Budget Framework Paper

2008 - 2010

Ministry of Finance

and Economic Planning

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1. Introduction

The main objective of the Budget Framework Paper (BFP) is to set out the affordable resource envelope over the medium term (2008-2010) and clarify the costs of strategic policy options.

The Budget Framework (2008-2010) is prepared in the context of the Economic Development and Poverty Reduction Strategy (EDPRS). The main focus of the priority programmes will be to promote higher economic growth in the medium to long term without falling into an unsustainable debt and reduce the proportion of the population under the poverty line from 56.9 percent to 46 percent in 2012. Additionally there is a focus on the reduction of those under extreme poverty from 36.9 percent to 24.0 percent in 2012.

This paper will first briefly present an overview of the 2007 economic performance for Rwanda. The second section will discuss the medium term global economic environment and specific commodities relevant to the performance of Rwanda. The third section will look at the Rwandan medium term macroeconomic framework with emphasis on the 2008 budget and strategic policy choices. The conclusion will discuss recommendations for the Parliament.

2. Brief Overview of Rwanda's 2007 Economic Performance

Indicators for the first half of 2007 suggest the economy is on track to reach a **GDP growth** of 6.6 percent in line with the medium term economic program, (see annex A for full details). Although, once again agricultural output has been negatively influenced by weather patterns (total harvest has been estimated to fall by 1.3 percent as compared with 2006), early reports show that the industrial and service sectors have performed well.

Inflation at the end of August 2007 was 8.4 percent, this compares to 9.2 percent in August 2006. One off increases at the start of the year in education, health and utilities have raised general prices in 2007. However, the CPI remains in single digits as per the government target.

Although **exports** have risen by 7 percent in the first half of 2007 the trade deficit has continued to widen as **imports** grew by 24 percent over this period, (full details in annex B). Traditional exports such as coffee and tea are underperforming against 2006 levels, whilst minerals have benefited from rising international demand and prices. This has resulted in a widening of the **trade deficit** by 30 percent during the first half of the year.

Fiscal performance in the first half of the year was in line with expectations. Domestic revenue collections were buoyant and led by the excellent performance of PAYE and the consumption taxes (VAT and excise duties) exceeded projections. Government spending came under strong pressure as a result of the IMIHIGO policy of monitoring performance contracts of all institutions. Even though this increased the desire to spend the transfers of earmarked grants to districts were contained. Table C1 in annex C shows a summary of budget performance and financing in the first half of the year compared to the projections for that period.

Total domestic revenue led by PAYE and the consumption taxes (VAT and excise duties) amounted to RWF 124.6 billion and was RWF 15.3 billion higher than projected. Total expenditure and net lending at RWF 220.2 billion was only marginally higher than the RWF 219.9 billion estimated. As a result, the domestic fiscal deficit at RWF 30.7 billion was about RWF 26 billion lower than projected. Likewise the overall cash deficit (excluding grants) at RWF 95.6 billion was also RWF 15 billion lower than expected.

External donor disbursements also performed well despite the shortfall of US$ 8.6 million. As a result of the good performance of both the domestic and external resources mobilization, the Government was able to increase its deposits with the banking system by about RWF 56.8 billion as against RWF 26.7 billion projected. In addition to the strong build-up of deposits the Government also retired on net basis domestic debt (treasury bills and pre-1994 debts) of RWF 1.7 billion.

In the light of the good domestic revenue performance during the first half of the year and in view of the expected improvement in economic performance, (notably from the manufacturing and services sectors this year), total revenue collections are expected to reach RWF 242 billion. This is RWF 15.4 billion higher than the revised budget figure of RWF 226.6 billion. As indicated above this additional revenue comes primarily from PAYE and the consumption taxes (VAT and excise duties). Government intends to use this excess collection to finance some urgent priority programs and projects as follows: RWF 6.6 billion to be spent on wages and salaries to cater for the cost in replacing lower qualified staff with better qualified professionals in education and more medical staff recruited for new districts hospitals. Secondly, RWF 4.8 billion for road maintenance to replace the shortfall in contingent grants for this purpose. Third, RWF 3.6 billion to be used for imports of fertilizer and purchase of improved seeds for the agricultural sector.

The table C2 in annex C shows the new projections incorporating the above mentioned changes compared to the revised budget and IMF program numbers. As a result of these additional expenditures the total expenditure and net lending figure is being raised by RWF 15.4 billion to RWF 506.3 billion compared to the IMF program total of RWF 464.5 billion. Note is to be taken of the fact that despite these changes, the two most important performance criteria are expected to be met. These are the domestic fiscal deficit which is projected at RWF 124.6 billion the same as estimated in the revised IMF program and the net domestic financing (banking and non-bank sectors) which is projected at RWF 7.5 billion and is also the same as in the revised IMF program.

Moving onto **monetary policy**, 2007 policy was designed to compliment the fiscal developments to maintain inflation at a single digit level. Table D1 in annex D shows the monetary aggregates from the monetary survey. Net foreign exchange reserves of the central bank rose sharply by about 28 percent, from RWF 224.9 billion at end 2006 to RWF 288.8 billion at end June 2007. This was 18 percent higher than the RWF 244.3 billion projected for this period. This increase was mainly attributable to the disbursement of official budget support funds of US$ 157.9 million as well as other disbursements for projects during the first half of the year. At this level the foreign exchange reserves will cover about 4.4 months of the country's imports and is in line with projections.

Reserve money also rose by about 24 percent from RWF 71.9 billion to RWF 89.5 billion at end June 2007. This sharp rise is due to an increase in commercial banks deposits which rose sharply from RWF 11.3 billion at end December 2006 to RWF 26.3 billion at end June 2007. This level of reserve money was achieved with foreign exchange auction sales of US$ 98.5 million (averaging US$ 16.4 million per month) during this period.

Domestic credit declined by about 43 percent from RWF 93.2 billion at end December 2006 to RWF 53.1 billion at end June 2007. This was mainly due to the increase in Government's deposits of about RWF 56.8 billion as indicated above under fiscal performance. This increase in Government's deposits allowed private sector credit to increase by about 11 percent from RWF 162.2 billion at end December 2006 to RWF 180.5 billion at end June 2007. In the corresponding period of last year private sector credit growth was about 21 percent. Given that the inflation rate (end of period) basis during the first half year was 7.4 percent, there was therefore a real increase of about 3.6 percent in real terms.

The increase in net foreign reserves together with the increase in private sector credit led to an increase in money supply (M2) of RWF 18.3 billion as it rose from RWF 286 billion at end 2006 to RWF 304 billion at end June 2007. This level is about RWF 6.6 billion higher than originally estimated.

For the rest of the year monetary policy will continue to support fiscal spending. In this regard BNR will continue to rely on the foreign exchange auction as well as Treasury bills sales to mop up any excess liquidity from Government's spending. Given that a large portion of the envisaged external budget support has already been received in the first half of the year, and that BNR is expected to sell about US$ 102 million (averaging US$ 17 million per month) whilst the Government uses US$ 90 million for expenditures during the second half of the year, the net foreign reserves of BNR is expected to decline sharply during this period and come close to the projected level of RWF 217.7 billion.

Treasury bills sales for monetary policy purposes have been estimated at about RWF 5.3 billion. This means that the stock of BNR bills is expected to rise from RWF 32.8 billion at end December 2006 to RWF 38 billion at end December 2007. With these actions, reserve money will be expected to rise only marginally from RWF 88.2 billion at end June to RWF 92.4 billion at end December the same as projected.

Domestic credit is projected to rise sharply from RWF 53.1 billion at end June to RWF 136.4 billion at end December. This is mainly due to a draw-down of Government deposits to finance expected expenditures as a large portion of external donor funds have already been disbursed. In addition a small rise in private sector credit is expected as this is programmed to rise from RWF 180.5 billion to RWF 190 billion. As a result of these actions and the decline in net foreign assets from large auction sales and demand by Government, money supply (M2) is expected to rise modestly from RWF 304.3 billion to RWF 312.4 billion.

As a result of the large donor disbursements and foreign exchange flows through the commercial banks (export receipts and grants to NGOs) the nominal exchange rate has maintained its trend of small appreciation during the first half of the year. Table D2 in annex D shows the trend in the BNR monthly average **exchange rate** movement vis-à-vis the US dollar, Euro and Japanese Yen. As at end December the average exchange rate was RWF 548.7 to 1 US$. By end June the average rate amounted to RWF 546 per US$, showing an appreciation of 0.8 percent.

For the rest of the year BNR will continue to allow more flexibility in the exchange rate by accelerating its intervention policy. This will involve raising the amounts for sales to smoothen short-term market fluctuations. This will ensure that Government spending for the rest of 2007 does not rekindle inflation or crowd out the private investment.

Even though the auction system serves the country well, BNR has started preparations for smooth transition to an inter bank-based market. In this regard BNR issued in June instructions which improve the auction procedures and also abolish Article 10, which allowed the BNR to check whether the foreign exchange purchased at the auction was used in accordance with regulations. In addition BNR has also issued amendments to the foreign exchange regulation that addresses further regulatory constraints and reduces reporting requirements.

With this performance as a base we now move to discuss the feasibility of meeting the medium term economic plan encompassed in the EDPRS. This macro framework seeks to strengthen and consolidate achievements in terms of macro stability and socio-economic reforms as well as to support the rebalancing of public expenditures between social and productive sectors.

3. Medium Term Macroeconomic Framework (2008-2010)

3.1 The International Economy

3.1.1 Global Growth

Table 2.1 - World Medium Term Projections 2008-2011 (Percentage Change)

	4 Year Average 2008-2011
World Real GDP	**4.80%**
Advanced Economies	2.70%
Other Emerging Markets and Developing Countries	6.70%
World Trade Volume	**6.90%**
World Prices (USD)	
Manufacturing	1.20%
Oil	-2.10%
Non Fuel Primary Commodities	-6.10%
Consumer Price Index	
Advanced Economies	2.20%
Other Emerging Markets and Developing Countries	4.20%

Source: IMF World Economic Outlook, September 2006.

Global growth rates for world output have been projected at 4.8 percent for the medium term (as per Table 2.1). Emerging markets and developing countries continue to grow at a faster rate than advanced economies, with China, India and Russia expanding rapidly. Recently there have been positive signs from domestic demand in Japan and the Euro area, whilst the improved performance in the second quarter for USA has reduced concerns on its domestic demand.

