public Agency	Government entity established by act of parliament or registered as fully owned government company in accordance with company law for the purpose of delivering public services in the public interest

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I. INTRODUCTION

Government of Rwanda recognizes the need to enhance good governance as one of the leading pillar to achieve Rwanda Vision 2020. In this regard, government committed to streamline the Public service and ensure institutional accountability, transparency and efficiency in deploying resources and delivering services.

Consistent with the above, Accountable Governance has been made one of the thematic area of EDPRS 2 to advance a prioritised approach to governance that is capable of promoting and strengthening socio-economic development in Rwanda, which is also echoed by the Sustainable Development Goals (SDGs) urging to build effective and strong institutions at all levels towards delivering effectively on citizen's needs.

The Corporate Governance Policy in Rwanda builds on the above to institutionalize principles and processes guiding effective accountable governance for enhanced service delivery.

Policy guidelines on mechanisms, processes and relations that foster proper control and direction of public institutions and clarity on governance structures and principles, distribution of rights and responsibilities among different participants and stakeholders, rules and procedures for making decisions, processes through which objectives are set and pursued and actions monitored are prerequisites for accountable governance and high performance. The corporate governance policy aims to assist governing bodies of public sector entities to have governance practices that enable them to operate in a more effective, efficient, transparent and accountable manner.

Putting in place a corporate governance policy aims at enhancing good governance practices in the Public Sector. Such efforts include corporatization of some Public Institutions that require private type management practices and a new legal dispensation for Public Institutions functioning for better management and productivity.

The Policy is part of continued efforts of the Government of Rwanda to ensure efficiency and effectiveness of public sector Institutions towards higher productivity and accountability in their operations. With the growing number of state owned enterprises and corporatizations of some public institutions, the introduction of a corporate governance policy becomes even more pertinent in providing a playing field for a more efficient and effective business environment.

II. DESCRIPTION OF CONCEPTS

Public agencies shall be grouped in five types in accordance with the nature of their mandates:

National Commissions shall comprise public agencies responsible for overseeing, following up and/or conducting researches on application of principles in specific social areas for the promotion and improvement of the welfare of citizens. They may be long term or ad hoc depending on the needful task to be completed in a specific time frame for the interest of the nation.

National Councils shall comprise public agencies that focus on advocacy and social mobilisation on issues affecting a specific group of population in order to build their capacity and ensure their participation in the development of the country in general, and the development of that same group in particular

Specialised organs shall comprise public agencies that will be entrusted with the responsibility to help in resolving important issues facing the country and their structures and functions will depend on the uniqueness of the issue to be addressed.

Public institutions shall comprise public agencies meant for fast tracking the implementation of national socio-economic policies and programmes to deliver on the government development agenda. Their mandates will be directly linked to socio-economic development targets of the nation. Public institutions, in their nature, may be commercial or non-commercial. .

State Owned Companies will be entities registered in Rwanda Development Board as profit making corporates where the share capital is fully held by government and governed by company law.

III. SITUATIONAL ANALYSIS

Several annual Audit Reports of Auditor General of State Finances have continuously revealed issues in the use of public offices resulting into inefficiencies in financial, human and operational resources management. The situation reflects recurrent cases of limited responsible governance, lack of accountability and inadequate attitudes for some authorities responsible for the administration and management of Public Entities.

In particular, in 2014, the Office of the Auditor General of State Finances and the Rwanda Governance Board conducted a performance audit on effectiveness of Boards of Directors and their role in helping public institutions deliver on their mandates. The surveys revealed critical issues in the governance of public institutions which rationalizes a growing interest toward improving corporate governance practices.

The audit revealed that some Institutions lack strategic plans. Yet providing strategic direction of an Institution is generally recognized as a primary responsibility of the board of directors. In absence of long term planning framework, strategic decisions taken to achieve each entity's vision may be uncoordinated and ultimately be costly to align.

It was also found out that a risk management policy, formal risk assessment process and risk management plan lack in some of the sampled Institutions. Risk management is a process to systemically identify, assess and quantify key potential risks that might hinder the achievement of the organizational objectives of the institution as well as a way of mitigating them through a documented risk management plan in order to provide reasonable assurance. In running any kind of business, risks may arise anytime from both external and internal events and are measured in terms of impact and likelihood of occurrences.

Other issues that were identified include absence of regular performance evaluations leading to a risk that management may not perform to its full productive potential. In addition, lack of clarity on some roles and responsibilities of the board and board members was also noted among the issues likely contributing to poor performance of boards.

The survey findings indicated also inadequate collaboration between governing bodies where executive organs work with limited involvement of Boards.

Also noted were the absence of dedicated board secretaries and need to enhance and set clear channels of communication with stakeholders on the entity's mission, roles, objectives and performance; and appropriate procedures to ensure that such channels operate effectively in practice.

IV. RATIONALE

The Corporate Governance Policy intends to address the issues highlighted above with a view to put in place governance practices that ensure Public agencies are well governed and operate effectively to fulfil their mandate and achieve set goals.