World trade is predicted to increase by almost 7 percent (strong performance is expected from emerging economies and developing countries). Change in world prices and consumer price indices are moderate. Importantly, oil prices are forecast to decline over the period by 2.1 percent.

3.1.2 Commodity Prices

The key traditional exports for Rwanda are tea and coffee. In 2007 mineral exports are also making a considerable impact on the trade data as international price and demand are strong. As the EDPRS performance is strongly based on the export sector it is important to look as the international environment for these commodities. This section will briefly look at these commodities as well as the international oil market which also has a significant effect on the economy.

The international tea market looks favourable for Rwandan exports over the next five years. Prices are forecast to rise moderately over the medium term from 170 to 175 US cents per kilogram. While the outlook for global demand is looking stable with some signs of demand picking up[1], prices for coffee on the global market are forecast to fall by around 2 percent per annum.[2] This decline is occurring despite increasing global demand as supplies are adequate to meet the increasing consumption[3]. Prices for minerals are forecast to decline in the medium term.

Finally the international oil market will be a significant factor for the Rwandan economy. Currently the GoR subsidises the petroleum sector, and in late 2007 there are plans for a policy of reducing this subsidy over time. As seen in table 2.1 the international oil prices are forecast to decline by 2.1 percent over this time period. Even though, they have recently showed an upward trend due to supply constraints.

3.2 Domestic Economy

3.2.1 Macroeconomic Summary

Table 3.2.1 gives an overview of the medium term economic framework for Rwanda from 2008 to 2010.

The details will be discussed in more depth in the following sections from projections concerning the real sector, fiscal, external, monetary as well as debt and investment. The table shows that the GoR is committed to reducing poverty and increasing economic growth while preserving macroeconomic stability.

[1] World Bank Prospects Commodity Market Brief: Tea, April 2007.

[2] World Bank Commodity Price Forecast available at:
(http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGBLPROSPECTSAPRIL/0,,contentMDK:20423496~menuPK:902607~pagePK:2470434~piPK:2470429~theSitePK:659149,00.html).

[3] World Bank Prospects Commodity Market Brief: Coffee, April 2007.

Table 3.2.1 – Macroeconomic Indicators 2008-2010

	2008	2009	2010
Economic Growth and Inflation			
Real GDP Growth	7.1%	7.3%	7.5%
Real GDP Growth per Capita	4.4%	4.6%	5.0%
Consumer Price Index (annual average)	7.5%	6.0%	5.0%
Central Government Budget (% GDP)			
Revenue	13.0%	12.7%	12.7%
Grants	13.0%	12.8%	12.2%
Expenditure and Net Lending	27.1%	25.6%	25.1%
Current Expenditure	16.3%	15.0%	14.7%
Capital Expenditure	10.4%	10.3%	10.1%
Domestic Fiscal Balance*	-7.3%	-7.1%	-7.1%
Overall Balance (payment order)			
Including Grants	-1.4%	-0.1%	-0.2%
Excluding Grants	-14.3%	-12.9%	-12.4%
National Accounts (% GDP)			
Gross Domestic Investment	19.6%	20.4%	22.0%
Of which Private	9.8%	10.2%	12.1%
Gross National Savings	13.8%	14.2%	15.7%
Current Account Balance**	-13.8%	-13.8%	-13.8%
Balance of Payments (million USD)			
Exports of Goods and Services	215.1	247.4	284.9
Imports of Goods and Services	-675.1	-786.0	-919.3
Current Account Balance***	-228.3	-271.3	-311.2
Overall Balance	27.3	11.4	3.4
Gross Official Reserves****	4.4	3.9	3.4

Source: Minecofin
Notes: * Excluding demobilization spending
** Excluding grants
*** Including grants
**** Months of imports of goods and services

3.2.2 Prospects for GDP Growth

Table 3.2.2.a gives details of the projections for GDP growth over the medium term by sector. Over the three years real GDP growth averages 7.3 percent per annum, and 13.9 percent in nominal terms. The annual average inflation rate is projected to decline from about 7.5% in 2008 to about 5% by 2010. This assumes a three year average inflation rate of 6.2 percent.

Within this medium term the primary sector is projected to grow from a rate of 3.4 percent in 2008 to 5.9 in 2010 in real terms, (averaging 5.0 percent). This period coincides with a multitude of agricultural policies culminating to increasing input use and productivity, (such as the GoR fertilizer policy, water harvesting, terracing and extension services). There are however indications that as a result of adverse weather conditions (climate change), food production may be lower that estimated. There is therefore an alternative scenario, which projects lower growth in the primary sector; of about 1.5%, and therefore forecast overall GDP growth of about 5.5%. This is a conservative figure compared to the optimistic scenario mentioned above of about 7.3% per annum. The EDPRS' emphasis on exports will assist the export crop sector's growth of 15 percent per annum. For strengthening of the traditional export sector there will be an emphasis on increasing value added, for example exporting more fully washed coffee, and greater access to credit for fertilizers. Additionally there will be a move into export diversification. However, there are indications that our export sector growth assumptions appear optimistic. Government will continue to review the export promotion strategies and action plan regularly with a view to modifying the level of growth if required.

Table 3.2.2.a – Real GDP projections 2008-2010 (million RwF)

	2008	**2009**	**2010**	**3 year av.**
GDP Growth	**7.1%**	**7.3%**	**7.5%**	**7.3%**
Agriculture	**3.4%**	**5.7%**	**5.9%**	**5.0%**
Food crop	3.0%	5.4%	5.5%	4.6%
Export Crop	15.0%	15.0%	15.0%	15.0%
Livestock Forestry and Fisheries	5.0%	6.0%	6.5%	5.8%
Industry	**7.1%**	**7.9%**	**13.6%**	**9.5%**
Mining and quarrying	10.0%	1.0%	3.0%	4.7%
Manufacturing	7.0%	7.0%	11.0%	8.3%
Electricity, gas, & water	3.0%	5.0%	50.0%	19.3%
Construction	8.0%	10.0%	15.0%	11.0%
Services	**7.5%**	**9.1%**	**7.5%**	**8.0%**
Wholesale & retail trade, rest. & hotels	9.3%	9.0%	9.3%	9.2%
Transport, storage, communication	8.1%	7.8%	8.1%	8.0%
Finance & insurance,	14.0%	14.2%	14.5%	14.2%
Real estate & business services	7.0%	6.5%	9.0%	7.5%
Public administration	3.0%	15.0%	0.0%	6.0%
Education	5.0%	5.0%	5.0%	5.0%
Health	5.0%	5.0%	5.0%	5.0%
Other personal services	2.0%	2.0%	3.0%	2.3%
Adjustments	**-2.8%**	**-3.3%**	**-4.9%**	**-3.6%**
Less: Imputed bank service charge	16.0%	15.0%	15.0%	15.3%
Plus: Import duties	3.0%	2.8%	2.5%	2.8%
Total Real GDP	**1130.17**	**1212.58**	**1303.57**	
Total Nominal GDP	**2129.90**	**2422.31**	**2734.29**	
Nominal Growth	**15.1%**	**13.7%**	**12.9%**	**13.9%**
Inflation (Annual Average %)	**7.5%**	**6.0%**	**5.0%**	**6.2%**

Source: MINECOFIN Projections

The secondary sector is predicted to grow on average 9.5 percent from 2008 to 2010. The methane gas projects are scheduled to come on line in 2010 and supply an extra 25 MWh. This will allow the manufacturing industry to increase production without incurring power supply constraints and at a reduced cost. The construction industry will benefit from increased infrastructure investment, for example the Export Processing Zone, industrial parks as well as private housing. Mining is projected to continue to benefit from international demand and higher prices in 2008. Thereafter it is expected to be able to continue to grow at a stable rate reacting to (predicted) more stable international market.

Growth in the tertiary sector is forecast to average 8.0 percent over the time period. This reflects the emphasis put on the widening and deepening of the financial services sector in Rwanda. The investment opportunities in the tourism sector and the development of other private non tradable services for the domestic market, for example professional activities and off farm employment, are also projected to rise.

Table 3.2.2.b – Real GDP Growth Contribution by Sector

	2008	2009	2010	08-10 Av.	05-07 Av.
Real GDP Growth	**7.1%**	**7.3%**	**7.5%**	**7.3%**	**6.7%**
Agriculture	2.0%	2.1%	2.1%	2.1%	2.2%
Industry	1.2%	1.3%	1.4%	1.3%	1.1%
Services	3.4%	3.6%	3.7%	3.6%	3.1%
Adjustments	0.4%	0.3%	0.3%	0.3%	0.4%

Source: MINECOFIN Projections

Table 3.2.2.b shows the contribution from each sector. As a result the service sector is projected to grow over the medium term to contribute 3.6 percent of the 7.3 percent average total growth. The slower growing agriculture sector will account for a stable 2.1 percent on average (this could be lower at about 1.5% if the climatic change worsens). The industrial sector will grow from contributing 1.2 to 1.4 percent (1.3 percent on average). This is in line with the performance over the previous three year period (2005 to 2007) where services accounted for the larger share of real GDP, contributing 3.1 percent of the 6.7 percent average growth.

As services and industry expand at a faster rate than the agricultural sector it can be deduced that this represents a growing monetization of the economy and a move away from subsistence agriculture. It is expected that as the agriculture sector becomes more productive there will be more opportunities for employment in other areas of the economy.

The National Institute of Statistics (NIS) has recently revised the GDP numbers based on the 2001 EICV (compared to the original series with 1995 as a base year). In addition, a new GDP series will be also compiled next year on the basis of the 2005 EICV. This will be the basis for the Bretton Woods Institutions to update their GDP numbers. Because the Government's estimates are based on the NIS series, there is currently a discrepancy between the Government's GDP numbers and those used by the Bretton Woods Institutions (BWI). The key macro-economics ratios used in this document are based on the NIS figures and therefore differ from numbers of the BWI.

3.2.3 Fiscal Policy

In line with the EDPRS macro-economic framework, the fiscal projections seek to forecast the resource envelope (both domestic and external) that will be available to implement the expenditure policies outlined in the EDPRS document. In so doing the projections will aim at strengthening and consolidating macro-economic stability whilst providing adequate resources to the productive sectors as well as the social sectors to achieve the MDG targets.

Domestic Revenue

Given this objective, domestic revenues are forecast to stabilize as share of GDP at about 12.8 percent of GDP in the medium term. This is due to the fact that the Government has exhausted all the gains from improved administrative capacity in the Revenue Authority. In addition taxes on international trade are expected to stagnate due to a number of factors. The most important ones are: a shift in the composition of imports with an increasing share of capital goods that does not attract duties; a shift in the origin of imports with a larger share coming from COMESA and EAC countries that pay no or low duties; and finally expected minor appreciation of the franc against the US dollar.

These factors are expected to impact negatively on revenue projections in the medium term. Any additional increases in revenue collection in the medium term will therefore be expected to come from real GDP growth that will increase the monetization of the economy and increase disposable incomes. Accordingly the minor increases in domestic revenue mobilization are expected to come from PAYE and the consumption taxes (VAT and excise duties).

Expenditure

On the expenditure side, the Government remains strongly committed to implement expenditure policies that will remove the obstacles to stronger growth and poverty reduction in line with the strategies of the EDPRS. The budget for 2008, the first year of the EDPRS, includes substantial increases in resources for infrastructure (energy, roads and water), agriculture and social protection including health and education. Taken together overall expenditure is programmed to average about 25.4 percent of GDP during the medium term. These expenditure plans when measured against the revenue forecasts in the medium term will yield an overall fiscal deficit (before grants) of 14.4 percent of GDP in 2008 but declining to 12.4 percent of GDP by 2010. The domestic fiscal deficit is expected to remain stable at 7.1 percent of GDP over the next three years. As the Government expects a ‘scaling up’ of budgetary grants, the fiscal deficit after grants will be expected to decline to around 0.2 percent of GDP in the medium term.

Financing

The financing laid out in the Government's medium term plans are currently consistent with targets to improve debt sustainability. They restrain budgetary loan financing whilst relying more on the 'scaling up' of grant finance. Commitments from 2008 to 2010 show a financing gap of RWF 140.6 billion. Government will continue dialogue with its development partners with a view to fill this gap in order to allow the planned expenditures that are consistent with the EDPRS to be implemented.

Domestic Revenue Projections

Table 3.2.3.a shows the domestic revenue projections for 2008 to 2010. Domestic revenue is projected to be at about 13% of GDP in 2008. A study on the widening of the tax base, taking into consideration the EAC impact, is ongoing. It is expected that the recommendations from this study will allow the envisaged annual increases to be achieved. While waiting for the recommendations of the study, total tax revenue collections are projected to be around 12.7 percent of GDP in 2009 and 2010. Collections from PAYE and the consumption taxes will lead the way.

Table 3.2.3.a – Domestic Revenue Projections 2008-2010 (Bln RwF)

	2008	**2009**	**2010**	**Total**
Total revenue	**277.9**	**308.2**	**348.2**	**934.3**
Tax revenue	**262.6**	**291.2**	**329.8**	**883.6**
Direct taxes	95.4	100.5	113.2	**309.1**
Taxes on goods and services	131.6	156.4	180.5	**468.5**
Taxes on international trade	35.8	34.3	36.1	**106.2**
Non-tax revenue	15.4	17.0	18.4	**50.8**
Total Revenue as Percentage of GDP	**13.0%**	**12.7%**	**12.7%**	**12.8%***

Source: MINECOFIN
*Note: * Average*

Tax Policy

The Government has commissioned a study to enlarge the tax base. The private sector federation has presented inputs into the 2008 budget. These cover four broad areas namely: financial sector, regional integration, tax policy and expenditure policies. Majority of these relate to tax policy concerns. The study commissioned will cover all areas of tax policies, including those raised by the private sector federation. A report of the study is expected in a month's time. Subsequent to the study outcome, Cabinet will take a decision.

In the case of non tax revenue again stagnation in collections is expected. This is mainly due to the loss of dividend income as the Government intensifies its divestiture program as well as the acceleration of the decentralization policy that allows the districts to collect an increasing share of fees and charges. Collections from non tax sources are therefore programmed to rise moderately from RWF 15.4 billion in 2008 to RWF 18.4 billion by 2010.

External Budgetary Disbursements Projections

Table 3.2.3.b - Current External Donor Commitments 2008-2010 (Millions USD)

	2008	**2009**	**2010**
General Budget Support	**186,3**	**196,4**	**195,4**
AfDB	19,5	25,0	24,0
EC	24,3	39,0	39,0
World Bank	60,0	50,0	50,0
Germany	6,6	6,5	6,5
Sweden	11,4	11,4	11,4
Netherlands	3,9	4,5	4,5
UK-DFID	60,6	60,0	60,0
Sector Budget Support	**83,0**	**48,6**	**37,9**
AfDB - Education	7,5	6,0	4,5
Belgium - Education	3,5	3,5	3,5
Belgium - Health	2,6	2,6	0,0
Belgium - Justice	0,0	6,6	0,0
Germany - Health	5,4	0,0	0,0
Germany - CDF	2,0	6,0	6,0
Sweden - Decentralization	0,0	2,0	2,0
Netherlands - Education	9,2	15,0	15,0
Netherlands - CDF	3,0	3,0	3,0
EU - Transport	0,0	0,0	0,0
UK-DFID - Education	4,8	3,9	3,9
EFA-FTI - Education	45,0	0,0	0,0
Others Budget Support	**27,5**	**0,0**	**0,0**
Demobilization	9,2	0,0	0,0
AU Peacekeeping	18,3	0,0	0,0
TOTAL (million USD)	**296,8**	**245,0**	**233,3**
TOTAL (billion RwF)	**161.8**	**133.5**	**127.1**

Source: External Finance Unit, MINECOFIN and Donors

Table 3.2.3.b shows current external donor commitments for 2008 to 2010. For 2008 total external budgetary grants are estimated at US$ 296.8 million. In 2009 and 2010 known commitments decline to US$ 245 million and 233 million, respectively. Based on these commitments there is financing gap of about US $140.6 million during the period 2008-2010. The Government will continue dialogue with its development partners to fill the gap. As the Government seeks to improve the country's debt sustainability by constraining loan finance, it would like to see more firm grant finance commitments to allow credible medium term expenditure planning. Government will therefore continue to press this case for more grant finance commitments with our developing partners.

It is important to note that there is a growing financing gap over the medium term. This is due to the fact that donors normally do not commit grants for more than 2 years.

Table 3.2.3.c – Budgetary Grants: Committed and Required 2008-2010 (Million Rwf)

	2008	2009	2010	Total
Total Grants	**282.1**	**309.3**	**333.6**	**925**
Committed budget grants	169.8	133.5	127.1	**430.4**
Required grants	0	57.2	83.4	**140.6**
Capital grants	112.3	118.6	123.1	**354**

Source: External Finance Unit, MINECOFIN and Donors

External Borrowing

As Rwanda has benefited from the MDRI debt relief the country is no longer eligible for budget support loans. In order to keep the debt situation sustainable, the GoR will favour grants as a form of financing and maintain a prudent borrowing levels with a minimum (as shown on table 3.2.3.d) averaging 22.6 billion RwF per year. This will be at a highly concessional rate of 50%. However, if the grant financing does not materialise, GoR will seek other loans with lower concessionality (35%), while making sure that debt sustainability is maintain. This would require a waver from current international arrangements.

Table 3.2.3.d – Projected External Borrowing (billion RwF)

	2008	2009	2010	Total
Budget support loans	0.0	0.0	0.0	**0.0**
Project loans	27.0	20.0	20.7	**67.7**
Total	**27.0**	**20.0**	**20.7**	**67.7**

Source: MINECOFIN

Medium Term Expenditure Projections

In line with the EDPRS costing and requirements, total expenditure has been projected to rise gradually from RWF 607.5 billion in 2008 to RWF 708.2 billion by 2010, as shown in table 3.2.3.e. This equates to an average annual increase of around 10 percent. The recurrent portion is programmed to rise from RWF 365.3 billion in 2008 to RWF 417.2 billion by 2010. Capital expenditure which has been estimated at RWF 227 billion in 2008 is projected to reach RWF 276.8 billion in 2010. This reflects the policy to raise the share of capital expenditure gradually from around 7 percent of GDP in recent years to about 10 percent of GDP in the medium term.

Table 3.2.3.e - Expenditure Projections 2008-2010 (Billion RwF)

	2008	2009	2010	Total
Total expenditure	**607.5**	**640.6**	**708.2**	**1,956.3**

Current expenditure	365.3	377.7	417.2	**1,160.2**
Wages and salaries	83.7	90.7	98.0	**272.4**
Purchases of goods and services	81.6	90.5	101.9	**274.0**
Interest payments	11.2	10.6	10.7	**32.5**
Transfers	129.9	144.6	162.9	**437.4**
Exceptional social expenditure	43.9	28.0	30.1	**102.0**
Amortization	15.0	13.3	13.6	**41.9**
Domestic	5.1	5.1	5.1	**15.3**
External	9.9	8.2	8.5	**26.6**
Capital expenditure	227.0	248.6	276.8	**752.4**
Domestic	87.6	110.0	133.0	**330.6**
Foreign	139.4	138.6	143.8	**421.8**
Net lending	8.2	7.3	7.2	**22.7**
Net repayment of Arrears	7.0	7.0	7.0	**21.0**

Source: *Minecofin*
Note: ** Includes CSR*

Wages and Salaries

Wages and salaries are projected to rise from RWF 83.7 billion in 2008 to RWF 98 billion by 2010. This rise is expected to allow the implementation of Government's ongoing salary reforms. These will provide adequate staff for the newly created institutions as well as the policy to recruit more qualified personnel for the education (teachers under the FTI) and more medical staff recruited for new districts hospitals. These should increase both school enrollment and improve service delivery.

Goods and Services

Expenditure on goods and services is projected to increase from RWF 81.6 billion in 2008 to RWF 101.9 billion by 2010. This is in line with Government's policy to provide adequate resources to fund pro-poor programs in the social sector such as books and educational materials for education (FTI), and drugs and dressings for primary health care and vaccination programs as well as for conditional support for district health centers in the health sector to achieve the MDGs. In addition this level of allocation will allow the Government to cater adequately for recurrent costs including for repair and maintenance works in various institutions especially vital road maintenance.

Transfers and Subsidies

Transfers and subsidies are forecast to increase from RWF 129.8 billion in 2008 to RWF 162.9 billion in 2010. These increases are driven mainly by the ongoing decentralization policy to increase the earmarked transfers to districts (capitation grants, funds for mutuelle in the health sector and running costs of districts), the provision of adequate funds for social protection, the provisions of funds for the new agencies to be created (Transport agency, Water Agency, Forestry Agency, Mining Agency etc) and the Government contribution to East African

Community (USD 4.5 million). In the case of earmarked transfers, these are expected to rise from RWF 56 billion in 2007 to RWF 68.1 billion in 2008 with increasing shares in the medium term. The allocations under transfers and subsidies also include funds to finance the recurrent costs of export promotion activities.