The aforementioned issues resulted from the absence of common guidelines on governance structures and good practices. While addressing governance issues that may hinder high performance of Public agencies, the Policy is meant to help sustain ongoing efforts to improve and enhance efficiency and better transparency in governance of Public agencies for greater economic gains.

V. POLICY SCOPE

To address accountable governance issues at the policy implementation levels in central government agencies as highlighted above, the present policy will apply to all central government agencies with legal personality comprised of National Commissions, National Councils, Specialized Organs, Public Institutions and Companies fully owned by Government.

In particular manner, to ensure effective monitoring of government investments, the policy also defines the roles and responsibilities of government representatives in companies where government holds part of the shares.

While this policy focuses on defining strategic roles of organs involved in the supervision, governance and management of public agencies and guidelines for their functioning, it will also draw a particular attention on effective working relationships between agencies' governance organs towards strengthening synergies in delivering on institutional mandates.

VI. POLICY OBJECTIVES

The general objective of this policy is to define major guidelines determining the governance of public agencies in order to enhance accountability, transparency, efficient and effective attainment of institutional missions.

This Policy has the following specific objectives:

- Define the governance structure and key roles of organs involved in the supervision, governance and management of public agencies;
- Outline working relationships among organs involved in the supervision, governance and management of public agencies;

- Set out a framework for effective institutional decision-making and monitoring and evaluating implementation of institutional decisions towards enhancing transparency and good governance.
- Develop common corporate values entrenching responsible attitudes and effective leadership of public agencies;
- Establish guidelines meant to enhance regular institutional performance audit to raise efficiency and effectiveness.

VII. CORPORATE GOVERNANCE PRINCIPLES AND VALUES

The corporate governance for public agencies will be guided by the following key principles and values:

1. Accountability

All public agencies' governance organs should be answerable to stakeholders and citizens for both their financial and non-financial performance.

All actions and decisions taken by public agencies should be subject to oversight and controls thereby contributing to good governance and effective and efficient delivery of public services.

2. Transparency

Resources utilization and decisions making processes should be guided by fairness, objectivity and communicated to the public and stakeholders.

3. Effective Working relationships

All public agencies should ensure that effective communication, collaboration and consultation mechanisms among institutional governance organs and stakeholders are adopted and constantly applied towards building synergies in the attainment of institutional objectives.

4. Corporate values

Every public agency should have and respect sound corporate values to uphold high standards of propriety and probity in the stewardship of public funds, human resources management, and the management of entity's affairs.

5. Effective leadership

The governance of Public agencies brings in a variety of players with different responsibilities. The main players will include the Supervising organ, Governing Body and Executive organ.

Public agencies' leadership shall strive to use efficiently organizational resources and be role models to sustain high performing institutions.

6. Culture of Excellency

All public agencies will always strive to perform the responsibilities with outstanding professional standards ensuring consistent and strict adherence to people centered service delivery.

VIII. POLICY GUIDELINES

1. Governance structure

The governance structure for public agencies shall generally comprise of three governance organs: the supervising organ, the Governing Body and the Executive organ.

1.1. Supervising organ

Every Public Agency will have a supervising organ responsible for:

- a. Ensuring that Governing Bodies of Public Agencies under its supervision are in place and are operational;
- b. Providing policy orientations to agencies under its supervision;
- c. Overall supervision of the performance of the public agencies;
- d. Reviewing and providing opinion on resolutions of the Governing Body;
- e. Being accountable to the Cabinet for the performance of public agencies under its supervision;

- f. Ensuring supervision and performance of the governing body through regular meetings and institutional performance contracting and evaluation;
- g. Providing advice to ensure timely succession of governing body members.

1.2. Governing body

1.2.1. Responsibilities of the Governing Body

The main responsibilities of the governing body shall be the following:

- a. Providing strategic orientation and guidance for effective programmes' implementation and attainment of institutional mandate;
- b. Being accountable to the supervising organ for the performance of the public agency;
- c. Transmitting to the Supervising organ the minutes of the Governing Body Meeting for views and opinions;
- d. Ensuring supervision and performance of the Executive organ through performance contracting and evaluation;
- e. Carry out required controls to ensure institutional performance is achieved and sustained;
- f. The Governing Body will ensure that an effective audit function is established as part of system of control.

1.2.2. Naming of the Governing Body

Governing Bodies shall bear names corresponding to the nature of the Public Agency as follows:

- National Commissions: Council of Commissioners
- National Councils: Executive Committee
- Public Institutions: Board of Directors
- State Owned Company: Board of Directors
- Specialised Organs: naming of the Governing Body will depend on the nature of the specialised organ.