Exceptional Expenditure

Exceptional expenditure, which is estimated at RWF 43.9 billion in 2008, is projected to decline to RWF 28.0 billion in 2009 and to reach RWF 30.0 billion by 2010. The decline in 2009 is based on the assumption that the demobilization and re-integration programs as well as the AU Peace-keeping operations will be terminated by the end of 2008. The projections will be revised if the assumptions change.

Within this expenditure category, the largest item is FARG (Funds for the Assistance of Genocide Survivors) and has projections set at 5 percent of domestic revenue as required by law. The allocation is expected to rise in line with the medium term domestic revenue projections. The projections also allow the Government to cater for prisoner feeding which since 2005 has been rising as a result of the withdrawal of support from the International Committee of the Red Cross (ICRC). Furthermore the allocation to the Electoral Commission is expected to see increases in 2008 (5 billion RwF) and 2010 to allow it to conduct the parliamentary and presidential elections in those years respectively.

Capital Expenditure

During the EDPRS period Government intends to scale up public investment particularly in the infrastructure and other productive areas. This is with a view to reduce significantly the cost of doing business in Rwanda so as to accelerate economic growth for poverty reduction and the achievement of the MDGs.

In this regard the capital budget is projected to rise from RWF 227.0 billion in 2008 to reach RWF 276.8 billion by 2010. This estimate is in line with the objective to raise the level of public investment as a share of GDP gradually to reach 10 percent by 2010. The share of the capital budget financed by internal resources rises sharply from RWF 87.6 billion in 2008 to RWF 133.0 billion by 2010 and reflects Government policy.

At the same time the share of externally financed portion also rises, though moderately, from RWF 139.4 billion in 2008 to RWF 143.8 billion by 2010. This reflects the policy to improve debt sustainability by reducing loan finance whilst relying more on grant finance.

Table 3.2.3.f below shows a summary of some high profile projects to be implemented in 2008. Please note that the majority of the externally financed capital projects highlighted in table 3.2.3.f are ongoing.

Table 3.2.3.f – Selected High Profile Projects to be Implemented in 2008 (Billion RwF) – Internally Financed

Project Name	**Budgeted in 2008**
Internally financed	
Common Development Fund	8.80
Priority crops intensification	1.21
Study fund for projects	0.50
Export promotion	2.57
Construction of new class rooms in Primary	7.20
Rukarara Hydro Power 9,5 MW	1.00
Construction of Micro Hydroelectric Power Station	1.50
Electricity Line Gisenyi-Mukungwa HT	0.90
Potable water from Nyabarongo sources	5.00
RWSS : Rural Water Supply & Sanitation II (PRSC PEAMR)	3.47
Maintenance and Extension of dirt tracks	2.60
Construction of Kicukiro - Kirundo Road	3.10
Construction of Kibuye - Ruganda Road	1.20
Rehabilitation and Protection of River Banks and Lake Shores	0.90
Health Infrastructure and Equipment	0.95
Railway Isaka-Kigali	0.60
One Cow per Family	1.40
Free Trade Zone Development	0.80
Support Fund for SMEs	0.50
Construction of New Tronc Commum in Science Education	3.50
Quality Improvement in Science Education (First Cycle Secondary)	1.30
Upper Secondary School Building	0.80
Ubudehe Programme	0.50
PDL-HIMO	0.37
CAN Junior Rwanda	0.75
Youth Employment Guarantee Fund	0.15
ICT	1.60
Total Internal	**52.87**

Table 3.2.3.f – Selected High Profile Projects to be Implemented in 2008 (Billion RwF) – Externally Financed

Project Name	Budgeted in 2008
Externally financed	
Common Development Fund (EU, Switzerland, Netherlands, Belgium, RFA)	15.40
Decentralization of AIDS Treatment Programs (Global Fund)	7.80
Strengthening Malaria Control (Global Fund)	1.50
Strengthening TB Control (Global Fund)	1.80
Access to Quality Care (Global Fund)	1.70
RSSP: Rural Sector Support Project (IDA and ADB)	7.30
Rehabilitation Kigali – Ruhengeri Road	4.80
PDCRE : Development of Cash / Export Crops	2.40
PAPSTA : Support to the Strategic Plan for Agriculture Transformation	0.31
PADAB : Support to Agricultural Development in Bugesera	1.50
PAIGELAC : Support to Integrated Management of Internal Lakes	2.00
Rehabilitation / Extension of Faysal Hospital	3.61
Scaling up prevention of HIV / AIDS	3.90
Rehabilitation of Gitarama – Ngororero – Mukamira road	4.90
Rehabilitation of Ruhengeri – Gisenyi road	10.20
Construction of Kicukiro – Kirundo road	3.40
UERP: Urgent Electricity Rehabilitation Project	3.40
AEPE: Potable Water & Electricity in Kigali	2.74
AEPA: Rural Water Supply and Sanitation (ADB)	3.80
Japan Clean Water Supply Ex-province Kibungo	3.90
EU Clean Water Supply Bugasera – Karenge	1.00
Program for Clean Water and Electricity Supply (ADB)	1.00
Construction of Nyabarongo Hydro Power Station (India)	4.70
Construction of Mukungwa Hydro Power Station (Badea – OPEC)	3.80
PIGU : Infrastructure & Urban Management Project	2.90
Integrated Management of Critical EcoSystems	0.70
Trade and Transport Facilitation in EAC (IDA)	1.60
Kigali City Sanitary Plan (Belgium)	1.90
Total External	**103.96**
Total Projects	**156.83**

Source: MINECOFIN

Net Lending

Net Lending refers to gross payments by Government to public enterprises for recapitalization, working capital and other restructuring requirements minus receipts from them by way of loan repayments and sale proceeds. In the medium term the allocation for this expenditure item is projected to decline from RWF 8.2 billion in 2008 to RWF 7.2 billion by 2010. The major items under net lending are: Government investment in the methane gas company, which has an allocation of RWF 2.8 billion for 2008; the allocation for the repayment of Prime Holding's debt of RWF 3.1 billion; and RWF 1.0 billion for the recapitalization of BRD to play an important role in financing investment projects.

Debt Payments

External Debt

As a result of the implementation of the MDRI regarding debt cancellation, the debt stock of Rwanda which stood at US$ 1.5 billion at end 2005 declined to US$ 362.8 million at end 2006. The policy after MDRI therefore is to make prudent borrowing so as not to fall into an unsustainable debt situation. It is in light of this that no budget loans are envisaged during the medium term and project loans have been kept at an average of about US$ 38 million per year. A large portion of the annual amounts represent draw-down of existing commitments. Given the sizeable investment gap in the country, Government intends to review this borrowing policy constantly. It will however ensure that any additional loans will be highly concessional and will be used only for projects whose returns on investment are sound. Based on the current assumptions, external debt payments have been projected at annual rates of RWF 5.1 billion and RWF 2.2 billion for principal and interest, respectively, during the medium term.

Domestic Debt

Table 3.2.3.g – Domestic Debt Stock Projections 2007-2010 (Million RwF)

	2006	**2007**	**2008**	**2009**	**2010**
Treasury Bills	**31,483.0**	**47,214.3**	**0.0**	**0.0**	**0.0**
Banks	17,114.3	17,114.3	0.0	0.0	0.0
o/w Recapitalisation	(3,000.0)	(3,000.0)	0.0	0.0	0.0
Non Banks	14,368.7	30,100.0	0.0	0.0	0.0
Other Bills and Bonds	**107,878.2**	**99,936.6**	**90,036.6**	**79,837.2**	**70,151.3**
CSR	66,101.3	64,801.3	63,301.3	61,498.0	58,998.0
OCIR THE	12,000.0	10,000.0	8,000.0	6,000.0	4,000.0
CSS	6,948.0	5,790.0	4,632.0	3,474.0	2,316.0
Old Arrears (Bonds)	11,941.8	10,614.8	7,643.4	4,672.0	1,697.0
Development Bonds	**5,619.3**	**4,744.6**	**3,769.9**	**2,795.2**	**1,842.3**
Banks	3,788.3	3,301.8	2,815.3	2,328.8	1,842.3
Non Banks	1,831.0	1,442.8	954.6	466.4	0.0
BACAR & BCR*	3,024.1	2,017.1	1,010.1	0.0	0.0
BACAR & BCR**	524.7	349.8	174.9	0.0	0.0
BCR***	1,719.0	1,619.0	1,505.0	1,398.0	1,298.0
BNR(Consolidated Debt)	41,800.0	41,500.0	41,200.0	40,900.0	40,600.0
GRAND TOTAL	**181,161.2**	**188,650.9**	**137,696.5**	**124,930.4**	**113,8916**

Source: MINECOFIN Projections
*Notes: * Restructuring Bonds*
*** Recapitalising Bonds*
**** Government Guarantee Bonds CHR*

Having achieved a stock reduction in external debt through debt cancellation, the Government's attention has now turned to the management of domestic debt. The main objective is to continue the ongoing restructuring of the debt stock to ensure reasonable yearly amortization. New debt is to be kept within manageable limits. Table 3.2.3.g shows the debt stock at end of year basis from 2006 to 2010.

Over this period total debt service is projected at about RWF 74.5 billion (RWF 41.9 billion for principal and RWF 32.5 billion for interest payments). As shown in the table, the largest component in the consolidated debt is the payment to CSR which has now been restructured.

Regarding the sale of Government treasury bills, the policy over the medium term is to sell for cash-flow purposes as will be required by monetary developments. Accordingly it is projected to sell an amount of RWF 35 billion during the next three years. In this way even though there will be only a small increase in the debt stock during this period, as a share of GDP it will show a small decrease. This is expected to allow the private sector more funds for investment.

Fiscal Deficit and its Financing

The resulting fiscal deficit in 2008 is 20.4 billion RwF, which reduces to 5.7 billion RwF by 2010; this can be seen in table 3.2.3.h below. This will be financed by increasing domestic borrowing in the medium term through sales of treasury bills.

Table 3.2.3.h – Fiscal deficit and it's Financing 2008 to 2010 (Billion RwF)

	2008	**2009**	**2010**	**Total**
Total Revenue	277.9	308.2	348.2	**934.3**
Total Grants (inc. required grants)	282.1	309.3	333.6	**925**
Total Loans	27.1	20	20.7	**67.8**
Total Resources	587.1	637.5	702.5	**1927.1**
Total Expenditure	607.5	640.6	708.2	**1956.3**
Fiscal Deficit	**-20.4**	**-3.1**	**-5.7**	**-29.2**
Financing	20.4	3.1	5.7	**29.2**
Sale of Treasury Bills	14.9	3.1	5.7	**23.7**
Drawdown of BNR Deposits*	5.5	0.0	0.0	**5.5**

Source: MINECOFIN Projections
*Note: * negative indicates increase in deposits.*

3.2.4 External Sector

The current account deficit (excluding official transfers) is projected to stabilise around 13 percent of GDP over the next three years, as seen in table 3.2.4.a. Over this time period exports are projected to increase by 15 percent annually, while imports are projected to rise at a slightly higher rate of 16 percent on average per annum. A major contributor to the increase in imports will be capital and intermediate goods for development purposes.

Table 3.2.4.a – Current Account Projections 2008-2010 (Million USD)

	2008	**2009**	**2010**
Current account balance (inc. official transfers)	**-228.3**	**-271.3**	**-311.2**
Current account balance (exc. official transfers)	**-504.8**	**-580.6**	**-644.8**
Trade balance	**-424.9**	**-504.4**	**-590.9**
Exports, f.o.b.	202.1	233.0	268.5
Of which: coffee	51.0	66.6	84.8
Of which: tea	44.0	49.5	55.0
Imports, f.o.b.	-627.0	-737.4	-859.4
Of which: equipment	-244.5	-292.1	-356.9
Of which: energy and fuel	-222.1	-265.4	-324.2
Services (net)	**-297.92**	**-342.61**	**-374.57**
Exports	194.92	224.16	257.79
Imports	-492.84	-566.77	-632.36
Factor income (net)	**-16.10**	**-10.22**	**-5.77**
Of which: interest on public debt (incl. IMF)	-13.43	-12.81	-12.31
Current transfers (net)	**510.6**	**585.9**	**660.1**
Private	115.2	141.7	173.0
Official (expected disbursed budgetary)*	276.5	309.3	333.6
Of which: HIPC grants	0.0	0.0	0.0
Other (humanitarian, TA, NGOs)	118.9	134.9	153.4
Nominal GDP	**3,912.8**	**4,450.2**	**5,023.2**
Current account deficit (in percent of GDP)			
Including official transfers	**-5.8%**	**-6.1%**	**-6.2%**
Excluding official transfers	**-12.9%**	**-13.0%**	**-12.8%**

Source: *MINECOFIN Projections.*
Note: ** Includes required grants, as yet un-committed funds.*

Rwandan economic growth and development depends on the diversification of its export product base in addition to the continuation of strong growth in exports. Export promotion strategies have been designed for a number of products, the projected results of which are shown in table 3.2.4.b.

The expansion of the exports base is necessary to generate foreign exchange earnings for further expansion. GoR will promote value addition in existing product lines in agro-processing, including coffee and tea, handicrafts and mining, and development of new products including silk, pyrethrum, hides and skins and flowers. GoR will also provide the incentives for foreign direct investment and create industrial parks and export processing zones. Exports will be further facilitated by on-going processes of regional and international integration.

Table 3.2.4.b – Export projections by commodity 2008-2010 (Million USD and Million Kg)

Product		**2008**	**2009**	**2010**	**3 yr av.**
Coffee	**Value**	50.97	66.58	84.80	
	Annual Change	38.9%	30.6%	27.4%	**32.3%**
	Volume	24.00	28.50	33.00	
Tea	**Value**	40.22	45.22	50.27	
	Annual Change	14.0%	12.4%	11.2%	**12.5%**
	Volume	23.80	26.60	29.40	
Cassiterite	**Value**	33.75	36.13	39.08	
	Annual Change	18.3%	7.1%	8.1%	**11.2%**
	Volume	4.76	4.80	4.95	
Coltan	**Value**	17.12	18.33	19.82	
	Annual Change	18.3%	7.1%	8.1%	**11.2%**
	Volume	0.91	0.92	0.95	
Wolfram	**Value**	26.24	28.09	30.38	
	Annual Change	18.3%	7.1%	8.1%	**11.2%**
	Volume	3.30	3.33	3.43	
Hides and Skins	**Value**	4.40	5.40	6.63	
	Annual Change	22.4%	22.7%	22.7%	**22.6%**
	Volume	2.00	2.25	2.50	
Pyrethrum	**Value**	3.87	4.45	5.03	
	Annual Change	7.5%	14.8%	13.1%	**11.8%**
	Volume	0.06	0.07	0.07	
Flowers	**Value**	0.46	0.57	0.72	
	Annual Change	19.8%	24.6%	24.5%	**23.0%**
	Volume	0.18	0.22	0.26	
Others	**Value**	3.05	3.47	3.91	
	Annual Change	-21.6%	13.7%	12.9%	**1.7%**
	Volume	3.00	3.22	3.46	
Re-exports	**Value**	14.33	16.30	18.40	
	Annual Change	-23.5%	13.7%	12.9%	**1.0%**
	Volume	12.00	12.88	13.84	
Sub Total	***Value***	***194.41***	***224.54***	***259.03***	
(Key Products)	***Annual Change***	***16.1%***	***15.5%***	***15.4%***	***15.7%***
96% of total value	***Volume***	***74.01***	***82.78***	***91.86***	
Total	**Value (USD)**	**202.07**	**233.00**	**268.54**	
(All Products)	**(Bln RwF)**	**110.13**	**126.98**	**146.35**	
	Annual Change	**15.6%**	**15.3%**	**15.3%**	**15.4%**
	Volume	**88.67**	**98.58**	**109.16**	

Source: Minecofin

Specifically for coffee, the aim is to increase value addition by encouraging and supporting investment in washing stations and processing, and increase sales by improving marketing. So that even though the international price is forecast to decline over the medium term, the increased proportion of fully washed coffee has been estimated to increase the price per kg by 10 percent per annum. This higher value will be beneficial as international supplies and demand are forecast to rise and so Rwanda will need to be increasingly competitive. Over the three year period the value of coffee exports is projected to increase by an average of 32.3 percent a year.

In the tea sector, the government aims to increase production and improve marketing. Productivity on existing plantations will be improved through better inputs and increased supervision and support to plantations, and through the expansion of the area of tea plantations. Value addition will be improved by introducing more profitable tea varieties and increasing the capacity of tea factories to process all green leaves. The international market prices for tea are expected to incline moderately over the medium term, and so it is the increase in output that will be the major factor in the 12.5 percent average annual increase.

Exports from the mining industry are predicted to rise, benefiting from near term high prices and demand which are then projected to stabilize over the medium term. Export receipts from mining are forecast to reach almost 90 million USD by 2010. The exports of hides and skins are also projected to increase to almost 6.6 million USD by 2010. The price per kg will rise as raw exports decline and processed exports increase. Horticulture is a key area of export diversification, the export of flowers is set to rise 23 percent per annum on average over the next three years.

Finally, tourism is another important sector for both employment and foreign exchange earnings. The tourism sector has grown steadily to become the second source of exports (behind coffee but ahead of tea and mining). Rwanda has a substantial advantage in the tourism sector which offers many investment opportunities. GoR has developed a strategy that focuses on high-end eco-tourism and invites investment into developing the sector. Rwanda tourism receipts are forecast to reach 100 million USD by 2012. This will be achieved through product development at the key tourist sites to ensure that tourists stay longer. There will also be a continuation of aggressive marketing and mass training of staff in the hospitality industry for better customer care.

3.2.4 Monetary Policy

As has been done in 2007, monetary policy in 2008 and in the medium term will compliment fiscal policy with the objective of providing adequate resources to finance economic activity for growth while keeping the inflation rate in single digits (5.7 percent on average). A comparison of end 2007 and end 2008 is given in Table 3.2.5. MINECOFIN is in consultation with BNR to update the projections for end year 2007. This will form the base for any revisions in 2008 projections.

Table 3.2.5 – Monetary Estimates for end 2007 and end 2008 (Billion RwF)

Monetary Authorities	**Dec-07**	**Dec-08**
Net foreign assets	217.7	234.3
Foreign assets	223.3	250.6
Foreign liabilities	5.6	16.3
Net domestic assets (adjusted)	*-143.5*	*-127.9*
Net domestic assets	-142.2	-126.6
Domestic credit	-110.2	-94.6
Government(net)	-75.8	-57.1
Claims	41.8	41.0
Deposits	117.6	98.1
Non government credit	-34.4	-36.6
Private	3.5	4.0
Public enterprises	0.1	0.0
Commercial banks (net)	-38.0	-40.6
Other items net(non adjusted)	-32.0	-32.0
Other items net(adjusted)	-33.3	-33.3
Consistency	75.5	107.7
Reserve money (adjusted)	90.2	106.4
Reserve money (non adjusted)	*92.3*	*107.7*
Currency	60.6	71.8
Currency in circulation	54.8	62.9
Currency held in banks	5.8	8.9
Commercial banks deposits (Inc. CER)	29.6	32.4
Monetary Survey		
Net foreign assets	266.4	278.4
Net domestic assets	48.0	66.2
Domestic credit	136.4	156.6
Central government (net)	-54.0	-59.6
Autonomous Agencies	-2.0	-0.9
Public enterprises	2.5	2.4
Private sector	189.9	214.7
Other items net (Assets: +)	-90.4	-90.4
Consistency		344.6
Broad money	312.4	344.6
Currency in circulation	54.8	62.9
Deposits	251.8	281.7

Source: BNR

In the meantime in line with the fiscal projections for 2008 and the projected external disbursements for the budget, the net foreign reserves of the central bank are projected to rise from the estimated level of RWF 217.7 billion at the end of 2007 to RWF 234.3 billion at end 2008. This shows an increase of about 7.6 percent. At this level the reserves will be expected to cover 4.4 months of imports in 2008.

Reserve money is projected to rise from RWF 92.4 billion estimated for end 2007 to RWF 107.7 billion showing an increase of about 16.5 percent compared to about 44.4 percent projected for

2007. The 16.5 percent increase in 2008 is close to the nominal GDP increase projected. In 2008 the increase is mainly expected to come from currency in circulation which is to rise from RWF 54.8 billion at end December 2007 to RWF 62.9 billion at end 2008.