1.2.3. Appointment and development of the Governing Body members

- a. Members of the Governing Body will be appointed based on the area of expertise depending on the nature and mandate of the Public Agency;
- b. Appointments of Governing Body members will be *intuitu personae* except in case of *ex-officio* membership. In either case delegation shall not be allowed.
- c. The Governing Body may invite any resourceful person to attend governing body's meeting. The resourceful person will contribute to discussions bearing on issues that prompted the invitation; however, he/she shall not be allowed to partake to adopting resolutions;

- d. The Supervising organ will coordinate the induction and refresher courses of members of the Governing Body to enable them discharging their duties and responsibilities effectively and efficiently. Induction and refresher courses will be part of the action plan of the Public Agency that will bear its cost as well.

1.2.4 .Functioning of the Governing Body.

- a. The Governing Body will convene any time as needed. The law establishing a public agency will determine the frequency of ordinary sessions per year and modalities of convening extra-ordinary sessions.
- b. Members of the Governing Body will bear collective responsibility for decisions taken by the Governing Body.
- c. The bureau of the Governing Body will comprise the Chairperson, the Vice Chairperson and any member of the Governing Body to be elected by all members of the Governing Body and serve as secretary of the Bureau. The role of the bureau will be to take interim decisions on special and urgent cases when circumstances do not allow the board to sit immediately whereas matters call for immediate action. Interim decisions shall be communicated to members of the Governing Body during the following meeting for approval.
- d. The Governing Body will form two main Board committees namely the Audit Committee and Governance committee.

Additional permanent or ad hoc committees may be formed as needed. Board committees are composed by Board members.

- e. The Board Committees may invite any resourceful person to attend the Board committee's meeting. The resourceful person will contribute to discussions bearing on issues that prompted the invitation.
- f. The Board Committees play an advisory role to the Governing Body and report to the Governing Body's Chairperson. The Chairperson submits the Board committees' recommendations for discussion during the plenary session.

- Audit committee:

The main responsibility of the audit committee will be to review the institutional performance and financial management.

The audit committee's responsibilities will include:

- Reviewing the reports of the auditors and advise the Governing Body accordingly;
- Advising the Governing Body on proper actions to undertake in regard to the implementation of the Auditor's recommendations.

- Governance committee

The Governance committee's duties will include:

- Consistently review the organizational performance towards advising the governing body on strategic actions to be undertaken for effective programmes' implementation
 - Advise on measures meant for entrenching a common organizational culture and ethical values in the public agency
- g. Every Public agency shall have an internal auditor. The Internal auditor will be accountable to the Governing Body and work closely with the Governing Body's audit committee. The scope of work for the internal auditor will cover not only the financial performance but also programmes implementation, human resource management and systems performance.
- h. Upon consultation with the Governing Body, the supervising Organ shall establish the internal rules and regulations guiding the functioning of the Governing Body.
- i. Members of Governing Bodies working on a full time basis for that organ will be entitled to remuneration packages in accordance with the organizational and salary structures of the Public Agency. Part-time members of Governing Bodies will be entitled to sitting, communication and transport allowances to facilitate them attending Board,

committees' meetings and any other task assigned by the Board requiring facilitation. The corresponding costs shall be covered by the Public agency's annual budget plan. The Competent authority shall determine the rates;

- j. Depending on the nature of the public agency, the Governing body will ensure and monitor the social responsibilities of the agency and establish operating guidelines consistent with social cohesion in the community, the institution's legitimate interests and good business practices.
- k. Governing Body members will work on the basis of a pre-determined term of office and will constitute an odd number to allow decision making through voting. The number may vary according to the nature and scope of activities of the Public Agency;
- l. The supervising organ and Governing Body shall meet regularly and as need may arise in order to discuss and review implementation status of the public agency's responsibilities, challenges and possible solutions;

1.3. Executive organ

The executive organ shall have the following responsibilities:

- a. The daily management of the Public Agency;
- b. The implementation of the Public agency's programmes to ensure the institution's mandate and objectives are achieved;
- c. The implementation of the Governing Body's resolutions;
- d. Financial and human resource management;
- e. The Head of the Executive organ may be part of the Governing Body.

IX. IMPLEMENTATION PLAN

Step	Activity	Time required	Responsible Institution
1	Policy dissemination	3 months (October-December 2016)	MIFOTRA MINECOFIN RGB
2	Draft the law on corporate governance	3 months (October-December 2016)	MIFOTRAMINECOFIN MINIJUST RLRC RGB
3	Develop a code of conduct	3 months	MIFOTRA MINECOFIN MINIJUST RLRC RGB
4	Develop internal rules and regulations for the Governing Bodies of Public Agencies.	3 months (January-March, 2017)	MIFOTRA Sector Ministries Public Agencies RGB

5	Develop induction training packages for Members of Governing Bodies.	3 months (March-June, 2017)	MIFOTRA Sector Ministries RMI NCBS RGB
6	Provide induction trainings to Members of the Governing Bodies of Public Agencies	Continuous	MIFOTRA Sector Ministries RMI NCBS RGB
7	Monitoring and evaluation of policy implementation	From policy approval	MIFOTRA MINECOFIN RGB