This level of reserve money is expected to be achieved with the central bank's inter bank foreign exchange sales of about US$ 240 million as well as Government's foreign exchange spending of about US$ 165 million. Comparable figures for 2007 are US$ 200.5 million for the Central Bank and US$ 148 million for Government. As a result of the foreign exchange sales, only a small amount (RWF 2.6 billion) of BNR's treasury bills sales for 'mopping up' purposes will be required. Accordingly the stock of outstanding BNR treasury bills which is estimated at RWF 38 billion by end 2007 will reach RWF 40.6 billion by end 2008.

3.2.5 Medium Term Investment Plan

Table 3.2.7 – Medium Term Investment Plan 2008-2012 (Billion RwF)

Expenditure Type	**Recurrent**		**Capital**		**Total**	
	Bln RwF	**Share**	**Bln RwF**	**Share**	**Bln RwF**	**Share**
Human Development & Social Sectors	**872**	**42.2%**	**314.04**	**22.3%**	**1186**	**33.8%**
Education	554	26.8%	131	9.3%	686	19.6%
Health and population	188	9.1%	130	9.2%	319	9.1%
Social protection	103	5.0%	5	0.4%	108	3.1%
Employment and capacity building	15	0.7%	39	2.8%	54	1.5%
Youth, sport & culture	11	0.5%	8	0.6%	19	0.5%
Capital Development & Productive Sectors	**239**	**11.6%**	**1039**	**73.7%**	**1278**	**36.0%**
Infrastructure	107	5.2%	586	41.6%	693	19.5%
Transport & ICT	12	0.6%	241	17.1%	253	7.1%
Habitat	12	0.6%	65	4.6%	77	2.2%
Energy	13	0.6%	200	14.2%	213	6.0%
Meteo	0	0.0%	2	0.1%	2	0.1%
Water and sanitation	70	3.4%	78	5.5%	148	4.2%
Productive capacities	132	6.4%	453	32.1%	585	16.5%
Agriculture	84	4.1%	162	11.5%	246	7.0%
Forestry, lands & environment	10	0.5%	53	3.8%	63	1.8%
Manufacturing, services and off-farm	17	0.8%	51	3.6%	68	1.9%
Science, technology and innovation	18	0.9%	31	2.2%	49	1.4%
Community Development Fund	3	0.1%	155	11.0%	158	4.4%
Governance & Sovereignty	**956**	**46.3%**	**55**	**3.9%**	**1011**	**29.0%**
Defense	289	14.0%	3	0.2%	292	8.4%
Justice, order & security	142	6.9%	30	2.1%	172	4.9%
Public administration	479	23.2%	21	1.5%	500	14.3%
Decentralisation	47	2.3%	2	0.1%	49	1.4%
TOTAL	**2,065**	**100.0%**	**1,410**	**100.0%**	**3475**	**100.0%**

Source: EDPRS, MINECOFIN.

Investment is a key driver for the EDPRS. Specifically, a high quality public investment programme aimed at systematically reducing the operational costs of business, increasing the capacity to innovate, and widening and deepening the financial sector. This means heavy investment in ‘hard infrastructure’ by the GoR to create strong incentives for the private sector to increase its investment rate in subsequent years.

Table 3.2.7 shows details of investment by sector for the next five years as per EDPRS priorities. The largest share of investment over the next five years is going to the capital development and productive sectors, 36 percent. Within this transport and ICT as well as energy are being invested heavily in as well as agriculture. Education takes the majority share of the human development and social sectors investment, which in total receives 33.8 percent. Finally the governance and sovereignty sector will take 29 percent of total investments over the medium term.

Over the five year period investment will grow from 7 percent of GDP to 10 percent. This will be underpinned by increased private sector credit, which is projected to average about 13 percent per annum. During the first three years sector resource allocations will be guided by the same EDPRS framework.

3.2.6 Macro Implications of Scaling Up Aid

As shown over the past five sections the medium term framework contains a financing gap of 140.6 billion RwF for the period 2008-2010. To reach the goals set out in the EDPRS the projected expenditures need to be financed, preferably by grants. However as the gap is financed there will be an influx of foreign exchange into the country which needs to be dealt with in a sensible manner so as to avoid macroeconomic instabilities such as inflation and large swings in the exchange rate.

The GoR has taken the possibility of scaling up of aid seriously. It has commissioned a thorough analysis by independent consultants which has looked into the risks associated with scaling up of aid and how the GoR can deal with these and introduce new safety mechanisms.

The study reports that the risks associated with scaling up of aid are minimal and that Rwanda is able to absorb funds received from donors. Those risks that do prevail are listed and recommendations for action to be taken by the GoR are outlined. These recommendations from the report discuss the need for a greater monitoring of foreign exchange inflows and expenditures, particularly the utilisation of foreign aid in project accounts. Predominately this relates to private sector foreign exchange spending as the report finds that the GoR has sufficient regular information on its cash flows.

The report also finds that there is a lack of information on the sources of demand for foreign exchange in Rwanda; this should be studied in order to influence policy decisions. This will also provide an idea of the extent of exchange rate appreciation required to sell excess foreign exchange without hurting the export sector.

Previous studies have shown that traditional exports are more sensitive to the state of infrastructure, skills and regularity of supplies rather than the export price. It has also been suggested that the gains in cheaper imports will benefit more people, including the export industry which will gain from cheaper capital goods for infrastructure, and offset any losses.

Policy recommendations then relate to a more expansive monetary policy to avoid constraining financial deepening. For fiscal policy, it is recommended that sector ministries should identify projects and programs with high local cost spending that can be postponed if required, alternatively delay their beginnings rather than cutting operations already in place. Along side this the GoR should consider donor proposals for projects and programs that have high import contents in order to reduce domestic demand pressure and the inflow of excess foreign exchange.

4. 2008 Budget Policy Choices

4.1 Budget Expenditure Allocations by Sector

The 2008 budget expenditure allocations reflect the principles outlined in the EDPRS. Compared to 2007, total outlays of Government are increasing by 80 billion RwF. This increase is mainly allocated to the main priority sectors as defined in EDPRS, as can be seen in table 4.1 below.

Table 4.1 – Summary of Budget Expenditure Allocations by Sector 2007 and 2008 (Billion RwF)

	2007	**2008**	**Change**
Total	**527.5**	**607,6**	**15,2%**
Infrastructure	111.8	134,3	20,1%
Productive Sector	40.2	54,0	34,3%
Human Development and Social Sector	163.5	184,2	12,7%
Governance and Sovereignty	212.0	235,1	10,9%

Source: MINECOFIN

The detailed 2008 budget allocation by sector and sub-sector is attached as annex E. The following tables and text describe which areas are most affected by the increases.

4.1.1 Infrastructure

Table 4.1.1 shows the breakdown of budge expenditure allocations within infrastructure. The increase in energy is expected to finance the following projects:

Table 4.1.1 – Infrastructure Budget Expenditure Allocations 2007 and 2008 (Billion RwF)

	2007	**2008**	**Change**
Infrastructure	111,8	134,3	20,1%
Energy	26,5	42,5	60,4%
Transport and Communication	41,4	60,2	45,4%
Land Housing and community amenities	18,9	6,5	-65,6%
Water and Sanitation	25,0	25,1	0,4%

Source: MINECOFIN

With respect to power generation, the funds will finance the construction of 8 micro hydro-projects as well as the Rukarara and Nyabarongo hydro projects. In addition, there will be financing for electricity transmission, especially the Gisenyi-Mukungwa electricity grid, Rubona-Gihira electricity grid and the rehabilitation of Gikondo station. Further spending will be put in rental power and subsidy to Electrogaz as well as financing for the methane gas project. Urgent electricity project, financed by the World Bank, will also be implemented with an amount of 7.2 billion RwF.

Concerning transport and communication sector, resources will be allocated for the construction of several important roads such as the Kicukiro- Kirundo road, the Gitarama-Ngororero-Mukumira road, the Ruhengeri-Gisenyi road and the Kigali- Ruhengeri road. In addition, FER will be allocated a substantial amount for road maintenance.

Regarding water and sanitation, 5 billion RWF is being allocated for the Nyabarongo underground water project whilst 0.3 billion RWF is to be used for the environmental studies of this project. In addition 7.8 billion RWF is to be spent on the second phase of the rural water and sanitation project.

4.1.2 Productive Sector

In order to boost agriculture production, an amount of 26.9 billion RwF has been allocated to the sector, as shown in table 4.1.2. The major programs to be implemented include: promotion of fertiliser use; hillside irrigation; priority crops intensification; terracing; one cow project; and conducting research as well as enhanced extension services.

Table 4.1.2 – Productive Sector Budget Expenditure Allocations 2007 and 2008 (Billion RwF)

	2007	**2008**	**Change**
Productive Capacities	40,2	54,0	34,3%
Agriculture	18,9	26,3	42,6%
Industry and Commerce	10,3	11,7	13,6%
Environmental Protection	5,0	7,2	44,0%
Community Development Fund (CDF)	6,0	8,8	46,7%

Source: MINECOFIN

Regarding industry and commerce, the increased allocation to 11.7 billion RwF will be used to finance some of the following activities: export promotion; the free trade zone; industrial parks; and support to SMEs. The domestic financed portion of the CDF has been increased from 6.0 billion RWF to 8.8 billion RWF. To facilitate the implementation of the district development plans, an additional 13 billion RWF is been provided by the donors. Furthermore 0.5 billion RWF is to be spent on the UBUDEHE program in 2008.

4.1.3 Human Development & Social Sectors

Table 4.1.3 – Human Development and Social Sectors Budget Expenditure Allocations 2007 and 2008 (Billion RwF)

	2007	**2008**	**Change**
Human Development & Social Sectors	163,5	184,2	12,7%
Education	97,1	103,2	6,3%
Health	48,3	58,6	21,3%
Social Protection	14,7	16,6	12,9%
Youth, Culture and sport	3,4	5,8	70,6%

Source: MINECOFIN

The allocation to this sector has been increased by 12.7 percent, as shown in table 4.1.3. For education, the increase is 6.3 percent and the bigger share will finance primary education. The share of secondary education has also been increased. The increase in the education sector will allow the capitation grant to be raised substantially and will also provide resources for books and other education material. Special emphasis will also be put on vocational training and skills development as three vocational training centres will be established during the year.

In the area of health, the increase of 21.3 percent will help finance various programs associated with primary health care including provision of qualified professional staff for the district hospitals and clinics, financing of the 'mutuelle scheme' as well as the implementation of the performance-based financing programs. In addition, some resources have been allocated for purchase of drugs and vaccines.

In the area of social protection, the increased allocation represents the statutory legal transfer to FARG and assistance to other vulnerable groups.

4.1.4 Governance and Sovereignty

In the area of defence, the 38.8 billion RwF allocated in 2008 represents 1.8 percent of the 2008 nominal GDP which is at the same level as was in 2007. The other general public service allocations are increasing in line with inflation. Table 4.1.4 shows details.

Table 4.1.4 – Governance and Sovereignty Budget Expenditure Allocations 2007 and 2008 (Billion RwF)

	2007	**2008**	**Change**
Governance and Sovereignty	212,0	235,1	10,9%
Defense	32,3	38,8	20,1%
Public Order & Safety	43,0	43,5	1,2%
General Public Service	136,7	152,8	11,8%

Source: MINECOFIN

4.2 Conclusion and Recommendations

As indicated above, the 2008 budget reflects the principles and priorities outlined in the EDPRS. The allocations also reflect a good balance between productive sectors, infrastructure and human development. Parliament is to note that RWF 7.9 billion of required grants remain to be mobilised. If this mobilization is not successful then expenditures will have to be cut. Despite this shortfall in resources, the revenue and expenditure policies are expected to promote adequate growth and at the same time ensure macro-economic stability. Parliament is therefore requested to adopt the draft financial law for 2008.

Annex A – Rwanda's 2007 GDP

Table A1 – GDP Estimates 2006 and 2007 (Billion RwF, 2001 = base year)

	2006 Nominal	2006 Real	Growth			Nominal 2007	Real 2007
			Nominal	Inflation	Real		
GDP	**1552.9**	**990.9**	**19.3%**	**11.9%**	**6.6%**	**1852.3**	**1056.6**
Agriculture	**580.1**	**318.9**	**15.7%**	**18.0%**	**-2.0%**	**671.0**	**312.6**
Food Crop	490.7	271.5	18.7%	20.3%	-1.3%	582.5	268.0
Export Crop	23.9	10.9	-37.5%	3.6%	-39.6%	14.9	6.6
Livestock	30.4	21.0	18.7%	12.0%	6.0%	36.1	22.3
Forestry	29.3	11.8	5.7%	3.0%	2.6%	30.9	12.1
Fisheries	5.9	3.2	9.8%	7.0%	2.6%	6.5	3.3
Industry	**235.5**	**162.4**	**20.3%**	**6.4%**	**13.1%**	**283.3**	**183.6**
Mining and quarrying	13.9	8.3	45.5%	3.9%	40.0%	20.2	11.6
Manufacturing	104.4	76.5	13.8%	5.1%	8.7%	118.8	83.1
Of which: Food, beverages, & tobacco	*70.6*	*50.8*	*11.0%*	*5.5%*	*5.2%*	*78.3*	*53.5*
Textiles and clothing	*4.6*	*3.9*	22.9%	*0.3%*	*22.5%*	5.7	*4.8*
Wood, paper and printing	*2.6*	*2.1*	*25.0%*	*1.0%*	*23.7%*	*3.3*	*2.6*
Chemicals, rubber and plastics	*6.0*	*4.7*	*26.6%*	*1.3%*	*25.0%*	*7.6*	*5.8*
Non metallic minerals	*10.2*	*6.8*	*7.1%*	*7.1%*	*0.1%*	*10.9*	*6.8*
Furniture & others	*10.4*	*8.2*	*25.0%*	*5.8%*	*18.1%*	*13.0*	*9.7*
Electricity, gas, & water	13.1	6.2	13.2%	11.1%	1.9%	14.8	6.3
Construction	104.2	70.7	24.4%	7.4%	15.8%	129.6	81.8
Services	**639.4**	**457.8**	**23.8%**	**10.3%**	**12.3%**	**791.7**	**513.9**
Wholesale & retail trade, rest. & hotels	170.3	108.1	16.1%	10.6%	5.0%	197.8	113.6
Of which: Wholesale & retail trade	*158.2*	*98.5*	*15.8%*	*10.2%*	*5.0%*	183.1	*103.4*
Restaurants & hotels	*12.2*	*9.6*	*21.2%*	*15.4%*	*5.0%*	14.7	*10.1*
Transport, storage, communication	79.1	61.7	35.2%	6.9%	26.5%	107.0	78.1
Finance, insurance	75.2	47.6	26.1%	10.2%	14.4%	94.8	54.5
Real estate, business services	120.3	93.8	21.3%	10.2%	10.0%	145.9	103.2
Public administration	93.3	69.3	33.4%	10.2%	21.0%	124.4	83.8
Education	66.2	47.7	18.1%	14.8%	2.9%	78.2	49.1
Health	20.3	16.7	35.0%	7.7%	25.3%	27.4	21.0
Other personal services	14.7	11.3	10.0%	10.2%	-0.2%	16.2	11.3
Adjustments	**97.8**	**56.3**	**8.6%**	**0.8%**	**7.7%**	**106.2**	**60.6**
Less: Imputed bank service charge	-33.0	-22.5	26.1%	10.2%	14.4%	-41.6	-25.7
Plus: Import duties	130.9	78.8	13.0%	3.1%	9.6%	147.9	86.4

Source: Minecofin

Annex B – Rwandan Trade in 2007

Table B1- Exports by Category Jan-June 2006 and Jan-June 2007(million USD)

Product	Jan - June 2006	Jan - June 2007	Percent change
Coffee			
Value in USD	26.0	5.4	-79.2%
Volume in tonnes	12,902	2,791	-78.4%
Price in USD/Kg	2.0	1.9	-5.0%
Tea			
Value in USD	17.2	16.8	-2.3%
Volume in tones	8,818	10,024	13.7%
Price in USD/Kg	2.0	1.7	-15.0%
Cassiterite			
Value in USD	6.1	13.9	127.9%
Volume in tones	1,505	2,162	43.7%
Price in USD/Kg	4.1	6.4	56.1%
Coltan			
Value in USD	5.3	7.1	34.0%
Volume in tones	346	414	19.7%
Price in USD/Kg	15.4	17.2	11.7%
Wolfram			
Value in USD	4.1	10.9	165.9%
Volume in tones	633	1,499	136.8%
Price in USD/Kg	6.4	7.3	14.1%
Hides and skins			
Value in USD	1.1	1.8	63.6%
Volume in tones	605	873	44.2%
Price in USD/Kg	1.8	2.1	16.7%
Pyrethrum			
Value in USD	1.5	1.8	20.0%
Volume in tones	37	30	-18.9%
Price in USD/Kg	40.6	60.0	47.8%
Others			
Value in USD	2.0	6.0	200.0%
Re-export			
Value in USD	4.9	9.4	91.8%
Volume kg	4,280	8,436	97.1%
TOTAL Value	**68.2**	**73.1**	**7.2%**

Source: BNR

Table B2 - Imports by category Jan-Jun 2006 and Jan-June 2007 (millions of USD)

	Jan-June 2007	Jan-June 2006	percent change
Consumer goods			
CIF value in million USD	93.8	72.7	29.2%
Volume in tones	146,279.6	69,502.7	110.5%
Capital goods			
CIF value in million USD	82.1	61.2	34.1%
Volume in tonnes	14,592.8	8,671.1	68.3%
Intermediate goods			
CIF value in million USD	83.7	71.9	16.4%
Volume in tonnes	125,883.1	92,367.9	36.3%
Energy and lubricants			
CIF value in million USD	51.4	45.5	13.0%
Volume in tonnes	85,187.9	79,898.8	6.6%
Total			
CIF value in million USD	**311.1**	**251.2**	**23.8%**
Volume in tonnes	**371,943.3**	**250,440.5**	**48.5%**

Source: BNR

Table B3- Trade balance Jan-June 2006 and Jan-June 2007(million USD)

Jan-June	2007	2006	Percent change
Exports(FOB)	73.1	68.2	7.2%
Imports(CIF)	311.1	251.2	23.8%
Trade balance	**-238.0**	**-183.0**	**30.1%**

Source: BNR

Annex C – Fiscal Performance in 2007

Table C1 - Budget Performance and Financing Summary June-July 2007 (Bln RwF)

	PRGF Jan-June Program 2007	**Actual Jan-Jun 2007**
Revenue and grants	**227.9**	**253.1**
Total revenue	109.3	124.6
Tax revenue	103.0	116.5
Non-tax revenue	6.3	8.1
Budgetary Grants	118.6	128.5
Budgetary grants	93.0	90.5
Capital grants	25.6	38.0
Total expenditure and net lending	**219.9**	**220.2**
Current expenditure	142.6	133.7
Wages and salaries	34.3	37.1
Purchases of goods and services	32.0	31.1
Interest payments	2.5	2.3
Exceptional social expenditure	23.2	19.2
Capital expenditure	67.9	80.1
Domestic	21.8	21.4
Foreign	46.1	58.7
Net lending	9.4	6.4
Domestic Fiscal Balance	**-56.7**	**-30.7**
Overall deficit (payment order)		
Including grants	8.0	32.9
Excluding grants	-110.6	-95.6
Change in arrears (net reduction-)	-3.9	-3.9
Deficit (cash basis)	4.1	29.0
Financing	**-4.1**	**-29.0**
Foreign financing (net)	19.6	18.9
Domestic financing	-23.7	-47.9
Banking system (monetary survey)	-26.7	-56.8
Non bank sector Devt Bonds +CSR+CER	3.0	-1.7

Table C2 - Budget Performance and Financing Summary 2007 (Bln RwF)

	New Revised GoR Proj 2007 Exc. Contingency	Rev IMF Program 2007 Exc. Contingency
Revenue and grants	**474.8**	**433.2**
Total revenue	242.0	226.6
Tax revenue	227.5	214.5
Non-tax revenue	14.5	12.1
Budgetary Grants	232.8	206.6
Normal grants	144.8	144.9
Capital grants	88.0	61.7
Total expenditure and net lending	**506.3**	**464.5**
Current expenditure	316.0	304.7
Wages and salaries	75.2	68.6
Purchases of goods and services	76.2	71.5
Interest payments	9.9	9.9
Transfers	107.4	107.4
Exceptional social expenditure	47.3	47.3
Capital expenditure	179.4	149.4
Domestic	56.8	53.2
Foreign	122.6	96.2
Net lending	10.9	10.4
Domestic Fiscal Balance	**-124.6**	**-124.6**
Overall deficit (payment order)		
Including grants	-31.5	-31.3
Excluding grants	-264.3	-237.9
Change in arrears (net reduction-)	-7.0	-7.0
Deficit (cash basis)	-38.5	-38.3
Financing	**38.5**	**38.3**
Foreign financing (net)	31.0	31.0
Domestic financing	7.5	7.3
Banking system (monetary survey)	0.6	0.5
Non bank sector Devt Bonds +CSR+CER	6.9	6.8

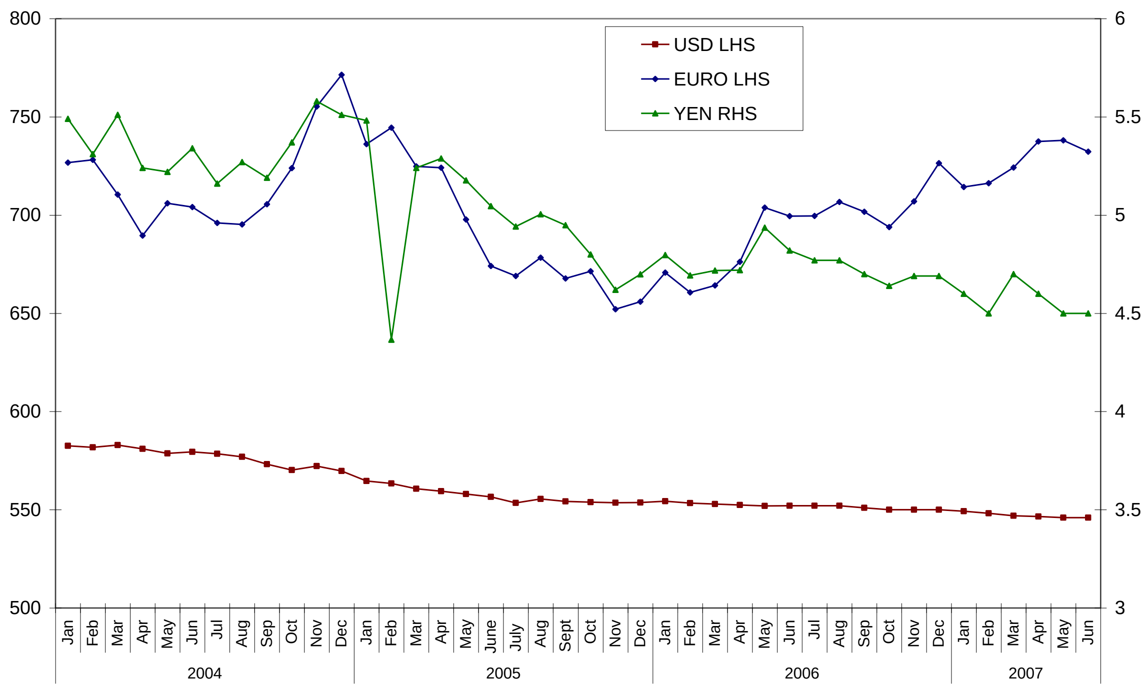
Annex D – Monetary Aggregates

Table D1 - The Monetary Survey (billions of Rwf)

	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Jun-07
Net foreign assets	222.4	264.4	278.8	280.1	285.1	347.6
Net domestic assets	-3.9	-44.3	-41.1	-26.0	0.9	-43.4
Domestic credit	70.8	31.1	43.4	70.8	93.2	53.1
Central government (net)	-61.9	-11.9	-108.1	-87.5	-69.4	-128.7
Autonomous Agencies	-0.5	-0.5	-0.5	-0.9	-0.2	-0.5
Public enterprises	2.2	2.8	2.3	1.4	2.4	1.7
Private sector	131.0	139.7	149.6	157.8	162.2	180.5
Other items net (Assets: +)	-74.7	-75.4	-84.5	-96.8	-92.3	-96.5
Consistency	218.6	220.1	237.6	254.2	286	
Broad money	218.6	220.1	237.6	254.2	286.0	
Currency in circulation	48.3	45.2	51.2	48.0	54.6	54.4
Deposits	170.1	174.9	186.4	206.1	231.3	249.8
of which: demand deposit in Rfw	84.6	83.4	88.1	87.1	103.1	119.6
time deposit Rfw	41.9	45.6	52.3	62.8	69.0	71.8
foreign currency deposits	43.7	45.9	46.1	56.3	59.2	58.5

Source: BNR

Table D2 - Monthly Average Exchange Rate: RwF versus USD, Euro and Japanese Yen.



Source: BNR

Annex E – 2008 Budget Allocations

	Proposed 2008
01 GENERAL PUBLIC SERVICE	**146 111 468 860**
011 EXECUTIVE & LEGISLATIVE ORGANS	11 602 566 904
012 ECONOMIC/ FIN MANAGEMENT & FISCAL AFFAIRS	66 603 859 056
013 EXTERNAL AFFAIRS	11 741 259 876
014 LABOUR & EMPLOYMENT AFFAIRS	7 510 096 315
015 GENERAL SERVICES OF PLANNIFICATION AND STATISTICS	0
016 GENERAL INTRA-GOVERNMENTAL TRANSFERS	37 552 636 705
018 GENERAL PUBLIC SERVICES, N.E.C.	11 101 050 004
02 DEFENCE	**54 134 900 000**
021 MILITARY DEFENSE	38 800 000 000
023 FOREIGN MILITARY COOPERATION	10 000 000 000
024 DEFENSE NEC	5 334 900 000
03 PUBLIC ORDER AND SAFETY	**43 488 910 160**
031 POLICE & SECURITY SERVICES	15 543 509 188
033 LAW COURTS AND GACACA	9 768 378 264
034 PRISONS	13 592 199 913
035 PUBLIC ORDER & SAFETY, N.E.C.	4 584 822 795
04 ENVIRONMENTAL PROTECTION	**7 224 972 030**
041 POLUTION ABATEMENT AND CONTROL	91 500
042 BIODIVERSITY AND LANDSCAPE PROTECTION	3 320 574 372
043 ENVIRONMENTAL PROTECTION N.E.C.	3 904 306 158
05 AGRICULTURE	**26 301 413 631**
051 AGRICULTURAL DEVELOPMENT	19 024 007 107
052 LIVESTOCK AND FISHERIES	3 998 073 709
053 FORESTRY	2 146 285 086
054 AGRICULTURE, LIVESTOCK AND FORESTRY, N.E.C.	1 133 047 729
06 INDUSTRY AND COMMERCE	**11 737 598 782**
061 MINING AND QUARRYING	510 875 301
064 TRADE AND COMMERCE	10 487 529 757
066 CRAFT INDUSTRY	40 000 000
067 INDUSTRIE ET COMMERCE, N.E.C.	699,193,724
07 FUEL AND ENERGY	**42 447 433 504**
072 NATURAL GAZ AND PETROLEUM	0
073 ELECTRICITY	0
074 RENEWABLE & OTHER ENERGY	0
075 FUEL AND ENERGY N.E.C.	42 447 433 504
08 TRANSPORT AND COMMUNICATION	**60 190 472 316**
081 ROAD TRANSPORT	51 398 813 224
83 AIR TRANSPORT	0
84 WATER TRANSPORT	0
86 COMMUNICATION	0
087 BROADCASTING AND PUBLISHING	1 916 836 424
088 TRANSPORT & COMMUNICATION, N.E.C.	1 963 648 344
089 INFORMATION AND COMMUNICATION TECHNOLOGY	4 911 174 324
09 LAND HOUSING & COMMUNITY AMENITIES	**6 530 530 604**
091 HOUSING DEVELOPMENT	1 831 587 000
092 LAND AND COMMUNITY DEVELOPMENT	4 698 943 604
094 LAND, HOUSING & COMMUNITY AMENITIES, N.E.C.	0

10 WATER AND SANITATION	**25 132 431 589**
101 WATER	0
102 WASTE DISPOSAL AND MANAGEMENT	0
103 WATER AND SANITATION, .N.E.C.	25 132 431 589
11 YOUTH CULTURE AND SPORTS	**5 813 306 516**
111 SPORTS AND RECREATIONAL SERVICES	2 950 750 000
112 ART AND CULTURAL SERVICES	615 548 256
113 YOUTH AND OTHER COMMUNITY SERVICES	527 275 392
114 YOUTH, CULTURE AND SPORTS N.E.C.	1 719 732 868
12 HEALTH	**58 635 245 115**
121 PRIMARY HEALTH CARE	41 496 591 665
122 SECONDARY HEALTH CARE	8 407 034 000
123 TERTIARY HEALTH CARE	6 938 302 705
124 HEALTH, N.E.C.	1 793 316 745
13 EDUCATION	**103 242 059 929**
131 PRE-PRIMARY AND PRIMARY EDUCATION	45 163 618 638
132 SECONDARY EDUCATION	27 714 760 265
133 NON FORMAL EDUCATION	550 000 000
134 HIGHER EDUCATION	26 696 220 245
135 SCIENTIFIC & TECHNOLOGICAL RESEARCH	2 038 093 365
136 EDUCATION, N.E.C.	1 079 367 416
14 SOCIAL PROTECTION	**16 608 616 099**
142 GENDER PROTECTION	593 825 530
143 ASSISTANCE TO VULNERABLE GROUPS	16 014 790 569
TOTAL	**607 599 359 135**

Source: MINECOFIN

Annex F – Revised Budget Resource Envelope and Main Expenditures

Billion RwF	2007 Rev Budget	2008 Proj. Budget
Domestic revenue	**242,0**	**277,9**
Tax revenue	227,5	262,6
Non-tax revenue	14,5	15,3
Domestic financing	**16,4**	**20,4**
Sale of treasury bills	15,8	14,9
Use of BNR deposit	0,6	5,5
Grants	**232,8**	**274,1**
Budget support grants	144,8	161,8
Capital grants	88,0	112,3
Loans	**36,4**	**27,1**
Budget loans (inc. OPEC HIPC Loans)	1,9	0,0
Project loans	34,5	27,1
Required Grants	**0,0**	**8,0**
Total resources	**527,6**	**607,5**
Recurrent budget	**330,2**	**365,3**
Wages and salaries	75,2	83,7
Purchases of goods and services	76,2	81,6
Interest payments	9,9	11,2
Amortization	14,2	15,0
Transfers	107,4	129,9
Exceptional expenditure	47,3	43,9
Development budget	**179,4**	**227,0**
Externally financed	122,6	139,4
Domestically financed	56,8	87,6
Net lending	**10,9**	**8,2**
Arrears	**7,0**	**7,0**
Total expenditures	**527,5**	**607,5**

Source: MINECOFIN